



KEY TECHNOLOGIES PLC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Registered Number 06515775 (England and Wales)

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Directors	T Middleton K Hilton C G Rowe L R Litwinowicz R Papanicolaou
Secretary	K Hilton
Company number	06515775
Registered Office	5 The Courtyard Timothy's Bridge Road Stratford Upon Avon Warwickshire CV37 9NP
Auditors	RSM Tenon Audit Limited Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD
Bankers	Barclays Bank plc Barclays Business Centre 15 Colmore Row Birmingham B3 2WN
Solicitors	Gateley LLP One Eleven Edmund Street Birmingham B3 2BH

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

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KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The directors present their report and financial statements for the year ended 30 June 2012

Principal activities and review of the business

The principal activity of Key Technologies plc is that of a holding company to the following group of companies:

STS Defence Limited, whose principal activities are the design and manufacture of electronics and wiring harnesses to the defence, aerospace and homeland security markets and the provision of engineering services to the Ministry of Defence;

STS Motors Limited, whose principal activity is the design, manufacture and repair of electrical motors,

STS Switchgear Limited, whose principal activity is the design, manufacture and installation of low voltage switchboards and motor control centres.

Primetake Limited, whose principal activity is the design and manufacture of ammunition and explosive devices for specialised applications for the defence and homeland security markets.

STS International Limited, a dormant company

The Group experienced a challenging year as a consequence of the cuts in government budgets around the world and, in particular, the effects of the general instability in international markets, especially the Middle East. As a result, underlying revenues declined 7% to £21.5m (2011: £23.3m) due to a decline in our defence and homeland security businesses. The resulting loss of £0.5m (2011: £1.51m profit) reflects both the decrease in revenues and margin pressures in these markets.

The Directors have taken positive actions to address the losses by streamlining the Group structure, strengthening the management teams within the businesses, enhancing the sales and customer support organisations and continuing to invest in new product development.

Customer service levels and quality are key targets for the Group and are measured through a variety of criteria. These areas are constantly monitored to measure progress.

Investment in profitable growth opportunities that improve customer service and the operational performance of the businesses are actively encouraged. The Directors consider these areas as key to the future success of the business in the medium to long term and in order to mitigate the risk posed by competitive pressures from around the world.

The Group achieved its stated strategy to become a focused defence and homeland security Group by completing the divestment of its non-core Switchgear and Motors businesses on 12 September 2012.

Since the year end, the Directors have taken positive measures to further strengthen the balance sheet by amending its banking facilities. On 12 October 2012 the bank agreed that no further loan repayments would be payable until June 2014. Furthermore, on 12 November 2012, the Group received £750,000 from issuing New Loan Notes repayable in December 2016.

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2012

Financial Instruments and Risks

The principal financial instruments of the company comprise cash and bank deposits, bank overdrafts and loans together with trade creditors and trade debtors that arise directly from its operations. The main purpose of these instruments is to raise funds for the Group's operations and to finance its continuing operations.

The Company's operations expose it to a variety of financial risks including the effects of currency risk, credit risk, liquidity risk and interest rate risk:

Currency Risk – the Group has foreign currency dealings with customers and suppliers based outside the UK which are consequently subject to exchange rate fluctuations. The Group actively manages these exposures with foreign currency instruments unless there is a natural hedge between sales and purchases. The principal currencies involved are US Dollars and Euros.

Liquidity Risk – the Group manages this risk by the use of bank balances and overdraft facilities along with efficient monitoring and forecasting of cashflow and bank covenants to ensure there are sufficient funds to meet liabilities.

Credit Risk – trade debtors are managed in respect of credit and cashflow risk by policies monitoring the credit offered to customers and regular monitoring of amounts outstanding for both time and total exposure.

Interest Rate Risk – the Group has exposure to increases in interest rates on its bank loans and overdraft facility. The risk is limited by an interest rate cap instrument.

Creditors payment policy

The Group's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusions of the relevant terms in contracts;
and
- pay in accordance with the Group's contractual and other legal obligations. On average, trade creditors at the period end represented 41 (2011: 58) days' purchases.

Employee involvement

The Directors recognise the importance of employee involvement established by good communications and working relationships. Effective communication is encouraged through the subsidiary company management at all times backed up by briefings given by the Managing Director to all employees. These biannual briefings cover the Group's and Company's performance, matters affecting employees and encourages employees to raise issues or concerns and make suggestions for improvement.

Employee policies

The Group is committed to the elimination of all or any discrimination and to the promotion of equality of opportunities in employment. It is Group policy to afford equal opportunities to all employees and job applicants. No employee or job applicant is less favourably treated than another on the ground of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely by merit. Responsibility for monitoring the effective working of these policies is vested with the directors of Key Technologies plc.

**KEY TECHNOLOGIES PLC
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

Results and dividends

The results for the period are set out on page 6.

The directors do not recommend payment of a dividend (2011 Nil)

Directors

The following directors held office during the year.

T Middleton

P D Miller (Resigned 01/04/2012)

K Hilton

D L Grove (Deceased 12/11/2011)

C Rowe

L R Litwinowicz (Appointed 25/01/2012)

R Papanicolaou (Appointed 27/03/2012)

Directors' responsibilities

The directors are responsible for preparing 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 the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. 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 company and the group 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that its 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.

Statement of disclosure to auditor

In so far as the directors, individually, are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken to make themselves aware of all relevant audit information and to establish that the auditor is aware of that information

By order of the board



**K Hilton
Secretary**

13th December 2012

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEY TECHNOLOGIES PLC

We have audited the financial statements of Key Technologies plc for the year ended 30 June 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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 the directors and auditors

As explained more fully in the Directors responsibilities statement set out on page 3 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

**KEY TECHNOLOGIES PLC
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**INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE SHAREHOLDERS OF KEY TECHNOLOGIES PLC**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' 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.

