

# Annual Report 2007

elektron plc



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## Year in Brief

- Sales up 16% to £26 million following acquisition of Howle Holdings Plc
- Annualised sales from continuing operations of circa £30 million, treble that of four years ago
- Operating profit before exceptional items £1,874,000 (2006: £1,791,000 as restated for the effects of IFRS2 'share-based payments')
- Exceptional items £1,279,000 (2006: £31,000) mainly incurred in relocation of Bulgin operations to Tunisia
- Profit before taxation from continuing activities £513,000 (2006: £1,744,000)
- Proposed final dividend up 14% to 0.4p per share
- Basic earnings per share 0.5p (2006: 1.63p)
- Basic earnings per share before exceptional and discontinued items 1.73p (2006: 1.65p)

## Chairman's Statement

Last year was extremely challenging but we met the targets we set ourselves.

We finalised the offshore transfer of Bulgin production to our plant in Tunisia. After decades of production in Barking the factory closed its doors for the last time in March of this year with all costs fully provided in these accounts. Not so long ago over 300 people were employed by Bulgin in the UK and this number has now reduced by 90% with sales, marketing, technical and administration functions moving to new offices in Romford and warehousing to Arcoelectric's premises in Surrey. £1,249,000 has been incurred this year and is included as an exceptional item in the Group Income Statement.

As might be expected, the project has not been without its difficulties as we sought to replicate the knowledge base held by many long-term employees with new workers in Tunisia. Customer service was adversely affected for a while but is beginning to return to more acceptable levels.

We now employ 500 staff in Tunisia assembling both Bulgin and Arcoelectric branded products and the Bulgin brand continues to perform well.

Arcoelectric was unable to reproduce the results of the very successful previous years since its acquisition in 2003. In particular metal price increases adversely affected margins, as did the weak US Dollar. In the competitive markets served it was

only possible to pass on a small amount of the additional costs to customers.

During the year we acquired the entire share capital of Howle Holdings Plc, a quoted company principally manufacturing tungsten carbide components, for a total consideration, including costs, of £3.1m. In its last published interim results as at 31 March 2006 Howle reported net assets of £5.6m. Since acquisition, four of its five freehold properties have been sold as has the business of a non-core operating subsidiary generating funds of £4.6m of which £2m has been used to repay associated borrowings. Following the acquisition Group continuing sales are running at an annual level of around £30 million which is about three times the level of four years ago.

A fair value review of the assets of Howle has resulted in the net assets being revalued to £3.1m at the date of acquisition. Further non-core assets of Howle are earmarked for disposal.

In the three months from 1 November 2006, the continuing operations of Howle produced an operating profit of £168,000. The core activities of Howle Carbides and Titman Tip Tools have started satisfactorily this year but with signs of better things as sales initiatives begin to impact. Investment in new plant is underway to improve productivity and allow Carbides to attract new customers for higher specification products.

# Chairman's Statement

## Results

Turnover on continuing operations increased to £26,010,000 (2006: £22,467,000).

Gross margins dropped to 35.9% (2006: 37.5%) as the savings from offshore Bulgin manufacturing were countered by increased metal prices and adverse foreign exchange movements.

Operating profit margins, before exceptional items, were 7% compared with 8% the previous year largely as a result of losses on currency translation totalling £220,000 compared with a profit the previous year of £71,000.

Profits before taxation from continuing operations were £513,000 (2006: £1,744,000) after exceptional costs of £1,249,000 incurred in relation to the offshore transfer of Bulgin production to our plant in Tunisia and £30,000 of aborted acquisition costs.

## Balance sheet and cashflow

The purchase of Howle by cash and shares has increased the net assets of the Group but also resulted in an increase in borrowings. Net debt as at 31 January 2007 was £5.6 million which reduced considerably after the year-end following receipt of £4.6 million in relation to the sale of the properties and business referred to above.

In accordance with IFRS, the balance sheet discloses assets and associated liabilities held for sale. This includes the

operations of Richard Lloyd Limited and NPE-Innotek Limited, both subsidiaries of Howle, together with the freehold property from which NPE operated.

The operations and certain assets of NPE were sold in March 2007 for a total consideration of £180,000. The sale of the freehold property and of Richard Lloyd Limited are currently under negotiation and are not expected to have a material impact on the results of the Group in the current year.

Capital expenditure of £446,000 was paid from cash reserves rather than by taking on asset finance and cash of £906,000 was expended on the transfer of operations to Tunisia.

## Earnings per share, dividends and purchase of own shares

Earnings per share, after taking account of the effects of IFRS 2 'share-based payments' were:

- Basic and diluted from continuing operations 0.61p (2006: 1.63p)
- Basic and diluted including discontinued operations 0.5p (2006: 1.63p)
- Basic and diluted from continuing operations excluding exceptional items 1.73p (2006: 1.65p)

The Board is proposing a final dividend of 0.40p per share (2006: 0.35p) payable on 7 September 2007. This represents an increase of 14.3% and reflects the Board's confidence in the business.

## Chairman's Statement

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

### **Future strategy**

As the Group grows it is important to ensure that an appropriate management structure is put in place to take account of the increasing size of the business. In addition, we will soon commence the process of moving away from the different legacy IT systems associated with each brand to one up-to-date manufacturing and reporting system. These will be a focus of the Board over the next 12 months.

Elektron is a manufacturer operating in highly competitive markets and continuing emphasis will be placed on reducing costs.

We continue to develop innovative new products to achieve organic growth with good margins to offset margin erosions from an increasingly competitive world market for our traditional products. For example, we are now successfully promoting intelligent indicators and temperature logging devices through the established distribution channels of our strong Arcoelectric brand.

Whilst it is important that the Board concentrates its immediate efforts in maximising the potential of its existing brands it will continue to be active in searching for and assessing suitable acquisition targets. The Board recognises that Elektron is currently

too small to be of interest to many investors. Consequently the Board's strategy is to continue to grow Elektron principally by acquisition with a medium term target of achieving sales of £100 million.

### **Outlook**

The current year has started satisfactorily with incoming orders similar to that of last year. However, the strength of the US Dollar and high metal prices continue to depress margins in Arcoelectric's North American and European export markets. The Bulgin brand continues to perform well and Howle Carbides sales are showing some growth.

The last few years have been exceptionally profitable for manufacturers of all types and your Board believes that this state of affairs cannot last forever. A harsher business environment will however offer more opportunities for acquisitive companies as businesses get into difficulties. Elektron is a low cost manufacturer and is conservatively financed and the Board believe that it is well placed to take advantage of such opportunities as they arise.



**Adrian Girling**

*Executive Chairman*

10 July 2007

## Directors and Professional Advisers

<b>Directors</b>	<p><b>Adrian C. N. Girling</b>, M.A. Oxon <i>Executive Chairman</i> aged 55, 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.</p> <p><b>Christopher M. Leigh</b>, B.A. (Hons), F.C.A., <i>Group Finance Director</i> aged 47, is a Chartered Accountant with 23 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.</p> <p><b>Keith A. Daley</b>, M.A. Cantab <i>Non-Executive Director</i> aged 52, 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.</p>
<b>Company Secretary</b>	<b>Christopher M. Leigh</b> , B.A. (Hons), F.C.A.
<b>Registered Office</b>	Melville Court Spilsby Road Romford Essex RM3 8SB
<b>Registered in England</b>	No. 448274
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Nominated Adviser &amp; Nominated Broker</b>	Beaumont Cornish Limited 5th Floor 10-12 Cophall Avenue London EC2R 7DE
<b>Auditors</b>	Bright Grahame Murray Chartered Accountants and Registered Auditors 131 Edgware Road London W2 2AP
<b>Bankers</b>	Fortis Bank S.A./N.V. Camomile Court 23 Camomile Street London EC3A 7PP
<b>Solicitors</b>	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 2007.

## Activity

The principal activity of the Group is the design and manufacture of engineered components. The principal operating subsidiaries are listed in Note 14.

