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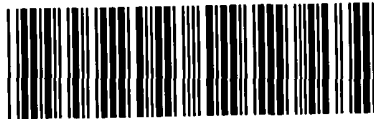
Grant Thornton

# Financial Statements Aquasium Technology Limited

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For the year ended 31 December 2017

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Company No. 04241498

## Company information

<b>Company registration number</b>	04241498
<b>Registered office</b>	43 Pembroke Avenue Denny Industrial Estate Waterbeach Cambridge CB25 9QX
<b>Directors</b>	J P Cumberland R L Nicolson G Crick R G Healey
<b>Secretary</b>	Birketts Secretaries Limited
<b>Bankers</b>	Barclays Bank Plc 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Birketts Solicitors LLP 24 - 26 Museum Street Ipswich IP1 1HZ
<b>Auditors</b>	Grant Thornton UK LLP Chartered Accountants Statutory Auditors 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

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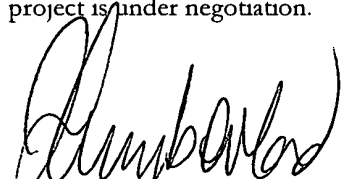
## Chairman's statement

A successful year with a high level of sales and profits supported by a strong order book which has continued into 2018.

Spares and Service had another record year.

A healthy level of cash generation has facilitated continuing investment in Ebflow, refurbishment and expansion of manufacturing capacity and final repayment of institutional debt.

An encouraging level of interest in Ebflow is being shown from around the world and the first external project is under negotiation.



J.P. Cumberland  
Chairman  
Aquasium Technology Limited,  
Waterbeach, Cambridge, England

DATE 27th April 2018

## Strategic report

### **Business review**

The Group is principally engaged in the design, manufacture, sales and servicing of electron beam welding and vacuum furnace equipment.

The Group's core strategy is to continue building on the worldwide reputation of CVE (the trading name of the Group) and specifically to develop new applications for the electron beam technology. In 2017 the Group has continued to invest in product development with the successful initial trials of the new Ebflow product.

The trading of the core CVE business has performed strongly over the last seven years, and future Ebflow sales are considered to be incremental to the core CVE business.

### **Principal risks and uncertainties**

The principal risks and uncertainties for the Group are explained below:

#### **Personnel risk**

The Group seeks to attract and retain good quality staff through its processes for training, working conditions and total remuneration packages.

#### **Health and safety**

Given the nature of the machines it builds, the Group takes its responsibilities for health and safety of its staff and operators of its machines seriously. The Group maintains appropriate standards by way of training and compliance with legal requirements.

#### **Financial risk**

The Group uses various financial instruments. These include loans, cash and various items, such as forward foreign exchange contracts. The main purpose of these financial instruments is to raise finance for the Group's operations and to protect against currency movements.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

All transactions in derivatives are undertaken to manage the risks arising from the underlying business activities and no transactions of a speculative nature are undertaken.

The main risks from the Group's financial instruments are currency risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### **Currency risk**

The Group is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward exchange contracts. Whilst the aim is to achieve an economic hedge the Group does not adopt a policy of hedge accounting for these financial statements.

## Strategic report (continued)

### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Group policy throughout the year has been to ensure continuity of funding. Short term flexibility is achieved by banking facilities, and continued support from investors. The maturity of borrowings is set out in note 15 of the financial statements.

### Interest rate risk

The Group finances its operations through a mixture of bank borrowings and investor loans. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating rate facilities. The terms of these loans are set out in note 14 of the financial statements.

### Credit risk

The Group's principal financial assets are cash and trade debtors, with the main risk arising from its trade debtors. In order to manage the credit risk the directors request stage payments when manufacturing large machines, based on set criteria being met as outlined in the sales contracts.

### Financial key performance indicators

The Group monitors key performance indicators covering various aspects of its business to ensure its profitability and cash flow is maximised by its operations.

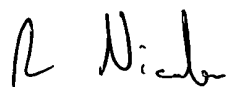
Key financial performances are shown below.

	2017	2016
	£'000s	£'000s
Sales to third parties	10,832	8,562
EBITDA and before grant funded development work	1,490	834
Net profit after tax	1,077	473

### Research & development

The Group conducts a significant amount of research and development work in order to further develop the existing technologies and also to explore the application of electron beam welding in particular into new areas. Of particular note is local vacuum technology and metal surface alteration.

ON BEHALF OF THE BOARD



R L Nicolson  
Director

DATE 27th April 2018

## Report of the directors

The directors present their report and the financial statements of the Group for the year ended 31 December 2017.

### **Results and dividends**

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### **The directors**

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

J P Cumberland  
R L Nicolson  
G Crick  
R Healey

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report and 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 laws, including FRS 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 and the profit or loss of the company and groups 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the directors (continued)

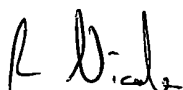
The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company'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 auditors are aware of that information.
- The directors are responsible for the maintenance and integrity of the corporate financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



R L Nicolson  
Director

DATE 27th April 2018

## Independent auditor's report to the members of Aquasium Technology Limited

### **Opinion**

We have audited the financial statements of Aquasium Technology Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the group profit and loss account, the statement of comprehensive income, the group and parent company balance sheets and the group and parent company statement of changes in equity, the group cash flow statement and 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's affairs as at 31 December 2017 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company 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.

