

# Annual report and financial statements EA Technology Limited

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**For the year ended 31 March 2015**

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**Company Registration No 02566313**

## Company information

<b>Company registration number</b>	02566313
<b>Registered office</b>	Capenhurst Technology Park Capenhurst Chester Cheshire CH1 6ES
<b>Directors</b>	M W Mathieson (Chairman, resigned 11 June 2015) R P Davis (Chief Executive) A V Mullett (resigned 15 April 2015) C Drinkwater N B Harris S C Bowen (resigned 3 December 2015)
<b>Secretary</b>	C E Parry
<b>Banker</b>	Handelsbanken AB 2 <sup>nd</sup> Floor Albion House Albion Street Chester CH1 1RQ
<b>Solicitors</b>	Knights Solicitors LLP The Brampton Newcastle-under-Lyme Staffordshire ST5 0QW
<b>Auditor</b>	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS

## Index

	<b>Page</b>
<b>Report of the directors</b>	3 – 5
<b>Strategic report</b>	6 - 10
<b>Independent auditor's report</b>	11 - 12
<b>Principal accounting policies</b>	13 - 19
<b>Consolidated profit and loss account</b>	20
<b>Consolidated balance sheet</b>	21
<b>Company balance sheet</b>	22
<b>Consolidated cash flow statement</b>	23
<b>Consolidated statement of total recognised gains and losses</b>	24
<b>Notes to the financial statements</b>	25 - 39

## Report of the directors

The directors present their report and the audited financial statements for the year ended 31 March 2015.

### **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 which inter-alia provide that the priority for purchase of such shares as are available is inversely proportional to the shares already held by that employee, thereby encouraging a wide dispersion of shareholdings across the employees. Employee share ownership has been further facilitated through implementation of a tax efficient approved share incentive plan in July 2014.

Employees are provided with regular information on the performance of the business and the financial and economic factors affecting it through business unit, departmental and team meetings as well as all staff meetings at less frequent intervals. Employees are able to raise matters of concern to them through various fora including one-to-one meetings with their direct line manager, a Company Council and through the offices of a trade union. These fora are also used to consult with employees so the Group can take the views of employees into account in making decisions that affect their interests.

### **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.

# Report of the directors

## 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  
M W Mathieson (resigned 1 June 2015)  
A V Mullett (resigned 15 April 2015)  
C Drinkwater  
N B Harris  
S Bowen (resigned 3 December 15)

## 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 Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 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.

## Report of the directors

### 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

A handwritten signature in black ink, appearing to be 'NB Harris', with a stylized flourish at the end.

N B Harris  
Director

22 December 2015

## Strategic report

The directors present their strategic report on the Group for the year ended 31 March 2015.

### 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 profit for the year after taxation amounted to £256,000 (2014: £1,626,000 profit). The directors do not recommend the payment of a dividend.

Group turnover from continuing activities decreased by 11% (2014: 5% increase) 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 occasioned by the transition from Ofgem's previous five year regulatory regime to a new eight year regulatory regime and the impact of additional competition for the products and services offered by the Company.

Group Operating Profit from continuing operations for the year of £606,000 (2014: £1,421,000) represented a significant deterioration. Over the last three years there has not been a clear trend in operating profit. The significant decline in turnover is the principal cause of the reduction in operating profit as gross margins have held up reasonably well. The Group sought to maintain its investment in development and innovation as a strategic decision to ensure the Group was best placed to provide high value added offerings to customers in the future.

Towards the end of the year the directors identified an urgent need to reduce the fixed cost base of the business to better fit with the lower turnover experienced and forecast in the short term. The Group therefore implemented a rigorous cost saving plan over the period March 2015 through June 2015 to reduce both overhead and manpower costs. Annualised overhead cost savings of approximately £400,000 were identified and implementation commenced subsequent to the year end. Management identified the potential to reduce the headcount by 39 people with a focus in increasing the proportion of staff in sales or delivery roles. A formal voluntary severance programme was announced before the year end and implemented in the first quarter of the following year. Approximately £1.5 million of annual payroll savings were implemented with compensation amounting to £7110,000, which has been provided for as an exceptional item in the year ended 31 March 2015.

Excluding the costs of the headcount reduction programme, overall employment costs increased by 0.9% (2014: 3.3%) and average employment cost per employee increased by 4.6% (2014: 1.4%) reflecting a 3% general pay rise for UK staff following a pay freeze in the previous year and increased contributions to the defined benefit pension scheme. Group turnover per employee decreased by 9% (2014: 1.7% increase) to £91,400 reflecting the reduction in turnover and indicating the need for the headcount reduction program.