## Business review

A review of the Group's trading operations is contained in the Chairman's Statement on pages 2 to 4. We are required by the Companies Act 1985 to include a business review in the Directors' Report 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:

	<b>2007</b>	2006
<b>Gross profit margin</b>		
The ratio of gross profit to sales expressed as a percentage	<b>35.9%</b>	37.5%
<b>Net operating profit % of sales</b>		
The ratio of net operating profit before exceptional items and discontinued operations, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	<b>7.2%</b>	8.0%
<b>Interest cover</b>		
The ratio of operating profit, before exceptional items, to net interest payable on borrowings	<b>23</b>	112
<b>Earnings per share – pence</b>		
The profit after tax but before exceptional and discontinued items divided by the weighted average number of ordinary shares in issue during the year	<b>1.73p</b>	1.65p
<b>Dividend cover</b>		
The ratio of earnings per share before exceptional items and discontinued operations to dividends per share expressed as a multiple	<b>4.3</b>	4.7
<b>Gearing</b>		
The ratio of total borrowings on continuing operations less cash to shareholders' funds expressed as a percentage	<b>63%</b>	0%
<b>Tangible net assets per share</b>		
Tangible net assets divided by the number of ordinary shares in issue at the balance sheet date expressed in pence per share	<b>9.2p</b>	8.3p

## Principal risk and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks and uncertainties. The Directors have set out below principal risks facing the business.

## Competition

The Group sees increasing levels of competition both from suppliers based in low cost countries, and traditional European suppliers struggling to maintain market share by reducing prices. We counter this by continuing to develop innovative new products for niche applications with higher margins and by manufacturing in lower cost locations.



# Report of the Directors

## Metal, oil and carbide prices

A significant amount of the Group's purchases are moulding powders, metal parts and carbide powder and consequently movements in oil, copper, silver and carbide market prices can lead to significant movements in the gross margin. Whilst it is difficult to pass these costs on to customers in the short term, we are confident that our product designs use less than, or at least no more than the same amount of these costly materials in product offerings of our competitors which compete directly.

## Fluctuations in currency exchange rates

A significant amount of the Group's sales are in US Dollars and Euros. We are therefore exposed to foreign currency fluctuations. The Group manages its foreign exchange risk by purchasing materials in matching currencies where possible in order to partially offset this exposure. We do not enter into forward foreign exchange contracts and other derivatives/financial instruments since this would only smooth the short term fluctuations. The longer term strategy to reduce currency risks is to incur greater proportions of Group costs in currencies linked to our sales.

## Control of overseas operations

In order to achieve competitively priced products the Group has manufacturing facilities in Tunisia and China. Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties, taxes and shipping delays. We manage these risks by employing suitably experienced local staff and a UK based team that work closely with the factories. If necessary, the majority of products manufactured at one location could be moved to another location.

## Quality

The components supplied by the Group are frequently critical to the operation of customers' equipment, where consequential losses due to component malfunction may lead to customer costs significantly in excess of the component value. The Group relies on robust terms and conditions excluding consequential losses and rapid response to customer complaints to maintain good working relationships.

## Skills shortages

It is becoming increasingly difficult to find the necessary skills to maintain manufacturing in the UK. Coupled with the continuous improvement in skill levels in offshore countries where we operate, the risks associated with transfer of manufacturing offshore are correspondingly reduced.

## IT Systems

As the Group grows it becomes more complex to manage efficiently with the variety of legacy IT systems. The Group intends to upgrade to modern systems which should lead to efficiency improvements.

## Results and dividends

The profit for the year after taxation was £407,000 (2006: £1,267,000, as restated) and the Directors are recommending the payment of a final dividend of 0.4p per share (2006: 0.35p 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 5 to the financial statements.

## Directors and their interests

The Directors at 31 January 2007 together with their interests in the Company's Ordinary shares of 5p each were:

	At 31 January 2007	At 1 February 2006
<b>Beneficial interests</b>		
A.C.N. Girling	<b>351,562</b>	351,562
C.M. Leigh	<b>84,000</b>	84,000
K.A. Daley	<b>2,460,000</b>	2,460,000
<b>Non-beneficial interests</b>		
C.M. Leigh and A.C.N. Girling	–	364,500

# Report of the Directors

## 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 15.08p.

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 15.08p 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 2007 was 16.5p per share and the range during the year was 13.00p to 18.75p per share

## Share capital

Details of share capital are given in Note 18 to the financial statements.

## Charitable and political donations

The Group made no political contributions or charitable donations 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 creditor days in the year for the Group were 50 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.

## Report of the Directors

(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 9 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;

# Report of the Directors

(ii) *Financial reporting*

It is the Board's responsibility to always present a balanced assessment of the Group's position and prospects. The respective responsibilities of the Directors and the Auditors in connection with these financial statements are explained on pages 11, 12 and 36. 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 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.

### **Post balance sheet event**

On 22 March 2007 the Group disposed of certain assets and the business of NPE-Innotek Limited for a total consideration of £180,000 representing net book value less fair value adjustments made on acquisition. The assets sold comprised all of the fixed assets, stock, goodwill, business information and intellectual property rights. The purchaser also assumed obligations under certain hire purchase agreements. Excluded from the sale were creditors and book debts.

### **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 43 and includes three resolutions relating to special business that allow for:-

- the issue of up to £5,663,000 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 Group'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*

10 July 2007

Melville Court  
Spilsby Road  
Romford  
Essex RM3 8SB

## Statement of Directors' Responsibilities

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. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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.

The Directors 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). The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Parent Company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditors' Report – Group

## To the Members of Elektron Plc

We have audited the Group financial statements of Elektron Plc for the year ended 31 January 2007 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense, and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

We have reported separately on the individual Parent Company financial statements of Elektron Plc for the year ended 31 January 2007.

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

The Directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulations. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the Group financial statements. In addition, we report to you if, in our opinion, the Group 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 Group 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 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 Group 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 IFRSs as adopted by the European Union, of the state of affairs of the Group as at 31 January 2007 and of the profit of the Group for the year then ended, the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulations and the information given in the Directors' Report is consistent with the Group financial statements.

## Bright Grahame Murray

*Chartered Accountants and Registered Auditors*

131 Edgware Road  
London W2 2AP

10 July 2007

## Group Income Statement

Year ended 31 January 2007

	Notes	2007 £'000	2006 As restated £'000
<b>Revenue from continuing operations</b>	3	<b>26,010</b>	22,467
Cost of sales	4	<b>(16,662)</b>	(14,041)
<b>Gross profit</b>		<b>9,348</b>	8,426
Net operating expenses (including exceptional items)	4	<b>(8,753)</b>	(6,666)
Operating profit before exceptional items	5	<b>1,874</b>	1,791
Exceptional items	4	<b>(1,279)</b>	(31)
<b>Operating profit from continuing operations</b>		<b>595</b>	1,760
Finance income		<b>49</b>	66
Finance costs	6	<b>(131)</b>	(82)
<b>Profit before taxation from continuing operations</b>		<b>513</b>	1,744
Taxation on continuing operations	10	<b>(21)</b>	(477)
<b>Profit after taxation from continuing operations</b>		<b>492</b>	1,267
<b>Loss after taxation from discontinued operations</b>	29	<b>(85)</b>	–
<b>Profit attributable to shareholders</b>	19	<b>407</b>	1,267
<b>Earnings per share – basic</b>	12	<b>0.50p</b>	1.63p
– diluted	12	<b>0.50p</b>	1.63p
<b>Earnings per share continuing operations – basic</b>	12	<b>0.61p</b>	1.63p
– diluted	12	<b>0.61p</b>	1.63p

## Group Statement of Recognised Income and Expense

Year ended 31 January 2007

	2007 £'000	2006 £'000
Profit attributable to shareholders	<b>407</b>	1,267
Currency translation differences on foreign currency net investments	<b>(61)</b>	40
<b>Total recognised income for the financial year</b>	<b>346</b>	1,307