### **Who we are reporting to**

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

### **Conclusions relating to going concern**

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

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

## Independent auditor's report to the members of Aquasium Technology Limited (continued)

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matter on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Independent auditor's report to the members of Aquasium Technology Limited (continued)

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.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*Grant Thornton UK LLP*

### **Graham Mummery**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

Date: *3 May 2018*

## Principal accounting policies

### **Basis of accounting**

Aquasium Technology Limited ('the company') is the holding company for a group that undertakes the design, manufacture, sales and servicing of electron beam welding and vacuum furnace equipment. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 43 Pembroke Avenue, Denny Industrial Estate, Waterbeach, Cambridge, CB25 9QX.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The group financial statements consolidate the financial statements of Aquasium Technology Limited and all its subsidiary undertakings drawn up to 31 December each year.

The individual accounts for Aquasium Technology Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes for the company
- financial instrument disclosures for the company, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks.

### **Going concern**

Cash flow forecasts prepared by the directors indicate that current facilities, provided by the Group's Bankers and Shareholders, are adequate for the Group's needs for the foreseeable future. The directors have considered trading activity and cash resources for a period of at least 12 months from the date of signing and consider that the company is a going concern.

The nature of CVE's business in capital equipment manufacturing is working capital intensive, particularly for large and complex machines. The directors believe that the strength of the Group's balance sheet and profitability will allow it to raise additional facilities if needed in the future to help fund specific machine builds or other capital projects.

### **Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

#### **Machine contracts**

The directors also make judgements regarding machine contracts in accordance with the turnover policy below. These include the assessment of profits, losses and the stage of completeness, considering anything which has occurred after the balance sheet date up to the date of signing.

## Principal accounting policies (continued)

### **Stock provision**

A provision of between 25% to 100% is made against stock which has not moved for more than 2 years. The percentage provided gradually increases with the number of years the stock has not moved for. All stock which has not moved for 6 years is fully provided. This policy is considered by management to best represent the true value of the stock.

### **Warranty provision**

Judgement is applied when calculating the expected future costs of repairs under warranty for each machine using a risk factor of between 1.25% and 1.5% of sales value. The warranty typically lasts for one year unless specific exceptional circumstances require an extension to two or three years.

### **Turnover**

Turnover is the total amount receivable by the Group for goods supplied and services provided, net of commissions payable, excluding VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity during the year and represents how complete each machine is based on the stage of work.

The amount of profit attributable to the stage of completion of each long term contract is calculated and recognised when the outcome can be foreseen with reasonable certainty. Provision is made for any losses which are foreseen.

Progress payments received and receivable attributable to the value of contracts are deducted in presenting the amounts recoverable on contracts in the financial statements. Progress payments and amounts in excess of contract values are stated separately.

The gross amounts due from customers for contract work are presented as amounts recoverable on contracts within debtors. The gross amounts due to customers for contract work are presented as payments on account within creditors.

Service revenue is recognised in the period in which it has been completed.

### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

## Principal accounting policies (continued)

### **Negative goodwill**

Negative goodwill arising on consolidation representing the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration is capitalised as a negative intangible asset. Where negative goodwill in the Group balance sheet is attributable to land and buildings it is released to the profit and loss account over the same period as the land and buildings are depreciated.

### **Positive goodwill**

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the group balance sheet and amortised on a straight line basis over its useful life.

### **Intangible fixed assets and amortisation**

A licence is included at cost and amortised in equal annual instalments over a period of 3.75 years until the end of the licence agreement. Provision is made for any impairment.

Software is included at cost and amortised on over the value of its useful economic life deemed to be 20% on a straight line basis.

### **Fixed assets**

Freehold land and buildings are stated at valuation and all other tangible fixed assets are stated at their original cost prior to any provision for depreciation or impairment.

### **Tangible assets**

Tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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:

Freehold and leasehold property	-	2% straight line
Plant, machinery & equipment	-	7.5% - 33% straight line
Fixtures & fittings	-	10% straight line
Motor vehicles	-	25% straight line

The company does not provide for depreciation on its freehold land or fixed assets under construction. The directors do not consider that the values of the land will fall below original cost.

### **Impairment of assets**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

## Principal accounting policies (continued)

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### **Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate.

### **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.

### **Creditors**

Short term trade 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.

### **Operating lease agreements**

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the lease term.

### **Research and development**

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

### **Pension costs**

The Group and the Company operate defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Group and the Company. The annual contributions payable are charged to the Group profit and loss account.

### **Provisions for liabilities and charges**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## Principal accounting policies (continued)

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products are invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

### **Government grants**

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Government grants relating to fixed assets are included within the balance sheet as deferred income and released to the profit and loss account in line with depreciation on that fixed asset.

### **Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination on all business combinations after the date of transition. Transition relief has been applied to business combinations before this date. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

## Principal accounting policies (continued)

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Where forward contracts are acquired for certain transactions, those transactions are translated at the contracted rate. Exchange differences are taken into account in arriving at the operating profit.

The financial statements of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date except that the profit and loss account is translated at the average rate for the year. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

### **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.

### **Share based payment transaction**

The group rewards key employees using share-based payments. Equity settled share based payments are measured at fair value at the date of grant using the Black-Scholes model.