International sales represented 34% (2014: 40%) of total turnover in the year. The Group has struggled 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), the need for higher calibre management in China, and the difficulties that are sometimes occasioned by operating via distributors in the Middle East.

## Strategic report

Net funds decreased by £ 1,082,000 (2014: £2,575,000 increase) and at the year end the Group had cash balances of £1,447,000 (2014: £2,575,000). 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 £6,881,000 increased by £3,000 during the year as the profit for the year was offset by actuarial losses and foreign currency retranslation differences that flow through the Statement of Total Recognised Gains and Losses.

### 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 8% (2014: 6%) of turnover on development activity during the year.

The Group recognised the remaining £908,000 of the £1,346,000 Regional Growth Fund grant which was awarded in the year ended 31 March 2014.

### 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. That commitment is underpinned by operating as an employee owned business in which the majority of employees own a stake and the open channels of communication with all staff.

### Business environment and outlook and future developments.

Trading has remained subdued during most of calendar 2015 although tentative sign of an improvement in calendar 2016 are now being felt. The Group is likely to make a loss in the year ending 31 March 2016. In the UK, the end of the current regulatory regime in the electricity industry in 2014 has caused key customers to defer significant investment. It is now anticipated that this will not pick up until 2016. The



## Strategic report

Group continues to face increased competition in many markets which puts pressure on sales and potentially on margins. Foreign exchange fluctuations have a significant impact on competitiveness and margins in certain regions. The costs of the defined benefit pension scheme are likely to remain a significant drag on profitability and necessitate the diversion of significant management time from its focus on key operational and strategic matters for the business. The exposure to legacy industrial injury claims from the 1960s and 1970s despite the evidence of a high standard and culture of health and safety that has continued from those times also represents a significant risk to the level of profitability.

Since the year end, the Group has implemented an internal reorganisation in the EMEA region to better align the business with its key markets. The region now operates through four business lines with a different customer proposition focus: Smart Interventions which provides strategic services to enable customers to operate their networks more efficiently in the medium term; HV5-9's which provides customers with products and services to ensure the ongoing reliability of their high voltage networks, Low Voltage Solutions which replicates the Group's acknowledged expertise with high voltage distribution networks into low voltage distribution networks where there is huge capacity to provide operators with cost effective solutions to minimise regulatory penalties and maximise regulatory incentives as well as minimising operating costs; and PowerSkills, an acknowledged leader in providing training services for both formal qualification and continued professional development to the power engineering industry. Each of these business lines is headed by an experienced executive with profit and loss responsibility. Together with the higher proportion of staff now in sales and delivery roles, the directors believe this will generate greater market responsiveness thereby positioning the Group for higher income in the year commencing 1 April 2016.

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 Board continues to explore alternative arrangements for the Asia Pacific region so as to minimise the financial risks associated with operations in the region while continuing to share in the upside of performance.

The Group's associate, Asset Management Academy Limited began to trade profitably during the year ended 31 March 2016.

The significant deficit in the pension scheme is being repaired through a collaborative arrangement between the Company and the Covenantor companies, details of which can be found in the notes to these accounts. The directors are 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, is 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 continue to seek alternative resolutions that enables the business to thrive without the undermining constraints effective under the current arrangements.

The Company's contribution to ongoing benefit accrual in the defined benefit pension scheme is likely to increase further from 34.5% of salary for relevant employees following the actuarial valuation as at 31 March 2016, which would represent a significant additional cost for the year ended 31 March 2017. The Company has concluded a formal consultation with active members of the pension scheme to mitigate the high cost and associated financial risk and intends that proposals will formally be put to the relevant group of members in early 2016.

## Strategic report

The Company successfully reduced the costs of its Pension Protection Fund levy from £186,000 for the year ended 31 March 2013 to £56,000 for the year ended 31 March 2015 by focussing on improving the metrics that drive the calculation of the levy. Unfortunately, The Pension Protection Fund's basis of determining the levy for 2015/16 and subsequent years has changed significantly and the levy increased to £256,000 for 2015/16 and is likely to remain at this elevated level for the foreseeable future while there is a significant deficit. The directors are disappointed that the Pension Protection Fund is unable to recognise the commercial reality that the major part of the deficit is in respect of Protected Persons whose pension rights are guaranteed by the Covenantor companies and therefore that the risk that the Pension Protection Fund becomes responsible for the deficit is remote.

The Company faces legacy industrial injury claims relating to exposure to asbestos in the 1960s and 1970s as described in the accounting policy on going concern. The directors are disappointed that the courts appear to place the burden of proof on the defendant in such cases and that even where the Company can demonstrate that it had a health and safety culture in excess of regulatory requirements at those times including policies and procedures regarding the handling of asbestos, the courts are still liable to find against the employer and award considerable damages despite evidence that any exposure in excess of the norms applicable at the time was likely to be occasioned by the injured employee not complying with the Company's health and safety policies and procedures, particularly when working at customer premises away from the Capenhurst site.

