

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2021

SPECAC LIMITED

MENZIES

SPECAC LIMITED

COMPANY INFORMATION

Directors Mr S J Postma (appointed 23 December 2020)
Mr J Melville-Jackson (appointed 21 April 2021)

Registered number 1008689

Registered office Science And Innovation Centre Unit 12
Halo Business Park
Cray Avenue
Orpington
Kent
BR5 3FQ

Independent auditor Menzies LLP
Chartered Accountants & Statutory Auditor
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

SPECAC LIMITED

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SPECAC LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Business review

The principal activity of the company is the manufacture of Spectroscopy accessories and sample preparation for the scientific instrument industry. The company continued to follow its long-term strategy in 2020/21, supplying leading spectroscopy accessories to its world-wide customers, with exports contributing 94.9% to group sales in the year (94.7% FY20).

Sales were impacted negatively in FY21 due to the Global Covid-19 pandemic which was the primary reason for the 10.2% reduction in sales. The business implemented additional Health and Safety controls early in 2020 to protect our staff from Covid-19 workplace transmission. This activity was successful and will be maintained while there is a heightened risk from Covid-19.

The economic impact of the pandemic on orders was most acutely felt in early 2020, with some recovery in orders at the back-end of our financial-year. Specac undertook cost and cash management action early in 2020 to mitigate the business impact. Reducing discretionary costs, as well as utilising the Government Furlough scheme to prevent job losses and maintain our skill base through the worst of the pandemic. Specac finished the year strongly at normalised levels of sales and order activity, and a healthy level of cash.

Additional new product development remains critical to Specac enjoying on-going sales growth, the business has continued to invest in R&D through FY21 and this investment is expected to translate into profitable future sales. During FY21 Specac sold 1,028 products from the broad product range. (1098 in FY20) Turnover from NPD and Specials first sold in the last 12 months was 6% of turnover in FY21, which was consistent with the prior year.

Given the weak economic backdrop from Covid-19 the company performed strongly with its primary financial measures in FY21, achieving sales of £11.0m and an underlying EBITDA of £1.1m (FY20 £12.2m sales and £1.3m EBITDA).

Principal risks and uncertainties

The company governs and manages various business and operational risks which are typical for a company of its size and sector. Governance is enhanced through regular Board and Leadership meetings which discuss and manage these risks to minimise their likelihood or impact on the company in so far as is possible. Insurance, Proforma invoices for new customers, Quality audits and Health and Safety reviews amongst other activities play an appropriate role in mitigating these risks. The Company reviews its strategy on a regular basis to maximise its performance potential..

Financial key performance indicators

The directors regard the following measures as key performance indicators of Company performance.

	2021	2020
Sales growth	-10.2%	-1.4%
International % total sales	94.9%	94.6%
EBITDA	£1.1m	£1.3m
EBITDA as % of sales	9.9%	10.8%
Average headcount	76	79
Sales per head	144548	£154,497
Stock days	181	155
Debtor days	32	31
Range of items sold	1028	1098
Revenue per item sold	£10,686	£11,138
% sales from cutomers specials/new items	6%	6%
Investment in R&D	£0.8m	£0.9m

SPECAC LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Other key performance indicators

The company has continued to perform well in FY21 with the key performance indicators above meeting management expectations. The directors are satisfied with the performance of the company in the current year against these key performance indicators.

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

Mr S J Postma

Director

Date: 2 November 2021

SPECAC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £861,449 (2020 - £1,030,736).

No dividends were declared or paid in the year. A dividend of £1.8m was declared on 20 July 2021.

Directors

The directors who served during the year were:

Mr D J Smith (resigned 12 July 2021)
Mr S J Postma (appointed 23 December 2020)

Matters covered in the strategic report

The Company has chosen in accordance with Section 414C(II) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the Company's Strategic Report, the information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties.