**Ian Monk, Senior Statutory Auditor
for and on behalf of**

RSM Tenon Audit Limited

**RSM Tenon Audit Limited
Statutory Auditor**

13th December 2012

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SD

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

				Year ended 30 June 2012			Year ended 30 June 2011
	Note	Underlying £000	Non- Underlying £000	Total £000	Underlying £000	Non- Underlying £000	Total £000
CONTINUING OPERATIONS							
Revenue		21,476	-	21,476	23,255	-	23,255
Cost of sales		(16,836)	-	(16,836)	(16,302)	-	(16,302)
Gross profit		<u>4,640</u>	<u>-</u>	<u>4,640</u>	<u>6,953</u>	<u>-</u>	<u>6,953</u>
Administrative expenses		(4,586)	(2,044)	(6,630)	(4,918)	(880)	(5,798)
Other income		-	-	-	3	-	3
Exceptional costs	3	(72)	(233)	(305)	-	-	-
Operating (loss)/profit	3	<u>(18)</u>	<u>(2,277)</u>	<u>(2,295)</u>	<u>2,038</u>	<u>(880)</u>	<u>1,158</u>
Finance income	4	-	-	-	15	-	15
Finance costs	5	(448)	(94)	(542)	(543)	(97)	(640)
(Loss)/profit before income tax		<u>(466)</u>	<u>(2,371)</u>	<u>(2,837)</u>	<u>1,510</u>	<u>(977)</u>	<u>533</u>
Taxation	6	<u>141</u>	<u>-</u>	<u>141</u>	<u>11</u>	<u>-</u>	<u>11</u>
(Loss)/profit for the year from continued operations		<u>(325)</u>	<u>(2,371)</u>	<u>(2,696)</u>	<u>1,521</u>	<u>(977)</u>	<u>544</u>
DISCONTINUED OPERATIONS							
Profit for the year from discontinued operations	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>130</u>	<u>213</u>
(Loss)/profit for the year		<u>(325)</u>	<u>(2,371)</u>	<u>(2,696)</u>	<u>1,604</u>	<u>(847)</u>	<u>757</u>
Basic earnings per share							
From continued operations	8	(4 4)	-	(36 5)	20 6	-	7 4
From discontinued operations	8	-	-	-	1 1	-	2 9
		<u>(4 4)</u>	<u>-</u>	<u>(36 5)</u>	<u>21 7</u>	<u>-</u>	<u>10 3</u>
Diluted earnings per share							
From continued operations	8	(3 1)	-	(32 3)	-	-	7 6
From discontinued operations	8	-	-	-	-	-	2 6
		<u>(3 1)</u>	<u>-</u>	<u>(32 3)</u>	<u>-</u>	<u>-</u>	<u>10 2</u>

The composition of the non-underlying items are detailed in note 8 to the financial statements

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
(Loss)/profit for the year		(2,696)	757
Actuarial (loss)/gain on post employment benefit obligations	25	(83)	57
Deferred tax taken to equity in relation to the above	18	22	(15)
Other comprehensive income for the year		<u>(61)</u>	<u>42</u>
Total comprehensive income for the year		<u>(2,757)</u>	<u>799</u>

**KEY TECHNOLOGIES PLC
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**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2012**

	Notes	2012 £000	2011 £000
Non-current assets			
Intangible assets	9	13,479	15,490
Property, plant and equipment	10	1,002	1,110
Retirement benefit scheme asset	25	-	83
Deferred tax	18	10	14
		<u>14,491</u>	<u>16,697</u>
Current assets			
Inventories	12	979	1,232
Construction contract work in progress	13	764	2,428
Trade and other receivables	14	5,381	5,597
Current tax receivable		58	-
		<u>7,182</u>	<u>9,257</u>
Total assets		<u>21,673</u>	<u>25,954</u>
Current liabilities			
Cash and cash equivalents	14	945	1,021
Borrowings	16	1,763	1,537
Trade and other payables	15	4,797	4,476
Amounts due to customers for contract work	13	9	158
Current tax payable		-	52
		<u>7,514</u>	<u>7,244</u>
Net current (liabilities)/assets		<u>(332)</u>	<u>2,013</u>
Non-current liabilities			
Long term borrowings	16	7,295	9,009
Obligations under hire purchase contracts	16	-	-
Deferred tax	18	-	23
Provisions for liabilities	17	90	147
		<u>7,385</u>	<u>9,179</u>
Total liabilities		<u>14,899</u>	<u>16,423</u>
Net assets		<u>6,774</u>	<u>9,531</u>
Equity			
Share capital	19	74	74
Share premium account		1,777	1,777
Merger reserve		3,410	3,410
Other reserves		31	31
Retained profit		1,482	4,239
Total equity		<u>6,774</u>	<u>9,531</u>

The financial statements were approved by the board of directors on 13th December 2012 and are signed on its behalf by

**K Hilton
Director**

**T Middleton
Director**

Company Registration No. 06515775

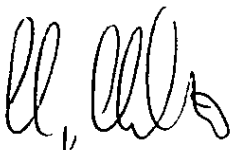
**KEY TECHNOLOGIES PLC
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**COMPANY BALANCE SHEET
AS AT 30 JUNE 2012**

	Notes	2012 £000	2011 £000
Non-current assets			
Investments	11	10,226	10,226
Tangible assets	10	67	53
		<u>10,293</u>	<u>10,279</u>
Current assets			
Trade and other receivables	14	10,162	11,695
		<u>10,162</u>	<u>11,695</u>
Total assets		20,455	21,974
Current liabilities			
Cash and cash equivalents	14	2,014	1,941
Borrowings	16	1,396	1,243
Trade and other payables	15	3,568	5,833
		<u>6,978</u>	<u>9,017</u>
Net current assets		3,184	2,678
Non-current liabilities			
Long term borrowings	16	5,675	6,728
Provisions for liabilities	17	90	90
		<u>5,765</u>	<u>6,818</u>
Total liabilities		12,743	15,835
Net assets		7,712	6,139
Share capital	19	74	74
Share premium account		1,777	1,777
Merger reserve		3,410	3,410
Other reserves		31	31
Retained profit		2,420	847
Total equity		7,712	6,139

The financial statements were approved by the board of directors on 13th December 2012, and signed on its behalf by

K Hilton
Director



T Middleton
Director



Company Registration No. 06515775

**KEY TECHNOLOGIES PLC
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

Group	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Other reserves £000	Total £000
Balance as at 1 July 2010	74	1,777	3,410	3,688	31	8,980
Profit for the year	-	-	-	757	-	757
Actuarial gain on post employment benefit obligations	-	-	-	57	-	57
Deferred tax taken to equity in relation to the above	-	-	-	(15)	-	(15)
Fair value of share based payments	-	-	-	(248)	-	(248)
Balance as at 1 July 2011	74	1,777	3,410	4,239	31	9,531
(Loss)/Profit for the year	-	-	-	(2,696)	-	(2,696)
Actuarial gain on post employment benefit obligations	-	-	-	(83)	-	(83)
Deferred tax taken to equity in relation to the above	-	-	-	22	-	22
Balance as 30 June 2012	74	1,777	3,410	1,482	31	6,774

Company	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Other reserves £000	Total £000
Balance as at 1 July 2010	74	1,777	3,410	595	31	5,887
Profit for the year	-	-	-	500	-	500
Fair value of share based payments	-	-	-	(248)	-	(248)
Balance as at 1 July 2011	74	1,777	3,410	847	31	6,139
Profit for the year	-	-	-	1,573	-	1,573
Balance as at 30 June 2012	74	1,777	3,410	2,420	31	7,712

The merger reserve arose when the shares of STS International Limited were exchanged for shares in Key Technologies plc.

Other reserves relate to the fair value of the equity component of convertible unsecured loan stock issued during a previous year.