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.

The Company secured its tenancy of the Capenhurst premises by entering a new fifteen year lease in April 2015.

### 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 as explained in the notes to the financial statements.
- 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 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.
- Trading in certain regions remains poor - there is a risk that amounts advanced to subsidiary companies may not be recoverable if trading deteriorates in the relevant regions. Nevertheless, when account is taken of transfer prices used for selling to them, the subsidiaries make a positive contribution to Group profit. The Group therefore intends to explore the best structure for securing that contribution in certain regions while minimising the financial risk to the Group.

## Strategic report

- Industrial injury claims – the Company is exposed to industrial injury claims and indemnities in respect of such claims as described in the accounting policy on going concern.
- Defined benefit pension scheme – risks include the reliance on continuation of 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 indicate that the on-going cost of benefit accrual will 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 have a statutory right to future benefit accrual. The Group continues to explore how the business can be freed up 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



N B Harris  
Director  
22 December 2015



## 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 2015 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses 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).

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 pages 6 and 7, 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](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion 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 2015 and of the group's profit 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 Report of the directors and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the members of EA Technology Limited (continued)

### **Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on pages 13 to 16 of the financial statements concerning the Group's ability to continue as a going concern. The Group has restructured during the year and is likely to make a loss during the year ended 31 March 2016. These conditions, along with the other uncertainties explained in that note to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### **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

22 December 2015

## Principal accounting policies (continued)

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

The principal accounting policies of the Group, which are set out below, have remained unchanged from the previous year.

### **Basis of consolidation**

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 8) drawn up to 31 March 2015, 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 statement of total recognised gains and losses.

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.

### **Going concern**

The financial statements have been prepared on a going concern basis.

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.

## Principal accounting policies (continued)

### Going concern (continued)

- 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.

- 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.

Trading forecasts 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.

Current projections indicate the Group will make a loss for the year ended 31 March 2016. Due to the lack of access to external finance such losses cannot be sustained for an extended period. Nevertheless, forecasts indicate that the Group's cash balances will remain positive throughout the next year other than occasional temporary utilisation of its overdraft facility.

- 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.

- Preliminary 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 plus costs and interest. Provision is carried in the balance against the directors' assessment of the likely value of settlement. The Company has not been notified of any other similar claims made directly to the Company but if such claims do materialise and / or if the actual settlement of the current claim is higher than estimated, the going concern assumption might no longer be appropriate depending on the number and quantum of the associated liability.

## Principal accounting policies (continued)

### **Going concern (continued)**

- 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 the directors' assessment is that EASL is unlikely to do so. Should EASL proceed to invoke the indemnity this would represent a significant threat to the Company's financial headroom and depending on the trading performance would therefore represent a significant threat to the going concern assumption.

- The cost of 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. The Company currently 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. The Company is 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 next actuarial valuation will be at 31 March 2016 and is likely to lead to a higher rate of contribution for future benefit accrual although this will not apply until April 2017. Further increases in statutory costs and levies, the costs of maintaining the scheme or the cost of future benefit accrual pose a threat to the reliability of the cash flow forecasts and could undermine the validity of the going concern assumption.

- The Company is reliant on the continued support of the Covenantors to the defined benefit pension scheme. Under the current arrangements the requisite deficit repair payments of £2.6 million per annum are paid to the pension scheme by the Covenantors. That arrangement expires on 31 March 2016 and a revised deficit repair arrangement will need to be agreed following the actuarial valuation at that date. The directors are in receipt of communication from the Covenantors that they are willing to enter into a similar arrangement going forwards. Given that the current arrangement is the latest in a series of similar arrangement whereby deficit repair payments have been funded by Covenantors since 2005, the directors consider it reasonable to rely on the Covenantors continuing to do so for the purpose of assessing the going concern assumption.

- **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. In common with normal practice, 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.



## Principal accounting policies (continued)

### **Going concern (continued)**

- The Group is unable to secure long term equity or debt funding by external investors or lenders due to the restrictions contained in the arrangements with Covenantors to the defined benefit pension scheme. Those arrangements effectively prevent any realisation of profit on their investment by an investor and inhibit the ability to raise debt finance.- If appropriate, the directors consider that additional finance could be raised by discounting the debtors' book with a financial institution.

