Annual report and financial statements EA Technology Limited

For the year ended 31 March 2016

Company Registration No 02566313

Company information

Company registration number	02566313
Registered office	Capenhurst Technology Park Capenhurst Chester Cheshire CH1 6ES
Directors	R P Davis (Chief Executive Officer) M W Mathieson (Chairman, resigned 11 June 2015) A V Mullett (resigned 15 April 2015) C Drinkwater N B Harris (resigned 30 September 2016) S C Bowen (resigned 3 December 2015) J Wynne (appointed 25 May 2016) S J Harvey (appointed 24 November 2016)
Secretary	C E Parry
Banker	Handelsbanken AB 2nd Floor Albion House Albion Street Chester CH1 1RQ
Solicitors	Hillyer McKeown Gorse Stacks House George Street Chester CH1 3EQ
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Matters dealt with in Strategic Report

The expected future development of the business, the associated risks and actions to mitigate those risks are described in the Strategic Report.

The Group's activities in the field of research and development are described in the Strategic Report.

Employees

Staff are eligible to participate in the EA Technology Limited (1997) Share Ownership which provides for employees to purchase (and sell) shares in accordance with the rules of the scheme.

Financial risk management objectives and policies

The Group uses various financial instruments; these include cash and various items, such as trade debtors and trade creditors and accruals that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations and to finance its expansion.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably by forecasting cash flows on a regular basis and actively chasing overdue debtors. The risk relating to the Company's defined benefit pension scheme is referred to in the Strategic Report.

Credit risk
The Group's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on Group status and payment history.

Directors' Report

Directors

The membership of the Board is set out below. All served on the Board throughout the year and to the date of this report except as noted below:

R P Davis (Chief Executive Officer)
M W Mathieson (resigned 11 June 2015)
A V Mullett (resigned 15 April 2015)
C Drinkwater
N B Harris (resigned 30 September 2016)
S Bowen (resigned 3 December 2015)
J Wynne (appointed 25 May 2016)
S J Harvey (appointed 24 November 2016)

Directors' indemnity provisions

The Company has secured third-party indemnity insurance for the benefit of the directors.

Directors' responsibilities for the financial statements and disclosure of information to auditors

The directors are responsible for preparing the Strategic Report, the Directors' report and the financial statements in accordance with applicable law and Regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' Report

Independent auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

BY ORDER OF THE BOARD

R. P. Davis

R P Davis
Director

24 April 2017

Strategic report

The directors present their strategic report on the Group for the year ended 31 March 2016.

Principal Activities

The Group provides a portfolio of electricity network support technologies throughout the UK and internationally. Its core business is the provision of technical and business consultancy, technical services products and training to the owners and operators of electricity networks, large energy users and related organisations. International presence has been established through subsidiaries in Singapore, Australia, America and in China, as well as a branch office in the Middle East.

Business review

The Group loss for the year after taxation amounted to £7,382,000 (2015: £256,000 profit). The directors do not recommend the payment of a dividend.

Group turnover from continuing activities decreased by 19% (2015: 11% decrease) compared to the previous year. This was very disappointing compared to initial budgets and plans. The directors consider that this decrease is attributable primarily to a downturn in demand from UK electricity network distribution companies, and the impact of additional competition for the products and services offered by the Group, especially in the overseas markets.

Group Operating Loss from continuing operations for the year of £8,108,000 (2015: £118,000) included exceptional losses in relation to the Group's pension obligation (see note 25). The Group continued to maintain the gross margin however the decline in turnover resulted in an operating loss despite a significant reduction in the overhead costs compared to the previous year. The Group continued to invest in development and innovation as a strategic decision to position the Group to continue to provide innovative high value added offerings to customers in the future.

Employment costs decreased by 20% (2015: 0.9% increase) and average employment cost per employee decreased by 6.3% (2015: 4.6% increase) reflecting no general pay rise for UK staff following the headcount reduction program. Group turnover per employee decreased by 5% (2015: 9%) to £86,800 reflecting the fact that the reduction in turnover was not fully offset by the headcount reduction program.

International sales represented 31% (2015: 34%) of total turnover in the year. The Group continued to struggle to increase the proportion of international sales due to low demand in some regions (Australia), the continuing need to get its capabilities more widely known (America), increased competition in some markets (China and South East Asia), and the difficulties that are sometimes occasioned by operating via distributors in the Middle East.

Net funds decreased by £63,000 (2015: £893,000) and at the year end the Group had cash balances of £1,359,000 (2015: £1,447,000). An overdraft facility of £750,000 from Handelsbanken remains available and is intended to provide a cushion for short term working capital fluctuations.

Group Shareholders' funds of (£99,000) decreased by £6,980,000 attributable largely to the loss for the year including an exceptional £8,000,000 pension adjustment (see notes 19 and 25), adjusted by actuarial losses and foreign currency retranslation differences. The Group also funded the repurchase of shares following the headcount reduction program.

Strategic report

Research & development

The Group continues to invest in the quality and design of its products and services. The directors believe that targeted investment in development is fundamental to the continuing growth of the business. The Group spent approximately 6% (2015: 8%) of turnover on development activity during the year.

Strategic objectives

The Group's long term strategic objectives are focussed on continuing to develop and expand its business in a sustainable manner over the long term through maintaining and enhancing its position as a world leader in products and services which enhance the performance, reliability, safety and cost-efficiency of power assets. This objective is to be achieved by enabling our customers to manage their assets more efficiently, with fewer failures and outages, greater safety and lower costs.

Achievement of those strategic objectives requires continued investment in development allied with an unremitting quest to understand customers' underlying needs and concerns regarding their asset base and network infrastructure together with the diverse regulatory environments within which they operate, and to offer flexible and timely value for money solutions.

Long term value for shareholders can only be realised through achievement of the strategic objectives. In the short term the Group faces significant risks, uncertainties and challenges which need to be overcome to achieve the strategic objectives and thereby deliver long term value for shareholders.

The directors remain committed to developing the Group in accordance with its key values:

- Always act with integrity and trust
- Work as a team
- Foster a culture of innovation
- Respect the individual absolutely
- Develop high quality value added solutions
- Share contribution – share wealth

The strategic objectives are facilitated through the commitment of the Group's staff.

Business environment and outlook and future developments.

