

2015 / 2016

MANUFACTURING EDITION

The Parliamentary Review

A YEAR IN PERSPECTIVE

■ FOREWORDS

The Rt Hon Philip Hammond MP
Terry Scuoler

■ ELECTRONIC MANUFACTURING REPRESENTATIVES

Kentec Electronics

QE Global

Contour Electronics

ML Accessories

Lincad

Alpha-Cure

Biotrack

Lenalea Electronics

Isotopx

LC Automation

Astro Lighting

Pretorian Technologies

■ FEATURES

Review of the Year
Review of Parliament

Lenalea Electronics



Circuit board in electronic production process



Co-Founders and Directors
Mr. Simon Pollock and
Mr. David Foster

Lenalea Electronics Ltd. a contract electronics manufacturer, was founded in 2000 by two guys in their early 20's from Northern Ireland with a £5000 loan from the Princes Trust. Simon Pollock and David Foster decided that there was enough small volume and prototype work available within the industry to support a small but highly motivated manufacturing team based in Markethill, Co Armagh. In the years since, the company has grown rapidly both in size and capability whilst the components and products it works with have become both smaller and more complex.

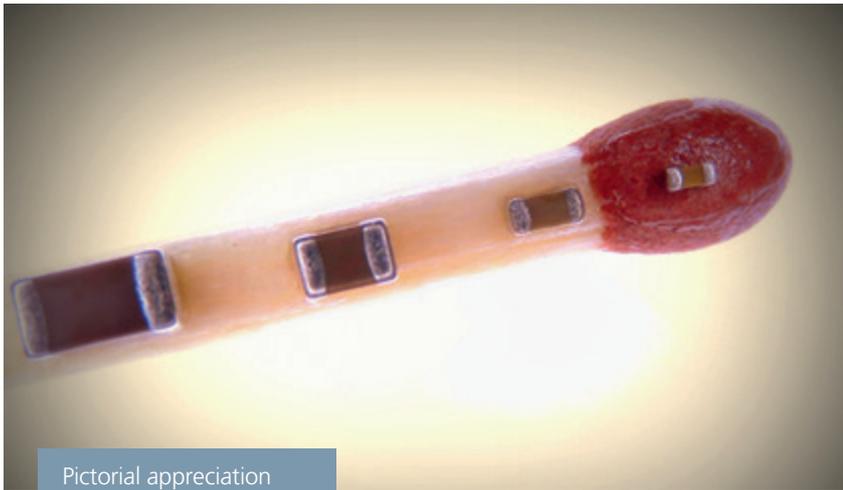
"In our first few years in business, the most common component size moved from 3.2x1.6mm to 2.0x1.25mm. Now 1.0x0.5mm is the norm and we routinely use parts as small as 0.6x0.3mm" explained director David Foster.

Secrets of Success

So how do two guys with nothing but experience in the industry and just themselves as a workforce start and grow a business? Well, hard work is not the only factor. 'Usually in electronics manufacturing you get your first opportunity with a new customer when another supplier lets them down' Simon explains. 'Customers don't often switch suppliers with every order based on price alone, as quality is always paramount to them. Despite ensuring our prices are competitive, we never cut corners to win a contract at the expense of quality. With this approach, we aim to develop a mutually beneficial working relationship, especially with larger customers who prefer to have supply chain agreements in place.'

FACTS ABOUT LENAlea ELECTRONICS

- » Small privately owned contract electronics manufacturer.
- » Employs 30 staff at its sole facility in County Armagh
- » Make circuit boards that are incorporated into products with end uses as diverse as scientific research and construction and mining whilst also supplying the consumer electronics marketplace with products being integrated into electricity usage monitors, aromatherapy diffusers, electronic door locks and water pumps.
- » Customers throughout UK and Ireland as well as mainland Europe and Canada



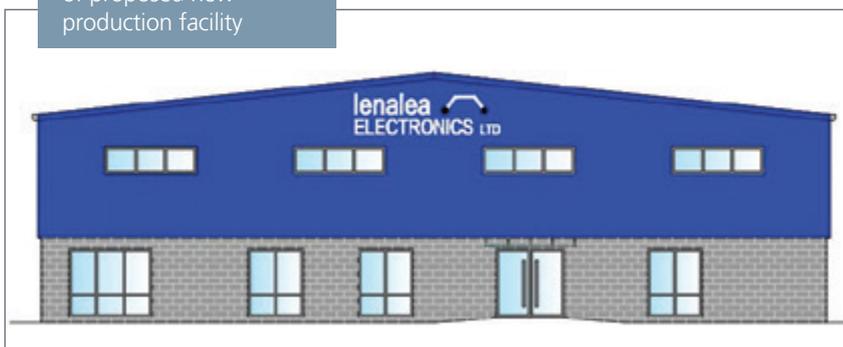
Pictorial appreciation of the size and scale of components Lenalea Electronics work with, highlighting the level of expertise and precision manufacturing involved

Sadly the best opportunities usually come when a competitor has let a customer down by failing to deliver the overall service expected, and we constantly strive to ensure that we do not fall foul of this.’ commented Simon.