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

# Group Balance Sheet

As at 31 January 2007

	Notes	2007 £'000	2006 As restated £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>3,683</b>	2,165
Deferred tax	15	<b>–</b>	89
<b>Total non-current assets</b>		<b><u>3,683</u></b>	<u>2,254</u>
<b>Current assets</b>			
Inventories	16	<b>4,974</b>	3,266
Trade and other receivables	17	<b>10,506</b>	4,585
Cash and cash equivalents		<b>858</b>	1,714
Assets held for sale	29	<b>16,338</b> <b>1,253</b>	9,565 –
<b>Total current assets</b>		<b><u>17,591</u></b>	<u>9,565</u>
<b>Total assets</b>		<b><u>21,274</u></b>	<u>11,819</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Called-up share capital	18	<b>4,336</b>	3,954
Share premium	19	<b>244</b>	244
Merger reserve	19	<b>1,047</b>	–
Capital redemption reserve	19	<b>106</b>	67
Other reserves	19	<b>54</b>	88
Retained earnings	19	<b>2,214</b>	2,213
<b>Total equity</b>		<b><u>8,001</u></b>	<u>6,566</u>
<b>Non-current liabilities</b>			
Long-term borrowings	20	<b>286</b>	–
Long-term provisions	21	<b>251</b>	357
Deferred income tax liabilities	15	<b>63</b>	–
<b>Total non-current liabilities</b>		<b><u>600</u></b>	<u>357</u>
<b>Current liabilities</b>			
Trade and other payables	22	<b>4,609</b>	2,869
Short term borrowings	20	<b>5,385</b>	758
Current portion of long term borrowings	20	<b>225</b>	513
Current tax payable		<b>895</b>	678
Short term provisions	21	<b>500</b>	78
		<b><u>11,614</u></b>	<u>4,896</u>
Liabilities directly associated with assets held for sale	29	<b>1,059</b>	–
<b>Total current liabilities</b>		<b><u>12,673</u></b>	<u>4,896</u>
<b>Total liabilities</b>		<b><u>13,273</u></b>	<u>5,253</u>
<b>Total equity and liabilities</b>		<b><u>21,274</u></b>	<u>11,819</u>

The financial statements were approved by the Board of Directors on 10 July 2007 and were signed on its behalf by:

**A.C.N. Girling** }  
**C.M. Leigh** } *Directors*

The notes on pages 16 to 35 are an integral part of these financial statements.



# Group Cash Flow Statement

Year ended 31 January 2007

	Notes	2007 £'000	2006 £'000
<b>Net cash inflow from operating activities</b>	7	<b>1,454</b>	741
<b>Cash flows from investing activities</b>			
Sale of subsidiaries	29	100	150
Acquisition of subsidiaries	29	(1,655)	–
Purchase of property, plant and equipment		(610)	(546)
Proceeds of sale of property, plant and equipment		4	28
Interest received		49	66
<b>Net cash used in investing activities</b>		<b>(2,112)</b>	(302)
<b>Cash flows from financing activities</b>			
Issue of shares		–	200
Purchase of own shares		(132)	(205)
Movement in long term borrowings		(2,224)	–
Movement in short term borrowings		2,906	529
New capital leases		164	–
Payment of hire purchase and finance liabilities		(638)	(589)
Dividends paid		(274)	(241)
<b>Net cash used in financing activities</b>		<b>(198)</b>	(306)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(856)</b>	133
Cash and cash equivalents at the beginning of period		1,714	1,581
<b>Cash and cash equivalents at the end of period</b>		<b>858</b>	1,714

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

# Notes to the Group Financial Statements

## General Information

Elektron plc and its subsidiaries (together 'the Group') design, manufacture and sell electronic and electro mechanical components to a range of distributors and OEMs. The Group has manufacturing plants in the UK, China and Tunisia and sells its products worldwide. During the year, the Group acquired Howle Holdings plc, the holding company of a group manufacturing tungsten carbide wear products and cutting tools.

These financial statements are presented in £ sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out in note 1.

Elektron is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Melville Court, Spilsby Road, Romford, Essex, RM3 8SB.

## 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:

### (a) Basis of preparation

The consolidated financial statements of Elektron plc have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. Elektron Plc has adopted IFRS for the first time in its consolidated financial statements for the year ended 31 January 2007. Note 2 provides further details.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

The following new Standards and Interpretations have been issued but are not effective for the year ended 31 January 2007, and have not been adopted early, IFRS 7 'Financial Instruments: Disclosures' and the related amendment to IAS 1 on capital disclosures and IFRS 8 'Operating Segments'. It is anticipated that the adoption of these new Standards and Interpretations in future periods will not have a material impact on the measurement of assets and liabilities included in the financial statements or the Group's income and expenses. IFRS 7 is expected to result in additional disclosure about the Group's financial instruments.

### (b) Consolidation

The consolidated financial statements incorporate the financial statements of Elektron Plc, 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 29. Business combinations are accounted for using the purchase method. Balances between Group companies are eliminated and no profit is taken on intra-group sales.

### (c) 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 IFRS 1, goodwill previously capitalised or written off to reserves under UK GAAP is not recycled to the income statement on calculating a gain or loss on disposal.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. The recoverable amount of goodwill is determined by reference to the discounted future cash flows expected to be derived from the cash generating unit to which it is allocated.

Impairment losses are recognised in the income statement.

### (d) Development costs

All costs incurred on research and development are written off to the income statement 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 income statement over a period of up to three years commencing from the date of commercial production of the products concerned.

# Notes to the Group Financial Statements

## I. Accounting policies (continued)

### (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. The carrying value is reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable.

### (f) Inventories

Inventories 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. Cost is calculated using the FIFO method. Net realisable value represents the estimated selling price less all estimated costs to completion.

### (g) Employee benefits

Pensions to employees are provided through defined contribution plans and one defined benefit scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into 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.

Certain employees are members of The Richard Lloyd Group Pension Scheme. In December 1993 the scheme was made paid up meaning that benefits accrue to that date but not thereafter.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and salary.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense. The net deficit is presented with other provisions on the balance sheet, unless it is a liability directly associated within assets held for sale.

### (h) Share-based employee remuneration

In accordance with IFRS 2 'Share-based payment', the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the income statement equal to the fair value of the benefit awarded, fair value being estimated by an independent third party using a proprietary binomial probability valuation model. The expense is recognised in the income statement over the vesting period of the award.

### (i) Leases

In accordance with IAS 17, 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.

# Notes to the Group Financial Statements

## I. Accounting policies (continued)

### (j) 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 'Short term borrowings and overdrafts', 'Long term financial liabilities' and 'Trade and other payables'.

Financial liabilities are recognised when the Group becomes party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance cost' in the income statement.

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

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 income statement.

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.

### (k) 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 share options are exercised.

### (l) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and bank deposits available at less than 24 hours' notice. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

### (m) 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 income statement, any related tax generated is recognised as a component of tax expense in the income statement. Where an item is recognised directly to equity and presented within the consolidated statement of recognised income and expense, any related tax generated is treated similarly.

### (n) Deferred taxation

Deferred taxation is the tax expected to be repayable 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. 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (o) 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 components to industrial markets. Sales of goods are recognised when a Group entity has delivered products to the customer, the manufacturer has full discretion over the use of the components, and there is no unfulfilled obligation that could affect the manufacturer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, 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.

# Notes to the Group Financial Statements

## I. Accounting policies (continued)

### (p) 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 pounds sterling, which is the functional currency of the Company, 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.

### (q) 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. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### (r) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## Notes to the Group Financial Statements

### 2. Transition to International Financial Reporting Standards (IFRS)

The transition from United Kingdom GAAP to IFRS has been made in accordance with IFRS 1 'First-time adoption of International Reporting Standards'.

The Group's consolidated financial statements for the year ended 31 January 2007 and comparatives comply with the presentation and disclosure requirements of IFRS applicable for accounting periods commencing on or after 1 February 2005.

The following reconciliations and notes describe the effects of the transition on the IFRS opening balance sheet as at 1 February 2005 and for the year ended 31 January 2006.

At 1 February 2005	Note	£'000
Total equity under UK GAAP (as previously restated)		5,451
Share based payment		5
		<hr/>
Total equity under IFRS		5,456
		<hr/>
At 31 January 2006		
Total equity under UK GAAP		6,553
Share based payment	2(a)	13
		<hr/>
Total equity under IFRS		6,566
		<hr/>

The following reconciliation describes the effect of the transition for IFRS for the year ended 31 January 2006.

