Financial Statements

Spectrum Technologies Limited

For the Year Ended 31 March 2018

Registered number: 2385991

Company Information

Directors	Dr P H Dickinson B Thomas M Lewis M Reason C Faulkner (appointed 23 July 2018)
Company secretary	M Lewis
Registered number	2385991
Registered office	Western Avenue Bridgend CF31 3RT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 11/13 Penhill Road Cardiff South Glamorgan CF11 9UP
Bankers	HSBC Bank Plc 13 Dunraven Place Bridgend CF31 1JQ Wells Fargo N A PO Box 63020 San Francisco CA 94163
Solicitors	Berry Smith LLP Haywood House Dumfries Place Cardiff CF10 3GA

Contents

	Page
Group strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 9
Consolidated statement of comprehensive income	10
Consolidated balance sheet	11
Company balance sheet	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the financial statements	15 - 32

Group Strategic Report

For the Year Ended 31 March 2018

Business review

Spectrum Technologies' long term objective is to be an innovating, world leading industrial laser systems company, developing and providing high technology solutions for advanced manufacturing problems, in particular for the wire and cable processing and manufacturing sectors.

The company aims to research and develop new manufacturing processes in response to identified problems in manufacturing and to supply solutions to the market in the form of high technology, high added value capital equipment while providing first class after sales service and support to its customers.

To maximise revenues Spectrum aims to operate on a global basis supplying laser based wire processing equipment to manufacturers of high value electrical systems in the aerospace, defence, automotive and electronics industries. The company does this by marketing the majority of its products and technology directly, business to business, where it is able to do so and via the use of third party distributors and agents where markets are too small or remote to make the alternative practical. Spectrum always aims to be number one its chosen markets.

In support of its goals the company's agreed strategy is to maintain, develop and grow the business based primarily on organic developments. This requires that the company continues with a long term programme of research and development supported by the reinvestment of profits.

During the year to 31 March 2018 sales and profits dipped compared to the previous year, during a period of continued investment in R&D and new product development. The full year result is for sales of £5.3M (£6.7M – 2017) with a loss before tax of £720K (£395K loss – 2017).

The Board and management have continued to keep the business environment under review throughout this trading period. The reason for the decrease in sales was a reduction in demand for our products relative to the previous year. However, we believe our market share has remained solid and continues well above 50%; we did not see a significant change in the competitive situation. Noting industry requirements, we now anticipate sales will start to grow as we roll out the innovative technology and products resulting from our recent investment in new product development.

The key aerospace market has continued to be firm with production rates for the main commercial jet manufacturers continuing to increase steadily to record levels as they respond to the backlog built up in prior years. However, it has been clear that to maintain and grow our sales in this sector into the medium term it is necessary to introduce new products that can improve productivity and reduce manufacturing costs to meet the needs of the industry supply chain as it responds to the introduction and ramp up of new lower cost aircraft, such as the Airbus A320neo and the Boeing 737 Max. The Board monitored the situation throughout the year and was satisfied that it was necessary for the company to maintain a firm push on research and new product development to respond to these market requirements.

The company continued to maintain strong financial controls and to remain debt free with a healthy cash balance. As a consequence of the careful management of cash and working capital improvements, cash at the end of the 2018 financial year increased to stand at £1.2M compared to £823K at the end of the 2017 financial year.

The Group remains highly dependent on exports with the key North American market representing historically greater than 50% of the Group's business; all North American business is denominated in US dollars. Foreign exchange rates therefore remain a crucial factor for the business. To mitigate against exchange rate volatility the Group operates a policy of adopting conservative exchange rates within its budgets combined with the use of forward exchange contracts and maximising its costs in US dollars as far as possible.

Group Strategic Report (continued)

For the Year Ended 31 March 2018

Business review (continued)

Following the result of the UK referendum on EU membership in 2016 the company has continued to utilise the contracts already in place prior to the referendum, which were already at historically good rates. We expect to benefit further in the future from the reduced value of the pound.

It should be noted that under the Financial Reporting Standard "FRS102", the fair value of financial instruments are required to be reported in the statement of comprehensive income. The heading "fair value movements" represents the movement in theoretical value of Spectrum's foreign exchange contracts at point of year end. Although creating short term volatility within the Financial Statements the contracts nevertheless reduce or eliminate risk for future years.

The global economy has continued to face significant challenges. The UK's EU referendum has continued to jar on local politics while the pre-existing political and economic issues within the Eurozone are beginning to resurface, elsewhere other serious geo-political issues remain unresolved. As in previous years, while the global economy lacked robust growth overall there was, nevertheless, demonstrable growth in Asia Pacific, the US and UK economies. Certain sections of industry have continued to perform and to invest in new manufacturing technology, creating demand for our products and services. While the impact of the UK's EU referendum are not yet clear with regard to the domestic economy we expect no adverse impact on demand for the company's products as a consequence of the result.