The directors consider that while there are a number of significant risks to the going concern assumption as indicated above, taking account of the forecasts and the financial headroom, there remains a reasonable basis for the going concern assumption. Were the going concern assumption to provide invalid the Group's and the Company's balance sheet and liquidity position would be very different: in particular intangible fixed assets, tangible fixed assets and stock would be likely to realise considerably less than their balance sheet values, it may be difficult to recover debtors, contingent liabilities including the Regional Growth Fund grant and the full buy-out cost of the pension deficit would crystallise. In such a scenario it is unlikely that creditors could be repaid the full amounts due to them. The directors are taking professional advice as to how the legacy issues relating to the defined benefit pension scheme and the potential for industrial injury claims (including the EASL indemnity) can be alleviated so as to place the business on a more secure financial basis.

### **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

## Principal accounting policies (continued)

### **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.

### **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.

### **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, after making allowance for obsolete and slow moving items.

### **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 profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

### **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.

## Principal accounting policies (continued)

### **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 using the projected unit credit method, in accordance with Financial Reporting Standard No. 17, Retirement benefits.

#### **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**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

## Consolidated profit and loss account

	Note	2015 £'000	2015 £'000	2014 £'000
<b>Turnover:</b>				
Continuing	1	20,203		22,615
Discontinued	1	<u>2</u>		<u>-</u>
			20,205	22,615
Staff costs	3		(11,759)	(11,651)
Other operating costs			(8,179)	(9,448)
Depreciation	7		(527)	(488)
Amortisation	6		(55)	(55)
Other operating income	1		<u>908</u>	<u>437</u>
<b>Group operating profit:</b>				
Continuing		606		1,421
Discontinued		<u>(13)</u>		<u>(11)</u>
			593	1,410
Share of operating loss in associates	8		(24)	(50)
Costs of a fundamental reorganisation	1		<u>(711)</u>	<u>-</u>
<b>Profit on ordinary activities before finance charges</b>			(142)	1,360
Net interest	2		<u>530</u>	<u>411</u>
<b>Profit on ordinary activities before taxation</b>	1		388	1,771
Tax on profit on ordinary activities	5		(132)	(145)
			<u></u>	<u></u>
<b>Profit for the financial year</b>	14		<u>256</u>	<u>1,626</u>

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 form an integral part of these accounts.

## Consolidated balance sheet

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Intangible assets	6	57	112
Tangible assets	7	1,358	1,272
Investments	8	(52)	(28)
		<u>1,363</u>	<u>1,356</u>
<b>Current assets</b>			
Stocks	9	1,365	1,355
Debtors	10	7,449	7,142
Cash at bank and in hand		1,447	2,575
		<u>10,261</u>	<u>11,072</u>
<b>Creditors: amounts falling due within one year</b>			
Income in advance		(1,090)	(1,430)
Creditors and accruals	11	(3,653)	(3,480)
		<u>(4,743)</u>	<u>(4,910)</u>
<b>Net current assets</b>		<u>5,518</u>	<u>6,162</u>
<b>Total assets less current liabilities</b>		<b>6,881</b>	<b>7,518</b>
<b>Provisions for defined benefit pension liability</b>	12	-	(640)
		<u>6,881</u>	<u>6,878</u>
<b>Capital and reserves</b>			
Called up share capital	13	250	250
Capital redemption reserve	14	3,528	3,528
Profit and loss account	14	3,166	3,163
Shares held by ESOT	14	(63)	(63)
<b>Shareholders' funds</b>	15	<u>6,881</u>	<u>6,878</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 December 2015, and signed on its behalf by:



N B Harris  
Director

The accompanying accounting policies and notes form an integral part of these accounts.

## Company balance sheet

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	7	1,236	1,095
Investments	8	462	432
		<u>1,698</u>	<u>1,527</u>
<b>Current assets</b>			
Stocks	9	1,167	1,243
Debtors	10	7,948	7,136
Cash at bank and in hand		977	2,090
		<u>10,092</u>	<u>10,469</u>
<b>Creditors: amounts falling due within one year</b>			
Income in advance		(1,118)	(1,228)
Creditors and accruals	11	(3,333)	(3,808)
		<u>(4,451)</u>	<u>(5,036)</u>
<b>Net current assets</b>		<u>5,641</u>	<u>5,433</u>
<b>Total assets less current liabilities</b>		<b>7,339</b>	<b>6,960</b>
<b>Provisions for defined benefit pension liability</b>	12	-	(640)
		<u>7,339</u>	<u>6,320</u>
<b>Capital and reserves</b>			
Called up share capital	13	250	250
Capital redemption reserve	14	3,528	3,528
Profit and loss account	14	3,624	2,605
Shares held by ESOT	14	(63)	(63)
Shareholders' funds	15	<u>7,339</u>	<u>6,320</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 December 2015, and signed on its behalf by



N B Harris  
Director

The accompanying accounting policies and notes form an integral part of these accounts.