The disappointing results acted as a catalyst to reduce the on-going cost base of the Company and allow the Group the opportunity to secure external funds for investment, both of which are significantly impacted by the existence of a defined benefit pension scheme. The Company entered into a Company Voluntary Arrangement ("CVA" hereafter) on 20 March 2017 which legally crystallises the company's liability in respect of the pension scheme liability with effect from 17 April 2017 (due to a 28 day cooling off period). As a result the Company is no longer the sponsoring employer of the scheme and has no further responsibility for the costs and liabilities associated with it, details are included in post balance sheet events (note 25).

Trading has improved during FY17 and the Group will make a profit in the year ending 31 March 2017. The Group continues to face increased competition in many markets which puts pressure on sales and potentially on margins.

The Group implemented an internal reorganisation in FY16 to align the business with its key markets. This focus is driving growth in the UK and overseas and the directors are confident that this will deliver a profitable result in FY17 in line with the Business plans.

Strategic report

The sustainable growth of the business is dependent on retaining and recruiting high calibre staff to support customers both in the UK and overseas. The Group continues to seek further employees with the right skills and values. However, the recruitment of suitably qualified engineering talent remains a challenge, particularly in the UK. The Group intends to invest in developing its product range and customer offering. The ability to finance this investment will necessarily depend on the Group's operational cash flows.

The Group disposed of its associate, Asset Management Academy Limited, on 31 March 2016, realising a profit of £85,000.

Up until 31 March 2016 the significant deficit in the pension scheme was being repaired through a collaborative arrangement between the Company and were Covenantor companies, details of which can be found in the notes to these accounts. The directors were conscious that the Group's ability to secure external funds for investment, to provide a financial return to shareholders, and to incentivise management, staff and potential recruits through the share trading arrangements for employees, was significantly impacted by the existence of a defined benefit pension scheme with statutory protection for on-going accrual of benefits for a number of employees and the restrictions imposed by the Covenantor companies on the use of surplus cash and payment of dividends. The directors have therefore sought an alternative resolution through the CVA (signed on 20 March 2017), the details of which are included in post balance sheet events (note 25) that enables the business to thrive without the undermining constraints effective under the current arrangements.

The CVA also resulted in closing the scheme to future benefit accrual as at 31st March 2017, details are included on post balance sheet events (note 25).

The Pension Protection Fund levy increased to £256,000 in 2015/16. The Pension Protection Fund's basis of determining the levy had changed and the levy increased to £286,000 for 2016/17 and was likely to remain at this elevated level for the foreseeable future while there was a significant deficit. The cost is removed following the CVA, see post balance sheet events for details (note 25).

Up until 20 March 2017 the Company faced legacy industrial injury claims relating to exposure to asbestos in the 1960s and 1970s. This is compromised through the CVA, see post balance sheet events for details (note 25).

The electricity distribution and associated industries in which our customers operate will need to invest increasingly large amounts in forthcoming years to manage asset infrastructure, much of which is increasingly old and employs dated technology, more efficiently and reliably in order to satisfy the needs of their customers and regulators. Consequently, the demand for the Group's products and services is forecast to continue to increase over the medium to long term and, overcoming the shorter term challenges indicated above, will enable the business to grow sustainably and profitably.

Principal risks and uncertainties

Key challenges and risks, together with mitigation activities include the following:

- Ensuring the adequacy of operational cash flow generation – the Board reviews cash flow forecasts on a monthly basis. Although, the Company secured significant funding from the Regional Growth Fund to underpin its investment strategy through 2015/16, future development activity is reliant on operational cash flows. The Company may be liable to repay a proportion of the Grant if it does not meet certain job targets by 2018, this risk has now been mitigated through the CVA details are included in post balance sheet events.
- Increased competition in key markets – investment in development activity aims to maintain the Group's position as a leading supplier of technology and consultancy to the power distribution

Strategic report

business and to protect its reputation as a highly valued independent contributor to customers' efficiency.

- Protection of intellectual property – the Group obtains external legal advice when needed regarding appropriate protection in different markets.
- Recruitment of suitably qualified engineering talent – the Group continues to develop close relationships with universities, other higher education providers and industry associations that train engineers.
- Integration and performance of business units outside the UK – the Group continues to monitor the performance of the subsidiaries through regular reporting of performance to subsidiary boards and the management board meeting.
- Industrial injury claims – the Company is exposed to industrial injury claims and indemnities in respect of such claims. This risk has now been mitigated through the CVA, details are included in post balance sheet events.
- Defined benefit pension scheme – prior to the CVA, the risks included the reliance on continuation of a collaborative arrangement with Covenantors who finance the deficit repair contributions, investment performance of scheme assets and the impact of abnormally low bond yields leading to higher actuarial deficits. In addition, changes to actuarial assumptions indicated that the on-going cost of benefit accrual would increase significantly over the next triennial period and thereafter. Although the defined benefit scheme is closed to new joiners (other than 'protected members' transferring from another ESPS employer where they are a member) a number of employees continued to have a statutory right to future benefit accrual. This has now been mitigated through the CVA, details are included in post balance sheet events(note 25), which compromises the groups liability from the legacy costs and restrictions associated with the defined benefit pension scheme including the cost of ongoing accrual, the magnitude of the Pension Protection Fund levy, the ongoing compliance costs associated with the Electricity Supply Pension Scheme and the restrictions inherent in arrangements with the Covenantors that severely inhibit the Company's ability to raise external debt or equity finance.

BY ORDER OF THE BOARD

R P Davis

R P Davis
Director
24 April 2017

Independent auditor's report to the members of EA Technology Limited

We have audited the financial statements of EA Technology Limited for the year ended 31 March 2016 which comprise the principal accounting policies, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated cash flow statement, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Basis for Qualified Opinion on financial statements
Included in the consolidated and company statements of financial position is a pension liability of £8,000,000. As set out in the pensions note disclosure (note 19) this amount represents the liability calculated in accordance with FRS 102 of £26,523,200 offset by expected contributions from third parties of £18,523,200. The value of the expected contributions from third parties has been derived by reference to the amount at which the company has recently discharged its liability to the pension scheme under the terms of the Company Voluntary Arrangement which the company entered into on 20 March 2017 and which became legally binding on 17 April 2017 (see note 25). In our opinion the contributions from third parties should have been valued by reference to the fair value of the contractual position at 31 March 2016 which was £nil and therefore the net pension liability should be increased by £18,523,200 and profit for the year and retained earnings should be reduced by £18,523,200.

