

Spectrum Technologies Limited
Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 March 2023

Vanguard Way
Cardiff
CF24 5PJ

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for the Year Ended 31 March 2023**

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Spectrum Technologies Limited

**Company Information
for the Year Ended 31 March 2023**

Directors:

Dr P H Dickinson
G Mason

Registered office:

Western Avenue
Bridgend Industrial Estate
Bridgend
Mid Glamorgan
CF31 3RT

Registered number:

02385991 (England and Wales)

Auditors:

Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

**Group Strategic Report
for the Year Ended 31 March 2023**

The directors present their strategic report of the company and the group for the year ended 31 March 2023.

Review of business

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 operates 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 2023 sales increased compared to the previous year. The full year result is for sales of £6.91M (£6.27M - 2021-22) with a profit before tax of £850K (£224K profit - 2021-22). It should be noted that the profit for the year prior to adjustments required under FRS102 for foreign exchange contracts that were in place at the year-end was £627K (£464K - 2021-22).

The Board and management continued to keep the business environment under review throughout the trading period. The major issues affecting the business were the continued recovery in the underlying business, which has been faster than originally expected during covid, along with global supply chain issues which impacted production, a factor in common with almost all other businesses.

Covid had abated by the end of the previous financial year and was no longer having a serious impact on the global economy. Airline passenger numbers in most regions returned rapidly toward normal during the year, the only exception being China which continued with lockdowns and travel restrictions through the year end. This stimulated the tentative recovery in the airline industry that had started in the previous year, which similarly accelerated the recovery with aircraft manufacturers who began to ramp up production again. This included Boeing, as they started to emerge from the issues surrounding the 737 Max, albeit they continued to have issues around supply chains and quality that impacted production negatively. The recovery in our key aerospace market during the year was faster than had been expected early on in Covid and continued to gather speed through the year end. The boost in aerospace, along with the recovery in other markets, gave our business a welcome lift.

The business continued to enforce strong financial controls and maintained a strong cash balance throughout the year. Following the reduction in the work force during the early stages of Covid, the company started to rebuild the work force, as the business levels increased. By the year end total employee numbers were approaching, but still below those at the start of the pandemic. The company did not require or seek further government support during the year. The zero interest Bounce Back Loan (BBL) of £50,000 taken out from the UK Government in 2020 is the only loan that the company has had on its books. The Company has been paying this back, leaving an outstanding balance of £30,478 for repayment at the year end.

Following 9/11 the Board introduced a requirement to maintain a strong financial position at all times to ensure that business could withstand any major unexpected event. As a result of this and the company's ongoing careful management of cash and working capital improvements, cash at the end of the 2022-23 financial year stood at £2.52M compared to £1.5M at the end of the 2021-22 financial year. The Company's latest forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company will remain cash positive and be able to operate within the level of its facilities

for a period of at least 12 months from the approval date of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its consolidated financial statements.

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 2023**

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 the year-end based on a comparison of the spot rate on the last day of the year versus the rates of each extant contract. This can create a short term nominal gain or loss until the contracts are subsequently fulfilled. Although creating short term volatility within the Financial Statements the contracts nevertheless reduce or eliminate risk for future years.

Covid had the worst impact on the global economy in living memory; it is currently estimated that it shrank by around 3.4% through 2020. Covid hit the airline sector badly, and this had a knock on with our business as commercial aircraft manufacturers saw order books shrink as airlines cancelled or deferred orders. Throughout the reporting year the recovery in the global economy gathered pace, but supply chain and staffing issues continued to constrain progress and inflation and interest rates came to the fore as an issue. At the time of writing, the recovery from Covid is largely complete, albeit there are now a growing number of geo-political issues which may yet affect the global economy. The war in Ukraine, which started in February 2022, has had minimal impact on key markets, other than its impact on oil and fuel prices, which was significant. The Board and management will continue to maintain a close watch on all factors that could impact the business including pandemic, war and supply chain issues.