## Consolidated cash flow statement

	Note	2015 £'000	2014 £'000
Net cash (outflow)/inflow from operating activities	16	(402)	2,024
<b>Returns on investments and servicing of finance</b>			
Interest received	2	5	13
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>5</u>	<u>13</u>
<b>Taxation paid</b>		<u>(114)</u>	<u>(182)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(620)	(737)
Sale of tangible fixed assets		49	184
Disposal of assets		<u>-</u>	<u>-</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(571)</u>	<u>(553)</u>
<b>(Decrease)/Increase in cash</b>	17	<u>(1,082)</u>	<u>1,302</u>

The accompanying accounting policies and notes form an integral part of these accounts.



## Consolidated statement of total recognised gains and losses

	Note	2015 £'000	2014 £'000
<b>Profit for the financial year</b>		256	1,626
Currency translation differences on reserves of consolidated subsidiaries		(189)	(66)
Actuarial losses on pension scheme (net)	12	(64)	(281)
<b>Total recognised gains and losses for the year</b>		<u>3</u>	<u>1,279</u>

The accompanying accounting policies and notes form an integral part of these accounts.

# 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:

	2015 £'000	2014 £'000
United Kingdom	13,317	13,616
Europe	636	1,514
North America	559	759
Australasia/other	5,693	6,726
	<u>20,205</u>	<u>22,615</u>

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

	2015 £'000	2014 £'000
Auditors' remuneration:		
- Audit services	33	51
- Non audit fees	70	17
Depreciation:		
- Tangible fixed assets owned	527	488
Amortisation of goodwill	55	55
Operating lease rentals:		
- Land and buildings	320	307
- Other	42	42
(Loss)/profit on sale of fixed assets	(42)	15
Decrease in defined benefit pension liability	(704)	(334)
Grants receivable (See note 21)	<u>(908)</u>	<u>(437)</u>

During the year the Group also incurred costs in relation to a fundamental restructuring as follows:

	2015 £	2015 £
Redundancy costs	711	-
	<u>711</u>	<u>-</u>

The table below summarises the effect of the adjustments required under FRS 17 ("Retirement Benefits") on the Group's profit and loss account.

	Operational profit £	FRS 17 adjustment £	Per financial statements £
Turnover	20,205	-	20,205
Staff costs	(11,938)	179	(11,759)
Operating costs - net	(7,271)	-	(7,271)
Depreciation/amortisation	(582)	-	(582)
Operating profit	<u>414</u>	<u>179</u>	<u>593</u>
Exceptional costs	(711)	-	(711)
Share of associates losses	(24)	-	(24)
Net interest	5	525	530
<b>Profit before tax</b>	<u><b>(316)</b></u>	<u><b>704</b></u>	<u><b>388</b></u>

## Notes to the financial statements

### 2 Net interest

	2015 £'000	2014 £'000
Interest receivable and similar income	5	13
Interest on pension scheme liabilities (see note 21)	525	398
	<u>530</u>	<u>411</u>

### 3 Directors and employees

Staff costs during the year were as follows:

	2015 £'000	2014 £'000
Wages and salaries	9,290	9,198
Social security costs	879	958
Other pension costs	1,590	1,495
	<u>11,759</u>	<u>11,651</u>

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

	2015 Number	2014 Number
Managerial	16	22
Technical and scientific	140	144
Administrative and clerical	60	58
Industrial	5	5
	<u>221</u>	<u>229</u>

Remuneration in respect of directors was as follows:

	2015 £'000	2014 £'000
Emoluments	393	519
Pension contributions to money purchase pension schemes	73	125
	<u>466</u>	<u>644</u>

During the year, no directors (2014: one) participated in a defined benefit pension scheme and three (2014: three) in money purchase pension schemes.

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

	2015 £	2014 £
Emoluments	145,626	169,825
Pension contributions to money purchase pension schemes	20,217	19,661
	<u>165,843</u>	<u>189,486</u>

## Notes to the financial statements

### **4 Profit 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 profit of £1,083,000 (2014: £2,688,000) which is dealt with in the financial statements of the Company.

### **5 Tax on profit on ordinary activities**

The tax charge is based on the profit for the year and represents:

	2015 £'000	2014 £'000
Corporation tax at 21% (2014: 24%)	-	145
Adjustment in respect of prior years	100	-
	<u>100</u>	<u>145</u>
Foreign tax	32	-
	<u>132</u>	<u>145</u>
Total current tax charge		

Factors affecting tax charge for year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 21 % (2014: 23%). The differences are explained as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	<u>388</u>	<u>1,771</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	81	407
Effect of:		
Movement in provisions not subject to taxation	-	(80)
Expenses not deductible for tax purposes	5	16
Income not taxable	-	(8)
Capital allowances for the year in excess of depreciation	(45)	(17)
Research and development relief	(102)	(161)
Utilisation of tax losses brought forward	-	(150)
Unrelieved tax losses carried forward	93	138
Adjustments in respect of prior years	<u>100</u>	<u>-</u>
Current tax charge	<u>132</u>	<u>145</u>

No provision has been made for a deferred tax asset in respect of losses carried forward.