The company continued to invest significantly in research and new product development during the year. This included increasing efforts on developing key new products for our traditional aerospace market. A further milestone was reached during the year with the introduction and sale of the first of the company's new 6th generation benchtop Nova 50-100i series laser wire markers. We will be bringing further major new products to market in the coming period. As before a number of these are aimed at distinct new markets, namely the automotive, rail and wire and cable manufacturing sectors, where as previously noted, we have seen positive interest in our new innovations and solutions for advanced manufacturing applications. The board's expectation is that these new developments will help maintain market share in our core business into the medium term while supporting both the diversification and growth of the company's business in the longer term.

The Board anticipates that there will be continued long term demand for the company's core range of products from the aerospace and electronics sectors. The Board was disappointed with the fall in sales during the year, but looking to the new financial year and longer term expects sales to start to grow as the new products under development are launched into the market place and as the aerospace industry starts to replace older equipment. Given the general economic situation and anticipated market demand and requirements, combined with the transition to and availability of new products, the Board continues to believe that it is a matter of timing and that the introduction of a range of new products will revamp the market. The company has maintained market share and remains on a strong financial footing. The immediate goal continues to be to sustain revenues while progressing key new product and business development goals. Given the current global market conditions and outlook the Board believes that the company has taken, and is continuing to take, the right actions to maintain the business on a sound basis going forward.

Spectrum Technologies Limited

Group Strategic Report (continued)
For the Year Ended 31 March 2018

Principal risks and uncertainties

Credit risk

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the Finance Director on a regular basis in conjunction with debt ageing and collection history.

Currency risk

The company is exposed to transaction and translation foreign exchange risk, each of which is taken into account in its overseas transactions.

This report was approved by the board on 3 December 2018 and signed on its behalf.

Dr P H Dickinson
Director

Directors' Report
For the Year Ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £617,970 (2017 - loss £445,177).

Directors

The directors who served during the year were:

Dr P H Dickinson
B Thomas
M Lewis
M Reason

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Directors' Report (continued)
For the Year Ended 31 March 2018

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 3 December 2018 and signed on its behalf.

M Lewis
Director

Grant Thornton

Independent Auditor's Report to the Shareholders of Spectrum Technologies Limited

Opinion

We have audited the financial statements of Spectrum Technologies Limited (the 'company') for the year ended 31 March 2018, set out on pages 10 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Grant Thornton

Independent Auditor's Report to the Shareholders of Spectrum Technologies Limited (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Grant Thornton

Independent Auditor's Report to the Shareholders of Spectrum Technologies Limited (continued)

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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Independent Auditor's Report to the Shareholders of Spectrum Technologies Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Grant Thornton UK LLP

Rhian Owen (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Cardiff
Date: 3 December 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	**5,308,518**	6,706,884
Cost of sales		**(4,277,552)**	(4,567,218)
Gross profit		**1,030,966**	2,139,666
Distribution costs		**(74,297)**	(36,931)
Administrative expenses		**(1,852,624)**	(2,096,616)
Other operating income	5	**92,589**	100,500
Fair value movements		**81,684**	(501,721)
Operating loss	6	**(721,682)**	(395,102)
Interest receivable and similar income	9	**1,528**	1,230
Interest payable and expenses	10	**(262)**	(1,918)
Loss before taxation		**(720,416)**	(395,790)
Tax on loss	11	**102,446**	(49,387)
Loss for the financial year		**(617,970)**	(445,177)
Other comprehensive income		**(34,979)**	43,836
Total comprehensive income for the year		**(652,949)**	(401,341)
Total comprehensive income for the year attributable to:			
Owners of the parent Company		**(652,949)**	(401,341)

The notes on pages 15 to 32 form part of these financial statements.

Spectrum Technologies Limited
Registered number:2385991

Consolidated Balance Sheet

As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	13		**156,389**		199,120
			156,389		199,120
Current assets					
Stocks	15	**1,881,735**		1,838,142	
Debtors: amounts falling due within one year	16	**1,643,819**		2,641,296	
Cash at bank and in hand	17	**1,221,599**		822,904	
		4,747,153		5,302,342	
Creditors: amounts falling due within one year	18	**(1,920,646)**		(1,857,418)	
Net current assets			**2,826,507**		3,444,924
Total assets less current liabilities			**2,982,896**		3,644,044
Creditors: amounts falling due after more than one year	19		**-**		(8,199)
Net assets			**2,982,896**		3,635,845
Capital and reserves					
Called up share capital	21		**705,273**		705,273
Profit and loss account	22		**2,277,623**		2,930,572
Equity attributable to owners of the parent Company			**2,982,896**		3,635,845

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3/12/18

Dr P H Dickinson
Director

The notes on pages 15 to 32 form part of these financial statements.