Profit after taxation under UK GAAP	1,286
Share based payments	(19)
	<hr/>
Profit after taxation under IFRS	1,267
	<hr/>

#### (a) Share-based payments

Under IFRS 2, 'Share-based Payments' the cost of employee share schemes is based on the fair value of the awards. Under UK GAAP no such cost was recognised.

#### (b) Cash flow statement

The conversion from UK GAAP to IFRS does not change any of the cashflows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from the UK GAAP cash flow statement.

## Notes to the Group Financial Statements

### 3. Segmental reporting

The Group operates two business segments being electromechanical components and hard metal components which form the primary segment information.

	2007			2006		Total £'000
	Electro mechanical components £'000	Hard metal components £'000	Total £'000	Electro mechanical components £'000	Hard metal components £'000	
Revenue	<b>24,073</b>	<b>1,937</b>	<b>26,010</b>	22,467	–	22,467
Operating profit	<b>1,706</b>	<b>168</b>	<b>1,874</b>	1,791	–	1,791
Exceptional costs	<b>(1,279)</b>	–	<b>(1,279)</b>	(31)	–	(31)
Net finance costs	<b>(24)</b>	<b>(58)</b>	<b>(82)</b>	(16)	–	(16)
Tax expense	<b>(2)</b>	<b>(19)</b>	<b>(21)</b>	(477)	–	(477)
Net results	<b>401</b>	<b>91</b>	<b>492</b>	1,267	–	1,267
Segment assets	<b>13,522</b>	<b>6,499</b>	<b>20,021</b>	11,819	–	11,819
Segment liabilities	<b>5,009</b>	<b>7,205</b>	<b>12,214</b>	5,253	–	5,253
Depreciation	<b>862</b>	<b>157</b>	<b>1,019</b>	902	–	902
Capital expenditure	<b>579</b>	<b>31</b>	<b>610</b>	546	–	546

The Group results based on geographical areas which form the secondary segment information are as follows:

	United Kingdom £'000	Rest of Europe £'000	North America £'000	Rest of World £'000	Total £'000
31 January 2007:					
Turnover	<b>9,666</b>	<b>8,305</b>	<b>3,739</b>	<b>4,300</b>	<b>26,010</b>
Assets	<b>18,655</b>	–	<b>709</b>	<b>657</b>	<b>20,021</b>
Capital Expenditure	<b>423</b>	–	<b>2</b>	<b>185</b>	<b>610</b>
31 January 2006:					
Turnover	7,674	7,399	3,780	3,614	22,467
Assets	10,682	–	805	332	11,819
Capital Expenditure	453	–	1	92	546

Total Group sales revenue of £26,617,000 comprised £26,010,000 from continuing operations and £607,000 from discontinued operations. The revenue from discontinued operations relates to hard metal components sold in the United Kingdom.

### 4. Cost of sales and net operating expenses

	2007		2006	
	Continuing £'000	Discontinued £'000	Continuing £'000	Discontinued £'000
<b>Cost of sales</b>	<b>16,662</b>	<b>443</b>	14,041	–
<b>Net operating expenses</b>				
Distribution costs	<b>2,939</b>	<b>52</b>	2,386	–
Administrative expenses	<b>4,535</b>	<b>163</b>	4,249	–
Operating expenses	<b>7,474</b>	<b>215</b>	6,635	–
Restructuring and other costs	<b>1,279</b>	–	31	–
<b>Net operating expenses</b>	<b>8,753</b>	<b>215</b>	6,666	–

## Notes to the Group Financial Statements

<b>5. Operating profit</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Operating profit is after charging/(crediting):		
Negative goodwill release	<b>(5)</b>	–
Depreciation on owned tangible fixed assets	<b>953</b>	648
Depreciation on tangible fixed assets held under finance leases	<b>66</b>	254
Research and development expenditure		
– current year expenditure	<b>365</b>	396
Operating lease rentals		
– land and buildings	<b>942</b>	803
– plant and machinery	<b>28</b>	11
Auditors' remuneration – audit services	<b>85</b>	69
– tax services	<b>5</b>	28
Loss/(profit) on sale of fixed assets	<b>57</b>	(19)
Restructuring and other costs	<b>1,279</b>	31
Loss/(profit) on foreign currency translation	<b>220</b>	(71)
	<b>–</b>	<b>–</b>

Included within Auditors' remuneration for audit services is £9,000 (2006: £6,000) for the audit of overseas subsidiaries carried out by auditors other than Bright Grahame Murray.

<b>6. Finance costs</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Bank overdrafts and loans wholly repayable within five years	<b>158</b>	32
Finance leases and hire purchase contracts	<b>26</b>	50
	<b>184</b>	82
Attributable to discontinued operations	<b>(53)</b>	–
	<b>131</b>	82

<b>7. Cash flows from operating activities</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Profit before taxation (continuing activities)	<b>513</b>	1,744
Loss before taxation (discontinued activities)	<b>(104)</b>	–
<b>Profit before taxation</b>	<b>409</b>	1,744
Adjustments for:		
Depreciation charge	<b>1,019</b>	902
(Profit)/loss on disposal of fixed assets	<b>57</b>	(19)
Goodwill impairment	<b>(5)</b>	–
Interest receivable	<b>(49)</b>	(66)
Interest payable	<b>184</b>	82
<b>Operating profit before working capital changes</b>	<b>1,615</b>	2,643
(Increase)/decrease in inventories	<b>113</b>	(748)
Increase in trade and other receivables	<b>(14)</b>	(236)
Increase in trade and other payables	<b>17</b>	243
Other non-cash movements	<b>364</b>	(266)
<b>Cash generated from operations</b>	<b>2,095</b>	1,636
Interest paid	<b>(184)</b>	(81)
Taxation paid	<b>(457)</b>	(814)
Net cash inflow from continuing operations	<b>1,553</b>	741
Net cash (outflow) from discontinued operations	<b>(99)</b>	–
<b>Net cash inflow from operating activities (total)</b>	<b>1,454</b>	741



## Notes to the Group Financial Statements

<b>8. Staff information (including Directors)</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Employee costs were:		
Wages and salaries	<b>9,242</b>	7,520
Social security costs	<b>925</b>	713
Other pension costs (Note 25)	<b>270</b>	221
	<b>10,437</b>	8,454

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

	<b>2007</b>	2006
	<b>No.</b>	No.
Administration and sales	<b>130</b>	102
Production	<b>913</b>	716
	<b>1,043</b>	818

<b>9. Directors' remuneration</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Aggregate emoluments	<b>262</b>	247
Bonuses	<b>102</b>	25
Pension contributions	<b>30</b>	28
Sums charged by third parties for directors' services (note 30)	<b>22</b>	21
	<b>416</b>	321

Bonuses are payable by reference to individual Directors' contracts of employment and by reference to performance related targets including acquisitions. Pension contributions are to defined contribution schemes. Two Directors are accruing benefit under a defined contribution scheme (2006: two directors).

The emoluments of the highest paid Director were £191,000 (2006: £145,000) and the Group made pension contributions of £13,000 (2006: £12,000) on his behalf.

## 10. Taxation

<b>(a) (i) Analysis of charge for the period on continuing operations</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Current taxation:		
UK Corporation tax on profit for the period	<b>282</b>	627
Double tax relief	<b>-</b>	(151)
Over provision for prior year	<b>(14)</b>	(7)
Foreign tax on income for the period	<b>58</b>	61
Total current taxation	<b>326</b>	530
Deferred taxation:		
Origination and reversal of timing differences (Note 15)	<b>(305)</b>	(53)
	<b>21</b>	477
<b>(ii) Analysis of charge for the period on discontinued operations</b>		
Current taxation:		
UK Corporation tax on loss for the period	<b>(19)</b>	-
	<b>2</b>	477

## Notes to the Group Financial Statements

### 10. Taxation (continued)

#### (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:

	Tax Rate	2007 £'000	Tax Rate	2006 £'000
Profit before taxation (continuing operations)		513		1,744
Loss before taxation (discontinued operations)		(104)		–
		<u>409</u>		<u>1,744</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	30.0%	123	30.0%	523
Effects of:				
Expenses not deductible for tax purposes	2.9%	12	0.4%	8
Unrecognised deferred tax asset timing differences	11.0%	45	–	–
Effects of overseas tax rates	(39.1)%	(160)	(2.6)%	(46)
Marginal rate relief	(1.0)%	(4)	(0.2)%	(4)
Adjustment in respect of prior periods	(3.3)%	(14)	(0.2)%	(4)
	<u>0.5%</u>	<u>2</u>	<u>27.4%</u>	<u>477</u>

#### (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 (2006: £236,000). The assets in respect of capital losses would be utilised if the Company were to make a capital gain in future periods.

