

Consolidated financial
Statements
Spectrum Technologies
PLC

For the Year Ended 31 December 2008

Company information

Company registration number	2385991
Registered office	Western Avenue Bridgend CF31 3RT
Directors	Dr P H Dickinson M A Reason R W Griffiths Dr P Taylor
Secretary	R W Griffiths
Bankers	HSBC Bank PLC 13 Dunraven Place Bridgend CF31 1JQ Wells Fargo Bank N.A. PO BOX 63020 San Francisco CA94163
Solicitors	Geldards LLP Dumfries House Dumfries Place Cardiff CF1 1YF Berry Smith LLP Haywood House Dumfries Place Cardiff CF10 3GA
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 11-13 Penhill Road Cardiff CF11 9UP

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Report of the directors

The directors present their report and the consolidated financial statements of the group for the year ended 31 December 2008.

Principal activities and business review

The principal activity of the company during the year was the design and manufacture of laser wire marking systems.

Results and dividends

The profit for the year, after taxation, amounted to £187,117 (2008 : £255,271). The directors have not recommended a dividend.

Overall business conditions have been difficult in the current climate however the Group performed to expectations during the year, maintaining its position as the global market leader within its chosen niche markets. The Group's principal markets remained steady throughout the year. Gross margins were maintained at similar levels to 2007.

Key Performance Indicators

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain financial key performance indicators.

	2008	2007
Gross Margin	33%	35%
Net Margin	3%	3%
Current Ratio	1.52	1.74

Strategy

The future strategy for the Group remains to develop the business as a global supplier of niche high technology industrial equipment for high value manufacturing applications focussed particularly on the aerospace and transportation sectors and the electronics markets using the companies core expertise and knowledge of the aerospace sector, wire processing and laser technology.

Principal risks and uncertainties

The management of the business and the Group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. The directors are of the opinion that a thorough risk management process is adopted that involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

- Competition

The Group operates in a competitive market and as a result there is constant pressure on product pricing and margins. To mitigate this risk the Group operates a policy of continuous improvement and new product development to enable it to stay ahead of the competition and to grow revenues and maintain margins and profits. A policy of constant price monitoring and continuing to focus on our high level of service is also in place to mitigate such risks.

Report of the directors

- Economic recession or adverse trends within the key markets that would reduce the requirement for the Group's products.

The success of the business is reliant on continued requirements from the aerospace and electronics sector, in particular, for capital equipment for manufacturing and maintenance applications. A global economic downturn, resulting in reduction in corporate capital equipment procurement, will have a direct impact on the income achieved by the company. To mitigate this risk the Group operates a policy of increasing service revenues and market diversification to spread the risk from a downturn in a single market.

- Deterioration in foreign exchange rates.

The Group is highly dependant on exports and North America is a key market representing historically greater than 50% of the Group's business; all North American business is denominated in US dollars. To mitigate against exchange rate volatility and excessive sterling strength the Group operates a policy of adopting conservative exchange rates within its budgets combined with maximising its costs in US dollars as far as possible. In addition the Group maintains a constant vigilance of exchange rate movements and employs forward exchange contracts to offset uncertainty and risks in US\$ exchange rates as it enters into contracts with North American customers to supply goods and services.

Financial risk management objectives and policies

The group uses financial instruments, including derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The group finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts or through borrowings arranged at group level. Short term flexibility is achieved by overdraft facilities.

Currency risk

The group is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures are hedged when known, mainly using the forward hedge market.

Report of the directors

Directors

The directors who served the company during the year were as follows:

Dr P H Dickinson
M A Reason
R W Griffiths
Dr P Taylor

Dr P Taylor was appointed as a director on 1 January 2008.

Directors' responsibilities

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The consolidated financial statements are required by law to 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 year. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the consolidated 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the consolidated financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

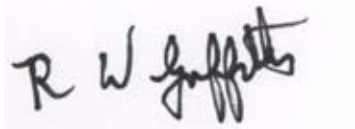
- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the directors

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R W Griffiths', is written over a light pink rectangular background.

R W Griffiths
Secretary

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Report of the independent auditor to the members of Spectrum Technologies PLC

We have audited the group and parent company financial statements (the 'financial statements') of Spectrum Technologies PLC for the year ended 31 December 2008 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Directors' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
CARDIFF

25 June 2009

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards (United Kingdom Generally Accepted Accounting Principles) and Companies Act 1985.

Basis of consolidation

The financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

Turnover is the revenue arising from the sales of machines and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of machines is recognised when the significant risks and benefits of ownership of the product have 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 obligations and in exchange obtained the right to consideration

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years.