The company continued to invest in research and new product development. As before a number of these developments are aimed at distinct new markets, namely the automotive, rail and wire and cable manufacturing sectors, where we have seen positive interest in our new innovations and solutions for advanced manufacturing applications. In addition, the company is also looking to target new opportunities in the medical and wider industrial markets. 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.

During the financial year the Company completed negotiations with BAE Systems PLC (BAE) regarding their 20% shareholding in Spectrum Technologies, which they held as a residue from the management buyout in 1994. Following agreement with BAE and following shareholder approval the company bought back the 2,821,080 shares held by BAE, being their full shareholding, for a sum of £500,000. These shares were purchased from retained earnings and are now held in treasury; the intention is that they will not be cancelled. Subsequent to this, the Company received enquiries from a number of other shareholders requesting that the Board consider buying back their shares on a similar basis. After careful consideration the Board put new resolutions to shareholders in support of two further buy backs and following shareholder approval the Board has authorised these further buy back offers. At the time of writing this has resulted in agreements with over 80 shareholders for the buy back of 1,679,992 shares for a sum of £297,718. These shares are being purchased from retained earnings and will be held in treasury; the intention is that they will not be cancelled.

The Board has maintained a careful watch on the business and anticipates that there will be continued long term demand for the company's core range of products from the aerospace and electronics sectors. The company has maintained market share and remains on a strong financial footing. The Board remains focused on ensuring that it takes all necessary action to maintain the business going forward and to position it for growth in the coming period.

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.

On behalf of the board:

**Report of the Directors
for the Year Ended 31 March 2023**

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2023.

Dividends

No dividends will be distributed for the year ended 31 March 2023.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

Dr P H Dickinson has held office during the whole of the period from 1 April 2022 to the date of this report.

Other changes in directors holding office are as follows:

M Lewis - resigned 24 February 2023

M A Reason - resigned 25 August 2022

G Mason - appointed 24 February 2023

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 and then apply them consistently;
- make judgements 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board:

Opinion

We have audited the financial statements of Spectrum Technologies Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. 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 affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 UK, including the FRC'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our planning procedures identify the legal and regulatory frameworks applicable to the operations and financial statements of the company. These are reviewed internally with the audit team including relevant industry experience and expectations as well as externally with the client management. The key laws and regulations we considered in this context were the UK Companies Act 2006, UK GAAP (FRS 102) and relevant tax legislation.

Once identified, we assess the risks of material misstatements in relation to the laws and regulations, irregularities, including fraud and adjust our testing accordingly. Our audit procedures include:

- Discussing with Directors and management which areas of the business they believe to be more susceptible to fraud, and whether they have any knowledge or suspicion of fraudulent activities;
- Obtaining an understanding of the key controls put in place by the group to address risks identified, assessing the effectiveness of those and discussing how these are maintained and monitored internally;
- Assessing the risk of management override and review and testing of journal entries made into the accounting system;
- Challenging assumptions and judgements made by the group in relation to the significant accounting estimates employed in the preparation of the financial statements;
- Discussing with Directors and management the legal and regulatory obligations of the business and whether they have any knowledge or suspicion of non compliance.

Despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very

nature, any such instances of fraud or irregularities likely involve collusion, forgery, intentional misrepresentation, or the override of internal controls.

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 Report of the Auditors.

**Report of the Independent Auditors to the Members of
Spectrum Technologies Limited**

Use of our report

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 a Report of the Auditors 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.

Stephen Lucey (Senior Statutory Auditor)
for and on behalf of Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