### 11. Dividends paid

	2007 £'000	2006 £'000
Dividend paid of 0.35p per share (2006: 0.30p per share).	<u>274</u>	<u>241</u>

### 12. Earnings per share

Basic earnings per share is based on profit after taxation on all operations of £407,000 (2006: £1,267,000) and 80,689,790 (2006: 77,938,838) ordinary shares of 5p each, being the weighted average number of shares in issue during the year.

For diluted earnings per share the weighted average of number of shares in issue is increased to 80,893,746 (2006: 77,938,838) to reflect the potential dilution effect of employee share schemes.

A normalised earnings per share on continuing operations before exceptional items is disclosed to provide underlying undistorted performance and is calculated as profit after tax from continuing operations of £492,000 plus exceptional items net of tax of £904,000 divided by the weighted average number of shares in issue during the year.

	Basic		Diluted	
	2007 P	2006 P	2007 P	2006 P
Earnings per share	0.50	1.63	0.50	1.63
Earnings per share on continuing operations	0.61	1.63	0.61	1.63
Earnings per share on continuing operations before exceptional items	1.73	1.65	1.72	1.65

## Notes to the Group Financial Statements

### 13. Fixed assets

	Land & buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Equipment, fixtures, fittings and vehicles £'000	Total £'000
<b>Cost or valuation</b>					
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
Currency translation	–	–	–	(13)	(13)
Acquisition of subsidiary	5,060	115	11,581	749	17,505
Additions	–	–	445	165	610
Disposals	(4,685)	–	(432)	(576)	(5,693)
Transfer to assets held for sale	(375)	(30)	(5,421)	(316)	(6,142)
<b>At 31 January 2007</b>	<b>–</b>	<b>88</b>	<b>12,389</b>	<b>1,803</b>	<b>14,280</b>
<b>Depreciation</b>					
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
Currency translation	–	–	–	(2)	(2)
Acquisition of subsidiary	395	113	9,227	714	10,449
Charge for the year	17	3	817	182	1,019
Disposals	(396)	–	(423)	(522)	(1,341)
Transfer to assets held for sale	(16)	(30)	(5,016)	(314)	(5,376)
<b>At 31 January 2007</b>	<b>–</b>	<b>88</b>	<b>9,189</b>	<b>1,320</b>	<b>10,597</b>
<b>Net book value</b>					
At 1 February 2005	–	2	2,128	398	2,528
At 31 January 2006	–	1	1,632	532	2,165
<b>At 31 January 2007</b>	<b>–</b>	<b>–</b>	<b>3,200</b>	<b>483</b>	<b>3,683</b>

The net book value of assets held under finance leases and hire purchase contracts was £1,452,000 (2006: £745,000).

# Notes to the Group Financial Statements

## 14. Investment in subsidiary undertakings

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

<i>Company</i>	<i>Principal activity</i>	<i>Country of Incorporation</i>
Bulgin Components Plc	Design and manufacture of electromechanical components	England
Arcoelectric Limited	Design and manufacture of electromechanical components	England
Arcoelectric Corporation	Sale of electromechanical components	U.S.A.
Arcoelectric Tunisie Sarl	Manufacture of electromechanical components	Tunisia
Arcoelectric Switches (Hong Kong) Ltd	Manufacture of electromechanical components	Hong Kong
Howle Holdings Limited	Intermediate holding company	England
Penyard Industries Limited	Intermediate holding company	England
Titman Tip Tools Limited	Tungsten carbide tipped wood routing tools manufacturer	England
NPE-Innotek Limited	Manufacturer of dies and forming tools	England
Penyard Industries Limited holds 100% of the ordinary share capital of the following companies:		
Howle Carbides Limited	Tungsten carbide hard metal tip and wear parts manufacturer	England
Richard Lloyd Group Limited	A non-trading intermediate parent company whose sole subsidiary is Richard Lloyd Limited	England
Richard Lloyd Limited	Engineers' cutting and milling tool manufacturer	England
Titman Tip Tools Limited holds 100% of the ordinary share capital of the following:		
Titman Tip Tools GmbH	Distributor of wood routing tools	Germany

## 15. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offer current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Deferred tax assets recoverable after more than 12 months	<b>174</b>	89
Deferred tax liabilities recoverable after more than 12 months	<b>(237)</b>	–
Net liabilities	<b>(63)</b>	89

The gross movement on the deferred income tax account is as follows:

	<b>2007</b>	2006
	<b>£'000</b>	£'000
At 1 February	<b>89</b>	31
Change in accounting policy – IFRS 2	<b>–</b>	5
As restated	<b>89</b>	36
Acquisition of subsidiary	<b>(457)</b>	–
Origination and reversal of timing differences	<b>305</b>	53
At 31 January	<b>(63)</b>	89

## Notes to the Group Financial Statements

### 15. Deferred income tax (continued)

	<b>2007</b>	2006
	<b>£'000</b>	£'000
(Accelerated capital allowances)/depreciation in excess of capital allowances	<b>(72)</b>	51
Other timing differences	<b>9</b>	38
<b>Undiscounted (liability)/asset for deferred taxation</b>	<b>(63)</b>	89

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 2008.

### 16. Inventories

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Raw materials	<b>2,240</b>	2,016
Work in progress	<b>1,122</b>	426
Finished goods and goods for resale	<b>1,612</b>	824
	<b>4,974</b>	3,266

### 17. Trade and other receivables

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Trade receivables	<b>5,567</b>	3,979
Other receivables	<b>4,500</b>	270
Prepayments	<b>439</b>	336
	<b>10,506</b>	4,585

Included within other receivables, is an amount of £4,415,000 from Panther Securities Plc, a related party see note 30.

Trade receivables are normally due within 60 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.

### 18. Called-up share capital

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Authorised 200,000,000 (2006: 200,000,000) Ordinary shares of 5p each	<b>10,000</b>	10,000
Allotted, called up and fully paid 86,726,003 (2006: 79,073,102) Ordinary shares of 5p each	<b>4,336</b>	3,954

At 31 January 2007 under the Elektron Plc Executive Share Option Scheme, there were unexercised options on 3,000,000 (2006: 3,250,000) 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 15.03p per share.

During the year 764,500 shares were purchased on-market at a cost of £132,000 and subsequently cancelled and 8,417,401 shares were issued valued at £1,468,000 for the acquisition of Howle Holdings Plc (see note 29).

## Notes to the Group Financial Statements

### 19. Share capital and reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2006	3,954	244	–	67	2	42	2,244	6,553
Changes in accounting policy (see note 2a)	–	–	–	–	44	–	(31)	13
At 1 February 2006 as restated	3,954	244	–	67	46	42	2,213	6,566
Transfer from income and expense account	–	–	–	–	–	–	407	407
Employee share scheme transfer	–	–	–	–	27	–	–	27
Dividends paid on ordinary shares	–	–	–	–	–	–	(274)	(274)
Share purchase	(39)	–	–	39	–	–	(132)	(132)
Share issue	421	–	1,047	–	–	–	–	1,468
Exchange differences	–	–	–	–	–	(61)	–	(61)
<b>At 31 January 2007</b>	<b>4,336</b>	<b>244</b>	<b>1,047</b>	<b>106</b>	<b>73</b>	<b>(19)</b>	<b>2,214</b>	<b>8,001</b>

Other reserves comprise a legal reserve of £2,000 as required by Tunisian law plus reserves arising from the application of IFRS 2, 'Share Based Payments' of £71,000.