## Group profit and loss account

	Note	2017 £	2016 £
Turnover	1	10,832,310	8,562,898
Cost of sales		(6,670,865)	(5,088,246)
Gross profit		4,161,445	3,474,652
Total other operating income and charges		(2,941,974)	(2,893,981)
Negative goodwill amortisation		-	-
Operating profit	2	1,219,471	580,671
<b>Profit on ordinary activities before interest</b>		<b>1,219,471</b>	<b>580,671</b>
Interest receivable	5	283	10
Interest payable and similar charges	6	(92,971)	(123,411)
<b>Profit on ordinary activities before taxation</b>		<b>1,126,783</b>	<b>457,270</b>
Tax on profit on ordinary activities	7	(50,225)	15,860
<b>Retained profit for the financial year</b>		<b>1,076,558</b>	<b>473,130</b>

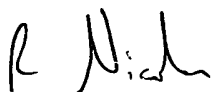
## Group statement of comprehensive income

	2017 £	2016 £
<b>Profit for the financial year</b>	<b>1,076,558</b>	<b>473,130</b>
Currency translation differences on foreign currency net investments	3,651	4,742
<b>Total comprehensive income for the financial year</b>	<b>1,080,209</b>	<b>477,872</b>

## Group balance sheet

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	8	52,578	114,037
Intangible assets - negative goodwill	8	-	-
		<u>52,578</u>	<u>114,037</u>
 Tangible assets	9	<u>3,967,215</u>	<u>3,960,843</u>
		<u>4,019,793</u>	<u>4,074,880</u>
 <b>Current assets</b>			
Stocks	11	1,346,282	1,328,141
Debtors	12	3,960,188	2,888,690
Cash at bank and in hand		1,775,084	1,792,119
		<u>7,081,554</u>	<u>6,008,950</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,792,045)</u>	<u>(2,609,328)</u>
<b>Net current assets</b>		<u>4,289,509</u>	<u>3,399,622</u>
<b>Total assets less current liabilities</b>		<u>8,309,302</u>	<u>7,474,502</u>
 <b>Creditors: amounts falling due after more than one year</b>	14	<u>(1,167,919)</u>	<u>(1,501,477)</u>
		<u>7,141,383</u>	<u>5,973,025</u>
 <b>Provisions for liabilities</b>			
Warranty provision	18	(388,068)	(337,557)
Deferred taxation	17	(217,306)	(179,668)
		<u>6,536,009</u>	<u>5,455,800</u>
 <b>Capital and reserves</b>			
Called-up equity share capital	21	262,888	262,888
Share premium account	22	317,686	317,686
Revaluation reserve	22	314,517	314,517
Profit and loss account	22	5,640,918	4,560,709
<b>Shareholders' funds</b>		<u>6,536,009</u>	<u>5,455,800</u>

These financial statements were approved by the directors and authorised for issue on <sup>27th April 2018</sup> DATE and are signed on their behalf by:



R L Nicolson  
Director

Company number 04241498

**The accompanying accounting policies and notes form part of these financial statements.**

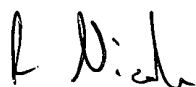
## Company balance sheet

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	8	52,578	114,037
Tangible assets	9	3,942,138	3,703,019
Investments	10	1,102,402	1,202,449
		<u>5,097,118</u>	<u>5,019,505</u>
<b>Current assets</b>			
Stocks	11	1,217,479	1,195,925
Debtors	12	4,878,809	3,506,968
Cash at bank and in hand		1,660,143	1,631,078
		<u>7,756,431</u>	<u>6,333,971</u>
<b>Creditors: amounts falling due within one year</b>	13	(3,542,987)	(2,685,267)
<b>Net current assets</b>		<u>4,213,444</u>	<u>3,648,704</u>
<b>Total assets less current liabilities</b>		<u>9,310,562</u>	<u>8,668,209</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(2,193,391)	(2,626,996)
		<u>7,117,171</u>	<u>6,041,213</u>
<b>Provisions for liabilities</b>			
Warranty provision	18	(344,170)	(292,049)
Deferred taxation	17	(217,306)	(179,668)
		<u>6,555,695</u>	<u>5,569,496</u>
<b>Capital and reserves</b>			
Called-up equity share capital	21	262,888	262,888
Share premium account	22	317,686	317,686
Revaluation reserve	22	1,358,148	1,358,148
Profit and loss account	22	4,616,973	3,630,774
<b>Shareholders' funds</b>		<u>6,555,695</u>	<u>5,569,496</u>

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £986,199 (2016: £606,110).

27th April 2018

These financial statements were approved by the directors and authorised for issue DATE and are signed on their behalf by:



R L Nicolson  
 Director

Company number 04241498

**The accompanying accounting policies and notes form part of these financial statements.**

## Group statement of changes in equity

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Revaluation Reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2016</b>	<b>262,888</b>	<b>317,686</b>	<b>314,517</b>	<b>4,082,837</b>	<b>4,977,928</b>
Profit for the year	-	-	-	473,130	473,130
Foreign exchange translation difference	-	-	-	4,742	4,742
Total comprehensive income for the year	-	-	-	477,872	477,872
<b>At 31 December 2016</b>	<b>262,888</b>	<b>317,686</b>	<b>314,517</b>	<b>4,560,709</b>	<b>5,455,800</b>
Profit for the year	-	-	-	1,076,558	1,076,558
Foreign exchange translation difference	-	-	-	3,651	3,651
Total comprehensive income for the year	-	-	-	1,080,209	1,080,209
<b>At 31 December 2017</b>	<b>262,888</b>	<b>317,686</b>	<b>314,517</b>	<b>5,640,918</b>	<b>6,536,009</b>