**KEY TECHNOLOGIES PLC
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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	Cashflow Note	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Cash inflows from operating activities	1	2,426	31
Investing activities			
Interest received		-	15
Acquisition of business		-	(958)
Acquisition of property, plant and equipment		(231)	(442)
Acquisition of intangible assets		(43)	(27)
Disposal of tangible asset		8	2
Disposal of subsidiary undertakings	7	-	2,193
Net cash disposed with subsidiary undertakings		-	(41)
Net cash (used in)/from investing activities		<u>(266)</u>	<u>742</u>
Financing activities			
Interest and similar expenses paid		(542)	(543)
Repayment of borrowings		(1,488)	(2,936)
Repayment of obligations under finance leases		(54)	(67)
New bank finance acquired		-	2,000
Net cash used in financing activities		<u>(2,084)</u>	<u>(1,546)</u>
Net increase/(decrease) in cash and cash equivalents		76	(773)
Cash and cash equivalents at beginning of year		(1,021)	(248)
Cash and cash equivalents at year end		<u>(945)</u>	<u>(1,021)</u>

**KEY TECHNOLOGIES PLC
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**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	Cashflow Note	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Cash flows from operating activities	1	(1,611)	(2,573)
Investing activities			
Acquisition of property, plant and equipment		(28)	(64)
Disposal of subsidiary undertakings		-	2,420
Dividends received from subsidiary undertakings		3,000	1,892
Net cash from investing activities		2,972	4,248
Financing activities			
Interest and similar expenses paid		(534)	(526)
Repayment of borrowings		(900)	(2,936)
New bank finance acquired		-	2,000
Net cash used in financing activities		(1,434)	(1,462)
Net (decrease) / increase in cash and cash equivalents		(73)	213
Cash and cash equivalents at beginning of year		(1,941)	(2,154)
Cash and cash equivalents at year end		(2,014)	(1,941)

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**NOTES TO THE CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

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

	2012 Group £000	2012 Company £000	2011 Group £000	2011 Company £000
(Loss)/profit before income tax for the year Including discontinued operations	(2,837)	1,546	746	500
Add back net financing costs/(income)	542	(2,466)	625	(1,269)
Operating (loss)/profit for the year	(2,295)	(920)	1,371	(769)
Adjustments for				
Profit on disposal of subsidiary	-	-	(130)	-
Depreciation of property, plant and equipment	335	14	412	15
Amortisation of intangible assets	1,143	-	1,077	-
Impairment of intangible assets	911	-	-	-
Loss on disposal of tangible asset	-	-	1	-
Profit on disposal of intangible assets	(4)	-	-	-
Share-based payment transaction	-	-	(248)	(248)
Operating cash flows before movements in working capital	90	(906)	2,483	(1,002)
Decrease in inventories	253	-	120	-
Decrease/(Increase) in receivables	1,880	1,533	(1,547)	(721)
Increase/(Decrease) in payables	226	(2,265)	(440)	(940)
(Decrease)/Increase in provisions	(57)	-	-	90
Taxation	34	27	(585)	-
Net cash from operating activities	2,426	(1,611)	31	(2,573)

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 Accounting policies

1.1 Presentation of financial statements

These consolidated and company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as endorsed by the International Accounting Standards Board and adopted by the EU ("adopted IFRS"). They have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies preparing accounts under IFRS. The consolidated financial statements have been prepared under the historical cost convention except in the case of financial instruments required to be included in the financial statements at fair value

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (and its subsidiaries) made up to 30 June 2012. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used into line with those used by the group

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

In accordance with the Companies Act 2006, Section 408, a separate income statement of Key Technologies plc is not presented. The profit after tax of Key Technologies plc for the year ended 30 June 2012 was £1,546,607.

1.3 Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration for investment in subsidiary undertakings over the group's interest in the fair value of identifiable assets and liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Acquired goodwill is stated at cost and reviewed annually for impairment.

Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their estimated useful life of between 3 and 5 years

Products, contracts and brands are valued at cost less amortisation. Amortisation is calculated to write off the cost in equal instalments over their useful life of 10 years.

1.4 Revenue recognition

Revenue represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised when goods are delivered and title has passed or the group has otherwise fulfilled its performance obligations or in line with accounting policy 1.7 for construction contracts

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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

1.5 Investments

Non-current investments are stated at cost less provision for impairment. A review is carried out at the end of each financial year end to determine if any assets have suffered an impairment loss.

1.6 Inventories and work in progress

Inventories and work in progress (other than construction contracts) are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are allocated on a first in first, out basis.

Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

A provision is made for obsolete, slow moving or otherwise impaired inventory.

1.7 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion at the balance sheet. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the income of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the year in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Payments on account are firstly deducted from construction contract work in progress, any excess is included in creditors as payments on accounts.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost over its expected useful lives, using the straight-line method, as follows:

Leasehold improvements - over the length of the lease

Plant and equipment - 20% & 33% per annum straight line

Motor vehicles - 25% per annum straight line

Fixtures, fittings and equipment - 20% per annum straight line.

1.9 Leasing and hire purchase commitments

Where assets are financed by leasing agreements and the risks and rewards are substantially transferred to the group ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation is charged to the income statement on the same basis as owned assets.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement on the sum of digits basis.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight line basis over the term of the lease.

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2012

1.10 Impairment of assets

A review is carried out at the end of each financial year to determine if any assets have suffered an impairment loss. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Impairment losses are recognised in the income statement when an asset's carrying value exceeds its recoverable amount.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

1.12 Research and development

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off to the income statement in the year in which it is incurred unless the expenditure meets the criteria within IAS 38 for capitalisation.

1.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The group operates two defined benefit retirement benefit plans, both of which require contributions to be made to separately administered funds. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with interim actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses immediately are recognised in full. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

1.14 Warranty provision

Provision is made for the estimated future cost of fulfilling the company's warranty obligations, based upon historical warranty experience and future expectations.

1.15 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax charges and credits are recognised in the income statement unless they relate to items taken to the statement of comprehensive income in which case the related deferred tax charge or credit is also taken to the statement of comprehensive income.

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2012

1.15 Taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

1.16 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

1.17 Financial instruments

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

- Borrowings

Interest bearing borrowings and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement of redemption and incremental costs directly attributable to the issue, are accounted for on an accruals basis as part of finance expenses in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period that they arise.

- Compound Financial Instruments

The group evaluates the carrying amount of the liability component of compound financial instruments by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole

1.18 Trade receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised costs using the effective interest rate method less any impairment losses. They are reflected net of estimated provisions for doubtful client accounts. The provision is based in historic collection patterns and with reference to the ageing of certain balances and other relevant information available to the directors

1.19 Trade payables

Trade payables are initially measured at fair value and subsequently measured at amortised costs using the effective interest rate method.

1.20 Share based payment

The group issues share options to certain employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimated, if any, in the income statement, with a corresponding adjustment to equity

Fair value is measured using the Black-Scholes model.

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2012

1.21 New IFRS standards and interpretations adopted during the financial year

In this financial year the following standards had been endorsed by the EU, became effective and therefore were adopted by the Group

- IFRS7 – Financial instruments Disclosure

The adoption of these standards and interpretations has not had a significant impact on the result for the year

There are also a number of amendments to international accounting standards which have not as yet been adopted by the EU and as a result these have not been disclosed above

1.22 Critical accounting judgements and key sources of estimation uncertainty

The preparation of accounts in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The key source of estimation uncertainty at the balance sheet date derives from management assumptions in relation to the level of completion of construction contracts. The accounting policy in relation to this item is disclosed in note 1.7 above.