## Notes to the financial statements

### **6 Intangible fixed assets**

#### **The Group**

	Goodwill on Consolidation £'000	Total £'000
Cost		
At 1 April 2014 and at 31 March 2015	<u>222</u>	<u>222</u>
Amortisation		
At 1 April 2014	110	110
Provided in the year	<u>55</u>	<u>55</u>
At 31 March 2015	<u>165</u>	<u>165</u>
<b>Net book value at 31 March 2015</b>	<u><u>57</u></u>	<u><u>57</u></u>
Net book value at 31 March 2014	<u><u>112</u></u>	<u><u>112</u></u>

### **7 Tangible fixed assets**

#### **The Group**

	Vehicles, fixtures, fittings, tools and equipment £'000
Cost	
At 1 April 2014	4,196
Additions	620
Disposals	<u>(160)</u>
At 31 March 2015	<u><u>4,656</u></u>
Depreciation	
At 1 April 2014	2,924
Provided in the year	527
Disposals	<u>(153)</u>
At 31 March 2015	<u><u>3,298</u></u>
<b>Net book amount at 31 March 2015</b>	<u><u>1,358</u></u>
Net book amount at 31 March 2014	<u><u>1,272</u></u>

## Notes to the financial statements

### 7 Tangible fixed assets (continued)

#### The Company

	Vehicles, fixtures, fittings, tools and equipment £'000
Cost	
At 1 April 2014	3,936
Additions	600
Disposals	(154)
At 31 March 2015	<u>4,382</u>
Depreciation	
At 1 April 2014	2,841
Provided in the year	455
Disposals	(150)
At 31 March 2015	<u>3,146</u>
Net book value at 31 March 2015	<u>1,236</u>
Net book value at 31 March 2014	<u>1,095</u>

### 8 Fixed asset investments

#### The Group

	Interest in associates £'000	Other investments £'000	Total £'000
Cost and net book value			
At 1 April 2014	(50)	22	(28)
Additions – share of loss for year	(24)		(24)
At 31 March 2015	<u>(74)</u>	<u>22</u>	<u>(52)</u>

The Group and the company have a 40% interest in Asset Management Academy Limited, a company incorporated in England and Wales. Its activity is professional training. Asset Management Academy Limited sustained a loss of £59,000 in the year (2014: loss £126,000) and has capital and reserves of negative £186,000 at 31 March 2015 (2014: negative £126,000).

#### The Company

	Other investments £'000	Shares in Group undertakings £'000	Total £'000
Cost			
At 1 April 2014	22	410	432
Additions	-	30	30
At 31 March 2015	<u>22</u>	<u>440</u>	<u>462</u>

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

## Notes to the financial statements

### **8 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 Consulting Limited, EA Technology ISI Limited and EA Technology Analytical Limited, all incorporated in England and Wales.

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. £30,000 further shares were acquired during the year.

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.

### **9 Stocks**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finished goods	748	632	550	520
Work in progress	617	723	617	723
	<b>1,365</b>	<b>1,355</b>	<b>1,167</b>	<b>1,243</b>

## Notes to the financial statements

### 10 Debtors

	The Group		The Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	5,088	3,465	4,570	2,786
Other debtors	352	457	296	358
Amounts due from Group undertakings	-	-	1,259	1,222
Amounts due from associate	5	6	5	6
Taxation recoverable	337	256	326	256
Prepayments and accrued income	1,667	2,958	1,492	2,508
	<u>7,449</u>	<u>7,142</u>	<u>7,948</u>	<u>7,136</u>

### 11 Creditors: amounts falling due within one year

	The Group		The Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors and accruals	2,202	1,469	2,020	1,292
Corporation tax	-	201	-	125
Other taxation and social security	1,009	878	813	706
Other creditors	442	886	421	882
Amounts owed to related undertakings	-	46	-	-
Amounts owed to group undertakings	-	-	79	803
	<u>3,653</u>	<u>3,480</u>	<u>3,333</u>	<u>3,808</u>

### 12 Provisions for defined benefit pension liability

#### The Group and the Company

	2015	2014
	£'000	£'000
Brought forward	(640)	(693)
Gains recognised in profit and loss account	704	334
Losses recognised in statement of total recognised gains and losses	<u>(64)</u>	<u>(281)</u>
Carried forward	<u>-</u>	<u>(640)</u>