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable. The goodwill is treated as an asset of the foreign subsidiary, and is retranslated at the exchange rate prevailing at the year end date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - 5% per annum

The decision to amortise over 20 years was made as it was deemed that the foreign entity would generate an economic benefit to the group over this time period.

Principal accounting policies

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	10% per annum
Plant & Machinery	-	10% - 20% per annum
Fixtures & Fittings	-	10% per annum
Equipment	-	10% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis.

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis.

Work in progress

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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Principal accounting policies

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except where the transaction is to be settled using a contracted rate, in which case that rate is used. Where a trading transaction is covered by a related or matching forward contract, the rate in that contract is used to translate the transaction.

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, except where there are related or matching forward contracts, in which case the rate in that contract is used.

Foreign exchange gains and losses are credited or charged to the profit and loss account as they arise.

The costs of the company's investment in overseas subsidiaries are translated at the rate ruling at the date of investment. All other monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year, or where there are related forward foreign exchange contracts, at contract rates. These exchange differences are dealt with through the profit and loss account.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Principal accounting policies

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2008 £	2007 £
Group turnover	1	6,667,223	8,384,232
Cost of sales		<u>4,458,064</u>	<u>5,473,559</u>
Gross profit		2,209,159	2,910,673
Other operating charges	2	<u>1,920,144</u>	<u>2,323,337</u>
Operating profit	3	289,015	587,336
Interest receivable and similar income		6,977	1,690
Interest payable and similar charges	6	(38,824)	(22,855)
Profit on ordinary activities before taxation		<u>257,168</u>	<u>566,171</u>
Tax on profit on ordinary activities	7	70,051	310,900
Profit for the financial year		<u><u>187,117</u></u>	<u><u>255,271</u></u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	9	784,021	892,161
Tangible assets	10	128,283	166,440
		<u>912,304</u>	<u>1,058,601</u>
Current assets			
Stocks	12	1,434,175	1,078,060
Debtors	13	2,590,735	2,224,281
Cash at bank and in hand		1,294,037	425,882
		<u>5,318,947</u>	<u>3,728,223</u>
Creditors: amounts falling due within one year	14	<u>3,509,164</u>	<u>2,144,019</u>
Net current assets		<u>1,809,783</u>	<u>1,584,204</u>
Total assets less current liabilities		<u>2,722,087</u>	<u>2,642,805</u>
Government grants	16	36,000	54,000
		<u>2,686,087</u>	<u>2,588,805</u>
Capital and reserves			
Called-up equity share capital	19	705,273	705,273
Profit and loss account	20	1,980,814	1,883,532
Shareholders' funds	21	<u>2,686,087</u>	<u>2,588,805</u>

These consolidated financial statements were approved by the directors and authorised for issue on 25/06/09, and are signed on their behalf by:

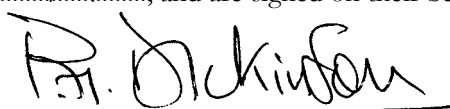


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 Dr P H Dickinson

Company balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	10	120,182	150,885
Investments	11	1,799,085	1,799,085
		<u>1,919,267</u>	<u>1,949,970</u>
Current assets			
Stocks	12	1,434,175	1,078,060
Debtors	13	2,564,526	2,216,632
Cash at bank and in hand		1,272,949	424,682
		<u>5,271,650</u>	<u>3,719,374</u>
Creditors: amounts falling due within one year	14	<u>3,451,550</u>	<u>2,110,681</u>
Net current assets		<u>1,820,100</u>	<u>1,608,693</u>
Total assets less current liabilities		<u>3,739,367</u>	<u>3,558,663</u>
Government grants	16	36,000	54,000
		<u>3,703,367</u>	<u>3,504,663</u>
Capital and reserves			
Called-up equity share capital	19	705,273	705,273
Profit and loss account	20	2,998,094	2,799,390
Shareholders' funds		<u>3,703,367</u>	<u>3,504,663</u>

These consolidated financial statements were approved by the directors and authorised for issue on 25/06/09, and are signed on their behalf by:



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 Dr P H Dickinson

Group cash flow statement

	Note	2008 £	2007 £
Net cash (outflow)/inflow from operating activities	22	(112,985)	428,599
Returns on investments and servicing of finance	22	(31,847)	(21,165)
Taxation	22	(120,270)	(153,023)
Capital expenditure and financial investment	22	(31,185)	(5,535)
(Decrease)/increase in cash	22	<u>(296,287)</u>	<u>248,876</u>