2. Segmental information

The group is currently exempt from the requirements of IFRS 8 but has chosen to provide the relevant information in respect of the segments in which it operates as follows

The chief operating decision maker (the board of directors) considers that the business operates within three operating divisions, defence and homeland security, construction products and rail products. These divisions are the basis on which the group reports its primary segment information. The directors consider that the group operates materially within the UK and therefore has not presented any further information in respect of geographical segments

Principal activities are as follows

- | | |
|-------------------------------|---|
| Defence and homeland security | - Design and manufacture of ammunition and explosive devices, electronic and electrical assemblies and the provision of engineering services. |
| Rail products | - Design, manufacture and repair of electronic and electro-mechanical equipment for railway applications. |
| Construction products | - Design, manufacture and installation of low voltage distribution boards and motor control centres |

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

2. Segmental information (continued)

Segmental information about these businesses is presented below.

Revenue	2012 £000	2011 £000
Defence and homeland security	14,265	17,258
Construction products	5,058	4,429
Rail products	2,153	1,568
Total	21,476	23,255
Segment result	2012 £000	2011 £000
Defence and homeland security	(2,029)	1,493
Construction products	65	98
Rail products	767	109
Unallocated corporate expenses	(613)	(542)
(Loss)/profit from operations	(1,990)	1,158
Exceptional costs	(305)	-
Finance costs	(542)	(640)
Income from investments	-	15
(Loss)/profit before tax	(2,837)	533
Income tax expense	107	11
(Loss)/profit for the year from continued operations	(2,730)	544

	2012		2011	
	Additions £000	Depreciation £000	Additions £000	Depreciation £000
Capital additions and depreciation/amortisation				
Defence and homeland security	199	2,277	321	1,287
Construction products	17	65	39	80
Rail products	56	33	45	106
Unallocated	2	14	64	16
Total	274	2,389	469	1,489

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

2. Segmental information (continued)

Assets and liabilities	2012		2011	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Defence and homeland security	15,424	5,862	20,150	6,879
Construction products	1,552	876	2,000	1,183
Rail products	679	163	576	326
Eliminations	(6,519)	(1,697)	(7,178)	(2,354)
Unallocated	10,527	9,729	10,406	10,389
Total	21,663	14,933	25,954	16,423

3. Operating profit

	2012 £000	2011 £000
Operating profit is stated after charging/(crediting)		
Depreciation of property, plant and equipment	335	412
Research and development	191	47
Operating lease rentals		
- Plant and machinery	34	29
- other operating leases	772	792
Amortisation of intangible assets	1,143	1,077
Impairment of intangible assets	911	-
Exceptional costs	305	-
Loss of disposal of fixed assets	-	1
Loss on foreign exchange	1	-
Fees payable to company's auditor for the audit of the company's annual accounts.	14	15
Fees payable to company's auditor for other services:		
-The audit of the company's subsidiaries pursuant to legislation	29	26
Fees payable to associates of the auditor		
-Other services	3	12
And other crediting:		
Government grants received	-	(3)
Profit on foreign exchange	-	(9)
Profit on disposal of fixed assets	(4)	-

Exceptional costs relate to cost relating to the renegotiation of banking facilities of £120,000, redundancy charges of £42,000 and deficit payments to the defined pension scheme of £143,000

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

4. Finance income	2012 £000	2011 £000
Bank interest	-	15
	<u>-</u>	<u>15</u>
5. Finance costs	2012 £000	2011 £000
Interest on bank loans and overdrafts	336	417
Interest on other loans	112	124
Amortisation of debt issue costs	88	88
Other interest	6	11
	<u>542</u>	<u>640</u>
6. Taxation	2012 £000	2011 £000
Domestic current period tax		
UK Corporation tax	-	11
Adjustment for prior period	(144)	-
Current tax charge	<u>(144)</u>	<u>11</u>
Deferred tax		
Deferred tax credit current period	3	(22)
Taxation for the period	<u>(141)</u>	<u>(11)</u>
Factors affecting taxation for the period		
(Loss)/profit on ordinary activities before taxation	<u>(2,837)</u>	<u>533</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24% (2011: 26%)	(681)	138
Unprovided deferred tax	-	(15)
Non-deductible expenses	3	7
Non-taxable income	-	(59)
Losses carried forward	688	(21)
Other tax adjustments	(7)	(61)
Adjustments to prior year	<u>(144)</u>	<u>-</u>
Taxation for the period	<u>(141)</u>	<u>(11)</u>

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

7. Analysis of discontinued operations

	2012	2011
	£	£
Revenue	-	2,001
Expenses	-	(1,868)
	<hr/>	<hr/>
Profit before tax of discontinued operations	-	133
Tax	-	(50)
	<hr/>	<hr/>
Profit after tax of discontinued operations	-	83
	<hr/>	<hr/>
Pre-tax gain on disposal	-	130
Tax	-	-
	<hr/>	<hr/>
After tax gain on disposal	-	130
	<hr/>	<hr/>
Profit for the year from discontinued operations	-	213
	<hr/>	<hr/>

The only significant cash flow relating to the discontinued operations was the cash inflow of £2,193,000 relating to the disposal of subsidiary undertakings as shown on the face of the consolidated cashflow statement

8. Earnings per share

The calculation of the basic and diluted earnings per share and also the underlying basic and diluted earnings per share for the year are as follows:

	2012	2011
	£000	£000
Earnings		
Basic earnings	(2,696)	757
Effect of interest saved after tax	74	74
	<hr/>	<hr/>
Diluted earnings	(2,622)	831
Underlying earnings		
Basic earnings	(2,696)	757
Amortisation of Primetake Limited intangible assets	1,133	1,068
Impairment of intangible assets	911	-
Profit on disposal of STS Rail Limited	-	(130)
Non-underlying bank charges	120	60
Long Term Incentive Plan	-	(248)
Debt amortisation costs	94	97
Redundancy costs	42	-
Pension deficit contributions	71	-
	<hr/>	<hr/>
Basic underlying earnings	(325)	1,604
Effect of interest saved after tax	74	74
	<hr/>	<hr/>
Diluted underlying earnings	(251)	1,678
	<hr/>	<hr/>

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

8. Earnings per share (continued)

	2012 Number	2011 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,383,431	7,383,431
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,121,774	8,121,774

	2012	2011
Earnings per share (expressed in pence per share)		
Basic earnings per share	(36.5)	10.3
Diluted earnings per share	(32.3)	10.2
Underlying basic earnings per share	(4.4)	21.7
Underlying diluted earnings per share	(3.1)	20.7