**The accompanying accounting policies and notes form part of these financial statements.**

## Company statement of changes in equity

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Revaluation Reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2016</b>	262,888	317,686	1,358,148	3,024,664	4,963,386
Profit and total comprehensive income for the year	-	-	-	606,110	606,110
<b>At 31 December 2016</b>	262,888	317,686	1,358,148	3,630,774	5,569,496
Profit and total comprehensive income for the year	-	-	-	986,199	986,199
<b>At 31 December 2017</b>	262,888	317,686	1,358,148	4,616,973	6,555,695

**The accompanying accounting policies and notes form part of these financial statements.**

## Group cash flow statement

	Note	2017 £	2016 £
<b>Net cash generated from operating activities</b>	23	<b>714,313</b>	945,069
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible assets		200,587	-
Purchases of tangible assets	9	(508,334)	(274,359)
Purchases of intangible assets	8	(730)	(143)
Interest received	5	283	10
<b>Net cash from investing activities</b>		<b>(308,194)</b>	(274,492)
<b>Cash flows from financing activities</b>			
Repayment of bank loans	13	(80,183)	(71,644)
Repayment of other loans		(250,000)	-
Interest paid	6	(92,971)	(123,411)
<b>Net cash used in financing activities</b>		<b>(423,154)</b>	(195,055)
<b>Net reduction in cash and cash equivalents</b>		<b>(17,035)</b>	475,522
<b>Cash and cash equivalents at the beginning of year</b>		<b>1,792,119</b>	1,316,597
<b>Cash and cash equivalents at end of year</b>		<b>1,775,084</b>	1,792,119

**The accompanying accounting policies and notes form part of these financial statements.**

## Notes to the financial statements

### 1 Turnover

The turnover and profit on ordinary activities before tax are attributable to the principal activities of the Group. An analysis of turnover is given below:

	2017	2016
	£	£
Europe	3,216,568	2,924,191
USA	2,832,015	1,871,479
East Asia	4,572,669	3,634,502
Africa	211,058	132,726
	<u>10,832,310</u>	<u>8,562,898</u>

The whole of turnover and profit before taxation arose from continuing activities.

### 2 Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Positive goodwill amortisation	62,189	60,955
Depreciation of owned fixed assets	278,457	292,442
Loss on disposal of fixed assets	-	129
Auditors' remuneration:		
- Audit fees	26,000	25,700
- Other non-audit services	7,575	7,400
Operating lease costs:		
- Land and buildings	58,094	55,377
- Other	99,662	98,506
Net gain on foreign currency translation	(55,133)	(86,221)
Government grants received	(70,359)	(100,078)
Research and development expenditure	<u>400,156</u>	<u>385,356</u>

### 3 Particulars of directors and employees

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

	2017	2016
	No	No
Production staff	51	53
Distribution staff	1	1
Administrative staff	13	13
	<u>65</u>	<u>67</u>

The aggregate payroll costs of the above were:

	2017	2016
	£	£
Wages and salaries	2,519,956	2,440,138
Social security costs	280,990	257,533
Other pension costs	152,923	152,780
	<u>2,953,869</u>	<u>2,850,451</u>

## Notes to the financial statements (continued)

### 3 Particulars of directors and employees (continued)

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

	2017	2016
	No	No
Production staff	49	51
Distribution staff	1	1
Administrative staff	11	11
	<u>61</u>	<u>63</u>

The aggregate payroll costs of the above were:

	2017	2016
	£	£
Wages and salaries	2,291,482	2,185,812
Social security costs	260,369	236,885
Other pension costs	147,596	144,157
	<u>2,699,447</u>	<u>2,566,854</u>

### 4 Directors

Remuneration in respect of directors was as follows:

	2017	2016
	£	£
Emoluments receivable	120,320	120,320
Value of company pension contributions to money purchase schemes	9,626	9,626
Other benefits	14,496	15,325
Chairman's fees	48,000	48,000
Other fees	48,000	48,000
Emoluments receivable	<u>240,442</u>	<u>241,271</u>

In addition to the above, Aquasium Technology Limited also paid director fees and expenses of £20,000 (2016: £20,391) to VCF Partners, a partnership connected with Foresight VCT PLC, a shareholder of the company.

Highest paid director's remuneration:

	2017	2016
	£	£
Emoluments receivable	120,320	120,320
Value of company pension contributions to money purchase schemes	9,626	9,626
Other benefits	14,496	15,325
	<u>144,442</u>	<u>145,271</u>

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

	2017	2016
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

## Notes to the financial statements (continued)

### **5 Interest receivable**

	2017	2016
	£	£
Bank interest receivable	<u>283</u>	<u>10</u>

### **6 Interest payable and similar charges**

	2017	2016
	£	£
Interest payable on bank borrowings	67,867	74,855
Shareholders' loan interest	25,104	48,556
	<u>92,971</u>	<u>123,411</u>

### **7 Tax on profit on ordinary activities**

	2017	2016
	£	£
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax based on the results for the year	7,989	-
Overseas taxation	4,598	(6,005)
Total current tax	<u>12,587</u>	<u>(6,005)</u>
Deferred tax:		
Origination and reversal of timing differences	97,537	58,781
Adjustments in respect of previous periods	(59,899)	(61,525)
Effect of tax rate change on opening balance	-	(7,111)
Total deferred tax (note 17)	<u>37,638</u>	<u>(9,855)</u>
Tax on profit on ordinary activities	<u>50,225</u>	<u>(15,860)</u>