Spectrum Technologies Limited
Registered number:2385991

Company Balance Sheet
As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	13		**146,178**		187,599
Investments	14		**1,890,139**		1,890,139
			2,036,317		2,077,738
Current assets					
Stocks	15	**1,859,579**		1,755,392	
Debtors: amounts falling due within one year	16	**1,621,725**		2,801,237	
Cash at bank and in hand	17	**1,132,596**		612,625	
		4,613,900		5,169,254	
Creditors: amounts falling due within one year	18	**(2,290,049)**		(2,408,717)	
Net current assets			**2,323,851**		2,760,537
Total assets less current liabilities			**4,360,168**		4,838,275
Creditors: amounts falling due after more than one year	19		**-**		(8,199)
Net assets			**4,360,168**		4,830,076
Capital and reserves					
Called up share capital	21		**705,273**		705,273
Profit and loss account brought forward		**4,124,803**		4,585,340	
Loss for the year,		**(469,908)**		(460,537)	
Profit and loss account carried forward			**3,654,895**		4,124,803
			4,360,168		4,830,076

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3/12/18

PHDickinson

Dr P H Dickinson
Director

The notes on pages 15 to 32 form part of these financial statements.

The Entity has taken the exemption under section 408 of the Companies Act 2006 and has not presented the company's individual profit and loss account.

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	705,273	3,331,913	4,037,186
Comprehensive income for the year			
Loss for the year	-	(445,177)	(445,177)
Foreign exchange translation difference	-	43,836	43,836
At 1 April 2017	705,273	2,930,572	3,635,845
Comprehensive income for the year			
Loss for the year	-	(617,970)	(617,970)
Foreign exchange translation difference	-	(34,979)	(34,979)
At 31 March 2018	705,273	2,277,623	2,982,896

Company Statement of Changes in Equity

For the Year Ended 31 March 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	705,273	4,585,340	5,290,613
Loss for the year	-	(460,537)	(460,537)
At 1 April 2017	705,273	4,124,803	4,830,076
Loss for the year	-	(469,908)	(469,908)
At 31 March 2018	705,273	3,654,895	4,360,168

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	**(617,970)**	(445,177)
Adjustments for:		
Depreciation of tangible assets	**45,510**	54,440
Government grants	**(8,199)**	(4,235)
Interest paid	**262**	1,918
Interest received	**(1,528)**	(1,230)
Taxation charge	**(102,446)**	49,387
(Increase) in stocks	**(43,592)**	(186,064)
Decrease/(increase) in debtors	**926,879**	(829,228)
Increase in creditors	**482,213**	130,939
Net fair value (gains)/losses recognised in P&L	**(513,201)**	232,944
Corporation tax received/(paid)	**174,374**	(194,770)
Net cash generated from operating activities	**342,302**	(1,191,076)
Cash flows from investing activities		
Purchase of tangible fixed assets	**(2,779)**	(76,797)
Interest received	**1,528**	1,230
Net cash from investing activities	**(1,251)**	(75,567)
Cash flows from financing activities		
Interest paid	**(262)**	(1,918)
Net cash used in financing activities	**(262)**	(1,918)
Net increase/(decrease) in cash and cash equivalents	**340,789**	(1,268,561)
Cash and cash equivalents at beginning of year	**822,904**	2,091,465
Cash and cash equivalents at the end of year	**1,163,693**	822,904
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,221,599**	822,904
Bank overdrafts	**(57,906)**	-
	1,163,693	822,904

The notes on pages 15 to 32 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 March 2018

1. General information

Spectrum Technologies Limited is a private company limited by shares incorporated in England and Wales. The registered office is Western Avenue, Bridgend CF31 3RT. The financial statements are prepared in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the sale of machines is recognised when the significant risks and benefits of ownership of the product have been transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Revenues from services provided by the group is recognised when the group has performed its obligations and in exchange received the rights to consideration.

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life. Goodwill has been fully amortised.