9. Intangible assets

	Products £000s	Contracts £000s	Brands £000s	Licences £000s	Goodwill £000s	Total £000s
Group Cost						
At 30 June 2010	-	-	-	20	18,338	18,358
Additions	-	-	-	27	-	27
Reclassifications	9,146	316	1,051	-	(10,513)	-
Disposals	-	-	-	-	(1,806)	(1,806)
At 30 June 2011	9,146	316	1,051	47	6,019	16,579
Additions	26	-	-	17	-	43
At 30 June 2012	9,172	316	1,051	64	6,019	16,622
Amortisation						
At 30 June 2010	-	-	-	12	-	12
Provided during the period	929	32	107	9	-	1,077
At 30 June 2011	929	32	107	21	-	1,089
Provided during the period	985	34	114	10	-	1,143
Impairment charge	-	-	-	-	911	911
At 30 June 2012	1,914	66	221	31	911	3,143
Net book value						
At 30 June 2012	7,258	250	830	33	5,108	13,479
At 30 June 2011	8,217	284	944	26	6,019	15,490

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

9. Intangible assets (continued)

Impairment tests on the carrying values of goodwill are performed by analysing the carrying value allocated to each significant cash generating unit against its value in use. All goodwill is allocated to specific cash generating units which are in all cases no larger than operating segments. Value in use is calculated for each cash generating unit as the present value of that unit's discounted future cash flows. These cash flows are based on budget cash flow information for a period of one year with an average growth rate of 1% applied subsequent to the initial budget period based on a prudent estimate for revenue and associated growth cost.

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

10. Property, plant and equipment - Group

	Leasehold improvements £000	Plant, office equipment and vehicles £000	Total £000
Cost			
At 30 June 2010	752	2,610	3,362
Additions	5	437	442
Disposals	-	(610)	(610)
At 30 June 2011	757	2,437	3,194
Additions	-	231	231
Disposals	-	(38)	(38)
At 30 June 2012	757	2,630	3,387
Depreciation			
At 30 June 2010	562	1,571	2,133
Disposals	-	(461)	(461)
Charge for period	18	394	412
At 30 June 2011	580	1,504	2,084
Disposals	-	(34)	(34)
Charge for period	21	314	335
At 30 June 2012	601	1,784	2,385
Net Book Value			
At 30 June 2012	156	846	1,002
At 30 June 2011	177	933	1,110

Included above are assets held under finance leases or hire purchase contracts as follows

	Net book value		Depreciation charge for the period	
	2012	2011	2012	2011
	£000	£000	£000	£000
Plant, office equipment and vehicles	-	121	44	44

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

10. Property, plant and equipment (continued) - Company

	Leasehold improvements £000	Office equipment £000	Total £000
Cost			
At 30 June 2010	-	4	4
Additions	-	64	64
	<hr/>	<hr/>	<hr/>
At 30 June 2011	-	68	68
Additions	-	2	2
Transfers	595	21	616
	<hr/>	<hr/>	<hr/>
At 30 June 2012	595	91	686
	<hr/>	<hr/>	<hr/>
Depreciation			
At 30 June 2010	-	-	-
Charge for period	-	15	15
	<hr/>	<hr/>	<hr/>
At 30 June 2011	-	15	15
Charge for period	-	14	14
Transfers	579	11	590
	<hr/>	<hr/>	<hr/>
At 30 June 2012	579	40	619
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 30 June 2012	16	51	67
	<hr/>	<hr/>	<hr/>
At 30 June 2011	-	53	53
	<hr/>	<hr/>	<hr/>

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

11. Fixed asset investments
Company

	Shares in subsidiary undertakings £000
Cost at 30 June 2010	12,646
Disposal	(2,420)
	<hr/>
at 30 June 2011	10,226
	<hr/>
at 30 June 2012	10,226
	<hr/>

On 28 April 2011 the group disposed of the 100% shareholding in the subsidiary undertaking STS Rail Limited following the transfer of a trading division of STS Rail Limited at Wimborne to STS Defence Limited

Interests in group undertakings

Name of undertaking	Country of Incorporation	Description of shares held	Proportion of nominal value of issued shares held by the group %
STS International Ltd	England and Wales	Ordinary	100
STS Motors Ltd	England and Wales	Ordinary	100
STS Defence Ltd	England and Wales	Ordinary	100
STS Switchgear Ltd	England and Wales	Ordinary	100
Prmetake Ltd	England and Wales	Ordinary	100

All the above subsidiary undertakings have been consolidated in the financial statements using the acquisition method. STS Rail Limited was consolidated for the period beginning 1 July 2011 to 28 April 2011 during which period it was a 100% subsidiary of Key Technologies plc.

12. Inventories

	2012 Group £000	2011 Group £000
Raw materials and consumables	979	1,232
	<hr/>	<hr/>

In the opinion of the directors there is no significant difference between the replacement cost and the value disclosed for inventories

The total inventory charged as an expense in the year amounted to £8,363,000 (2011 £11,276,000)

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

13. Construction contracts

The breakdown of the amounts included in the balance sheet is as follows:

	2012 Group	2011 Group
Construction contracts	974	2,487
Invoicing account to customers	(219)	(217)
	<u>755</u>	<u>2,270</u>
Of which amounts are disclosed:		
Under Assets	764	2,428
And under liabilities	(9)	(158)
	<u>755</u>	<u>2,270</u>

14. Other financial assets

	2012 Group £000	Company £000	2011 Group £000	Company £000
Trade and other receivables				
Trade receivables	4,531	3	4,653	18
Provision for doubtful debts	(36)	-	(28)	-
	<u>4,495</u>	<u>3</u>	<u>4,625</u>	<u>18</u>
Current tax receivable	58	-	-	-
Related party receivables	-	9,910	-	11,567
Other debtors	233	39	350	80
Prepayments and accrued income	653	210	622	30
	<u>5,439</u>	<u>10,162</u>	<u>5,597</u>	<u>11,695</u>
Cash and cash equivalents				
Cash on hand and balances with banks	(945)	(2,014)	(1,021)	(1,941)

Cash, cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement:

	2012 Group £000	Company £000	2011 Group £000	Company £000
Cash and cash equivalents	1,695	-	2,376	-
Bank overdrafts	(2,640)	(2,014)	(3,397)	(1,941)
	<u>(945)</u>	<u>(2,014)</u>	<u>(1,021)</u>	<u>(1,941)</u>

As the group has a pooling arrangement with regard to the individual company bank balances the net position has been shown as a liability within the group and company financial statements.

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

15. Other financial liabilities

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Trade and other payables				
Trade payables	2,500	399	2,098	43
Other taxation and social security	767	-	813	-
Net obligations under hire purchase contracts	-	-	54	-
Related party payables	-	2,987	-	5,446
Other creditors	806	-	472	83
Accrued expenses and deferred income	724	182	1,039	261
	<u>4,797</u>	<u>3,568</u>	<u>4,476</u>	<u>5,833</u>
Current tax payable	-	-	52	-
Payments received on account	9	-	158	-
Bank and other loans (see note 16)	1,763	1,396	1,537	1,243
Cash and cash equivalents (see note 14)	945	2,014	1,021	1,941
	<u>7,514</u>	<u>6,978</u>	<u>7,244</u>	<u>9,017</u>

For details on borrowings and security see note 16.