## Notes to the financial statements (continued)

### **7 Tax on profit on ordinary activities (continued)**

#### (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 19.25% (2016 - 20%).

	2017	2016
	£	£
Profit on ordinary activities before taxation	<u>1,126,783</u>	<u>457,270</u>
Profit on ordinary activities by rate of tax	216,906	91,454
Income not chargeable for tax purposes	(13,692)	-
Expenses not deductible for tax purposes	3,418	24,951
Fixed asset differences	2,710	4,857
Additional deduction for research and development expenditure	(112,592)	(46,971)
Adjustments in respect of previous periods	(59,704)	(61,525)
Change in tax rates	(12,914)	(17,484)
Chargeable gains / losses	<u>26,093</u>	<u>(11,142)</u>
Total current tax (note 7(a))	<u>50,225</u>	<u>(15,860)</u>

## Notes to the financial statements (continued)

### 8 Intangible fixed assets

Group	Purchased licence £	Software £	Negative goodwill £	Total £
Cost				
At 1 January 2017	175,000	175,795	(570,666)	(219,871)
Software additions	-	730	-	730
<b>At 31 December 2017</b>	<b>175,000</b>	<b>176,525</b>	<b>(570,666)</b>	<b>(219,141)</b>
Amortisation				
At 1 January 2017	93,333	143,425	(570,666)	(333,908)
Charge for year	46,667	15,522	-	62,189
<b>At 31 December 2017</b>	<b>140,000</b>	<b>158,947</b>	<b>(570,666)</b>	<b>(271,719)</b>
Net book value				
<b>At 31 December 2017</b>	<b>35,000</b>	<b>17,578</b>	<b>-</b>	<b>52,578</b>
At 31 December 2016	81,667	32,370	-	114,037

A sole licence agreement was purchased in December 2014 for £175,000, and is being amortised over the remaining life to 24 September 2018.

Company	Positive goodwill £	Software £	Purchased licence £	Total £
Cost				
At 1 January 2017	3,396,570	175,795	175,000	3,747,365
Software additions	-	730	-	730
<b>At 31 December 2017</b>	<b>3,396,570</b>	<b>176,525</b>	<b>175,000</b>	<b>3,748,095</b>
Amortisation				
At 1 January 2017	3,396,570	143,425	93,333	3,633,328
Charge for year	-	15,522	46,667	62,189
<b>At 31 December 2017</b>	<b>3,396,570</b>	<b>158,947</b>	<b>140,000</b>	<b>3,695,517</b>
Net book value				
<b>At 31 December 2017</b>	<b>-</b>	<b>17,578</b>	<b>35,000</b>	<b>52,578</b>
At 31 December 2016	-	32,370	81,667	114,037

## Notes to the financial statements (continued)

### **9 Tangible fixed assets**

Group	Freehold & l'hold property £	Plant, machinery & equipment £	Fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 Jan 2017	2,573,486	2,614,943	220,908	19,796	5,429,133
Disposals	-	(256,069)	-	-	(256,069)
Additions	126,559	374,879	6,896	-	508,334
Exchange movement	(751)	(30,031)	(1,843)	-	(32,625)
At 31 Dec 2017	<u>2,699,294</u>	<u>2,703,722</u>	<u>225,961</u>	<u>19,796</u>	<u>5,648,773</u>
Depreciation					
At 1 Jan 2017	168,691	1,095,397	187,705	16,497	1,468,290
Charge for the year	86,231	183,653	5,274	3,299	278,457
Disposals	-	(55,481)	-	-	(55,481)
Exchange movement	(107)	(8,254)	(1,347)	-	(9,708)
At 31 Dec 2017	<u>254,815</u>	<u>1,215,315</u>	<u>191,632</u>	<u>19,796</u>	<u>1,681,558</u>
<b>Net book value</b>					
<b>At 31 Dec 2017</b>	<u><b>2,444,479</b></u>	<u><b>1,488,407</b></u>	<u><b>34,329</b></u>	<u><b>-</b></u>	<u><b>3,967,215</b></u>
At 31 Dec 2016	<u>2,404,794</u>	<u>1,519,546</u>	<u>33,204</u>	<u>3,299</u>	<u>3,960,843</u>

## Notes to the financial statements (continued)

### 9 Tangible fixed assets (continued)

Company	Freehold property £	Plant, machinery & equipment £	Fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 Jan 2017	2,565,037	2,277,089	200,177	19,796	5,062,099
Additions	126,559	372,817	6,525	-	505,901
At 31 Dec 2017	<u>2,691,596</u>	<u>2,649,906</u>	<u>206,702</u>	<u>19,796</u>	<u>5,568,000</u>
Depreciation					
At 1 Jan 2017	167,488	1,002,548	172,547	16,497	1,359,080
Charge for the year	85,718	173,711	4,054	3,299	266,782
At 31 Dec 2017	<u>253,206</u>	<u>1,176,259</u>	<u>176,601</u>	<u>19,796</u>	<u>1,625,862</u>
Net book value					
At 31 Dec 2017	<u>2,438,390</u>	<u>1,473,647</u>	<u>30,101</u>	<u>-</u>	<u>3,942,138</u>
At 31 Dec 2016	<u>2,397,549</u>	<u>1,274,541</u>	<u>27,630</u>	<u>3,299</u>	<u>3,703,019</u>

The figures stated above for cost or valuation include valuations as follows:

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
At cost	1,971,668	1,845,860	1,963,970	1,837,411
Revaluation – 2013	(770,170)	(770,170)	(770,170)	(770,170)
Revaluation – 2011	-	-	-	-
Revaluation – 2009	-	-	-	-
Revaluation – 2008	-	-	-	-
Revaluation - 2007	-	-	-	-
Revaluation - 2006	175,000	175,000	175,000	175,000
Revaluation - 2005	1,322,796	1,322,796	1,322,796	1,322,796
	<u>2,699,294</u>	<u>2,573,486</u>	<u>2,691,596</u>	<u>2,565,037</u>

The property of Aquasium Technology Limited was valued by Bidwells LLP, Chartered Surveyors, of Cambridge, UK in March 2017 on the basis of market value. The valuation of the property was deemed to be materially consistent with the carrying value as at 31 December 2017.