The Group has applied the provisions of Section 131 of the Companies Act 1985 and obtained merger relief on the issue of 8,417,401 ordinary shares on the full acquisition of the Howle Holdings Plc (Note 29 (a)). As a result the issue of the shares have been recorded at nominal value and a merger reserve created.

### 20. Borrowings

	2007 £'000	2006 £'000
Bank overdrafts and invoice discounting facilities	3,528	758
Obligations under finance leases and hire purchase contracts	511	513
Bank loans	1,857	–
	<b>5,896</b>	<b>1,271</b>
Short term borrowings	5,385	758
Current portion of long term borrowing	225	513
Long term borrowings	286	–
	<b>5,896</b>	<b>1,271</b>
<b>Analysis of repayments:</b>		
Bank overdrafts and invoice discounting facilities:		
Within one year	3,528	758
Finance leases and hire purchase contracts:		
Within one year	225	513
In two to five years	286	–
	511	513
Bank loans:		
Within one year	1,857	–
In two to five years	–	–
	<b>5,896</b>	<b>1,271</b>

Invoice discounting facilities of £3,528,000 are secured by debentures and fixed charges over certain of the assets of the Group.

Bank loans totalling £2,009,000 are secured by mortgages on certain properties held by Penyard Industries Limited.

Bank overdrafts and invoice discounting facilities attract interest at 1.5% to 1.75% over base rate. Bank loans attract interest at 1.75% to 2% over libor/base rates and at a 6.75% fixed rate.



# Notes to the Group Financial Statements

## 24. Operating lease commitments

At 31 January 2007 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Minimum lease payments:				
Expiring within one year	1,018	742	90	–
Expiring between two and five years	2,531	1,222	72	13
Expiring after five years	1,367	11	–	–
	<b>4,916</b>	1,975	<b>162</b>	13

## 25. Retirement benefit 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 £270,000 (2006: £221,000) and outstanding contributions at the year-end amounted to £21,000 (2006: £32,000).

### (ii) Defined benefit schemes

The Group operated two defined benefit schemes for qualifying employees which have been in winding up for some time and for which full provision has been made for any deficit in prior years' accounts. The Bulgin Components scheme was wound up on 13 October 2006, and the Cirkit Holdings scheme was wound up on 14 May 2007.

The acquisition of Howle Holdings Plc, referred to in note 29, included The Richard Lloyd Group Pension and Assurance Scheme, which is a defined benefit scheme. In December 1993 the scheme was made paid up meaning that no further accrued benefits arose to members after that date.

The last full actuarial valuation of the scheme was carried out by a qualified actuary, as at 5 April 2006 using the projected unit method. This valuation was updated to 31 October 2006, (the date of acquisition), and to 31 January 2007 to provide an IAS 19 valuation.

The amounts recognised in the balance sheet, invested in government bonds with an annualised return of 5% are:

	31 January 2007 £'000	31 October 2006 £'000
Market value of assets	1,802	1,917
Present value of liabilities	(2,020)	(2,140)
Net pension liabilities (note 29 (b))	<b>(218)</b>	(223)

The amounts recognised in the pension statement are:

	2007 £'000	2006 £'000
Expected return on pension scheme assets	23	–
Expected return on pension scheme liabilities	(26)	–
Interest on the obligation	<b>(3)</b>	–



# Notes to the Group Financial Statements

## 25. Retirement benefit schemes (continued)

The movements in the net pension liability and the amount recognised in the balance sheet are:

	£'000
Deficit at 31 October 2006	(223)
Current service cost	–
Pension expense	(3)
Employer contributions	8
	<hr/>
Deficit at 31 January 2007	(218)

The principal actuarial assumptions at the balance sheet date are:

Salary inflation	–
Discount rate	5.3%
Price inflation	3.0%
Expected return on government bonds	5.0%

## 26. (a) 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 below and has not changed since 2006. 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 2007 gross gearing on tangible net assets was 70% (2006: 19%).

Export turnover for the year accounted for 63% (2006: 66%) of sales.

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

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

	2007 £'000	2006 £'000
Sterling accounts	444	945
US Dollar accounts	191	453
Tunisian Dinar accounts	90	56
Euro accounts	78	181
Hong Kong Dollar accounts	20	58
Danish Krone accounts	–	21
Other	35	–
	<hr/>	<hr/>
	<b>858</b>	1,714

## Notes to the Group Financial Statements

### 26. (a) Financial assets and liabilities (continued)

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

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

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

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Floating rate financial liabilities	<b>5,131</b>	1,271
Fixed rate financial liabilities	<b>765</b>	–
	<b><u>5,896</u></b>	<u>1,271</u>

#### (iv) Maturity

The maturity profile is shown in Note 20 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 £713,000 (2006: £1,743,000) which related to invoice discounting facilities repayable on demand in the event of any breaches in the covenants given by the Group.

### (b) 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 2007 the Group had nil commitment under non-cancellable forward contracts (2006: £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, was as follows:

	<b>2007</b>			2006		
	<b>Trade</b>	<b>Trade</b>	<b>Cash and</b>	Trade	Trade	Cash and
	<b>receivables</b>	<b>payables</b>	<b>cash</b>	receivables	payables	cash
	<b>£'000</b>	<b>£'000</b>	<b>equivalents</b>	£'000	£'000	equivalents
			<b>£'000</b>			£'000
US dollar	<b>851</b>	<b>215</b>	<b>191</b>	806	87	453
Euro	<b>674</b>	<b>294</b>	<b>78</b>	657	133	181
Tunisian Dinar	–	–	<b>90</b>	–	–	56
Hong Kong Dollar	<b>15</b>	<b>37</b>	<b>20</b>	9	33	58
Danish Krone	<b>5</b>	–	–	10	1	21
Other	<b>67</b>	<b>33</b>	<b>35</b>	2	44	–
	<b><u>1,612</u></b>	<b><u>579</u></b>	<b><u>414</u></b>	<u>1,484</u>	<u>298</u>	<u>769</u>

## Notes to the Group Financial Statements

<b>27. Reconciliation of net cash inflow to movement in net funds</b>	<b>2007</b>	2006
	<b>£'000</b>	£'000
Decrease in net funds in the year	<b>(3,910)</b>	(396)
Cash (outflow)/inflow from decrease in net debt and lease financing	<b>(2,161)</b>	589
	<hr/>	<hr/>
Change in net funds resulting from cash flows	<b>(6,071)</b>	193
Net funds at 1 February	<b>443</b>	250
	<hr/>	<hr/>
<b>Total net (debt)/funds at 31 January</b>	<b>(5,628)</b>	443
	<hr/>	<hr/>

### 28. 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 £164,000 (2006: £nil) and issued shares for the acquisition of Howle Holdings Plc, details of which are disclosed in Notes 18 and 29.

### 29. Business combinations and disposals

#### (a) Business Combinations

On 1 November 2006, the Group acquired ownership of ninety five percent of the share capital of Howle Holdings plc whose principal activities are the manufacture of engineers cutting tools, tungsten carbide hard metal tips, tungsten carbide tipped wood routing tools and other tungsten carbide wear products.

The acquired business contributed sales revenues, including from assets held for resale, of £2,545,000 and net profit after tax of £6,000. If the acquisition had occurred on 1 February 2006, the sales revenue for the year would have been £10,207,000 and a loss after taxation of £188,000. These amounts have been calculated using Howle Holdings' management information for the pre-acquisition period from 1 February 2006 to 31 October 2006 together with the post-acquisition results. The pre-acquisition results are not considered to be materially different had the fair value adjustments been made at 1 February 2006 and post acquisition depreciation policies been applied to the pre-acquisition period.

Details of the net assets acquired and goodwill are as follows:	£'000
Purchase consideration	
– Cash paid	1,385
– Direct costs relating to acquisition	270
	<hr/>
	1,655
– Fair value of shares issued	1,468
	<hr/>
Total purchase consideration	3,123
Fair value of net assets acquired	3,128
	<hr/>
Negative goodwill – written off	(5)
	<hr/>

The fair value of the shares issued was based on the published share price, from the date the offer was declared unconditional on 23 October 2006 when the share price was 17.5p to the date the remaining minority was compulsorily acquired on 15 December 2006 when the share price was 16.25p.