Independent auditor's report to the members of EA Technology Limited

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

24 April 2017

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 24 for an explanation of the transition.

The financial statements are presented in Sterling (£) using round thousands (£'000).

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 9) drawn up to 31 March 2016, except as disclosed in note 8. The results of subsidiary undertakings acquired during the year are included from the date of acquisition. Profits or losses on intra-Group transactions are eliminated in full.

On the acquisition of a subsidiary all of the subsidiary's assets and liabilities which existed at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The results and financial position of foreign subsidiaries are translated into sterling as follows:

a) Assets and liabilities are translated at the closing exchange rate at the balance sheet date.

b) Income and expenses are translated at the average exchange rate for the year.

c) All resulting exchange rate differences are dealt with in the consolidated statement of comprehensive income.

Investments in associates are carried in the consolidated balance sheet at the Group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses. The Group's share of the results is included within the consolidated profit and loss account.

Principal accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. On 20 March 2107 the company entered into a CVA on 20 March 2017 and the 28 day 'cooling off period' means that the terms of the CVA become legally binding on 17 April 2017 (see note 25 for details).

In considering their assessment as to whether the going concern basis of preparing these financial statements is reasonable, the directors have considered the following factors:

- Trading performance during 2015/16 has been below expectations and income has declined.

  Management have responded by:

  - Reducing the committed cost base of the Group including a headcount reduction program at the start of the year. Further non-head count cost reductions continue to be actively sought.

  - Refocussing the EMEA business into four key lines: Smart Interventions, HV 5-9's, Low Voltage Solutions and Power Skills. Each of these is headed by an experienced senior manager with profit and loss responsibility. This refocus is engendering greater responsibility for performance across each business line and early signs are that increased focussed customer engagement is leading to a pick-up in proposals and orders.

  - Deferring pay rises until the Group is trading profitably for at least one quarter.

  - Re-energising the sale processes. An ongoing drive to use the customer relationship management fully and effectively across the business seeks to ensure that all sales opportunities are followed up in a timely manner.

  - Assessing the overall market for the Group's offerings. The Board is reassured by comments from leading customers in the UK Electricity Distribution sector that the lower than expected demand for our services in 2014/15 and 2015/16 was to a large extent a reflection of their focus on the transition in Ofgem's regulatory regime. Those commentators indicate that the UK Electricity Distribution companies' demand for innovative solutions offered by the Group is likely to increase significantly as the second year of the current eight year regulatory cycle commences. Following the CVA the Board can explore further development in new markets.

- Review of forecasts

  The Board is driving an improvement in processes to improve the reliability of forecasting across the business although the level of inherent uncertainty remains high as the size of some of the anticipated contracts is material to the forecasts.

  The reliability of forecasts is dependent on assumptions regarding which contracts will be won and the timing on commencement and delivery.

Principal accounting policies (continued)

Going concern (continued)

Trading forecast are updated monthly. A detailed forecast is prepared for the next three months taking account of both committed orders and an estimate of new orders to be won in period based on an assessment by the business line and regional leaders. A longer term forecast including a cash flow forecast is also prepared utilising information about current and likely trading performance and other costs.

Draft unaudited results indicate the Group will make a profit for the year ended 31 March 2017.

- Consideration of risks to cash flow forecasts

There are a number of risks associated with the reliability of the cash flow forecasts as follows:

- Trading performance, and in particular the securing and/or timing of new orders does not meet expectations. Although the directors consider the expectations to be reasonable there is no assurance that they will be met.

- Historically a judgment has been made against the Company relating to an asbestos related industrial injury claim originating in the 1960s and 1970s. The amount of this claim is approximately £300,000. The Company has not been notified of any other similar claims made directly to the Company but if such claims do materialise a trust has been established as a result of the CVA which will settle any future claims and therefore any risk attached has been substantially reduced.

- At inception of the Company in 1993, it granted an indemnity to the Electricity Association Services Limited (EASL) for industrial injury claims that arose prior to that date in respect of employees that did not continue service after that date with the Company. The Company has received notification from EASL that it has settled a number of such claims amounting to approximately £666,000. Significant time has elapsed since that notification, EASL has not formally invoked the indemnity against the Company and have now entered in to a members voluntary liquidation (MVL). A Trust has been established as part of the CVA and any future claims will be settled by this Trust and therefore this does not represent a threat to the going concern.

- The costs associated with the maintenance of the defined benefit pension scheme are significant. The cost of the Pension Protection Fund levy has increased from £56,000 to £256,000 due to a change in the methodology utilised by the Pension Protection Fund. At 31 March 2016 the Company pays 34.5% of pensionable salary for ongoing benefit accrual for a number of staff, some of who have 'Protected Persons' status embodied in statutory legislation which prevents the Company making changes to mitigate that cost. Prior to the agreement of the CVA the Company was seeking to mitigate the cost of future benefit accrual for other members of the defined benefit pension scheme, if possible with the agreement of the relevant employees. The CVA removes the company as the principal employer of the defined benefit pension scheme which removes the costs post CVA.

- Historically the Company has been reliant on the continued support of the Covenantors to the defined benefit pension scheme. Up until 31 March 2016 the requisite deficit repair payments of £2.6 million per annum were paid to the pension scheme by the Covenantors. That arrangement expired on 31 March 2016. The CVA has crystallised the pension liability and the directors are comfortable that the risk of going concern has been significantly reduced.

Principal accounting policies (continued)

Going concern (continued)

- Financial head-room

  - The Company has a £750,000 overdraft facility with its bankers which is secured by a debenture over the Company's assets including the debtors' book. The overdraft is repayable on demand and the facility can be withdrawn without notice, the directors consider such an eventuality to be unlikely given the security provided by the Company's debtor book.

  - Historically the Group has been unable to secure long term equity or debt funding by external investors or lenders due to the restrictions contained in the historical arrangements with Covenantors to the defined benefit pension scheme. Those arrangements effectively prevented any realisation of profit on their investment by an investor and inhibit the ability to raise debt finance. This has now been removed as a result of the CVA and the company is no longer restricted in its ability to secure equity or debt funding.

  - If appropriate, the directors consider that additional finance could be raised by discounting the debtors' book with a financial institution.