## Notes to the financial statements (continued)

### 9 Tangible fixed assets (continued)

If freehold property had not been revalued, it would have been included on the historical cost basis at the following amounts:

	<b>The group 2017</b>	<b>The company 2017</b>
	<b>£</b>	<b>£</b>
Cost	1,971,668	1,963,970
Accumulated depreciation	(731,424)	(729,815)
<b>Net book value at 31 December 2017</b>	<b>1,240,244</b>	<b>1,234,155</b>
Net book value at 31 December 2016	1,196,730	1,189,486

### 10 Fixed asset investments

<b>Company</b>	<b>Shareholding in subsidiaries 2017</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2017	1,202,449
Exchange movement	(100,047)
At 31 December 2017	1,102,402
<b>Net book value at 31 December 2017</b>	<b>1,102,402</b>
Net book value at 31 December 2016	1,202,449

At 31 December 2017 the company held 20% or more of the equity of the following:

	<b>Country of incorporation</b>	<b>Class of share capital held</b>	<b>Proportion held by parent company</b>	<b>Nature of business</b>
Cambridge Vacuum Engineering Limited	England	Equity	100%	Dormant
Cambridge Vacuum Engineering, Inc.	USA	Equity	100%	Sale and servicing of electron beam welding equipment
Aquasium Limited	England	Equity	100%	Dormant

## Notes to the financial statements (continued)

### 11 Stocks

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials	682,243	724,972	553,440	592,756
Work in progress	914,278	668,899	914,278	668,899
Payments on account	(250,239)	(65,730)	(250,239)	(65,730)
	<u>1,346,282</u>	<u>1,328,141</u>	<u>1,217,479</u>	<u>1,195,925</u>

Stocks recognised in cost of sales during the year as an expense was £4,353,017 (2016: £3,473,017).

An impairment loss of £4,101 (2016: £17,366) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 12 Debtors

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	1,484,287	1,126,749	945,387	942,593
Amounts owed by group undertakings	-	-	1,795,705	823,816
Sundry debtors	12,814	12,721	12,814	12,721
Financial instruments	57,356	-	57,356	-
VAT recoverable	54,721	65,790	54,721	65,790
Amounts recoverable on contracts	2,249,205	1,555,939	1,921,878	1,555,939
Prepayments and accrued income	101,805	127,491	90,948	106,109
	<u>3,960,188</u>	<u>2,888,690</u>	<u>4,878,809</u>	<u>3,506,968</u>

### 13 Creditors: amounts falling due within one year

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	82,803	79,428	82,803	79,428
Amounts owed to group undertakings	-	-	201,563	-
Payments received on account	-	231,777	579,681	342,551
Trade creditors	690,816	777,453	688,050	759,849
Corporation tax	7,989	-	7,989	-
PAYE and social security	79,669	65,746	79,669	65,746
Financial instruments	-	104,448	-	104,448
Other creditors	1,066,748	633,180	1,066,748	633,180
Accruals and deferred income	864,020	717,296	836,484	700,065
	<u>2,792,045</u>	<u>2,609,328</u>	<u>3,542,987</u>	<u>2,685,267</u>

## Notes to the financial statements (continued)

### 13 Creditors: amounts falling due within one year (continued)

The following liabilities disclosed under creditors falling due within one year are secured by the Company and the Group.

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	<u>82,803</u>	<u>79,428</u>	<u>82,803</u>	<u>79,428</u>

### 14 Creditors: amounts falling due after more than one year

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	<u>1,167,919</u>	<u>1,251,477</u>	<u>1,167,919</u>	<u>1,251,477</u>
Amounts owed to group undertakings	-	-	<u>1,025,472</u>	<u>1,125,519</u>
Other loans	-	<u>250,000</u>	-	<u>250,000</u>
	<u>1,167,919</u>	<u>1,501,477</u>	<u>2,193,391</u>	<u>2,626,996</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the Company and the Group.

	The group		The company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	<u>1,167,919</u>	<u>1,251,477</u>	<u>1,167,919</u>	<u>1,251,477</u>
Other loans	-	<u>250,000</u>	-	<u>250,000</u>
	<u>1,167,919</u>	<u>1,501,477</u>	<u>1,167,919</u>	<u>1,501,477</u>

The bank loan to the Company amounting to £1,286,286 (2016: £1,373,152) is repayable by fixed quarterly instalments of £38,741 (2016: £38,741) until November 2028. It bears interest at a rate of 4.75% above LIBOR.

There is a first legal charge held by Barclays Bank over the property occupied by Aquasium Technology Limited.

There is a debenture from Aquasium Technology Limited and Cambridge Vacuum Engineering Limited to Barclays Bank and from Aquasium Technology Limited and Cambridge Vacuum Engineering Limited to Foresight VCT Plc and The Income & Growth VCT Plc.

There is a composite guarantee by the above companies in favour of Barclays.