## Notes to the financial statements

### 13 Share capital

	2015 £'000	2014 £'000
Authorised		
2,500,000 ordinary shares of 10p each	<u>250</u>	<u>250</u>
Issued, called up and fully paid		
2,500,000 ordinary shares of 10p each	<u>250</u>	<u>250</u>

### 14 Reserves

The Group	Shares held by ESOT £'000	Profit and loss account £'000	Capital redemption reserve £'000
At 1 April 2014	(63)	3,163	3,528
Profit for the financial year	-	256	-
Foreign currency translation differences	-	(189)	-
Actuarial losses	-	(64)	-
At 31 March 2015	<u>(63)</u>	<u>3,166</u>	<u>3,528</u>

  

The Company	Shares held by ESOT £'000	Profit and loss account £'000	Capital redemption reserve £'000
At 1 April 2014	(63)	2,605	3,528
Profit for the financial year	-	1,083	-
Actuarial losses	-	(64)	-
At 31 March 2015	<u>(63)</u>	<u>3,624</u>	<u>3,528</u>

The balance on the capital redemption reserve may not be distributed legally.

At 31 March 2015, the EA Technology Limited Employee Share Ownership Trust (ESOT) held 226,458 10p ordinary shares.

### 15 Reconciliation of movements in shareholders' funds

	The Group		The Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Shareholders' funds brought forward	6,878	5,599	6,320	4,144
Profit for the financial year	256	1,626	1,083	2,457
Foreign currency translation differences	(189)	(66)	-	-
Actuarial losses	(64)	(281)	(64)	(281)
Shareholders' funds at 31 March 2015	<u>6,881</u>	<u>6,878</u>	<u>7,339</u>	<u>6,320</u>

## Notes to the financial statements

### 16 Net cash inflow from operating activities

	2015 £'000	2014 £'000
Operating profit	593	1,410
Costs of a fundamental reorganisation	(711)	-
	(118)	1,410
Depreciation	527	488
(Profit)/loss on sale of fixed assets	(42)	15
Research and development tax credit	(300)	-
Amortisation	55	55
Net effect of foreign currency translation differences	(189)	(42)
(Increase)/decrease in stocks	(10)	307
(Increase)/ in debtors	(226)	571
Decrease in income in advance	(340)	(1,380)
Increase in creditors	420	536
Movement in provision for defined benefit pension liability	(179)	64
Net cash (outflow)/inflow from operating activities	(402)	2,024

### 17 Reconciliation of net cash flow to movement in net debt

	2015 £'000	2014 £'000
Increase in cash in the year	(1,082)	1,302
Change in net debt resulting from cash flows	(1,082)	1,302
Net funds at 1 April 2014	2,529	1,227
Net funds at 31 March 2015	1,447	2,529

### 18 Analysis of changes in net debt

	At 1 April 2014 £'000	Cash flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	2,575	(1,128)	1,447
Overdraft	-	-	-
Loans due to related parties	(46)	46	-
Net funds	2,529	(1,082)	1,447

### 19 Capital commitments

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

## Notes to the financial statements

### **20 Contingent liabilities**

The Company received the final tranche of £908,000 of a Regional Growth Fund grant of £1,345,950 during the year. The grant is to support experimental development of instruments, software and services to power networks. In connection with the grant the Company has given commitments to create or safeguarded a number jobs directly connected with the specified experimental development through 31 December 2018. Failure to achieve that commitment would entitle the grant provider recovery of a proportion of the funding dependent on the shortfall in relevant jobs created or safeguarded.

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.

### **21 Pensions**

The group currently 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.

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.

## Notes to the financial statements

### **21 Pensions (continued)**

Following this valuation, the Group, after consultation with the Group Trustees and supported by a succession of Deeds of Contribution which commit fifteen 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 2015:

- 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 is 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 £657,000 and contributions under the Deed of Contribution amounted to £2,776,000.

#### **FRS 17 disclosures**

The Group operates a paid up defined benefit scheme in the UK. A full actuarial valuation was carried out on 31 March 2013 and updated to 31 March 2015 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary were:

	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	%	%	%	%	%
Inflation assumption	3.0	3.4	3.4	3.4	3.6
Rate of increase in salaries	3.2	3.4	3.9	3.9	4.1
Rate of increase to pensions in payment	2.8	3.2	3.2	3.2	3.4
Discount rate applied to scheme liabilities	3.2	4.3	4.3	4.7	5.6

#### **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 25.2 years after retirement if they are male and for a further 27.4 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 29.4 years after retirement if they are female.