The directors consider that at 31 March 2016 there was a material uncertainty around going concern until the agreement of the CVA. The CVA has significantly reduced the risks associated with the defined benefit pension scheme, Regional Growth fund and the potential for industrial injury claims (including the EASL indemnity) and placed the business on a more secure financial basis. Management have produced forecasts up to FY20 which have been subject to a sensitivity analysis and do not include the upside which would be available should any transaction be considered.

Principal accounting policies (continued)

Significant Judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these significant judgements and estimates have been made include:

- The useful expected lives of intangible and tangible assets
- The valuation of intangible fixed assets
- Defined benefit pension scheme actuarial assumptions
- Stock provisions
- Bad debt provisions

Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. In respect of sales of products, turnover is recognised upon delivery of the goods, and in respect of services, upon completion of those services.

Long-term contracts

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.
Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The period applicable is:

Vehicles, fixtures, fittings, tools and equipment: 3 - 5 years

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life, starting in the year after acquisition, up to a maximum of 5 years.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Principal accounting policies (continued)

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

In respect of the Group's own shares which are held by the EA Technology Limited Employee Share Ownership Trust (ESOT), the consideration paid for the shares is deducted in arriving at shareholders' funds.

Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount, If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Income in advance

Income in advance included in creditors relates to amounts received which relate to future periods. It is credited to the profit and loss account over the life of the project to which it relates.

Stocks and work in progress

Stocks and short term work in progress are stated at the lower of cost and net realisable value. The cost of stock represents the purchase value of the goods and costs to bring it to its current location. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Debtors

Short terms debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including loans, are measured initially at fair value, net of transaction costs and are measure subsequently at amortised cost using the effective interest method.

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the income statement for the period except to the extent that it is attributable to income or expense that is or has been recognised directly in the statement of total comprehensive income.

Principal accounting policies (continued)

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Group 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 when 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. Deferred tax is not subject to discounting.

Retirement benefits

In relation to the Group's defined benefit pension scheme full provision is made for the excess of the present value of the scheme's liabilities over the market value of its assets, net of expected amounts recoverable from third parties.

Contributions to pension schemes

Defined Benefit Scheme
Pension costs relating to the defined benefit scheme are assessed by a qualified actuary using the present values of obligations. The related current service cost and any past service costs are measured in accordance with FRS 102.

Defined Contribution Scheme
The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Research and development

Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is charged in line with the expected income arising from the projects.

Other development expenditure and research expenditure is written off in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Government grants

Government grant assistance of a revenue nature is credited to the profit and loss account in the same period as the related expenditure. Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Warranty provisions

Provisions are made in respect of future warranty claims on the basis of estimated future liabilities, on an undiscounted basis.

Principal accounting policies (continued)

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

i) at fair value with changes recognised in the Profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
ii) at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Consolidated Income Statement

	Note	**2016 £'000**	2015 £'000 Continuing	2015 £'000 Discontinuing	2015 £'000 Total
Turnover	1	**16,322**	20,203	2	20,205
Cost of Sales		**(7,993)**	(9,583)	-	(9,583)
Gross Profit		**8,329**	10,620	2	10,622
Administrative Expenses		**(8,437)**	(10,922)	(15)	(10,937)
Exceptional Costs	1	**(8,000)**	(711)	-	(711)
Other operating income		**-**	908	-	908
Operating (Loss)/Profit		**(8,108)**	(105)	(13)	(118)
Share of operating profits/(losses) of associates		**23**	(24)	-	(24)
		(8,085)	(129)	(13)	(142)
Interest receivable and similar income	2	**19**	530	-	530
Interest payable and similar charges	3	**(890)**	-	-	-
(Loss)/Profit on ordinary activity before taxation	1	**(8,956)**	401	(13)	388
Tax on (loss)/profit on ordinary activities	6	**1,574**	(132)	-	(132)
(Loss)/Profit for the financial year		**(7,382)**	269	(13)	256

All 2016 figures relate to Continuing operations. The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

The accompanying accounting policies and notes on pages 27 to 42 form an integral part of these accounts.

Consolidated Statement of Comprehensive Income

	Note	2016 £'000	2015 £'000
(Loss)/Profit for the financial year		**(7,382)**	256
Currency translation differences on foreign currency net investments		**(26)**	(189)
Re-measurement of defined benefit schemes		**616**	(64)
Total comprehensive (expense)/income for the year		**(6,792)**	3

The accompanying accounting policies and notes on pages 27 to 42 form an integral part of these accounts.

Consolidated statement of financial position

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	7	-	57
Tangible assets	8	**1,102**	1,358
Investments	9	**22**	(52)
		1,124	1,363
Current assets			
Stocks	10	**1,230**	1,365
Debtors	11	**7,554**	7,449
Cash at bank and in hand		**1,359**	1,447
		10,144	10,261
Creditors: amounts falling due within one year	12	**(3,227)**	(4,743)
Net current assets		**6,917**	5,518
Total assets less current liabilities		**8,041**	6,881
Creditors due after more than one year	13	**(8,140)**	-
Net (liabilities)/assets		**(99)**	6,881
Capital and reserves			
Called up share capital	15	**375**	250
Capital redemption reserve		**3,528**	3,528
Retained Earnings		**(3,626)**	3,166
Shares held by ESOT		**(376)**	(63)
Shareholders' funds		**(99)**	6,881

The accompanying accounting policies and notes on pages 27 to 42 form an integral part of these accounts.

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2017, and signed on its behalf by:

R P Davis

R P Davis
Director

Company statement of financial position

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	8	**892**	1,236
Investments	9	**460**	462
		1,352	1,698
Current assets			
Stocks	10	**1,143**	1,167
Debtors	11	**8,384**	7,948
Cash at bank and in hand		**754**	977
		10,281	10,092
Creditors: amounts falling due within one year	12	**(2,917)**	(4,451)
Net current assets		**7,364**	5,641
Total assets less current liabilities		**8,716**	7,339
Creditors due after more than one year	13	**(8,140)**	-
Net (liabilities)/assets		**576**	7,339
Capital and reserves			
Called up share capital	15	**375**	250
Capital redemption reserve		**3,528**	3,528
Retained Earnings		**(2,951)**	3,624
Shares held by ESOT		**(376)**	(63)
Shareholders' funds		**576**	7,339

The accompanying accounting policies and notes on pages 27 to 42 form an integral part of these accounts.