Aquasium Technology Limited repaid the other loans owed to Foresight VCT Plc and The Income & Growth VCT Plc (shareholders of the company) and totalling £250,000 in June 2017. These loans accrued interest at 20.25% and were repayable in 2028 as per the Deed of Amendment put in place on 21 February 2014.

## Notes to the financial statements (continued)

### 15 Creditors: capital instruments

Creditors include finance capital which is due for repayment as follows:

	<b>The group</b>		<b>The company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts repayable:				
In one year or less or on demand	88,910	86,110	88,910	86,110
In more than one year but not more than two years	93,690	90,617	93,690	90,617
In more than two years but not more than five years	312,391	301,318	312,391	301,318
In more than five years	791,295	1,145,107	791,295	1,145,107
	<u>1,286,286</u>	<u>1,623,152</u>	<u>1,286,286</u>	<u>1,623,152</u>
Unamortised loan issue expenses	(35,564)	(42,247)	(35,564)	(42,247)
	<u><u>1,250,722</u></u>	<u><u>1,580,905</u></u>	<u><u>1,250,722</u></u>	<u><u>1,580,905</u></u>

### 16 Financial instruments

The capital structure of the group and company includes the borrowings disclosed in note 15, cash at bank and equity attributable to equity holders of the company, comprising issued share capital and retained earnings as disclosed in the Statement of Changes in Equity and note 21.

Financial assets at amortised cost:

	<b>The group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,775,084	1,792,119
Trade debtors and other receivables	1,484,287	1,126,749
Amounts recoverable on contracts	2,249,205	1,555,939
Sundry debtors	12,814	12,721
	<u><u>5,521,390</u></u>	<u><u>4,487,528</u></u>

Financial liabilities at amortised cost:

	<b>The group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	690,816	777,453
Payments on account	-	231,777
Bank loans	1,250,722	1,330,905
Other loans	-	250,000
Other creditors	1,036,286	616,201
Accruals and deferred income	359,753	162,508
	<u><u>3,337,577</u></u>	<u><u>3,368,844</u></u>

Financial assets/(liabilities) measured at fair value through profit or loss:

	<b>The group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Financial instruments	<u><u>57,356</u></u>	<u><u>(104,448)</u></u>

## Notes to the financial statements (continued)

### 17 Deferred taxation

The movement in the deferred taxation provision during the year was:

	<b>The group</b>		<b>The company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Provision brought forward	179,668	189,523	179,668	189,523
Increase in provision	37,638	(9,855)	37,638	(9,855)
Provision carried forward	<u>217,306</u>	<u>179,668</u>	<u>217,306</u>	<u>179,668</u>

The Group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

<b>Group</b>	<b>2017</b>		<b>2016</b>	
	<b>Provided</b>	<b>Unprovided</b>	<b>Provided</b>	<b>Unprovided</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Excess of taxation allowances over depreciation on fixed assets	178,377	-	165,940	-
Capital gains	43,826	-	(4,380)	-
Provisions timing differences	(2,226)	-	20,779	-
Tax losses and other deductions	(2,671)	-	(2,671)	-
	<u>217,306</u>	<u>-</u>	<u>179,668</u>	<u>-</u>

The Company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

<b>Company</b>	<b>2017</b>		<b>2016</b>	
	<b>Provided</b>	<b>Unprovided</b>	<b>Provided</b>	<b>Unprovided</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Excess of taxation allowances over depreciation on fixed assets	178,377	-	165,940	-
Capital gains	43,826	-	(4,380)	-
Provisions timing differences	(2,226)	-	20,779	-
Tax losses and other deductions	(2,671)	-	(2,671)	-
	<u>217,306</u>	<u>-</u>	<u>179,668</u>	<u>-</u>

### 18 Warranty provision

	<b>The group</b>		<b>The company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Provision brought forward	337,557	378,308	292,049	324,279
Provision in year	176,065	149,238	160,330	123,916
Costs in year	(42,573)	(89,067)	(41,907)	(82,293)
Release in year	(82,981)	(100,922)	(66,302)	(73,853)
Provision carried forward	<u>388,068</u>	<u>337,557</u>	<u>344,170</u>	<u>292,049</u>

The warranty provision is provided for repair costs of new machines usually for one year unless specific exceptional circumstances require an extension to two or three years.

## Notes to the financial statements (continued)

### 19 Commitments under operating leases

At 31 December 2017 the Group had annual commitments under non-cancellable operating leases as set out below:

Group	2017		2016	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	54,741	82,432	54,940	93,320
Within 2 to 5 years	134,237	48,666	-	106,996
	<u>188,978</u>	<u>131,098</u>	<u>54,940</u>	<u>200,316</u>

At 31 December 2017 the company had annual commitments under non-cancellable operating leases as set out below:

Company	2017		2016	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	22,000	82,432	22,000	93,320
Within 2 to 5 years	-	48,666	-	106,996
	<u>22,000</u>	<u>131,098</u>	<u>22,000</u>	<u>200,316</u>

### 20 Related party transactions

At 31 December 2017 £Nil (2016 - £83,333) was owed to The Income and Growth VCT PLC and £Nil (2016 - £166,666) was owed to Foresight VCT PLC in respect of loans. The Income and Growth VCT PLC and Foresight VCT plc are significant shareholders in the Company. There was no accrued interest outstanding on these loans at 31 December 2017 and 31 December 2016 as all interest has been paid when due. Foresight VCT PLC were paid £183,403 (2016 - £32,371) and The Income and Growth VCT PLC were paid £91,701 (2016 - £16,185), including finance costs of £25,104 (2016 - £48,556) charged to the Company. In addition, a monitoring fee and expenses of £20,000 (2016 - £20,391) was charged to the Company during the period by VCF Partners, a partnership connected with Foresight Group LLP which acts as the investment manager of Foresight VCT PLC, and £Nil (2016 - £Nil) by Mobeus Equity Partners LLP which acts as the investment manager of The Income and Growth VCT PLC.