20 December 2023

**Consolidated
Statement of Comprehensive
Income
for the Year Ended 31 March 2023**

	Notes	2023 £	2022 £
Turnover	3	6,912,747	6,266,591
Cost of sales		<u>(4,254,070)</u>	<u>(4,026,670)</u>
Gross profit		2,658,677	2,239,921
Distribution costs		(75,823)	(49,473)
Administrative expenses		<u>(1,959,613)</u>	<u>(1,766,525)</u>
		623,241	423,923
Other operating income		8,018	48,319
Operating profit		<u>631,259</u>	<u>472,242</u>
Interest receivable and similar income		<u>97</u>	<u>85</u>
		631,356	472,327
Fair value movements		<u>222,353</u>	<u>(240,285)</u>
		853,709	232,042
Interest payable and similar expenses	6	<u>(4,098)</u>	<u>(7,996)</u>
Profit before taxation	7	849,611	224,046
Tax on profit	9	291	(86,791)
Profit for the financial year		<u>849,902</u>	<u>137,255</u>
Other comprehensive income			
Foreign exchange translation difference		60,595	(12,958)
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax		60,595	(12,958)
Total comprehensive income for the year		<u><u>910,497</u></u>	<u><u>124,297</u></u>
Profit attributable to: Owners of the parent		<u><u>849,902</u></u>	<u><u>137,255</u></u>
Total comprehensive income attributable to: Owners of the parent		<u><u>910,497</u></u>	<u><u>124,297</u></u>

The notes form part of these financial statements

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Consolidated Balance Sheet
31 March 2023

	Notes	2023 £	2022 £
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	106,622	69,325
Investments	13	-	-
		<u>106,622</u>	<u>69,325</u>
Current assets			
Stocks	14	2,400,121	1,786,799
Debtors	15	2,258,788	2,618,012
Cash at bank and in hand		2,517,522	1,505,314
		<u>7,176,431</u>	<u>5,910,125</u>
Creditors			
Amounts falling due within one year	16	(3,382,081)	(2,525,125)
Net current assets		<u>3,794,350</u>	<u>3,385,000</u>
Total assets less current liabilities		<u>3,900,972</u>	<u>3,454,325</u>
Creditors			
Amounts falling due after more than one year	17	(20,478)	(31,126)
Provisions for liabilities	22	(46,800)	-
Net assets		<u><u>3,833,694</u></u>	<u><u>3,423,199</u></u>
Capital and reserves			
Called up share capital	23	705,273	705,273
Retained earnings	24	3,128,421	2,717,926
Shareholders' funds		<u><u>3,833,694</u></u>	<u><u>3,423,199</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 December 2023 and were signed on its behalf by:

Dr P H Dickinson - Director

The notes form part of these financial statements

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Company Balance Sheet
31 March 2023

	Notes	2023 £	2022 £
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	99,385	62,251
Investments	13	2,914	2,914
		<u>102,299</u>	<u>65,165</u>
Current assets			
Stocks	14	2,399,852	1,784,858
Debtors	15	2,374,198	2,800,438
Cash at bank and in hand		2,445,168	1,405,551
		<u>7,219,218</u>	<u>5,990,847</u>
Creditors			
Amounts falling due within one year	16	(4,270,990)	(3,321,708)
Net current assets		<u>2,948,228</u>	<u>2,669,139</u>
Total assets less current liabilities		<u>3,050,527</u>	<u>2,734,304</u>
Creditors			
Amounts falling due after more than one year	17	(20,478)	(31,126)
Provisions for liabilities	22	(46,800)	-
Net assets		<u><u>2,983,249</u></u>	<u><u>2,703,178</u></u>
Capital and reserves			
Called up share capital	23	705,273	705,273
Retained earnings	24	2,277,976	1,997,905
Shareholders' funds		<u><u>2,983,249</u></u>	<u><u>2,703,178</u></u>
Company's profit for the financial year		<u><u>780,071</u></u>	<u><u>10,326</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 December 2023 and were signed on its behalf by:

Dr P H Dickinson - Director

The notes form part of these financial statements

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**Consolidated Statement of Changes in Equity
for the Year Ended 31 March 2023**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2021	705,273	2,593,629	3,298,902
Changes in equity			
Total comprehensive income	-	137,255	137,255
Foreign exchange differences	-	(12,958)	(12,958)
Balance at 31 March 2022	<u>705,273</u>	<u>2,717,926</u>	<u>3,423,199</u>
Changes in equity			
Total comprehensive income	-	349,902	349,902
Foreign exchange differences	-	60,595	60,595
Balance at 31 March 2023	<u><u>705,273</u></u>	<u><u>3,128,423</u></u>	<u><u>3,833,696</u></u>