16. Non-current liabilities

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Bank loans	4,246	4,246	5,309	5,309
Other loans	3,049	1,429	3,700	1,419
	<u>7,295</u>	<u>5,675</u>	<u>9,009</u>	<u>6,728</u>
The bank and other loans are repayable as follows:				
On demand or within one year	1,850	1,483	1,624	1,330
Within one to two years	6,093	5,799	1,778	1,484
Within two to five years	883	-	6,339	5,456
After five years	443	-	1,104	-
	<u>9,269</u>	<u>7,282</u>	<u>10,845</u>	<u>8,270</u>
Included in current liabilities	(1,850)	(1,483)	(1,624)	(1,330)
Less' unamortised issue costs	(124)	(124)	(212)	(212)
	<u>7,295</u>	<u>5,675</u>	<u>9,009</u>	<u>6,728</u>

Amounts included within current liabilities in respect of the above loans are as follows

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Bank loans	1,483	1,483	1,330	1,330
Other loans	367	-	294	-
Unamortised issue costs	(87)	(87)	(87)	(87)
	<u>1,763</u>	<u>1,396</u>	<u>1,537</u>	<u>1,243</u>

The revised repayment schedule following the amendment to the facilities agreement is shown in note 31.

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

16. Non current liabilities (continued)

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Net obligations under hire purchase contracts				
Repayable within one year	-	-	54	-
Repayable between one and five years	-	-	-	-
	-	-	54	-
Included in current liabilities	-	-	(54)	-
	-	-	-	-

Interest on bank loans accrues at a variable rate of between 3.25 and 5 percent above LIBOR. The costs of raising the above debt finance are being amortised over the period of the relevant loan.

Bank loans and overdrafts totalling £8,369,000 (2011: £10,036,000) are secured by fixed and floating charges over assets and group companies. Net obligations under hire purchase contracts totalling £Nil (2011: £54,000) are secured on the individual assets to which they relate.

Within 'non-current liabilities - other loans' there is a balance amounting to £1,446,000 (2011: £1,446,000) which relates to convertible unsecured loan stock. The equity component of this compound financial instrument has been calculated at £31,000 and is shown within equity. The holder has the option to convert the stock to ordinary shares at the rate of 1 share for every £2 of stock held at any time from 1 January 2009 to 31 May 2014. The number of ordinary shares that would be issued if all stockholders converted their stock would be 738,340.

17. Provisions for liabilities

	Group £000	Company £000
Balance at 1 July 2010	147	-
Transfer	-	90
Balance at 30 June 2011	147	90
Transfer	(57)	-
Balance at 30 June 2012	90	90

The provisions relate to the costs of dilapidation or contractual repairs to properties held under current or expired leases.

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

18. Deferred taxation - Group	2012 £000	2011 £000
Deferred tax liability to be recovered after more than 12 months	-	22
Deferred tax liability to be recovered within 12 months	-	1
Deferred tax asset to be recovered after more than 12 months	-	-
Deferred tax asset to be recovered within 12 months	(10)	(14)
	<u>(10)</u>	<u>9</u>
Deferred tax (assets)/liabilities	(10)	9
Of which amounts are disclosed:		
Under Assets	(10)	(14)
And under liabilities	-	23
	<u>(10)</u>	<u>9</u>

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

	2012 £000	2011 £000
Balance at 1 July 2011	9	20
Disposed with subsidiary undertakings	-	(4)
Income statement credit		
- depreciation in advance of capital allowances	(8)	(8)
- other timing differences	(3)	-
- trade losses carried forward	14	(14)
Comprehensive income statement debit		
- Defined benefit pension scheme movement	(22)	15
	<u>(10)</u>	<u>9</u>
Balance at 30 June 2012	(10)	9

Group deferred tax is provided as follows:

	2012 £000	2011 £000
Depreciation in excess of capital allowances	(7)	1
Other timing differences	(3)	-
Trade losses carried forward	-	(14)
Defined benefit pension scheme asset	-	22
	<u>(10)</u>	<u>9</u>

19. Share capital

Group and Company	2012 £000	2011 £000
Authorised		
20,000,000 Ordinary shares of 1p each	<u>200</u>	<u>200</u>
Allotted, called up and fully paid		
7,383,431 Ordinary shares of 1p each	<u>74</u>	<u>74</u>

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

20. Contingent liabilities

Company only

There is a cross company guarantee in place which ensures that each company within the group is jointly and severally liable for any amounts owed to the bank. At the period end the contingent liability of Key Technologies plc in respect of this amounted to £698,000 (2011 £1,043,000).

Group

Within the purchase agreement relating to the acquisition in 2010 there is an earn out clause which states that if the earnings before interest and tax of Primetake Limited exceed £3,500,000 within any of the next three financial years then the seller is entitled to a further seventy pence for each pound by which it is exceeded. Currently the group has not provided for any liability in this respect as the directors do not believe any liabilities will fall due.

21. Financial commitments

At 30 June 2012 the group had total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2012 £000	2011 £000
Falling due within one year	893	1,072
Falling due between two and five years	2,369	2,590
Falling due after five years	-	2,666
	<u>3,262</u>	<u>6,328</u>

22. Directors' remuneration

	Group 2012 £000	Group 2011 £000
Emoluments for qualifying services	188	150
Contributions to money purchase pension schemes	10	8
Benefits in kind	4	2
	<u>202</u>	<u>160</u>

Highest paid director

Emoluments for qualifying services	108	109
Contributions to money purchase pension schemes	10	8
Benefits in kind	2	2
	<u>120</u>	<u>119</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2011 1)

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

23. Staff costs

The average monthly number of employees (including directors) during the year was:

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Manufacturing	205	-	234	-
Sales and administration	61	9	54	10
	<u>266</u>	<u>9</u>	<u>288</u>	<u>10</u>

Staff costs during the year (including directors) were as follows.

	2012		2011	
	Group £000	Company £000	Group £000	Company £000
Wages and salaries	6,252	325	7,235	398
Social security costs	600	37	780	4
Other pension costs	82	10	91	8
Costs of share option scheme	-	-	(248)	(248)
	<u>6,934</u>	<u>372</u>	<u>7,858</u>	<u>162</u>

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

24. Financial instruments and risks

The principal financial instruments of the company comprise cash and bank deposits, bank overdrafts and loans together with trade creditors and trade debtors that arise directly from its operations. The main purpose of these instruments is to raise funds for the Group's operations and to finance its continuing operations.

The Company's operations expose it to a variety of financial risks including the effects of currency risk, credit risk, liquidity risk and interest rate risk

Currency Risk – the Group has foreign currency dealings with customers and suppliers based outside the UK which are consequently subject to exchange rate fluctuations. The Group actively manages these exposures with foreign currency instruments unless there is a natural hedge between sales and purchases. The principal currencies involved are US Dollars and Euros

Liquidity Risk – the Group manages this risk by the use of bank balances and overdraft facilities along with efficient monitoring and forecasting of cashflow and bank covenants to ensure there are sufficient funds to meet liabilities

Credit Risk – trade debtors are managed in respect of credit and cashflow risk by policies monitoring the credit offered to customers and regular monitoring of amounts outstanding for both time and total exposure.

