Financial Statements

Spectrum Technologies Limited

For the Year Ended 31 March 2017

Registered number: 2385991

Company Information

Directors	Dr P H Dickinson B Thomas M Lewis M Reason
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

Spectrum Technologies Limited

Contents

Group Strategic Report

For the Year Ended 31 March 2017

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.

There was a reversal in performance during the year ended 31 March 2017 compared to the previous year, with sales and profits dipping during a period of sustained investment in R&D and new product development. The full year result is for sales of £6.7M (£7.2M – 2016) with a loss before tax of £396K (£689K profit – 2016).

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. Nevertheless we believe our market share has remained solid and continues well above 50%; we did not see a significant change in the competitive situation.

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 cash at the end of the 2017 financial year stood at £822K compared to £2.0M at the end of the 2016 financial year. The reduction at the year-end relative to 2016 was largely due to an increased level of debtors as a result of surge in products being despatched in the last few months of the 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

For the Year Ended 31 March 2017

Business review (continued)

The major event of the year was the result of the UK referendum on EU membership. Up to the date of the referendum the pound had maintained a reasonably stable position against the US dollar, albeit it was close to historical 30 year lows. After the referendum the pound dropped markedly against both the US dollar and the Euro. The company has continued to utilise the contracts already in place prior to the referendum, which were already at historically good rates, and expects to benefit further in the medium term from the reduced value of the pound.

It should be noted that under the Financial Reporting Standard "FRS102" adopted last year, 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 open 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 added an unexpected dimension to the pre-existing political and economic issues within the Eurozone while other serious geo-political issues remain unresolved elsewhere. 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 major milestone was reached with the introduction and sale of the first of the company's new 6th generation laser wire markers at the end of the year. We will be bringing further major new products to market in the coming period. 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. Looking to the new financial year and longer term the Board expects sales at similar levels with the potential for growth in the medium term as the new products under development are launched into the market place.

It is disappointing to note the slip in sales during the year. However, given the general economic situation and 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.

Group Strategic Report
For the Year Ended 31 March 2017

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 10 November 2017 and signed on its behalf.

Dr P H Dickinson
Director

Directors' Report

For the Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

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 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 £445,177 (2016 - profit £637,827).

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 2017

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 10 November 2017 and signed on its behalf.

M Lewis
Director

Grant Thornton

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

We have audited the financial statements of Spectrum Technologies Limited for the year ended 31 March 2017, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the 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'.

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

Respective responsibilities of Directors and Auditor

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. 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

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 31 March 2017 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.

Grant Thornton

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

Opinion 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 those financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Rhian Owen (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Cardiff
Date: 10 November 2017

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover		**6,706,884**	7,197,490
Cost of sales		**(4,567,218)**	(4,530,057)
Gross profit		**2,139,666**	2,667,433
Distribution costs		**(36,931)**	(44,453)
Administrative expenses		**(2,096,616)**	(1,622,495)
Other operating income		**100,500**	621
Fair value movements		**(501,721)**	(309,132)
Operating (loss)/profit		**(395,102)**	691,974
Interest receivable and similar income	8	**1,230**	621
Interest payable and expenses	9	**(1,918)**	(3,433)
(Loss)/profit before taxation		**(395,790)**	689,162
Tax on (loss)/profit	10	**(49,387)**	(51,335)
(Loss)/profit for the year		**(445,177)**	637,827
Other comprehensive income		**43,836**	(5,427)
Other comprehensive income for the year		**43,836**	(5,427)
Total comprehensive income for the year		**(401,341)**	632,400
Owners of the parent Company		**(401,341)**	632,400
		(401,341)	632,400

Spectrum Technologies Limited
Registered number:2385991

Consolidated Balance Sheet

As at 31 March 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**199,120**		176,763
			199,120		176,763
Current assets					
Stocks	14	**1,838,142**		1,652,078	
Debtors: amounts falling due within one year	15	**2,641,296**		1,666,683	
Cash at bank and in hand	16	**822,904**		2,091,465	
		5,302,342		5,410,226	
Creditors: amounts falling due within one year	17	**(1,857,418)**		(1,537,369)	
Net current assets			**3,444,924**		3,872,857
Total assets less current liabilities			**3,644,044**		4,049,620
Creditors: amounts falling due after more than one year	18		**(8,199)**		(12,434)
Net assets			**3,635,845**		4,037,186
Capital and reserves					
Called up share capital	20		**705,273**		705,273
Profit and loss account	21		**2,930,572**		3,331,913
Equity attributable to owners of the parent Company			**3,635,845**		4,037,186
			3,635,845		4,037,186

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/11/17

Dr P H Dickinson
Director

The notes on pages 14 to 30 form part of these financial statements.