The notes form part of these financial statements

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**Company Statement of Changes in Equity
for the Year Ended 31 March 2023**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2021	705,273	1,987,579	2,692,852
Changes in equity			
Total comprehensive income	-	10,326	10,326
Balance at 31 March 2022	<u>705,273</u>	<u>1,997,905</u>	<u>2,703,178</u>
Changes in equity			
Total comprehensive income	-	280,071	280,071
Balance at 31 March 2023	<u><u>705,273</u></u>	<u><u>2,277,976</u></u>	<u><u>2,983,249</u></u>

The notes form part of these financial statements

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**Consolidated Cash Flow Statement
for the Year Ended 31 March 2023**

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	1,756,664	402,798
Interest paid		(4,098)	(7,996)
Fair value (gains)/losses through P&L		(222,353)	240,285
Increase in provisions		46,800	-
Tax paid		-	(86,791)
Net cash from operating activities		<u>1,577,013</u>	<u>548,296</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(54,254)	(20,119)
Government grants received		-	17,813
Purchase of own shares held in treasury		(500,000)	-
Interest received		97	85
Net cash from investing activities		<u>(554,157)</u>	<u>(2,221)</u>
Cash flows from financing activities			
Loan repayments in year		(10,648)	(9,199)
Loans reclassified to grants		-	(17,813)
Net cash from financing activities		<u>(10,648)</u>	<u>(27,012)</u>
Increase in cash and cash equivalents		<u>1,012,208</u>	<u>519,063</u>
Cash and cash equivalents at beginning of year	2	1,505,314	986,251
Cash and cash equivalents at end of year	2	<u><u>2,517,522</u></u>	<u><u>1,505,314</u></u>

The notes form part of these financial statements

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**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 March 2023**

1. **Reconciliation of profit before taxation to cash generated from operations**

	2023	2022
	£	£
Profit before taxation	849,611	224,046
Depreciation charges	16,955	26,317
Government grants	-	(17,813)
Finance costs	4,098	7,996
Finance income	(97)	(85)
	<u>870,567</u>	<u>240,461</u>
(Increase)/decrease in stocks	(613,322)	137,153
Decrease/(increase) in trade and other debtors	572,040	(458,616)
Increase in trade and other creditors	927,379	483,800
Cash generated from operations	<u><u>1,756,664</u></u>	<u><u>402,798</u></u>

2. **Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2023

	31.3.23	1.4.22
	£	£
Cash and cash equivalents	<u>2,517,522</u>	<u>1,505,314</u>

Year ended 31 March 2022

	31.3.22	1.4.21
	£	£
Cash and cash equivalents	1,505,314	1,614,937
Bank overdrafts	-	(628,686)
	<u>1,505,314</u>	<u>986,251</u>

3. **Analysis of changes in net funds**

	At 1.4.22	Cash flow	At 31.3.23
	£	£	£
Net cash			
Cash at bank and in hand	<u>1,505,314</u>	<u>1,012,208</u>	<u>2,517,522</u>
	<u>1,505,314</u>	<u>1,012,208</u>	<u>2,517,522</u>
Debt			
Debts falling due within 1 year	(10,000)	-	(10,000)
Debts falling due after 1 year	(31,126)	10,648	(20,478)
	<u>(41,126)</u>	<u>10,648</u>	<u>(30,478)</u>
Total	<u><u>1,464,188</u></u>	<u><u>1,022,856</u></u>	<u><u>2,487,044</u></u>

The notes form part of these financial statements

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**Notes to the Consolidated Financial Statements
for the Year Ended 31 March 2023**

1. Statutory information

Spectrum Technologies Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. Accounting policies

Basis of preparing the financial statements

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

Basis of consolidation

The consolidated financial statements present the results of the 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 de-consolidated from the date control ceases.

Critical accounting judgements 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:

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.

Revenue recognition

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.

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

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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

2. Accounting policies - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Long leasehold	- 10% on cost
Plant and machinery	- 20% on cost and 10% on cost
Fixtures and fittings	- 10% on cost
Computer equipment	- 20% on cost and 10% on cost

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 the 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.