During the year, Mr J P Cumberland, a director of the company, was paid £48,000 for consultancy and £3,535 for expenses (2016 - £51,948). At 31 December 2017 an amount of £Nil was owed to Mr J P Cumberland (2016 - £Nil).

Mr G Crick, a director of the company, was paid £48,000 for consultancy and £5,555 for expenses (2016 - £52,446). At 31 December 2017 an amount of £Nil was owed to Mr G Crick (2016 - £5,489) relating to these expenses. In 2015 Mr Crick was issued 2,889 Ordinary "B" class shares for consideration of £8,522 covered by an interest free loan from the company, still outstanding at 31 December 2017.

## Notes to the financial statements (continued)

### 20 Related party transactions (continued)

The aggregate remuneration payable to key management personnel is £255,904 (2016 - £256,746).

Advantage has been taken of the exemption not to disclose group related party transactions with subsidiaries that are 100% owned that have been eliminated on consolidation.

### 21 Share capital

Allotted, called up: fully paid	2017		2016	
	No	£	No	£
Ordinary shares of £1 each	130,000	130,000	130,000	130,000
A Ordinary shares of £1 each	129,999	129,999	129,999	129,999
B Ordinary shares of £1 each	2,889	2,889	2,889	2,889
	<u>262,888</u>	<u>262,888</u>	<u>262,888</u>	<u>262,888</u>

The Ordinary shares and A Ordinary shares rank pari passu except that the holders of the A Ordinary shares have certain preferential rights on sale or winding up of the company as set out in the Articles of Association.

The A Ordinary shareholders have the right immediately prior to sale or listing of the company to subscribe for extra shares at par, pro rata to their existing holding up to a total holding representing not more than 49.9998% of the equity.

On 17 October 2014 a new class of share was established, B Ordinary shares of £1 each. The holders of B Ordinary shares have no right to receive dividends, receive notice of or to attend or vote at any general meeting.

On 17 October 2014, 2,889 B Ordinary shares of £1 were issued for £2.95 per share, a total consideration of £8,522, to a director in the year. These shares are unpaid at 31 December 2017.

### Share options

On 21 February 2014 share options were granted over 11,304 B Ordinary shares at an exercise price of £3.72 per share to key employees. These were subsequently cancelled and on 17 October 2014 new share options for 11,304 B Ordinary shares were granted for £2.95 per share to key employees. Share options are exercisable on sale of company, significant reorganisations of group, change of controlling parties or cessation of trade.

No charges have been recognised in respect of these share options under FRS 102 section 26 as the value is deemed immaterial.

## Notes to the financial statements (continued)

### 22 Reserves

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 January 2017	317,686	314,517	4,560,709
Retained profit for the year	-	-	1,076,558
Foreign exchange adjustment	-	-	3,651
At 31 December 2017	<u>317,686</u>	<u>314,517</u>	<u>5,640,918</u>

Company	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 January 2017	317,686	1,358,148	3,630,774
Retained profit for the financial year	-	-	986,199
At 31 December 2017	<u>317,686</u>	<u>1,358,148</u>	<u>4,616,973</u>

#### Share premium account

This reserve records the amount above the nominal value received for shares held, less transaction costs.

#### Revaluation reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase in the same asset.

The share premium account and revaluation reserve are non-distributable.

### 23 Reconciliation of profit for the financial year to net cash inflow from operating activities

Cash flows from operating activities	2017 £	2016 £
Profit for the financial year	1,076,558	473,130
Amortisation of intangible assets	62,189	60,955
Depreciation of tangible assets	278,457	292,442
Loss on sale of fixed assets	-	129
Interest paid	92,971	123,411
Interest received	(283)	(10)
Taxation	50,225	(15,860)
Foreign exchange movements	26,569	(44,684)
(Increase)/decrease in debtors	(1,071,498)	185,903
(Increase)/decrease in stocks	(18,141)	79,460
Increase/(decrease) in creditors	171,353	(175,061)
Increase/(decrease) in provisions	50,511	(40,751)
Net cash inflow from operating activities	<u>718,911</u>	<u>939,064</u>
Income taxes (paid)/received	<u>(4,598)</u>	<u>6,005</u>
Net cash generated from operating activities	<u>714,313</u>	<u>945,069</u>

## Notes to the financial statements (continued)

### **24 Capital commitments**

At 31 December 2017 the Group had capital commitments of £12,780 (2016: £2,471).

### **25 Forward contracts**

At 31 December 2017 the Group held 14 forward exchange contracts for selling Dollars to cover the exchange risk on specific customer contracts maturing between 28 February 2018 and 31 December 2018. The total value of these forward exchange contracts is \$2,675,000 at the average contract rate of \$1.3120 to £1 (31 December 2016 \$725,000 and €1,010,000 of forward exchange contracts were in place at rates of \$1.4634 and €1.1843 to £1). At 31 December 2017 the fair value of these contracts is considered to be an asset of £57,356 (31 December 2016 liability of £104,448), the movements of which are included in the profit and loss account.

### **26 Post balance sheet event**

In April 2018, a dividend totalling £101,001 was issued and paid to existing ordinary and A ordinary shareholders.