In light of this, Lenalea Electronics have always aimed to be customer focused; whether you are a large or small customer. Sometimes a quick response to an email can be the difference between receiving an order or not. At worst, it is just good business practice.

Location has also been a contributing factor to the company’s success. The Markethill area, whilst having low rental costs, is served by excellent road links to the North and South of Ireland and is approximately an hours drive from three airports. These benefits, along with excellent broadband facilities, have contributed to the company’s growth. There is very little industrial space to rent in the Markethill district, so potential to develop as a manufacturing/industrial

Front elevation of proposed new production facility



hub is limited. It would be beneficial to the area if the local council or a private investor decided to create additional manufacturing premises to allow other businesses to tap into the opportunities the semi-rural town offers, but sadly this has not happened yet.

Investing in the Company- Investing for Growth

‘In order to promote and facilitate growth, we have always tried to re-invest heavily in the business.’ explains David. ‘At times this has been difficult-especially on large capital spends when the capital allowances weren’t favourable.’

However, Lenalea recognise that investment in people is equally as important as purchasing the correct equipment. With assistance through funding from Invest NI, they have trained one of their staff to the level of an Institute of Printed Circuits (IPC) qualified trainer, which in turn enables them to train and certify their workforce to IPC soldering standards. In addition, staff members are often trained to develop their IT skills and to give them experience which are not only relevant to Lenalea Electronics but also to future employers.

Building for the Future

Space is now limiting the company’s growth. Even though, in the 16 years of trading, the area the company occupies has grown by a factor of twelve, the business has again reached full capacity at its current premises and now needs to expand further.

The company has plans to construct a 16,000 sq. ft. facility in the town, on the site of a disused joinery works, to meet their current and expected requirements. This will secure the business as the largest manufacturing employer within the town, and surrounding area, and provide extra

space to grow both workforce and customer base. 'We felt it was important to keep our new facility in Markethill and we're proud of the fact our plans will breathe new life into a former manufacturing site, whilst in turn freeing up space for other new business' to start in. We would hope this is a win-win situation for the local area,' commented Simon.

Challenges

Contract manufacturing has always been under the threat of losing work to lower wage economies, with China being the first people think of in relation to electronics. Lenalea Electronics has always aimed to offer an exceptional level of quality and service, and generally do not produce the high volume products which are more suited to off shore manufacturing. They have even been told, when compared to other manufacturers within the UK and Ireland, that the finish and quality of their end product is second to none.

The weakness of sterling against the US\$ is beginning to have a knock on effect on the company. Whilst a weak pound might seem like an opportunity to export more, the reality is that very few electronic components are manufactured in the UK. Component prices within the UK have increased marginally across the board with some high value parts seeing a significant increase from one month to the next. Given that the value of components used to assemble a printed circuit board can be up to 80% of its selling price, the impact it could have on profitability is all too obvious.

Another upcoming challenge to the company will be the compliance with Auto Enrolment – the UK wide requirement by government for employers to offer a workplace pension to ensure employees prepare for retirement. The act of compliance

in itself will generate increased cost alongside the additional monetary burden on the company, with the employer contribution expected to be 3% by 2019. While these amounts may seem trivial, even in a small company like Lenalea, this equates to the same cost as employing an additional member of staff. The importance of this cost factor will inevitably increase and in turn play a bigger role in the decision making process.

Finally, the financing of the new factory may present some issue. Due to the specialised nature of the work to be carried out at the new manufacturing site, the building is likely to cost much more to build than its eventual resale value. This means that finding the necessary security to raise the loan that the company needs will be a major obstacle.

Conclusion

Simon and David are delighted that the new factory will be the largest manufacturing site in the Markethill area; and are encouraged by the way the company has grown from its start up in 2000. If all goes to plan the company foresees a need, in due course, to increase its workforce. However, the immediate priority is to secure funding and manage an ambitious development schedule and ensure the successful migration of all current staff and equipment to the new facility.

Lenalea Electronics has a well-driven and motivated management and production team whose aim is to see similar future growth over and above that experienced in the past years. The new facility will be the first stepping-stone to achieve this. The future is very exciting for Lenalea, as it continues to build on its contract manufacturing excellence and ensure the company is well renowned for its expertise.

“Lenalea Electronics, although a small company, are big on quality and have always aimed to offer an exceptional level of quality and service. They have even been told, when compared to other manufacturers within the UK and Ireland, that the finish and quality of their end product is second to none.”