Notes to the Financial Statements
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	-	10%
Plant & machinery	-	10% to 20%
Fixtures & fittings	-	10%
Office equipment	-	10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

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

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Forward foreign exchange contracts are not basic financial instruments. Forward foreign contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.11 Creditors

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

Notes to the Financial Statements
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.12 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Notes to the Financial Statements
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

Notes to the Financial Statements

For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements. The key areas are summarised below:

Depreciation
The company exercises judgement to determine useful lives and residual values of tangible fixed assets. The assets are depreciated down to their residual values over their estimated useful lives.

Amortisation
The company exercises judgement to determine useful lives of intangible fixed assets. The assets are amortised over their estimated useful lives.

Provisions for trade debtors
Provisions have been made for potential trade debtors which will not be collected. This provision is an estimate based on management's understanding, knowledge of customers and historic trends.

Provisions for stock
Provisions have been made for obsolete stock based on management's understanding, knowledge of future sales and historic trends.

Allocation of labour and overheads to stock
Labour and overheads which are deemed to be direct to the production of stock have been allocated to the cost of stock held on the Balance Sheet at the year end. Management have estimated hourly allocation rates for direct labour and direct overheads which are incorporated into the stock standard costing model.

4. Turnover

Analysis of turnover by country of destination:

	2018	2017
	£	£
United Kingdom	**153,306**	48,410
Rest of Europe	**869,777**	1,444,537
Rest of the world	**4,285,435**	5,213,937
	5,308,518	6,706,884

Rest of World includes:

North America: £2,808,696 (2017: £3,507,851)
Asia Pacific: £1,415,680 (2017:£1,621,837)
Australia: £39,322 (2017: £35,877)
Africa: £971 (2017: £2,496)
South America £20,766 (2017: £45,876)

Notes to the Financial Statements

For the Year Ended 31 March 2018

5. Other operating income

	2018	2017
	£	£
Government grants receivable	**92,589**	100,500
	92,589	100,500

6. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	**45,510**	54,440
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	**20,755**	25,990
Exchange differences	**(204,165)**	84,305
Other operating lease rentals	**78,937**	4,964
Defined contribution pension cost	**62,036**	66,582

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Wages and salaries	**2,357,678**	2,211,977	**1,790,594**	1,726,849
Social security costs	**214,782**	207,952	**174,865**	174,860
Cost of defined contribution scheme	**62,036**	66,582	**62,036**	66,582
	2,634,496	2,486,511	**2,027,495**	1,968,291

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	No.	No.
Production	**51**	52
Distribution	**6**	6
Administrative	**12**	10
	69	68

Notes to the Financial Statements

For the Year Ended 31 March 2018

8. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	**220,135**	230,437
Company contributions to defined contribution pension schemes	**16,017**	15,248
	236,152	245,685

During the year retirement benefits were accruing to 3 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £103,123 (2017 - £108,244).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,653 (2017 - £10,327).

9. Interest receivable

	2018	2017
	£	£
Other interest receivable	**1,528**	1,230
	1,528	1,230

10. Interest payable and similar charges

	2018	2017
	£	£
Bank interest payable	**262**	1,918
	262	1,918

Notes to the Financial Statements

For the Year Ended 31 March 2018

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	179,621
Adjustments in respect of previous periods	**(109,487)**	(130,234)
	(109,487)	49,387
Foreign tax		
Foreign tax on income for the year	**7,041**	-
Total current tax	**(102,446)**	49,387
Taxation on loss on ordinary activities	**(102,446)**	49,387

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	**(720,417)**	(395,790)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(136,879)**	(79,158)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,414**	1,055
Non qualifying depreciation	**4,617**	3,734
Deferred tax not provided	**93,775**	94,523
Adjustments to tax charge in respect of prior periods	**(109,487)**	(118,688)
Grant income not taxable	**(753)**	-
Foreign tax rate difference	**33,835**	131,375
Differences in deferred tax rate	**11,032**	16,546
Total tax charge for the year	**(102,446)**	49,387

Notes to the Financial Statements
For the Year Ended 31 March 2018

12. Intangible assets

Group and Company

	Goodwill
	£
Cost	
At 1 April 2017	2,392,626
At 31 March 2018	2,392,626
Amortisation	
At 1 April 2017	2,392,626
At 31 March 2018	2,392,626
Net book value	
At 31 March 2018	-
At 31 March 2017	-

13. Tangible fixed assets

Group

	Leasehold property £	Plant & machinery £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation					
At 1 April 2017	**724,399**	**387,294**	**57,995**	**327,370**	**1,497,058**
Additions	**-**	**-**	**-**	**2,779**	**2,779**
At 31 March 2018	**724,399**	**387,294**	**57,995**	**330,149**	**1,499,837**
Depreciation					
At 1 April 2017	**581,844**	**374,527**	**52,174**	**289,393**	**1,297,938**
Charge for the year on owned assets	**27,600**	**2,620**	**1,310**	**13,980**	**45,510**
At 31 March 2018	**609,444**	**377,147**	**53,484**	**303,373**	**1,343,448**
Net book value					
At 31 March 2018	**114,955**	**10,147**	**4,511**	**26,776**	**156,389**
At 31 March 2017	142,555	12,767	5,821	37,977	199,120