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2017 and signed on its behalf by

R.P Davis

R P Davis
Director

Consolidated cash flow statement

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit for the financial year	(7,382)	256
Adjustments for:		
Share in operating profit of associates	(23)	24
Amortisation	57	55
Depreciation of tangible assets	565	527
Profit on sale of assets	(108)	(42)
Research and development tax credit	(150)	(300)
Interest paid	890	-
Interest received	(19)	(530)
Taxation	(1,574)	132
Movement in provision for defined pension liability	7,955	(179)
Decrease / (increase) in trade and other debtors	1,718	(226)
Decrease / (increase) in stocks	135	(10)
Increase / (decrease) in creditors	(1,685)	80
	379	(213)
Income taxes paid	(26)	(114)
Net cash generated from operating activities	353	(327)
Cash flows from investing activities		
Proceeds from sale of tangible assets	109	49
Proceeds from sale of investment	85	-
Purchases of tangible assets	(393)	(620)
Interest received	19	5
Net cash from investing activities	(180)	(566)
Cash flows from financing activities		
Re-purchase of shares	(188)	-
Re-payment of finance lease obligations	(40)	-
Interest paid	(8)	-
Net cash used in financing activities	(236)	-
Net increase in cash and cash equivalents	(63)	(893)
Foreign exchange translation adjustment	(25)	(189)
Cash and cash equivalents at the beginning of year	1,447	2,529
Cash and cash equivalents at end of year	1,359	1,447

Consolidated statement of changes in equity

	Called-up Share capital £'000	Shares held by ESOT £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
At 1st April 2014	250	(63)	3,528	3,163	6,878
Profit and total comprehensive income for the year	-	-	-	256	256
Foreign exchange translation difference	-	-	-	(189)	(189)
Actuarial losses	-	-	-	(64)	(64)
As at 31st March 2015	250	(63)	3,528	3,166	6,881
Profit and total comprehensive income for the year	-	-	-	(7,382)	(7,382)
Foreign exchange translation difference	-	-	-	(26)	(26)
Actuarial losses	-	-	-	616	616
Issue of shares	125	-	-	-	125
Shares held by ESOT	-	(313)	-	-	(313)
As At 31st March 2016	375	(376)	3,528	(3,626)	(99)

Company statement of changes in equity

	Called-up Share capital £'000	Shares held by ESOT £'000	Capital Redemption £'000	Retained Earnings £'000	Total £'000
At 1 April 2014	250	(63)	3,528	2,396	6,111
Profit and total comprehensive income for the year	-	-	-	1,228	1,228
As at 31st March 2015	250	(63)	3,528	3,624	7,339
Profit and total comprehensive income for the year	-	-	-	(7,191)	(7,191)
Actuarial losses	-	-	-	616	616
Issue of shares	125	-	-	-	125
Shares held by ESOT	-	(313)	-	-	(313)
As At 31st March 2016	375	(376)	3,528	(2,951)	(576)

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the Group's principal activities.

An analysis of turnover by geographical market is given below:

	2016 £'000	2015 £'000
United Kingdom	11,269	13,317
Europe	641	636
North America	980	559
Australasia/other	3,432	5,693
	16,322	20,205

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2016 £'000	2015 £'000
Auditors' remuneration:		
- Audit services	34	33
- Non audit fees	70	70
Depreciation:		
- Tangible fixed assets owned	499	527
Tangible fixed assets on finance agreements	`66	
Amortisation of goodwill	57	55
Operating lease rentals:		
- Land and buildings	316	320
- Other	37	42
(Loss)/profit on sale of fixed assets	(108)	(42)
Decrease in defined benefit pension liability	882	(704)
Grants receivable	-	(908)

During the year the Group also incurred exceptional costs in relation to additional pension costs as follows:

	2016 £	2015 £
Pension costs	8,000	-
Redundancy	-	711
	8,000	711

2 Interest receivable

	2016 £'000	2015 £'000
Interest receivable and similar income	19	5
Interest on pension scheme liabilities (see note 19)	-	525
	19	530

Notes to the financial statements

3 Interest payable

	2016 £'000	2015 £'000
Interest payable	(8)	-
Interest on pension scheme liabilities (see note 19)	(882)	-
	(890)	-

4 Directors and employees

Staff costs during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	7,233	9,290
Social security costs	726	879
Other pension costs	1,403	1,590
	9,362	11,759

The average number of employees of the Group during the year was:

	2016 Number	2015 Number
Managerial	15	16
Technical and scientific	126	140
Administrative and clerical	45	60
Industrial	2	5
	188	221

Remuneration in respect of directors was as follows:

	2016 £'000	2015 £'000
Emoluments	273	393
Pension contributions to money purchase pension schemes	46	73
	319	466

During the year, no directors (2015: one) participated in a defined benefit pension scheme and three (2015: three) in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2016 £	2015 £
Emoluments	145,837	145,626
Pension contributions to money purchase pension schemes	20,217	20,217
	166,054	165,843

Notes to the financial statements

5 Company loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Group profit for the year includes a loss of £(7,191,000) (2015: £1,228,000) which is dealt with in the financial statements of the Company.

6 Tax on profit on ordinary activities

The tax (credit)/charge is based on the profit for the year and represents:

	2016 £'000	2015 £'000
UK Corporation Tax	**-**	-
Adjustments in respect of previous periods	**-**	100
Overseas taxation	**1**	32
Total current tax	**1**	132
Deferred taxation: origination and reversal of timing differences	**(1,502)**	-
Deferred taxation: changes in tax rates	**-**	-
Deferred taxation: adjustments in respect of previous periods	**(73)**	-
Tax on results on ordinary activities	**(1,574)**	132

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2015: 21%). The differences are explained as follows:

Profit on ordinary activities before tax	**(8,958)**	388
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 21%)	**(1,792)**	81
Expenses not deductible for tax purposes	**52**	5
Difference in tax rates	**167**	-
Prior year adjustments	**(73)**	100
Overseas tax differences	**1**	-
Research and development relief	**(67)**	(102)
Profit on sale of investment not taxable	**(17)**	-
Fixed asset differences	**9**	(45)
Pension adjustments	**134**	-
Other permanent differences	**1**	-
Deferred tax not recognised	**11**	
Unrelieved tax losses carried forward		93
Tax on results on ordinary activities	**(1,574)**	132

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2015: £nil).