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.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

2. Accounting policies - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

The Company's functional and presentational currency is GBP.

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 profit or loss 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 profit or loss 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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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 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.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

2. Accounting policies - continued

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.

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.

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

3. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2023	2022
	£	£
United Kingdom	120,922	414,378
Europe	914,094	1,131,444
United States of America	4,241,848	3,995,677
South America	407	(6,945)
Asia	1,493,598	689,895
Australia	127,387	34,733
Africa	14,491	7,409
	<u>6,912,747</u>	<u>6,266,591</u>

4. Employees and directors

	2023	2022
	£	£
Wages and salaries	2,509,405	2,216,297
Social security costs	214,519	190,639
Other pension costs	69,503	67,556
	<u>2,793,427</u>	<u>2,474,492</u>

The average number of employees during the year was as follows:

	2023	2022
Production	28	34
Distribution	2	3
Administrative	12	13
	<u>42</u>	<u>50</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 42 (2022 - 50) .

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

4. Employees and directors - continued

	2023	2022
	£	£
Directors' remuneration	<u>180,787</u>	<u>182,802</u>
The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	<u>3</u>	<u>3</u>

5. Exceptional items

	2023	2022
	£	£
Exceptional items	<u>96,335</u>	<u>-</u>

The exceptional item is in respect of a product sold in the prior year which was bought back from the customer at a loss of £56,773. Development work has been undertaken and the new version is due to be launched in the next financial year.

The group also unwound a provision for costs which has resulted in a credit of £153,108 to the income statement.

6. Interest payable and similar expenses

	2023	2022
	£	£
Bank interest	3,645	7,996
Interest payable	453	-
	<u>4,098</u>	<u>7,996</u>

7. Profit before taxation

The profit is stated after charging/(crediting):

	2023	2022
	£	£
Research & development charged as an expense	421,013	443,256
Exchange differences	(162,174)	(227,420)
Depreciation	16,955	26,317
Other operating lease rentals	150,210	110,017
Exceptional items	<u>(96,335)</u>	<u>-</u>

8. Auditors' remuneration

	2023	2022
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	16,500	14,750
Fees payable to the prior auditor in relation to additional costs for the audit of the Group's annual accounts for the year ended 31 March 2020	-	13,450
Fees payable to the Group's auditor and its associates in respect of other services relating to taxation	<u>4,000</u>	<u>3,040</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

9. Taxation**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the profit for the year was as follows:

	2023	2022
	£	£
Current tax:		
UK corporation tax	<u>(291)</u>	<u>86,791</u>
Tax on profit	<u>(291)</u>	<u>86,791</u>

UK corporation tax has been charged at 19 % (2022 - 19 %).

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2023	2022
	£	£
Profit before tax	<u>849,611</u>	<u>224,046</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19 % (2022 - 19 %)	161,426	42,569
Effects of:		
Expenses not deductible for tax purposes	2,657	(91)
Income not taxable for tax purposes	-	(3,319)
Capital allowances in excess of depreciation	(10,774)	-
Depreciation in excess of capital allowances	-	403
Fair value movements	(42,247)	62,734
Research and development	(79,992)	(68,189)
Foreign tax difference	-	6,683
Adjustments to tax charge in respect of previous periods	-	34,213
Difference in tax rate	-	4,371
Deferred tax not provided	-	7,417
losses surrendered	(31,361)	-
Total tax (credit)/charge	<u>(291)</u>	<u>86,791</u>

Tax effects relating to effects of other comprehensive income

	2023	2022
	Gross £	Tax £
Foreign exchange translation difference	<u>60,595</u>	<u>-</u>
		Net £
		<u>60,595</u>
	Gross £	Tax £
Foreign exchange translation difference	<u>(12,958)</u>	<u>-</u>
		Net £
		<u>(12,958)</u>

10. Individual statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023

11. Intangible fixed assets

Group

	Goodwill £
Cost	
At 1 April 2022 and 31 March 2023	2,392,626
Amortisation	
At 1 April 2022 and 31 March 2023	2,392,626
Net book value	
At 31 March 2023	-
At 31 March 2022	-