Disclosure of information to auditor

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

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

SPECAC LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Auditor

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

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

Mr S J Postma

Director

Date: 2 November 2021

Science And Innovation Centre Unit 12
Halo Business Park
Cray Avenue
Orpington
Kent
BR5 3FQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECAC LIMITED

Opinion

We have audited the financial statements of Specac Limited (the 'Company') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 Company's affairs as at 31 March 2021 and of its 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECAC LIMITED
(CONTINUED)**

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECAC LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant:

- The Companies Act 2006;
- Financial Reporting Standard 102;
- UK employment legislation;
- UK health and safety legislation;
- General Data Protection Regulations; and,
- UK tax legislation

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary.

The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The assessment did not identify any issues in this area.

We assessed the susceptibility of the Company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the measures management has in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- The use of management override of controls to manipulate results, or to cause the Group to enter into transactions not in its best interests; or
- Posting of unusual journals and complex transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECAC LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

Robin Hopkins FCA (Senior Statutory Auditor)

for and on behalf of

Menzies LLP

Chartered Accountants

Statutory Auditor

Lynton House

7-12 Tavistock Square

London

WC1H 9LT

3 November 2021

SPECAC LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Turnover	4	10,985,630	12,229,467
Cost of sales		(6,374,356)	(7,061,734)
Gross profit		4,611,274	5,167,733
Distribution costs		(1,080,501)	(1,351,793)
Administrative expenses		(2,815,686)	(2,862,246)
Exceptional administrative expenses	11	-	(313,814)
Other operating income	5	281,529	163,546
Exceptional other operating income	11	-	378,969
Operating profit	6	996,616	1,182,395
Interest receivable and similar income		576	-
Profit before tax		997,192	1,182,395
Tax on profit	10	(135,743)	(151,659)
Profit for the financial year		861,449	1,030,736

There was no other comprehensive income for 2021 (2020: £NIL).

The notes on pages 12 to 24 form part of these financial statements.

SPECAC LIMITED
REGISTERED NUMBER:1008689

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	1,755,988	1,987,939
Investments	13	250,000	250,000
		<u>2,005,988</u>	<u>2,237,939</u>
Current assets			
Stocks	14	2,451,505	2,421,795
Debtors: amounts falling due within one year	15	2,603,226	2,476,582
Cash at bank and in hand	16	2,657,334	1,708,619
		<u>7,712,065</u>	<u>6,606,996</u>
Creditors: amounts falling due within one year	17	(1,553,810)	(1,504,470)
Net current assets		<u>6,158,255</u>	<u>5,102,526</u>
Total assets less current liabilities		<u>8,164,243</u>	<u>7,340,465</u>
Provisions for liabilities			
Deferred tax	18	(114,654)	(152,325)
Other provisions	19	(141,939)	(141,939)
		<u>(256,593)</u>	<u>(294,264)</u>
Net assets		<u><u>7,907,650</u></u>	<u><u>7,046,201</u></u>
Capital and reserves			
Called up share capital	20	73,001	73,001
Share premium account	21	1,751,295	1,751,295
Profit and loss account	21	6,083,354	5,221,905
		<u><u>7,907,650</u></u>	<u><u>7,046,201</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr J Melville-Jackson
 Director

Date: 2 November 2021

The notes on pages 12 to 24 form part of these financial statements.

SPECAC LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2019	73,001	1,751,295	4,191,169	6,015,465
Profit for the year	-	-	1,030,736	1,030,736
At 1 April 2020	73,001	1,751,295	5,221,905	7,046,201
Profit for the year	-	-	861,449	861,449
At 31 March 2021	73,001	1,751,295	6,083,354	7,907,650

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Specac Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on the company information page. The principal activities of the company was the design and manufacture of accessories for the scientific instrumentation industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Specac International Limited which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Revenue

Revenue from the sale of goods is recognised in accounting periods in which the risks and rewards of ownership have been transferred to the customer, which is usually when title passes on delivery.

Revenue is measured at the fair value of the consideration received, net of trade discounts and sales taxes.

2.5 Tangible fixed assets

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

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Leasehold improvements	-	Over the remaining lease term
Plant and machinery	-	10% to 50% straight line
Fixtures, fittings, software, tools & equipment	-	33% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

No borrowing costs are capitalised as part of property, plant and equipment.