Other primary statements

Statement of total recognised gains and losses

	2008	2007
	£	£
Profit for the financial year attributable to the shareholders of the parent company	187,117	255,271
Foreign exchange translation differences	<u>(89,835)</u>	<u>46,235</u>
Total gains and losses recognised for the year	<u>97,282</u>	<u>301,506</u>

Notes to the consolidated financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. An analysis of turnover is given below:

	2008 £	2007 £
United Kingdom	239,591	564,336
Europe	1,820,295	1,059,660
North America	3,828,275	4,810,907
Far East	623,839	1,468,048
Australia	94,712	153,135
Africa	49,400	153,917
South America	11,111	174,229
	<u>6,667,223</u>	<u>8,384,232</u>

2 Other operating charges

	2008 £	2007 £
Distribution costs	246,066	436,530
Administrative expenses	1,674,078	1,886,807
	<u>1,920,144</u>	<u>2,323,337</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008 £	2007 £
Amortisation of government grants re fixed assets	(18,000)	(18,000)
Amortisation	108,140	108,140
Depreciation of owned fixed assets	81,867	79,481
Auditor's remuneration:		
Audit fees	15,000	13,750
Operating lease costs:		
Other	9,247	11,572
Net profit on foreign currency translation	<u>(339,660)</u>	<u>(57,259)</u>

4 Particulars of employees directors and employees

The average number of staff employed by the group during the financial year amounted to:

	2008 No	2007 No
Number of production staff	51	48
Number of distribution staff	11	11
Number of administrative staff	9	11
	<u>71</u>	<u>70</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	1,628,554	1,564,682
Social security costs	156,027	142,737
Other pension costs	46,858	61,002
	<u>1,831,439</u>	<u>1,768,421</u>

5 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	190,632	194,486
Value of company pension contributions to money purchase schemes	11,409	16,109
	<u>202,041</u>	<u>210,595</u>

Emoluments of highest paid director:

	2007 £	2006 £
Total emoluments (excluding pension contributions)	88,003	84,533
Value of company pension contributions to money purchase schemes	5,915	5,708
	<u>93,918</u>	<u>90,241</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2008 No	2007 No
Money purchase schemes	<u>3</u>	<u>4</u>

6 Interest payable and similar charges

	2008	2007
	£	£
Other charges	-	2,052
Interest payable on bank borrowing	38,824	20,803
	<u>38,824</u>	<u>22,855</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 28.50% (2007 - 30%)	85,000	280,000
(Over)/under provision in prior year	(14,949)	30,900
Total current tax	<u>70,051</u>	<u>310,900</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.50% (2007 - 30%).

	2008	2007
	£	£
Profit on ordinary activities before taxation	<u>257,168</u>	<u>566,171</u>
Profit on ordinary activities by rate of tax	73,293	169,851
Expenses not deductible for tax purposes	7,179	8,773
Capital allowances for period in excess of depreciation	(1,019)	9,821
Consolidation adjustments	29,773	32,263
Adjustments to tax charge in respect of previous periods	(14,949)	30,900
Non-qualifying depreciation	13,418	8,979
Other timing differences	(29,335)	50,313
Marginal relief	(8,309)	-
Total current tax (note 7(a))	<u>70,051</u>	<u>310,900</u>

8 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £198,704 (2007 :£587,649).

9 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2008	2,346,478
Foreign exchange difference	(16,852)
At 31 December 2008	<u>2,329,626</u>
Amortisation	
At 1 January 2008	1,454,317
Charge for the year	108,140
Foreign exchange difference	(16,852)
At 31 December 2008	<u>1,545,605</u>
Net book value	
At 31 December 2008	<u>784,021</u>
At 31 December 2007	<u>892,161</u>

10 Tangible fixed assets

Group	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost or valuation					
At 1 January 2008	475,835	292,243	30,060	121,180	919,318
Additions	–	19,875	–	11,310	31,185
Foreign exchange difference	–	73,415	4,301	5,060	82,776
At 31 December 2008	<u>475,835</u>	<u>385,533</u>	<u>34,361</u>	<u>137,550</u>	<u>1,033,279</u>
Depreciation					
At 1 January 2008	358,130	266,240	25,759	102,749	752,878
Charge for the year	47,082	26,428	2,274	6,083	81,867
Foreign exchange difference	–	60,890	4,301	5,060	70,251
At 31 December 2008	<u>405,212</u>	<u>353,558</u>	<u>32,334</u>	<u>113,892</u>	<u>904,996</u>
Net book value					
At 31 December 2008	<u>70,623</u>	<u>31,975</u>	<u>2,027</u>	<u>23,658</u>	<u>128,283</u>
At 31 December 2007	<u>117,705</u>	<u>26,003</u>	<u>4,301</u>	<u>18,431</u>	<u>166,440</u>