During the year the UK corporation tax rate was decreased. Following Budget 2015 announcements, there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017.

Notes to the financial statements

7 Intangible fixed assets

The Group

	Goodwill on Consolidation £'000	Total £'000
Cost		
At 1 April 2015 and at 31 March 2016	222	222
Amortisation		
At 1 April 2015	165	165
Provided in the year	57	57
At 31 March 2016	222	222
Net book value at 31 March 2016	-	-
Net book value at 31 March 2015	57	57

8 Tangible fixed assets

The Group

	Vehicles, fixtures, fittings, tools and equipment £'000
Cost	
At 1 April 2015	4,656
Additions	393
Disposals	(481)
At 31 March 2016	**4,568**
Depreciation	
At 1 April 2015	3,298
Provided in the year	565
Disposals	(397)
At 31 March 2016	**3,466**
Net book amount at 31 March 2016	**1,102**
Net book amount at 31 March 2015	1,358

Notes to the financial statements

8 Tangible fixed assets (continued)

The Company

	Vehicles, fixtures, fittings, tools and equipment £'000
Cost	
At 1 April 2015	4,382
Additions	219
Disposals	(457)
At 31 March 2016	**4,144**
Depreciation	
At 1 April 2015	3,146
Provided in the year	490
Disposals	(384)
At 31 March 2016	**3,252**
Net book value at 31 March 2016	**892**
Net book value at 31 March 2015	1,236

9 Fixed asset investments

The Group

	Interest in associates £'000	Other investments £'000	Total £'000
Cost and net book value	**(74)**	**22**	**(52)**
At 1 April 2015			
Additions – share of loss for year	74	-	74
At 31 March 2016	**-**	**22**	**22**

The Group and the company had a 40% interest in Asset Management Academy Limited, a company incorporated in England and Wales. Its activity is professional training. The 40% interest was disposed on 31st March 2016 at a profit of £85,000.

The Company

	Other investments £'000	Shares in Group undertakings £'000	Total £'000
Cost			
At 1 April 2015	22	440	462
Disposals	-	(2)	(2)
At 31 March 2016	**22**	**438**	**460**

The investments represent the cost of shares less amounts written off.

Notes to the financial statements

9 Fixed asset investments (continued)

EA Technology Limited owns shares in the Electricity Pension Trustee Limited, which is responsible for aspects of the management of the Electricity Supply Pension Scheme and is incorporated in England and Wales. The Group owns 22,000 £1 ordinary shares. The acquisition of these shares was funded by a loan of £22,000 from Electricity Pension Trustee Limited, the value of which is shown in other creditors.

EA Technology Limited owns 100% of the ordinary share capital of EA Technology PTY Limited, a company incorporated in Australia.

EA Technology Limited owns 100% of the ordinary share capital of EA Technology North America Inc, a company incorporated in the USA.

EA Technology Limited owns 100% of the ordinary share capital of EA Technology Asset Management Pte Ltd. This company is incorporated in Singapore.

EA Technology Limited owns 100% of the ordinary share capital of EA Technology LLC, a company incorporated in the USA.

EA Technology Limited owns 100% of the ordinary share capital of EA Technology Shanghai Limited, a company incorporated in China.

The transactions have been accounted for using acquisition accounting. The results of the acquired entities have been included from the date of acquisition.

All of the above subsidiaries are included in the consolidated accounts. The accounts for EA Technology LLC and EA Technology Shanghai Limited are drawn up to 31 December. Interim financial statements are prepared for the intervening period.

10 Stocks

	The Group		The Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Finished goods	**386**	748	299	550
Work in progress	**844**	617	844	617
	1,230	1,365	1,143	1,167

Notes to the financial statements

11 Debtors

	The Group 2016 £'000	The Group 2015 £'000	The Company 2016 £'000	The Company 2015 £'000
Trade debtors	**2,907**	5,088	**2,435**	4,570
Other debtors	**131**	352	**79**	296
Amounts due from Group undertakings	-	-	**1,580**	1,259
Amounts due from associate	-	5	-	5
Taxation recoverable	**543**	337	**518**	326
Prepayments and accrued income	**2,355**	1,667	**2,154**	1,492
Deferred tax asset (see note 17)	**1,618**	-	**1,618**	-
	7,554	7,449	**8,384**	7,948

12 Creditors: amounts falling due within one year

	The Group 2016 £'000	The Group 2015 £'000	The Company 2016 £'000	The Company 2015 £'000
Trade creditors and accruals	**1,172**	2,202	**966**	2,020
Income in advance	**736**	1,090	**823**	1,118
Other taxation and social security	**871**	1,009	**696**	813
Other creditors	**388**	442	**372**	421
Lease purchase	**60**	-	**60**	-
Amounts owed to group undertakings	-	-	-	79
	3,227	4,743	**2,917**	4,451

13 Creditors due after more than 1 year

Creditors due after more than 1 year

	The Group 2016 £'000	The Group 2015 £'000	The Company 2016 £'000	The Company 2015 £'000
Lease purchase	**140**	-	**140**	-
Defined benefit pension liability (note 14)	**8,000**	-	**8,000**	-
	8,140	-	**8,140**	-

14 Defined benefit pension liability

The Group and the Company

	2016 £'000	2015 £'000
Brought forward	-	(640)
Losses recognised in income statement	**(8,837)**	704
Gains recognised in statement of comprehensive income	**837**	(64)
Carried forward	**(8,000)**	-

Notes to the financial statements

15 Share Capital

	2016 £'000	2015 £'000
Authorised		
3,750,000 ordinary shares of 10p each	**375**	250
Issued, called up and fully paid		
3,750,000 ordinary shares of 10p each	**375**	250

16 Capital commitments

The Group and the Company do not have any capital commitments outstanding at the end of either year.