13. Tangible fixed assets (continued)

Company

	Leasehold property £	Plant & machinery £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation					
At 1 April 2017	724,399	141,454	43,644	304,065	1,213,562
Additions	-	-	-	2,779	2,779
At 31 March 2018	724,399	141,454	43,644	306,844	1,216,341
Depreciation					
At 1 April 2017	581,844	134,584	43,644	265,891	1,025,963
Charge for the year on owned assets	27,600	2,620	-	13,980	44,200
At 31 March 2018	609,444	137,204	43,644	279,871	1,070,163
Net book value					
At 31 March 2018	114,955	4,250	-	26,973	146,178
At 31 March 2017	142,555	6,870	-	38,174	187,599

Notes to the Financial Statements

For the Year Ended 31 March 2018

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Spectrum Technologies USA Inc	Ordinary	100 %	Laser wire stripping products - sales and servicing
Shanghai Imperial Laser Systems Trading Company Limited	Ordinary	100 %	Laser wire stripping products - sales and servicing
Spectrum Technologies Profit Sharing Trustees Limited	Ordinary	100 %	Dormant

Name	Country of incorporation
Spectrum Technologies USA Inc	USA
Shanghai Imperial Laser Systems Trading Company Limited	China
Spectrum Technologies Profit Sharing Trustees Limited	UK

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2017	**1,890,139**
At 31 March 2018	**1,890,139**
Net book value	
At 31 March 2018	**1,890,139**
At 31 March 2017	1,890,139

Notes to the Financial Statements
For the Year Ended 31 March 2018

15. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Raw materials and consumables	**932,855**	966,083	**910,699**	883,333
Work in progress (goods to be sold)	**948,880**	872,059	**948,880**	872,059
	1,881,735	1,838,142	**1,859,579**	1,755,392

16. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	**854,608**	1,578,821	**853,972**	1,564,006
Amounts owed by group undertakings	**-**	-	**-**	250,225
Other debtors	**317,253**	403,373	**317,228**	350,729
Prepayments and accrued income	**471,958**	659,102	**450,525**	636,277
	1,643,819	2,641,296	**1,621,725**	2,801,237

17. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	**1,221,599**	822,904	**1,132,596**	612,625
Less: bank overdrafts	**(57,906)**	-	**(57,906)**	-
	1,163,693	822,904	**1,074,690**	612,625

Notes to the Financial Statements

For the Year Ended 31 March 2018

18. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank overdrafts	57,906	-	57,906	-
Trade creditors	578,702	615,470	572,017	614,613
Amounts owed to group undertakings	-	-	411,705	576,718
Corporation tax	1,330	-	-	-
Other taxation and social security	45,275	51,865	45,275	51,865
Other creditors	108,084	109,407	75,354	84,770
Accruals and deferred income	998,737	436,863	997,180	436,938
Financial instruments	130,612	643,813	130,612	643,813
	1,920,646	1,857,418	2,290,049	2,408,717

19. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accruals and deferred income	-	8,199	-	8,199
	-	8,199	-	8,199

Notes to the Financial Statements
For the Year Ended 31 March 2018

20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at amortised cost	**2,667,487**	3,373,599	**2,577,823**	3,346,087
	2,667,487	3,373,599	**2,577,823**	3,346,087
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	**130,612**	643,813	**130,612**	643,813
Financial liabilities measured at amortised cost	**1,110,364**	1,042,855	**1,481,096**	1,594,116
	1,240,976	1,686,668	**1,611,708**	2,237,929

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income, cash and amounts owed from group undertakings.

Other financial liabilities measured at fair value through profit and loss comprise forward exchange contracts.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
14,105,460 Ordinary shares of £0.05 each	**705,273**	705,273

22. Reserves

Foreign exchange reserve

The foreign exchange reserve includes differences arising on foreign exchange translation.

Profit & loss account

The profit and loss account includes all current and prior period profits and losses.

Notes to the Financial Statements

For the Year Ended 31 March 2018

23. Commitments under operating leases

At 31 March 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Not later than 1 year	**79,816**	78,832	**79,816**	78,832
Later than 1 year and not later than 5 years	**62,267**	140,414	**62,267**	140,414
	142,083	219,246	**142,083**	219,246