10 Tangible fixed assets (continued)

Company	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost or valuation					
At 1 January 2008	475,835	106,584	25,614	107,093	715,126
Additions	–	19,875	–	11,310	31,185
At 31 December 2008	<u>475,835</u>	<u>126,459</u>	<u>25,614</u>	<u>118,403</u>	<u>746,311</u>
Depreciation					
At 1 January 2008	358,130	96,228	21,270	88,613	564,241
Charge for the year	47,082	6,449	2,274	6,083	61,888
At 31 December 2008	<u>405,212</u>	<u>102,677</u>	<u>23,544</u>	<u>94,696</u>	<u>626,129</u>
Net book value					
At 31 December 2008	<u>70,623</u>	<u>23,782</u>	<u>2,070</u>	<u>23,707</u>	<u>120,182</u>
At 31 December 2007	<u>117,705</u>	<u>10,356</u>	<u>4,344</u>	<u>18,480</u>	<u>150,885</u>

11 Investments

Company	Group companies £
Cost	
At 1 January 2008 and 31 December 2008	<u>2,602,061</u>
Amounts written off	
At 1 January 2008 and 31 December 2008	<u>1,179,408</u>
Loans	
At 1 January 2008 and 31 December 2008	<u>376,432</u>
Net book value	
At 31 December 2008	<u>1,799,085</u>
At 31 December 2007	<u>1,799,085</u>

At 31 December 2008 the company held more than 20% of the allotted share capital of the following undertakings:

	Country of incorporation	Class of share capital held	Proportion of shares held	Nature of business
Spectrum Technologies USA Inc	USA	Ordinary	100%	Sales and service of laser wire markers and strippers
Spectrum Technologies Profit Sharing Trustees Limited	UK	Ordinary	100%	Dormant

The group has established, through Spectrum Technologies Profit Sharing Trustees Limited, an approved profit sharing scheme for the benefit of its employees.

12 Stocks

	2008	The group 2007	2008	The company 2007
	£	£	£	£
Raw materials	934,908	586,358	934,908	586,358
Work in progress	499,267	365,756	499,267	365,756
Finished goods	–	125,946	–	125,946
	<u>1,434,175</u>	<u>1,078,060</u>	<u>1,434,175</u>	<u>1,078,060</u>

13 Debtors

	2008	The group 2007	2008	The company 2007
	£	£	£	£
Trade debtors	2,415,133	1,984,400	2,389,337	1,984,400
Other debtors	41,378	130,463	40,965	122,814
Prepayments and accrued income	134,224	109,418	134,224	109,418
	<u>2,590,735</u>	<u>2,224,281</u>	<u>2,564,526</u>	<u>2,216,632</u>

14 Creditors: amounts falling due within one year

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Overdrafts	1,293,256	128,814	1,293,256	93,583
Trade creditors	992,846	841,456	953,146	841,456
Amounts owed to group undertakings	–	–	11,395	9,628
Corporation tax	351,782	402,001	351,782	402,001
PAYE and social security	70,010	55,787	70,010	55,787
Other creditors	255,399	173,506	255,399	173,506
Accruals and deferred income	545,871	542,455	516,562	534,720
	<u>3,509,164</u>	<u>2,144,019</u>	<u>3,451,550</u>	<u>2,110,681</u>

The bank overdraft is secured by a fixed and floating charge over all assets of the Group.

15 Pensions

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in funds independent from those of the company. The contributions are charged to the profit and loss account as they arise. The expense for the year ended 31 December 2008 is £46,858 (2007 : £61,002). There was an outstanding balance at this date amounting to £7,949 (2007 : £5,038).

16 Government grants

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Received and receivable:				
At 1 January 2008	<u>(132,282)</u>	<u>(132,282)</u>	<u>(132,282)</u>	<u>(132,282)</u>
At 31 December 2008	<u>(132,282)</u>	<u>(132,282)</u>	<u>(132,282)</u>	<u>(132,282)</u>
Amortisation:				
At 1 January 2008	78,282	60,282	78,282	60,282
Credit to profit and loss account	18,000	18,000	18,000	18,000
At 31 December 2008	<u>96,282</u>	<u>78,282</u>	<u>96,282</u>	<u>78,282</u>
Net balance at 31 December 2008	<u>36,000</u>	<u>54,000</u>	<u>36,000</u>	<u>54,000</u>

17 Financial Instruments

The Group does not trade in financial instruments. Group cash flows are affected by currency fluctuations, primarily in respect of sales denominated in US dollars. At 31 December 2008, outstanding US dollar trade debtors amounted to £1,925,245 (2007: £1,211,156) and euro trade debtors amounted to £481,810 (2007: £316,109). All other monetary assets and liabilities are denominated in sterling.