Company Balance Sheet
As at 31 March 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**187,599**		168,792
Investments	13		**1,890,139**		1,799,085
			2,077,738		1,967,877
Current assets					
Stocks	14	**1,755,392**		1,605,912	
Debtors: amounts falling due within one year	15	**2,801,237**		1,765,756	
Cash at bank and in hand	16	**612,625**		2,008,508	
		5,169,254		5,380,176	
Creditors: amounts falling due within one year	17	**(2,408,717)**		(2,045,006)	
Net current assets			**2,760,537**		3,335,170
Total assets less current liabilities			**4,838,275**		5,303,047
Creditors: amounts falling due after more than one year	18		**(8,199)**		(12,434)
Net assets			**4,830,076**		5,290,613
Net assets			**4,830,076**		5,290,613
Capital and reserves					
Called up share capital	20		**705,273**		705,273
Profit and loss account brought forward		**4,585,340**		4,239,985	
Loss/(profit) for the year		**(460,537)**		345,355	
Profit and loss account carried forward			**4,124,803**		4,585,340
			4,830,076		5,290,613

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15/11/17

Dr P H Dickinson
Director
The notes on pages 14 to 30 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 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	705,273	2,699,513	3,404,786
Comprehensive income for the year			
Profit for the year	-	637,827	637,827
Foreign exchange translation difference	-	(5,427)	(5,427)
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 31 March 2017	705,273	2,930,572	3,635,845

Company Statement of Changes in Equity

For the Year Ended 31 March 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	705,273	4,239,985	4,945,258
Profit for the year	-	345,355	345,355
At 1 April 2016	705,273	4,585,340	5,290,613
Loss for the year	-	(460,537)	(460,537)
At 31 March 2017	705,273	4,124,803	4,830,076

Consolidated Statement of Cash Flows
For the Year Ended 31 March 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	**(445,177)**	637,827
Adjustments for:		
Depreciation of tangible assets	**54,440**	31,943
Government grants	**(4,235)**	(5,066)
Increase in stocks	**(186,064)**	(291,635)
Interest paid	**1,918**	3,433
Interest received	**(1,230)**	(621)
Taxation	**49,387**	51,335
Increase in debtors	**(829,228)**	(122,497)
Increase in creditors	**130,939**	163,640
Net fair value losses/gains recognised in P&L	**232,944**	309,132
Corporation tax	**(194,770)**	(118,218)
Net cash generated from operating activities	**(1,191,076)**	659,273
Cash flows from investing activities		
Purchase of tangible fixed assets	**(76,797)**	(6,650)
Interest received	**1,230**	621
Net cash from investing activities	**(75,567)**	(6,029)
Cash flows from financing activities		
Interest paid	**(1,918)**	(3,433)
Net cash used in financing activities	**(1,918)**	(3,433)
Net (decrease) / increase in cash and cash equivalents	**(1,268,561)**	649,811
Cash and cash equivalents at beginning of year	**2,091,465**	1,441,654
Cash and cash equivalents at the end of year	**822,904**	2,091,465
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**822,904**	2,091,465
	822,904	2,091,465

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. Accounting policies

1.1 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.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

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.

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.7 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.

1.8 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.

1.9 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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.10 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.

1.11 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.

1.12 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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.13 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.

1.14 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 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.15 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.

1.16 Interest income

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

1.17 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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Judgments 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.

3. Turnover

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	**48,410**	229,143
Europe	**1,444,537**	1,503,871
Rest of World	**5,213,937**	5,464,476
	6,706,884	7,197,490

Rest of World includes:
North America: £3,507,851 (2016: £4,191,984)
Asia Pacific: £1,621,837 (2016:£1,227,594)
Australia: £35,877 (2016: £12,437)
Africa: £2,496 (2016: £4,838)
South America £45,876 (2016: £27,713)

Notes to the Financial Statements

For the Year Ended 31 March 2017

4. Other operating income

	2017	2016
	£	£
Other operating income	-	621
Government grants receivable	100,500	-
	100,500	621

5. Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	54,440	31,943
Fees payable to the Group's auditor and its associates for the audit of the company's annual accounts	25,990	22,709
Defined contribution pension cost	66,582	62,989

6. Employees

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

	2017	2016
	£	£
Wages and salaries	2,211,977	2,101,770
Social security costs	207,952	189,880
Cost of defined contribution scheme	66,582	62,989
	2,486,511	2,354,639

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

	2017	2016
	No.	No.
Production	52	49
Distribution	6	6
Administrative	10	10
	68	65

Notes to the Financial Statements
For the Year Ended 31 March 2017

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**230,437**	219,247
Company contributions to defined contribution pension schemes	**15,248**	14,565
	245,685	233,812

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £108,244 (2016 - £103,537).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,327 (2016 - £9,902).

Key management personnel are the directors.

8. Interest receivable

	2017 £	2016 £
Other interest receivable	**1,230**	621
	1,230	621

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	**1,918**	3,433
	1,918	3,433

Notes to the Financial Statements
For the Year Ended 31 March 2017

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	**179,621**	51,335
Adjustments in respect of previous periods	**(130,234)**	-
	49,387	51,335
Total current tax	**49,387**	51,335
Deferred tax		
Total deferred tax	**-**	-
Taxation on profit on ordinary activities	**49,387**	51,335

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	**(395,790)**	689,162
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	**(79,158)**	137,832
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,055**	1,022
Non qualifying depreciation	**3,734**	505
Deferred tax not provided	**94,523**	3,693
Adjustments to tax charge in respect of prior periods	**(118,688)**	-
Research and development tax credit	**-**	(74,290)
Consolidation adjustments	**-**	(230)
Foreign tax rate differences	**131,375**	(17,197)
Differences in deferred tax rate	**16,546**	-
Total tax charge for the year	**49,387**	51,335