## Notes to the Group Financial Statements

### 29. Business combinations and disposals (continued)

The assets and liabilities acquired as at 1 November 2006 were as follows:

	Acquirees carrying amount £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	9,192	(2,136)	7,056
Inventory	2,229	(255)	1,974
Trade receivables and other receivables	1,962	–	1,962
Trade and other payables	(2,229)	(113)	(2,342)
Retirement benefit obligations	(223)	–	(223)
Borrowings	(4,761)	–	(4,761)
Corporation tax	(4)	(27)	(31)
Deferred tax	(613)	156	(457)
Provisions	–	(50)	(50)
Net assets acquired	<u>5,553</u>	<u>(2,425)</u>	<u>3,128</u>

The adjustments to fair value arise as a result of valuing assets in accordance with Elektron accounting policies and taking account of the realisable values of certain assets.

#### (b) Disposals

##### (i) Assets held for sale

Certain assets and liabilities of NPE have been presented as held for sale following their sale in March 2007. Also included are assets and liabilities of Richard Lloyd Ltd and the freehold property from which NPE traded following approval by the Group's Board on 30 November 2006 to sell the assets.

(a) <b>Assets classified as held for sale</b>	£'000
Property, plant and equipment	766
Inventory	153
Other receivables	334
	<u>1,253</u>
(b) <b>Liabilities directly associated with assets classified as held for sale</b>	
Long-term borrowings	241
Trade and other payables	250
Short-term borrowings	284
Current portion of long-term borrowings	66
Retirement benefit obligations (note 25)	218
	<u>1,059</u>

# Notes to the Group Financial Statements

## 29. Business combinations and disposals (continued)

(c)	<b>Analysis of the result of discontinued operations</b>	£'000
	Revenue	607
	Expenses	(711)
		<hr/>
	Loss before tax on discontinued operations	(104)
	Tax	19
		<hr/>
	Loss after tax of discontinued operations	<u>(85)</u>
(d)	<b>Cash flow relating to discontinued operations</b>	
	Operating cash flow	(99)
	Investing cash flow	–
	Financing cash flow	99
		<hr/>
	Total cash flow	<u>–</u>
(ii)	<b>Disposal of subsidiaries</b>	
	Milmega Limited was sold to Frameflair Limited as a management buyout on 3 February 2004. The final loan note of £100,000 was repaid during the year.	

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## 30. 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 Ltd, a company of which Mr K.A. Daley is a Director and Shareholder, charged fees of £22,000 (2006: £21,000) during the year in respect of services provided by him as non-executive Director and earned fees of £82,000 in respect of consultancy services.
- (c) On 31 January 2007 the Group exchanged contracts for the sale and leaseback of four freehold properties for a cash consideration of £4,415,000 with annual rentals of £344,000, to Panther Securities Plc, which together with its Chairman Mr. Andrew Perloff and associates, holds 13,260,909 ordinary shares of 5p each in Elektron Plc representing 15.29% of the issued share capital.

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## 31. Post balance sheet event

On 22 March 2007 the Group disposed of certain assets and the business of NPE-Innotek Limited for a total consideration of £180,000 representing net book value less fair value adjustments made on acquisition. The assets sold comprised all of the fixed assets, inventory, goodwill, business information and intellectual property rights. The purchaser also assumed obligations under certain hire purchase agreements. Excluded from the sale were payables and receivables.

# Independent Auditors' Report – Company

## To the Members of Elektron Plc

We have audited the Parent Company financial statements of Elektron Plc for the year ended 31 January 2007 which comprise the Company balance sheet and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

We have reported separately on the Group financial statements of Elektron Plc for the year ended 31 January 2007.

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

The directors' responsibility for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards (UK GAAP) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company 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 Parent Company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the directors' report is consistent with the Parent Company financial statements. In addition we report to you if, in our opinion, 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 is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company 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 Parent Company 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 Parent Company financial statements, and of whether the accounting policies are appropriate to the 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 Parent Company 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 Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Parent Company as at 31 January 2007, the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the Parent Company's financial statements.

## Bright Grahame Murray

*Chartered Accountants and Registered Auditors*

131 Edgware Road  
London W2 2AP

10 July 2007

# Parent Company Balance Sheet

As at 31 January 2007

	Notes	2007 £'000	2006 As restated £'000
<b>Fixed assets</b>			
Tangible assets	3	41	58
Investments in subsidiary undertakings	4	5,143	2,000
		<u>5,184</u>	<u>2,058</u>
<b>Current assets</b>			
Debtors	5	2,609	2,071
Cash at bank and in hand		20	839
		<u>2,629</u>	<u>2,910</u>
<b>Creditors:</b> amounts falling due within one year	6	<u>(1,483)</u>	<u>(269)</u>
<b>Net current assets</b>		<u>1,146</u>	<u>2,641</u>
<b>Total assets less current liabilities</b>			
Provisions for liabilities and charges	7	<u>(18)</u>	<u>(24)</u>
		<u>6,312</u>	<u>4,675</u>
<b>Capital and reserves</b>			
Called up share capital	8	4,336	3,954
Share premium	8	244	244
Merger reserve	8	1,047	–
Capital redemption reserve	8	106	67
Other reserves	8	71	44
Profit and loss account	8	508	366
<b>Shareholders' funds</b>		<u>6,312</u>	<u>4,675</u>

The financial statements were approved by the Board of Directors on 10 July 2007 and were signed on its behalf by:

**A.C.N. Girling** }  
**C.M. Leigh** } *Directors*

The notes on pages 38 to 41 are an integral part of these financial statements.

# Notes to the Parent Company Financial Statements

## 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.

### Tangible fixed assets

The cost of fixed assets is their purchase cost. 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. The estimated useful lives are:

Equipment	3 – 15 years
Motor vehicles	4 years

### Investments

Investments are included at cost net of any provision for impairment.

### 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.

### Accounting for share-based payments

In preparing the financial statements for the current year, the Company has adopted FRS 20 'Share-based payment (IFRS 2)'. Note 13 provides further details.

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## 2. Profit for the financial year

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 £548,000 (2006: profit £603,000).



## Notes to the Parent Company Financial Statements

### 3. Tangible fixed assets

	Equipment and vehicles £'000
<b>Cost</b>	
At 1 February 2006	96
Additions/disposals	–
<b>At 31 January 2007</b>	<b>96</b>
<b>Depreciation</b>	
At 1 February 2006	38
Charge for the year	17
<b>At 31 January 2007</b>	<b>55</b>
<b>Net book value</b>	
<b>At 31 January 2007</b>	<b>41</b>
At 31 January 2006	58

### 4. Investments in subsidiary undertakings

	2007 £'000	2006 £'000
At 1 February	2,000	3,551
Additions	3,143	202
Impairment	–	(1,753)
At 31 January	<b>5,143</b>	<b>2,000</b>

Details of subsidiary companies are given in note 14 of the Notes to the Group Financial Statements.

### 5. Debtors

	2007 £'000	2006 £'000
Amounts owed by subsidiary undertakings	2,465	1,801
Other debtors	5	141
Prepayments	21	8
Corporation tax	79	100
Deferred tax	39	21
	<b>2,609</b>	<b>2,071</b>
<b>Deferred tax:</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 February 2006	21	4
Change in accounting policy	–	13
As restated	21	17
Transfer to profit and loss account	18	4
	<b>39</b>	<b>21</b>
Accelerated capital allowances	2	–
Short term timing differences	37	21
Undiscounted deferred tax asset	<b>39</b>	<b>21</b>

## Notes to the Parent Company Financial Statements

### 6. Creditors: amounts falling due within one year

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Amounts owed to subsidiary undertakings	<b>1,130</b>	95
Other taxes and social security costs	<b>39</b>	18
Other creditors	<b>63</b>	35
Accruals and deferred income	<b>251</b>	121
	<b><u>1,483</u></b>	<u>269</u>

### 7. Provisions

The provision relates to 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.