The company has entered into a number of forward exchange contracts during the year. The purpose of the contracts are to hedge the risk of currency fluctuations. At 31 December 2008, open contracts can be summarised as follows:

	Currency sold \$	Currency to be purchased £	Fair value loss £	Redemption date
Date the contract was entered into:				
30 September 2008	500,000	275,953	69,370	26 January 2009
30 September 2008	500,000	275,953	69,370	20 February 2009
8 December 2008	2,000,000	1,330,761	50,531	2 Feb '09 - 30 June '09
19 December 2008	500,000	336,542	8,781	1 April '09 - 30 Sept '09
17 December 2008	1,000,000	644,454	46,191	1 Sept '09 - 31 Dec '09

As at 31 December 2008, the group had no financial liabilities (2007: £nil) other than the bank overdraft disclosed in note 14 which is offset against the bank balances as shown in note 22. There was no significant difference between the book value and the fair value of the Group's financial assets and liabilities as at 31 December 2008 or 31 December 2007.

18 Commitments under operating leases

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as set out below.

The group	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>78,813</u>	<u>78,813</u>

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

The company	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>78,813</u>	<u>78,813</u>

19 Share capital

Authorised share capital:

	2008	2007
	£	£
30,000,000 Ordinary shares of £0.05 each	<u>1,500,000</u>	<u>1,500,000</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £0.05 each	<u>14,105,460</u>	<u>705,273</u>	<u>14,105,460</u>	<u>705,273</u>

20 Reserves

Group	Profit and loss account £
At 1 January 2008	1,883,532
Profit for the year	187,117
Foreign exchange retranslation	(89,835)
At 31 December 2008	<u>1,980,814</u>
Company	Profit and loss account £
At 1 January 2008	2,799,390
Profit for the year	198,704
At 31 December 2008	<u>2,998,094</u>

21 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	187,117	255,271
Foreign exchange retranslation	(89,835)	46,235
Net addition to shareholders' funds	<u>97,282</u>	<u>301,506</u>
Opening shareholders' funds	2,588,805	2,287,299
Closing shareholders' funds	<u>2,686,087</u>	<u>2,588,805</u>

22 Notes to the statement of cash flows**Reconciliation of operating profit to net cash (outflow)/inflow from operating activities**

	2008 £	2007 £
Operating profit	289,015	587,336
Amortisation	108,140	108,140
Depreciation	81,867	79,481
Amortisation of government grants	(18,000)	(18,000)
Increase in stocks	(356,115)	(215,185)
Increase in debtors	(366,454)	(263,789)
Increase in creditors	148,562	150,616
Net cash (outflow)/inflow from operating activities	<u>(112,985)</u>	<u>428,599</u>

22 Notes to the statement of cash flows (continued)

Returns on investments and servicing of finance

	2008 £	2007 £
Interest received	6,977	1,690
Interest paid	<u>(38,824)</u>	<u>(22,855)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(31,847)</u>	<u>(21,165)</u>

Taxation

	2008 £	2007 £
Taxation	<u>(120,270)</u>	<u>(153,023)</u>

Capital expenditure

	2008 £	2007 £
Payments to acquire tangible fixed assets	<u>(31,185)</u>	<u>(5,535)</u>
Net cash outflow from capital expenditure	<u>(31,185)</u>	<u>(5,535)</u>

Reconciliation of net cash flow to movement in net funds

	2008 £	2007 £
(Decrease)/Increase in cash in the period	<u>(296,287)</u>	<u>248,876</u>
Movement in net funds in the period	<u>(296,287)</u>	<u>248,876</u>
Net funds at 1 January 2008	<u>297,068</u>	<u>48,192</u>
Net funds at 31 December 2008	<u>781</u>	<u>297,068</u>

Analysis of changes in net funds

	At 1 Jan 2008 £	Cash flows £	At 31 Dec 2008 £
Net cash:			
Cash in hand and at bank	425,882	868,155	1,294,037
Overdrafts	<u>(128,814)</u>	<u>(1,164,442)</u>	<u>(1,293,256)</u>
Net funds	<u>297,068</u>	<u>(296,287)</u>	<u>781</u>

23 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2008 or 31 December 2007.

24 Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2008 or 31 December 2007.