The ageing profile of trade receivables is as follows:

Ageing profile	2012 £000	2011 £000
Up to 3 months	4,317	4,357
3 to 6 months	74	189
6 to 12 months	123	107
Over 12 months	17	-
	<hr/>	<hr/>
Gross trade receivables	4,531	4,653
Less impairment	(36)	(28)
	<hr/>	<hr/>
Total	4,495	4,625

Balances over 3 months old have either been provided for or are considered to be recoverable.

The movement on the provision for impairment of group trade receivables is as follows:

	£000
As at 31 July 2011	28
Provided during the year	8
	<hr/>
As at 31 June 2012	36

Trade receivables amounting to £178,000 are past due but have not been provided for as the amounts are considered to be receivable in full

Interest Rate Risk – the group has exposure to increases in interest rates on its bank loans and overdraft facility. The risk is limited by an interest rate cap instrument

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

25. Retirement benefit plans

Defined contribution

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds.

	2012	2011
	£000	£000
Contributions payable by the group for the period	82	80
Contributions accrued and payable at the period end	15	23

Defined benefit

The group provides pension arrangements through two funded defined benefit schemes. Both schemes are closed to new members.

Spectar Switchgear Limited Retirement Benefits Scheme

The pension costs relating to this scheme are assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation at 1 July 2010, indicates that, on the basis of service to date and current salaries, the schemes' assets were sufficient to meet liabilities.

At 30 June 2012 the scheme, which is contracted out of the state scheme, had assets of approximately £5,881,000 (2011: £5,386,000) at market value.

STS Field Grant Limited Pension Scheme

The pension costs relating to this scheme are assessed every three years in accordance with the advice of a qualified actuary using the project unit method. The most recent valuation at 1 July 2009, indicates that, on the basis of service to date and current salaries, the schemes' assets were sufficient to meet liabilities.

At 30 June 2012 the scheme, which is contracted out of the state scheme, had assets of approximately £1,968,000 (2011: £1,530,000) at market value.

Contributions to both schemes by employees and the group have been maintained in accordance with the recommendations of the actuary in their previous valuations.

International Accounting Standard 19 'Retirement Benefits' disclosures

The group operates two defined benefits schemes, the Spectar Switchgear Limited Retirements Benefits Scheme and the STS Field Grant Limited Pension Scheme. A full valuation was undertaken as at 1 July 2010 and 1 July 2009 respectively and updated to 30 June 2012 by a qualified independent actuary. The assumptions used by the actuary in their valuation of the scheme at 30 June 2012 are given below, as well as a breakdown of the schemes assets and liabilities at that date.

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

25. Retirement benefit plans (continued)

The major assumptions used were as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme		STS Field Grant Limited Pension Scheme	
	At 30 June 2012	At 30 June 2011	At 30 June 2012	At 30 June 2011
Discount rate	5.6%	6.2%	5.6%	6.2%
Retail price inflation	2.4%	2.4%	2.4%	2.4%
Salary increase rate	2.4%	2.4%	2.4%	2.4%
Pensions increases (at Limited Price Indexation)	2.4%	2.4%	2.4%	2.4%
Deferred pension revaluation	2.4%	2.4%	2.4%	2.4%

Mortality rates follow the standard table known as PA92 projected to the current calendar year with a reduction of 0.3% to the discount rate to allow for mortality improvements. The mortality assumptions are set out below:

Assuming retirement at age 65, the life expectancies in years are as follows:

	30 June 2012	At 30 June 2011
For a male aged 65 now	21.5	20.0
At 65 for a male member aged 45 now	23.4	21.8
For a female aged 65 now	24.1	23.2
At 65 for a female member aged 45 now	26.0	25.2

The market value of the assets held, and the expected rates of return assumed are as follows:

Spectar Switchgear Limited Retirement Benefits Scheme

	Expected rate of return, period commencing 30 June 2012	Value at 30 June 2011 £000's	Expected rate of return, period commencing 30 June 2012	Value at 30 June 2011 £000's
Equities	7.0%	1,935	7.8%	2,276
Bonds	4.3%	3,730	4.4%	2,927
Cash	3.0%	216	3.75%	183
Total		5,881		5,386

STS Field Grant Limited Pension Scheme

	Expected rate of return, period commencing 30 June 2012	Value at 30 June 2012 £000's	Expected rate of return, period commencing 30 June 2012	Value at 30 June 2011 £000's
Equities	7.0%	619	7.8%	710
Bonds	4.3%	1,280	4.4%	763
Cash	3.0%	69	3.75%	57
Total		1,968		1,530

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

25. Retirement benefit plans (continued)

The amounts recognised in the balance sheet are as follows

	Spectar Switchgear Limited Retirement Benefits Scheme			STS Field Grant Limited Pension Scheme		
	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2010 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2010 £000's
Total fair value of assets	5,881	5,386	4,968	1,968	1,530	1,441
Value of Scheme liabilities	(3,230)	(2,616)	(2,538)	(1,619)	(1,396)	(1,391)
Surplus in the scheme	2,651	2,770	2,430	349	134	50
Unrecognised asset due to surplus restriction	(2,651)	(2,687)	(2,430)	(349)	(134)	(24)
Recognised surplus in the scheme	-	83	-	-	-	26
	Total At 30 June 2012 £000's			Total At 30 June 2011 £000's		
Total market value of assets	7,849			6,916		
Value of Scheme liabilities	(4,849)			(4,012)		
Surplus in the scheme	3,000			2,904		
Unrecognised asset due to surplus restriction	(3,000)			(2,821)		
Surplus in the scheme	-			83		

The relevant retirement benefit assets have been restricted to the present value of the scheme's future pension costs, less the present value of the contributions for future service committed to in the relevant schedule of contributions in line with IFRIC 14.

The amounts recognised in the income statement are as follows

	Spectar Switchgear Limited Retirement Benefits Scheme		STS Field Grant Limited Pension Scheme		Total	
	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's
Current service cost	5	7	-	5	5	12
Interest on obligation	162	155	87	85	249	240
Expected return on plan assets	(311)	(300)	(102)	(88)	(413)	(388)
Contributions	(2)	(2)	(357)	(8)	(359)	(10)
Restriction on above	146	140	372	6	518	146
Total operating income	-	-	-	-	-	-
Actual return on assets	563	479	142	140	705	619

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

25. Retirement benefit plans (continued)

Changes in the value of the defined benefit obligation are as follows

	Spectar Switchgear Limited Retirement Benefits Scheme		STS Field Grant Limited Pension Scheme		Total	
	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's
Opening defined benefit obligation	2,616	2,538	1,396	1,391	4,012	3,929
Current service cost	5	7	-	5	5	12
Interest on obligation	162	155	87	85	249	240
Actuarial losses/(gains) on obligation	517	(21)	197	(26)	714	(47)
Benefits paid	(70)	(63)	(61)	(59)	(131)	(122)
Closing defined benefit obligation	3,230	2,616	1,619	1,396	4,849	4,012