Company

	Goodwill £
Cost	
At 1 April 2022 and 31 March 2023	2,392,626
Amortisation	
At 1 April 2022 and 31 March 2023	2,392,626
Net book value	
At 31 March 2023	-
At 31 March 2022	-

12. Tangible fixed assets

Group

	Long leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
Cost					
At 1 April 2022	747,967	387,792	61,742	377,835	1,575,336
Additions	-	40,549	-	13,705	54,254
At 31 March 2023	<u>747,967</u>	<u>428,341</u>	<u>61,742</u>	<u>391,540</u>	<u>1,629,590</u>
Depreciation					
At 1 April 2022	699,026	381,571	61,742	363,674	1,506,013
Charge for year	8,907	547	-	7,501	16,955
At 31 March 2023	<u>707,933</u>	<u>382,118</u>	<u>61,742</u>	<u>371,175</u>	<u>1,522,968</u>
Net book value					
At 31 March 2023	<u>40,034</u>	<u>46,223</u>	<u>-</u>	<u>20,365</u>	<u>106,622</u>
At 31 March 2022	<u>48,941</u>	<u>6,221</u>	<u>-</u>	<u>14,161</u>	<u>69,323</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023

12. Tangible fixed assets - continued

Company

	Long leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
Cost					
At 1 April 2022	747,967	141,454	44,671	328,175	1,262,267
Additions	-	40,549	-	13,540	54,089
At 31 March 2023	<u>747,967</u>	<u>182,003</u>	<u>44,671</u>	<u>341,715</u>	<u>1,316,356</u>
Depreciation					
At 1 April 2022	699,025	141,133	44,671	315,187	1,200,016
Charge for year	8,907	548	-	7,500	16,955
At 31 March 2023	<u>707,932</u>	<u>141,681</u>	<u>44,671</u>	<u>322,687</u>	<u>1,216,971</u>
Net book value					
At 31 March 2023	<u>40,035</u>	<u>40,322</u>	-	19,028	99,385
At 31 March 2022	<u>48,942</u>	<u>321</u>	-	<u>12,988</u>	<u>62,251</u>

13. Fixed asset investments

Company

	Shares in group undertaking £
Cost	
At 1 April 2022 and 31 March 2023	<u>2,914</u>
Net book value	
At 31 March 2023	<u>2,914</u>
At 31 March 2022	<u>2,914</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company during the year:

Name	Registered office	Class of shares	Holding
Spectrum Technologies USA Inc	5400 Airport Freeway, Suite F, Haltom City, Texas, 76117, USA	Ordinary	100%
Shanghai Imperial Laser Systems Trading Company Limited	Room 905, Building 4, 500 Jianyun Road, Pudong District, Shanghai, 201318, P.R. China	Ordinary	100%
Spectrum Technologies Profit Sharing Trustees Limited	Western Avenue, Bridgend, Wales, UK, CF31 3RT	Ordinary	100%

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023

14. Stocks

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Raw materials	1,210,930	844,631	1,210,661	842,690
Work-in-progress	1,189,191	942,168	1,189,191	942,168
	<u>2,400,121</u>	<u>1,786,799</u>	<u>2,399,852</u>	<u>1,784,858</u>

15. Debtors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	1,891,036	2,091,418	1,890,484	2,090,634
Amounts owed by group undertakings	-	-	132,687	138,573
Other debtors	86,295	209,758	86,293	262,128
Financial instruments	110,586	-	110,586	-
Tax	291	-	291	-
Prepayments and accrued income	170,580	316,836	153,857	309,103
	<u>2,258,788</u>	<u>2,618,012</u>	<u>2,374,198</u>	<u>2,800,438</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Bank loans and overdrafts (see note 18)	10,000	10,000	10,000	10,000
Trade creditors	706,605	673,566	698,704	670,144
Amounts owed to group undertakings	-	-	1,042,826	923,832
Tax	45,625	-	42	-
Social security and other taxes	54,373	80,343	54,373	38,277
Other creditors	266,643	424,227	220,896	385,707
Financial instruments	-	116,048	-	116,048
Accruals and deferred income	2,298,835	1,220,941	2,244,149	1,177,700
	<u>3,382,081</u>	<u>2,525,125</u>	<u>4,270,990</u>	<u>3,321,708</u>