17 Deferred taxation

The group

	2016 £'000	2015 £'000
Brought forward	-	-
Additions	-	-
Utilised	-	-
Reversals	-	-
Origination and reversal of timing differences	(1,547)	-
Adjustments in respect of prior periods	(72)	-
Changes in tax rates	-	-
Carried forward	**(1,619)**	**-**

The company

	2016 £'000	2015 £'000
Brought forward	-	-
Additions	-	-
Utilised	-	-
Reversals	-	-
Origination and reversal of timing differences	(1,547)	-
Adjustments in respect of prior periods	(72)	-
Changes in tax rates	-	-
Carried forward	**(1,619)**	**-**

Notes to the financial statements

17 Deferred taxation (continued)

Deferred taxation provided for at 18% (2015: 20%) in the financial statements is set out below:

	The group		The company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Accelerated capital allowance	**43**	-	**43**	-
Short term timing differences	**(1,466)**	-	**(1,466)**	-
Losses	**(82)**	-	**(82)**	-
Research and development	**(114)**	-	**(114)**	
	(1,619)	-	**(1,619)**	-

18 Provisions for other liabilities

The Company received a Regional Growth Fund ("RGF" hereafter) grant of £1,345,950 which was all received by March 2015. The grant was to support experimental development of instruments, software and services to power networks. In connection with the grant the Company had given commitments to create or safeguard a number jobs directly connected with the specified experimental development through to 31 December 2018. Failure to achieve that commitment would entitle the grant provider to recover a proportion of the funding dependent on the shortfall in relevant jobs created or safeguarded. The Company will pay £32,000 in respect of its liability to repay the grant received in accordance with the terms of the CVA (see note 25).

A judgment has been made against the Company relating to an asbestos related industrial injury claim originating in the 1960s and 1970s. No further claims have been made against the company, however the Company will pay £62,000 into a trust fund in accordance with the CVA to fund any future claims (see note 25).

Under an agreement concluded in 1993, the Company has indemnified Electricity Association Services Limited in respect of industrial injury claims from employees of predecessor businesses as described in the accounting policy on going concern. The Company will pay £16,000 into a trust fund in accordance with the CVA (see note 25).

The following amounts are therefore provided within other creditors (note 12):

Regional Growth Fund	**32,000**
Potential Industrial Disease claimants	**62,000**
Electricity Association Services Ltd	**16,000**
	110,000

19 Pensions

As at 31 March 2016, the group operates two pension schemes. All employees in employment prior to 21 October 1997 were eligible to join the EA Technology Group section of the Electricity Supply Pension Scheme ("the Scheme"). Following completion of the management and employee buy-out on that date the Scheme was closed to new entrants other than for certain employees who transfer from other sections of the Scheme on commencement of employment. Employees joining after that date are eligible to join the EA Technology Limited Group Personal Pension Scheme, a defined contribution scheme.

Notes to the financial statements

19 Pensions (continued)

Defined Benefit Scheme
The Scheme provides pension and other related benefits based on final pensionable pay. The assets of the Scheme are held in a separate trustee-administered fund.

The valuation carried out as at 31 March 2013 by Aon Hewitt Limited, using the projected unit fund method, adopted the following actuarial assumptions:

Salary increases	3.2% p.a.
Pension increases	3.1% p.a.
Price inflation	3.2% p.a.

The total market value of the assets as at 31 March 2013 was £65.4 million, with a funding deficiency of £36.4 million. This gave a funding level of 64%. This compares with a funding deficiency of £20.4 million and a funding level of 74% at 31 March 2010.

The deficit has increased due to:

- changes in market conditions;
- the updated mortality assumptions placing a higher value on the Groups liabilities than the basis used at the last valuation.

These factors have been partially offset by additional contributions made in the period.

Following this valuation, the Group, after consultation with the Group Trustees and supported by a succession of Deeds of Contribution which commit 15 large electricity/utility companies "the Contributors" or "the Covenantors") to providing financial support to the Group in relation to the Scheme, has determined the following levels of contributions will be paid to the Scheme with effect from 31 March 2016:

- Contributions of 34.5% of the salaries of the contributing members to cover the cost of future service benefit accrual;
- £2.6 million each year for 12 years from April 2014 to address the shortfall.
- Further contributions and payments as required under the rules of the Scheme, including administration expenses and levies required by the Pension Protection Fund.

The overall impact of the above was to make good the past service funding deficiency of £36.4 million over 12 years from the valuation date, and to meet the full cost of future service benefit accrual.

Contributions paid during the year directly by the Group amounted to £609,000 and contributions under the Deed of Contribution amounted to £2,464,000.

Notes to the financial statements

19 Pensions (continued)

A full actuarial valuation was carried out on 31 March 2013 and updated to 31 March 2016 by a qualified actuary (taking into account the requirements of FRS 102), independent of the scheme's sponsoring employer. Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	31 March 2016	31 March 2015
	%	%
Inflation assumption	**2.9**	3.0
Rate of future salary increases	**2.9**	3.2
Future pension increases	**2.8**	2.8
Discount rate applied to scheme liabilities	**3.5**	3.2

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. Under these assumptions, a member who retires this year aged 63 will live on average for a further 25.3 years after retirement if they are male and for a further 28.4 years after retirement if they are female. A member who retires in 2035 at age 63 will live on average for a further 27.1 years after retirement if they are male and for a further 30.4 years after retirement if they are female.

Reconciliation of present value of plan liabilities:

	2016	2015
	£'000	£'000
Present value of defined benefit obligation	**99,303**	104,320
Fair value of plan assets	**(72,780)**	(76,453)
Deficit	**26,523**	27,865
Element of deficit expected to be financed by contributors	**(18,523)**	(27,865)
Net liability in statement of financial post	**8,000**	-

The actual return on plan assets over the period ending 31 March 2016 was £6,958k.

Defined benefit costs recognised in profit or loss

	2016	2015
	£'000	£'000
Current service cost	**417**	445
Net interest cost	**882**	902
Losses/(gains) due to benefit changes	**148**	-
Defined benefit costs recognised in profit and loss account	**1,447**	1,347

Notes to the financial statements

19 Pensions (continued)

Assets

	2016	2015
	%	%
UK Equities	62	60
Corporate Bonds	11	15
Diversified Growth Funds	15	15
Property	15	15
Cash	9	6
Total assets	3	4
	100%	100%

None of the fair values of the assets shown above include any of the group's own financial instruments or any property occupied by, or other assets used by the group.