## Notes to the financial statements

### 21 Pensions (continued)

The assets in the scheme and the long term rate of expected return were:

	Value at 31 March 2015 £'000	Return at 31 March 2014 %	Value at 31 March 2014 £'000	Return at 31 March 2013 %	Value at 31 March 2013 £'000	Return at 31 March 2012 %	Value at 31 March 2012 £'000	Return at 31 March 2011 %	Value at 31 March 2011 £'000
Equities	47,160	7.5	42,005	8.0	41,058	8.5	36,790	8.5	37,398
Bonds	8,501	4.3	10,535	3.6	10,346	3.7	9,197	5.1	8,475
Other	20,794	5.8	17,260	5.7	13,918	6.1	13,235	5.1	15,199
Total market value of assets	76,455		69,800		65,322		59,222		61,072
Present value of scheme Liabilities	(104,320)		(91,239)		(90,766)		(84,877)		(74,158)
Deficit in the scheme	(27,865)		(21,439)		(25,444)		(25,655)		(13,086)
Element of deficit expected to be financed by Contributors	(27,865)		20,639		24,544		24,655		12,364
	-		(800)		(900)		(1,000)		(722)
Related deferred tax asset	-		160		207		240		202
Net deficit	-		(640)		(693)		(760)		(520)

Full provision for the net deficit is incorporated in the balance sheet.

## Notes to the financial statements

### **21 Pensions (continued)**

#### **Reconciliation of opening and closing balances of the present value of the scheme liabilities:**

	2015 £'000	2014 £'000
Opening defined benefit obligation	91,239	90,766
Service cost - current and prior	433	615
Interest cost	3,846	3,835
Contributions by scheme participants	110	123
Actuarial losses/(gains) on scheme liabilities	12,854	(178)
Net benefits paid out	(4,162)	(3,922)
Closing defined benefit obligation	<u>104,320</u>	<u>91,239</u>

#### **Reconciliation of opening and closing balances of the fair value of the scheme assets:**

	2015 £'000	2014 £'000
Opening fair value of the scheme assets	69,800	65,322
Expected return on scheme assets	4,502	4,333
Actuarial gains on scheme assets	2,772	985
Contributions paid	3,433	2,959
Contributions by scheme participants	110	123
Net benefits paid out	(4,162)	(3,922)
Closing fair value of the scheme assets	<u>76,455</u>	<u>69,800</u>

#### **Movements in gross deficit during the year were:**

	2015 £'000	2014 £'000
Deficit in scheme at 1 April 2014	(21,439)	(25,444)
Movement in the year:		
Current/prior service cost	(433)	(615)
Contributions	3,433	2,959
Other finance income	656	498
Actuarial loss	(10,082)	1,163
Deficit in scheme at 31 March 2015	<u>(27,865)</u>	<u>(21,439)</u>

## Notes to the financial statements

### 21 Pensions (continued)

#### Analysis of the net amount charged to profit and loss account:

	2015 £'000	2014 £'000
Current/prior service cost	347	492
Interest credit	(525)	(398)
Contributions paid	(526)	(428)
Total credit	<u>(704)</u>	<u>(334)</u>

#### Actual return on scheme assets:

	2015 £'000	2014 £'000
Expected return on scheme assets	4,502	4,333
Actuarial gain on scheme assets	<u>2,772</u>	<u>985</u>
Actual return on scheme assets	<u>7,274</u>	<u>5,318</u>

#### Analysis of net amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	555	762
Experience gains and losses arising on the scheme liabilities (including changes in assumptions underlying the present value of the scheme liabilities)	145	142
Changes in assumptions underlying the present value of amounts receivable under Deed of Contribution	(2,985)	(3,124)
Contribution paid under Deed of Contribution	<u>2,221</u>	<u>1,939</u>
Actuarial loss recognised in STRGL	<u>(64)</u>	<u>(281)</u>

#### History of experience - gross gains and losses:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Experience gains/(losses) on scheme assets	(2,772)	985	3,008	(4,918)	(120)
Experience gains/(losses) on scheme liabilities	<u>-</u>	<u>(127)</u>	<u>357</u>	<u>(979)</u>	<u>(931)</u>

## Notes to the financial statements

### **21 Pensions (continued)**

The best estimate of contributions to be paid to the scheme for the year ended 31 March 2015 is £3,080,000.

### **22 Leasing commitments**

Operating lease payments amounting to £ 321,000 (2014: £321,000) are due within one year for the Company and the Group in respect of land and buildings and £21,150 (2014: £42,300) in respect of other leases. The leases expire in between one and two years.

### **23 Related party transactions**

The Group has taken advantage of the exemptions within Financial Reporting Standard No. 8, "Related Party Disclosure", and has not disclosed transactions within Group undertakings.