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Bank loans (see note 18)	<u>20,478</u>	<u>31,126</u>	<u>20,478</u>	<u>31,126</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

18. Loans

An analysis of the maturity of loans is given below:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	<u>10,478</u>	<u>21,126</u>	<u>10,478</u>	<u>21,126</u>

19. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Non-cancellable	operating leases
	2023	2022
	£	£
Within one year	78,000	124,635
Between one and five years	<u>130,000</u>	<u>353,283</u>
	<u>208,000</u>	<u>477,918</u>

During the year, lease payments recognised as an expense amounted to £160,402 (2022: £110,017).

Company

	Non-cancellable	operating leases
	2023	2022
	£	£
Within one year	78,000	78,000
Between one and five years	<u>130,000</u>	<u>208,000</u>
	<u>208,000</u>	<u>286,000</u>

20. Secured debts

The following secured debts are included within creditors:

	Group	
	2023	2022
	£	£
Bank loans	<u>30,478</u>	<u>41,126</u>

Secured by fixed and floating charges over the undertaking and all property and assets, present and future, including goodwill, book debts and uncalled capital.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023

21. Financial instruments

	Group 2023	Group 2022	Company 2023	Company 2022
	£	£	£	£
Financial assets				
Financial assets measured at amortised cost	1,977,331	2,618,012	2,109,464	2,800,438
Financial assets measured at fair value	2,445,168	1,505,314	2,445,168	1,405,551
Derivative financial instruments measured at fair value through profit or loss	110,586	-	110,586	-
	<u>4,533,085</u>	<u>4,123,326</u>	<u>4,533,085</u>	<u>4,205,989</u>
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	-	116,048	-	116,408
Financial liabilities measured at amortised cost	1,282,710	2,440,203	2,226,305	3,236,786
	<u>1,282,710</u>	<u>2,546,251</u>	<u>2,226,305</u>	<u>3,122,489</u>

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

Financial assets measured at fair value comprise cash.

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

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

22. Provisions for liabilities

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Other provisions	<u>46,800</u>	<u>-</u>	<u>46,800</u>	<u>-</u>
Aggregate amounts	<u>46,800</u>	<u>-</u>	<u>46,800</u>	<u>-</u>

23. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
14,105,460	Ordinary	£0.05	<u>705,273</u>	<u>705,273</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2023**

24. **Reserves****Group**

	Retained earnings £
At 1 April 2022	2,717,924
Profit for the year	849,902
Treasury shares reserve	(500,000)
Foreign exchange differences	60,595
At 31 March 2023	<u>3,128,421</u>

Company

	Retained earnings £
At 1 April 2022	1,997,905
Profit for the year	780,071
Treasury shares reserve	(500,000)
At 31 March 2023	<u>2,277,976</u>

On 2 September 2022 the group entered into an arrangement to purchase back 2,821,080 shares of its own share capital for consideration of £500,000. The shares have not been cancelled but held within a Treasury reserve. The treasury reserve account will be deducted from retained earnings when considering the availability of future dividends.

25. **Pension commitments**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £137,545 (2022: £67,556).

26. **Related party disclosures**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year, the group paid key management gross salaries amounting to £335,376 (2022: £278,253). Key management are considered to be 5 individuals who directly impact upon the strategic direction of the group.

27. **Non-adjusting post balance sheet events**

On 20 July 2023, following an agreement with Amin Kiddy, Mark Moss and multiple other shareholders holding less than 50,000 shares each and following shareholder approval, the company has bought back the shares held by the above parties totalling 1,096,500 and 583,491 respectively being their full shareholding, for a sum of £194,300 and £103,418. These shares were purchased from retained earnings and are now held in treasury; the intention is that they will not be cancelled.

28. **Ultimate controlling party**

The controlling party is Dr P H Dickinson.