	£'000
At 1 February 2006	24
Utilised in the year	(6)
<b>At 31 January 2007</b>	<b><u>18</u></b>

### 8. Share capital and reserves

Details of the share capital are given in note 18 of the Notes to the Group Financial Statements.

	<i>Share capital</i>	<i>Share premium</i>	<i>Merger reserve</i>	<i>Capital redemption reserve</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 February 2006	3,954	244	–	67	–	397	4,662
Prior year adjustment (see note 13)	–	–	–	–	44	(31)	13
At 1 February 2006 as restated	3,954	244	–	67	44	366	4,675
Transfer from profit and loss account	–	–	–	–	–	548	548
Employee share scheme transfer	–	–	–	–	27	–	27
Dividends paid on ordinary shares	–	–	–	–	–	(274)	(274)
Share purchase	(39)	–	–	39	–	(132)	(132)
Issue of new shares	421	–	1,047	–	–	–	1,468
<b>At 31 January 2007</b>	<b><u>4,336</u></b>	<b><u>244</u></b>	<b><u>1,047</u></b>	<b><u>106</u></b>	<b><u>71</u></b>	<b><u>508</u></b>	<b><u>6,312</u></b>

# Notes to the Parent Company Financial Statements

## 9. Capital and lease commitments

The company had no capital or lease commitments at 31 January 2007 or at 31 January 2006.

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## 10. Contingent liabilities

The Company has given certain guarantees in respect of invoice discounting arrangements of a subsidiary company up to £300,000 and has guaranteed rental obligations of certain subsidiary companies up to £373,000.

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## 11. Retirement benefit schemes

The Company contributes to or has obligations to contribute to certain defined contribution schemes.

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## 12. Related party transactions

Related party transactions are the same for the Company as for the Group. Details can be found in note 30 of the Notes to the Group Financial Statements.

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## 13. Changes in accounting policy

In preparing the financial statements for the current year, the Company has adopted the FRS 20 'Share-based payment (IFRS 2)'.

FRS 20 'Share-based Payment (IFRS 2)' requires the recognition of equity-settled share-based payments at fair value at the date of the grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 20, the Company did not recognise the financial effect of share-based payments until such payments were settled.

For year ended 31 January 2006, the change in accounting policy has resulted in a net decrease in the profit for the year of £19,000. The balance sheet at 31 January 2006 has been restated to reflect the recognition of a liability for share-based payments by the creation of a share options reserve of £44,000 and an additional deferred tax asset of £13,000.

For the year ended 31 January 2007 the change in accounting policy has resulted in a net charge to the profit and loss account of £19,000. At 31 January 2007, the share options reserve amounted to £71,000, and the related deferred tax asset amounted to £21,000.

## Group Five Year Record

	<b>£'000</b>				
	<b>IFRS</b>	IFRS As restated 2006	UK GAAP As restated 2005	UK GAAP As restated 2004	UK GAAP As restated 2003
	<b>2007</b>				
<b>Turnover – continuing operations</b>	<b>26,010</b>	22,467	22,683	9,334	9,079
<b>– discontinued operations</b>	<b>607</b>	–	333	2,649	5,558
	<b>26,617</b>	22,467	23,016	11,983	14,637
<b>Operating profit/(loss) excluding goodwill, discontinued operations and exceptional items</b>	<b>1,874</b>	1,791	1,653	767	(409)
<b>Profit/(loss) before taxation</b>	<b>513</b>	1,744	2,602	1,605	(3,366)
<b>Shareholders' funds</b>	<b>8,001</b>	6,566	5,451	3,339	960
<b>Earnings/(loss) per share</b>					
<b>– basic</b>	<b>0.50p</b>	1.63p	2.67p	2.42p	(6.18p)
<b>– basic before goodwill, exceptional items and discontinued operations</b>	<b>1.73p</b>	1.65p	1.52p	1.53p	(0.82p)
<b>Proposed dividends per share</b>	<b>0.40p</b>	0.35p	0.30p	Nil	Nil

The figures for 2007 and 2006 are extracted from this Annual Report and thus prepared under IFRS. The figures for 2005, 2004 and 2003 are presented under UK GAAP. The principal differences between UK GAAP and IFRS are described in note 2 of the Notes to the Group Financial Statements.

# 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, Melville Court, Spilsby Road, Romford, Essex, RM3 8SB on Tuesday, 4 September 2007 at 3 p.m for the following purposes:

## Ordinary business

- 1** To receive, consider and adopt the Director's Report and the Group and Parent Company financial statements for the year ended 31 January 2007 and the Auditors' Reports 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 2007 of 0.4 p per Ordinary Share of 5p each in the capital of the Company, be declared payable on 7 September 2007 to shareholders registered at the close of business on 10 August 2007.

## 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 £5,663,000 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(1) 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 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 £216,000; 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.

## Notice of Annual General Meeting

- 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 Ordinary Shares of 5p each in the capital of the Company and to hold any such 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 Ordinary Shares hereby authorised to be purchased is 13,000,000 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 an Ordinary Share is 5p;
- 6.3 the maximum price, exclusive of any expenses, which may be paid for any such Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an 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 5 March 2009 or the close of the next annual general meeting of the Company;
- 6.5 the Company may make a contract for the purchase of 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 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*

10 July 2007

Melville Court, Spilsby Road  
Romford, Essex RM3 8SB

### 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 Processing Centre, Telford Road, Bicester, OX26 4LD as soon as possible and, in any event, so as to arrive not less than forty-eight hours 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.

# Shareholders' Notes

# Shareholders' 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, Melville Court, Spilsby Road, Romford, Essex, RM3 8SB on Tuesday, 4 September 2007 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 £216,000 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 .....2007 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.



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**Telford Road**  
**BICESTER**  
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FIRST FOLD

THIRD FOLD AND TUCK IN

## Investor Information

### Current shareholdings over 3%

Mr. J. Kinder	17.3%
Panther Securities Plc & related parties	15.3%
Trustees of the AF Bulgin Settlements	6.3%
Rathbone Nominees Limited	4.6%
Mr. R.A.R. Bulgin	3.4%
Mr. B. Bridge	3.1%

### Share price listings

Financial Times  
Evening Standard

### Group web-site

[www.elektronplc.com](http://www.elektronplc.com)

### Operating units:

Bulgin Components Plc  
Melville Court, Spilsby Road,  
Romford, Essex  
RM3 8SB  
Tel: +44 (0) 1708 336300  
Fax: +44 (0) 1708 374616  
Web-site [www.bulgin.co.uk](http://www.bulgin.co.uk)

Arcoelectric Limited  
61 Central Avenue  
West Molesey  
Surrey  
KT8 2RF  
Tel: +44 (0) 20 8979 3232  
Fax: +44 (0) 20 8979 2565  
Web-site [www.arcoelectric.co.uk](http://www.arcoelectric.co.uk)

Arcoelectric Tunisie (Sarl)  
13 Rue 62128  
Zone Industrielle Ibn Khaldoun  
Citie Ettahir  
2042 Tunis  
Tunisia  
Tel: +216 71 923 600  
Fax: +216 71 924 142

Arcoelectric Switches (Hong Kong) Limited  
China Factory  
Hua Mei Road  
Huang Ge Keng  
Heng Gang Town  
Long Gang District  
Shenzhen  
China  
Tel: +86 755 2893 1218  
Fax: +86 755 2893 1132

Arcoelectric Corporation  
31 - 315 Plantation Drive  
Thousand Palms  
California  
U.S.A.  
Tel: +41 760 343 3650  
Fax: +41 760 343 3651  
Web-site [www.arcoelectric.com](http://www.arcoelectric.com)

Howle Carbides Limited  
Picts Lane  
Princes Risborough  
Buckinghamshire  
HP27 9EA  
Tel: +44 1844 275171  
Fax: +44 1844 342514  
Web-site [www.howlecarbides.com](http://www.howlecarbides.com)

Titman Tip Tools Ltd  
Valley Road  
Clacton-on-Sea  
Essex  
CO15 6PP  
Tel: +44 1255 220123  
Fax: +44 1255 221421  
Web-site [www.titman.co.uk](http://www.titman.co.uk)