Assumptions

	2016	2015
Discount rate	3.4%	3.2%
Salary growth rate	2.9%	3.0%
Average life expectancies male	25.3Yrs	25.2Yrs
Average life expectancies female	28.4Yrs	28.3Yrs

Reconciliation of opening and closing balances of the defined benefit obligation

	2016
	£'000
Defined benefit obligation at start of period	104,320
Current service cost	418
Interest expense	3,267
Contribution by plan participants	84
Actuarial losses/(gains)	(4,290)
Benefits paid	(4,642)
Losses/(gains) due to benefit changes	147
Defined benefit obligation at end of period	99,304

Notes to the financial statements

19 Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2016
	£'000
Fair value of plan assets at start of period	76,455
Interest income	2,385
Return on plan assets in excess of interest income	(4,574)
Contributions by the group	3,072
Contributions by plan participants	84
Benefits paid	(4,642)
Fair value of plan assets at end of period	**72,780**

20 Financial instruments

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Financial assets measured at amortised cost	5,394	7,107	6,248	7,617
Financial liabilities measured at amortised cost	3,167	4,733	2,857	4,451

Financial assets measured at amortised cost comprise trade debtors, prepayments and accrued income, other debtors, amounts due by group undertakings and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank overdrafts utilised, trade creditors, other creditors, accruals and deferred income, bank loans, preference shares treated as debt and loan notes.

Notes to the financial statements

21 Financial risk management

The Group has exposures to three main areas of risk – foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure
The Group is exposed to currency rate risk due to the group's subsidiaries in Australia, China, Singapore and USA. The UK, where possible, trades in GBP to minimise the exposure rise.

Liquidity risk
The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has a £750,000 overdraft facility available.

Customer credit exposure
The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships.

22 Leasing commitments

The Group's future minimum operating lease payments are as follows:

	2016	2015
	£'000	£'000
Within one year	**353**	362
Between one and five years	**1,278**	1,296
Over five years	**2,865**	-

The group's future minimum finance lease payments are as follows:

	2016	2015
	£'000	£'000
Within one year	-	-
Between one and five years	-	-

The company's future minimum finance lease payments are as follows:

	2016	2015
	£'000	£'000
Within one year	60	-
Between one and five years	140	-

Notes to the financial statements

23 Related party transactions

The Group has taken advantage of the exemptions under FRS 102 not to disclose transactions with related parties where these parties have 90% or more of their voting rights controlled within the Group.

24 First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102.

The only differences relate to:

- accruals were not previously provided for holiday pay that was earned but for which the entitlement was expected to be taken in the subsequent financial year. Under FRS 102 the Company is required to accrue for all short-term compensated absences or holiday entitlement earned but not taken at the statement of financial position date.
- the method of calculation of other finance income relating to the defined benefit pension scheme under FRS 102 Section 28 which differs from the previously used under FRS 17.

The 2015 comparatives have therefore been restated to reflect this change and the impact as follows:

Restated consolidated statement of financial position	**31 March 2015** £'000
Original shareholders' funds	7,349
Impact of holiday pay	(222)
Impact of change in calculation of other finance income	(246)
Restated shareholders' funds	6,881

Restated company statement of financial position	**31 March 2015** £'000
Original shareholders' funds	7,807
Impact of holiday pay accrual	(222)
Impact of change in calculation of other finance income	(246)
Restated shareholders' funds	7,339

Notes to the financial statements

25 Post Balance Sheet Events

On 20 March 2017 the company entered into a company voluntary arrangement ("CVA" hereafter) which *inter alia* compromised all costs and liabilities associated with the EA.Technology Group of the Electricity Supply Pension Scheme (the defined benefit pension scheme referred to in note 19, "the scheme" hereafter), the RGF grant (referred to in note 18), the covenantors past pension contribution liability and the industrial disease claims (also described in note 18). Whilst all parties legally approved the CVA on 20 March 2017, a 28 day 'cooling off period' followed which meant that the terms of the CVA became legally binding on 17 April 2017.

The terms of the CVA have the following impact for the company and Group:

a) The company is no longer the sponsoring employer of the scheme and has no further responsibility for the costs and liabilities associated with it;
b) The company will issue and allot 3,602,941 A ordinary shares to the ESPS trustees equating to 49% of the equity share capital of EATL;
c) The company will grant the ESPS trustees an £8,000,000 interest-bearing loan note in respect of pension contributions that would be due, payable on the sooner of 31 March 2021, the completion of the sale of all the share capital of EATL or all of its business, and at the option of EATL out of available cash resources;
d) The company is granted a number of call options at variable dates to acquire back up to 25% of the A ordinary shares;
e) The company agreed with current employees who are members of the scheme to terminate the right to future accrual in return for agreed levels of compensation;
f) The company will pay £62,000 into a trust fund representing the compromised value of the company's best estimate of future liabilities in respect of industrial claimants;
g) The company will provide £32,000 in respect of its likely liability to repay the grant received from the regional growth fund at a compromised amount in accordance with the terms of the CVA
h) The company will pay £16,000 into a trust fund representing the compromised value of the company's best estimate of future liabilities in respect of future liabilities in respect of industrial claimants previously employed by Electricity Association Services Ltd.

We have assessed the terms of the CVA in accordance with FRS 102 guidance on post balance sheet events and have determined that only impacts e) and f) listed above meet the criteria as adjusting post balance sheet events on the basis that they represent updates to judgements on areas which were in place at year end. Accordingly provisions of £110,000 have been recognised in relation to the RGF and potential industrial disease claimants.

Whilst the crystallisation of the company's liability in respect of the pension scheme liability does not qualify as an adjusting post balance sheet event, management have determined that the valuation of the net liability at £8,000,000 seems the most appropriate treatment based on the information available to the entity at the time of finalising the financial statements. In previous years the net liability has been offset to the extent that the covenantors were contractually obligated to reimburse the company for the liability. At 31 March 2015, based on the company's inability to fund the contributions required, the contributions of the covenantors were contractually obliged to offset the liability in total however at 31 March 2016, due to the negotiations in relation to the CVA being ongoing, no extension had been confirmed and therefore the fair value of the third party contributions were £nil. However based on the settlement agreed within the terms of the CVA whereby the company's total obligation is £8m, we know that the contributors continued to accept responsibility for contributions and therefore have used the £8,000,000 settlement figure to derive an estimate of the valuation of the third party contributions at 31 March 2016 (see note 19). This accounting treatment is not in compliance with FRS 102 and the audit report has been qualified in respect of this treatment accordingly.