Notes to the Financial Statements

For the Year Ended 31 March 2017

11. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 April 2016	2,392,626
At 31 March 2017	2,392,626
Amortisation	
At 1 April 2016	2,392,626
At 31 March 2017	2,392,626
Net book value	
At 31 March 2017	-
At 31 March 2016	-

Notes to the Financial Statements

For the Year Ended 31 March 2017

12. Tangible fixed assets

Group

	Leasehold property £	Plant & machinery £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation					
At 1 April 2016	**673,509**	**385,709**	**53,258**	**307,785**	**1,420,261**
Additions	**50,890**	**1,585**	**4,737**	**19,585**	**76,797**
At 31 March 2017	**724,399**	**387,294**	**57,995**	**327,370**	**1,497,058**
Depreciation					
At 1 April 2016	**559,597**	**371,827**	**51,875**	**260,199**	**1,243,498**
Charge for the period on owned assets	**22,247**	**2,700**	**299**	**29,194**	**54,440**
At 31 March 2017	**581,844**	**374,527**	**52,174**	**289,393**	**1,297,938**
Net book value					
At 31 March 2017	**142,555**	**12,767**	**5,821**	**37,977**	**199,120**
At 31 March 2016	113,912	13,882	1,383	47,586	176,763

12. Tangible fixed assets (continued)

Company

	Leasehold property £	Plant & machinery £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation					
At 1 April 2016	**673,509**	**139,869**	**43,644**	**284,480**	**1,141,502**
Additions	**50,890**	**1,585**	**-**	**19,585**	**72,060**
At 31 March 2017	**724,399**	**141,454**	**43,644**	**304,065**	**1,213,562**
Depreciation					
At 1 April 2016	**559,597**	**131,884**	**43,608**	**237,621**	**972,710**
Charge for the period on owned assets	**22,247**	**2,700**	**36**	**28,270**	**53,253**
At 31 March 2017	**581,844**	**134,584**	**43,644**	**265,891**	**1,025,963**
Net book value					
At 31 March 2017	**142,555**	**6,870**	**-**	**38,174**	**187,599**
At 31 March 2016	113,912	7,985	36	46,859	168,792

Notes to the Financial Statements

For the Year Ended 31 March 2017

13. 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

Notes to the Financial Statements
For the Year Ended 31 March 2017

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2016	**1,799,085**
Additions	**91,054**
At 31 March 2017	**1,890,139**
Net book value	
At 31 March 2017	**1,890,139**
At 31 March 2016	1,799,085

£91,054 worth of capital injection made into the Chinese Subsidiary has been reclassified from debtors to investments during 31 March 2017 year end.

14. Stocks

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Raw materials and consumables	**966,083**	525,870	**883,333**	479,704
Work in progress	**872,059**	1,126,208	**872,059**	1,126,208
	1,838,142	1,652,078	**1,755,392**	1,605,912

15. Debtors

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade debtors	**1,578,821**	1,215,480	**1,564,006**	1,165,852
Amounts owed by group companies	**-**	-	**250,225**	210,102
Other debtors	**403,373**	176,322	**350,729**	134,331
Prepayments and accrued income	**659,102**	274,881	**636,277**	255,471
	2,641,296	1,666,683	**2,801,237**	1,765,756

Notes to the Financial Statements
For the Year Ended 31 March 2017

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	**822,904**	2,091,465	**612,625**	2,008,508
	822,904	2,091,465	**612,625**	2,008,508

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	**615,470**	333,849	**614,613**	329,584
Amounts owed to group undertakings	**-**	-	**576,718**	547,804
Taxation and social security	**51,865**	52,529	**51,865**	52,529
Other creditors	**109,407**	109,733	**84,770**	89,455
Accruals and deferred income	**436,863**	630,389	**436,938**	614,765
Financial instruments	**643,813**	410,869	**643,813**	410,869
	1,857,418	1,537,369	**2,408,717**	2,045,006

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Government grants received	**8,199**	12,434	**8,199**	12,434
	8,199	12,434	**8,199**	12,434

Notes to the Financial Statements
For the Year Ended 31 March 2017

19. Financial instruments

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Financial assets measured at amortised cost	**3,373,599**	3,674,203	**3,346,087**	3,709,729
	3,373,599	3,674,203	**3,346,087**	3,709,729
Financial liabilities measured at amortised cost	**(1,042,855)**	(959,828)	**(1,594,116)**	(1,467,465)
	(1,042,855)	(959,828)	**(1,594,116)**	(1,467,465)

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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

20. Share capital

	2017	2016
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
14,105,460 Ordinary shares of £0.05 each	**705,273**	705,273

21. 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.

22. Commitments under operating leases

At 31 March 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Not later than 1 year	**78,832**	80,622	**78,832**	80,622
Later than 1 year and not later than 5 years	**140,414**	218,812	**140,414**	218,812
Total	**219,246**	299,434	**219,246**	299,434