Changes in the market value of the plan assets are as follows

	Spectar Switchgear Limited Retirement Benefits Scheme		STS Field Grant Limited Pension Scheme		Total	
	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's
Opening fair value of plan assets	5,386	4,968	1,530	1,441	6,916	6,409
Expected return	311	300	102	88	413	388
Actuarial gains	252	179	40	52	292	231
Contributions	2	2	357	8	359	10
Benefits paid	(70)	(63)	(61)	(59)	(131)	(122)
Closing value of plan assets	5,881	5,386	1,968	1,530	7,849	6,916

The group expects to contribute £72,000 (2011 £143,000) to these defined benefit pension plans in the year to 30 June 2012

Amounts recognised in the statement of total comprehensive income:

	Spectar Switchgear Limited Retirement Benefits Scheme		STS Field Grant Limited Pension Scheme		Total	
	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's	At 30 June 2012 £000's	At 30 June 2011 £000's
Actual return less expected return on assets	252	179	40	52	292	231
Experience (losses)/gains on the obligations	(68)	(22)	(21)	9	(89)	(13)
(Loss)/gain arising from changes in assumptions	(449)	43	(176)	17	(625)	60
Effects of restricted surplus	182	(117)	157	(104)	339	(221)
Actuarial (loss)/gain recognised in statement of comprehensive income	(83)	83	-	(26)	(83)	57

The cumulative actuarial loss recognised in the statement of comprehensive income is £41,000

**KEY TECHNOLOGIES PLC
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

25. Retirement benefit plans (continued)

Experience adjustments are as follows

	Spectar Switchgear Limited Retirement Benefits Scheme				STS Field Grant Limited Retirement Benefits Scheme			
	2012	2011	2010	2009	2012	2011	2010	2009
Experience adjustments on liabilities Amount (£000's)	(517)	21	(142)	873	(197)	26	(236)	65
Experience adjustments on assets Amount (£000's)	252	179	727	(986)	40	52	81	(188)

26. Share based payment

Key Technologies plc set up a share option scheme on 18 February 2009 for certain directors who received 227,187 options. The options could be exercised on the achievement of 40.49% growth in the earnings per share from the end of the financial year following the option date and within 36 months, with the directors having indicated that the options are likely to be taken up in full. However the conditions were not met and therefore the options were not vested. The value recognised in the previous years over the vesting period was therefore transferred out accordingly. £248,000 was recognised in the income statement in the prior year with a corresponding decrease in equity reserves.

27. Related party transactions

During the period the following transactions were made between Key Technologies plc and its subsidiaries.

	2012 £000	2011 £000
Dividends received from subsidiaries	3,000	1,892
Amounts owed to subsidiaries	2,987	5,446
Amounts due from subsidiaries	9,910	11,567

Amounts owed to and by subsidiaries are interest free and have no fixed terms of repayment.

During the prior year, the assets of the Wimborne division of STS Rail Limited were transferred to STS Defence at net book value through the intercompany loan account. The net book value of these assets was £25,000.

GIL Investments Limited is a related party through common directors and shareholders. GIL Investments Limited charges during the period in respect of finance arrangement and management fees were £60,000 (2011: £60,000).

Miller Management Services Limited is a related party through common directors and shareholders. Miller Management Services Limited charges in the period were £56,000 (2011: £153,000).

Remuneration to key management personnel during the financial year amounted to £171,000 (2011: £152,000).

KEY TECHNOLOGIES PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2012

27. Related party transactions (continued)

STS Switchgear Limited has loans outstanding to the Spectar Switchgear Limited Retirement Benefits Scheme and STS Field Grant Limited Pension Scheme amounting in total to £Nil (2011, £10,000) at the year end.

28. Dividends

	2012 £000	2011 £000
Final dividend on equity shares	-	-
Interim dividend on equity shares	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

29. Capital Management

The Board maintains a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors shareholder return on capital, which the Group defines as total shareholders equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are bank covenants associated with the Group's facilities.

There were no changes in the Group's approach to capital management during the period.

30. Control

There is no ultimate controlling party as no shareholder individually holds more than 50% of the issued share capital.

31. Post balance sheet events

On 12 September 2012 the entire share capital of STS Motors Limited and STS Switchgear Limited were acquired by Prime Endeavour Limited (formerly STS Endeavour Limited).

On 12 October, the facilities agreement was amended whereby no loan repayments are due until June 2014. Furthermore, on the 12 November, the Group received £750,000 from the issue of New Loan Notes due for repayment in December 2016. In order to reflect the impact of the above financing as if it had occurred at 30 June 2012, a revised repayment schedule is presented below:

	2012 Statutory Accounts £000	2012 Restated £000
On demand or within one year	1,850	367
Within one to two years	6,093	7,576
Within two to five years	883	1,633
After five years	443	443
	<hr/>	<hr/>
	9,269	10,019
	<hr/>	<hr/>

**KEY TECHNOLOGIES PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

31. Post balance sheet events (continued)

In order to reflect the impact of the above transactions as if they had occurred at 30 June 2012, a proforma Balance Sheet is presented below:

PROFORMA CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

	2012 Statutory Accounts	Divested Businesses	Refinancing	2012 Restated
	£'000			£'000
Non-current assets				
Intangible assets	13,479	(59)	-	13,420
Property, plant and equipment	1,002	(116)	-	886
Deferred tax	10	-	-	10
	14,491	(175)	-	14,316
Current assets				
Inventories	979	(325)	-	654
Construction contract work in progress	764	-	-	764
Trade and other receivables	5,381	(833)	-	4,548
Current tax receivable	58	(10)	-	48
	7,182	(1,168)	-	6,014
Total assets	21,673	(1,343)	-	20,330
Current liabilities				
Cash and cash equivalents	945	-	(750)	195
Borrowings	1,763	-	(1,483)	280
Trade and other payables	4,797	(1,037)	-	3,760
Amounts due to customers for contract work	9	-	-	9
Current tax payable	-	-	-	-
	7,514	(1,037)	(2,233)	4,244
Net current (liabilities)/assets	(332)	(131)	2,233	1,770
Non-current liabilities				
Long term borrowings	7,295	(306)	2,233	9,222
Provisions for liabilities	90	-	-	90
	7,385	(306)	2,233	9,312
Total liabilities	14,899	(1,343)	-	13,556
Net assets	6,774	-	-	6,774
Equity				
Share capital	74	-	-	74
Share premium account	1,777	-	-	1,777
Merger reserve	3,410	-	-	3,410
Other reserves	31	-	-	31
Retained Profit	1,482	-	-	1,482
Total Equity	6,774	-	-	6,774

KEY TECHNOLOGIES PLC

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

	Year ended 30 June 2012 £	Period ended 30 June 2011 £
Administrative expenses	(612,964)	(542,245)
Operating loss	(612,964)	(542,245)
Other expenses		
Exceptional costs	(304,833)	(226,858)
Other interest receivable and similar income		
Bank interest received	54	93
Other interest received	-	-
Dividends from subsidiary undertakings	3,000,000	1,891,937
Interest payable		
Bank and other interest paid	(534,260)	(623,452)
Profit before taxation	1,547,997	499,475
Taxation	25,220	-
Profit for the year	1,573,217	499,475

Signed on behalf of the board

K Hilton