Depreciation is not charged on assets under construction until these assets are in use.

2.6 Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

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

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

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.12 Operating leases: the Company as lessee

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

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

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

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

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

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.17 Research and development

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

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions

that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the

circumstances.

Significant judgements

The company uses judgement over the method and rates in which absorption costing on stock is applied. A rate is determined from specific costs applied over typical hours that have been worked.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the

related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Management use estimation to calculate a provision on stock held by reviewing slower moving stock and providing

for the stock over a certain criteria.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sale of goods	10,985,630	12,229,467
	<u>10,985,630</u>	<u>12,229,467</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	569,777	660,214
Rest of Europe	2,523,680	2,246,732
Rest of the world	4,160,526	5,062,855
Other overseas	3,731,647	4,259,666
	<u>10,985,630</u>	<u>12,229,467</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5. Other operating income

	2021 £	2020 £
Research and development tax credits	109,450	162,521
Government grants receivable	172,079	1,025
	<u>281,529</u>	<u>163,546</u>

Within the above government grants is £172,079 (2020: Nil) which relates to the Coronavirus Job Retention Scheme.

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	841,926	896,269
Exchange differences	61,897	(7,580)
Other operating lease rentals	<u>204,293</u>	<u>197,008</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>20,600</u>	<u>19,550</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. Employees

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

	2021 £	2020 £
Wages and salaries	3,056,796	2,983,428
Social security costs	269,979	254,590
Cost of defined contribution scheme	318,087	284,547
	<u>3,644,862</u>	<u>3,522,565</u>

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

	2021 No.	2020 No.
Production & operations	41	43
Admin & design	21	20
Sales & marketing	14	16
	<u>76</u>	<u>79</u>

As at the year end, there were 58,016 (2020: 58,016) share options granted in Specac International Limited (the parent company) to employees of Specac Limited. The vesting rights are performance dependent. The valuation of the options are not considered to be material to these financial statements and therefore no adjustments have been made.

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	158,047	123,308
Company contributions to defined contribution pension schemes	23,807	16,276
	<u>181,854</u>	<u>139,584</u>

During the year retirement benefits were accruing to 2 directors (2020 - 1) in respect of defined contribution pension schemes.

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	172,838	(11,031)
Adjustments in respect of previous periods	576	10,365
	<u>173,414</u>	<u>(666)</u>
Total current tax	<u>173,414</u>	<u>(666)</u>
Deferred tax		
Origination and reversal of timing differences	(37,671)	152,325
Total deferred tax	<u>(37,671)</u>	<u>152,325</u>
Taxation on profit on ordinary activities	<u>135,743</u>	<u>151,659</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>997,192</u>	<u>1,182,395</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	189,466	224,655
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	177	304
Capital allowances for year in excess of depreciation	2,897	10,907
Adjustments to tax charge in respect of prior periods	576	10,365
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(10,444)
Group relief	(57,373)	-
Prior year adjustments in the financial statements	-	(84,128)
Total tax charge for the year	<u>135,743</u>	<u>151,659</u>

Factors that may affect future tax charges

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. Taxation (continued)

In the budget of 3 March 2021, the Chancellor of the Exchequer announced that corporation tax rates will increase to 25% from April 2023. This has an impact on the future rate of tax that the deferred tax liability will be charged at.

11. Exceptional items

	2021 £	2020 £
Moving costs	-	222,864
Exceptional bad debt	-	90,950
Moving incentive income	-	(378,969)
	<u>-</u>	<u>(65,155)</u>

The above moving costs were in relation to unproductive down time during the office move. The bad debt was in relation to one customer, deemed to be exceptional one off costs. The income related to an incentive received from the previous landlord to move out of the premises before the end of the lease term.

12. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2020	2,065,973	825,633	839,198	3,730,804
Additions	44,514	45,402	33,091	123,007
Disposals	(355,889)	(308,776)	(319,833)	(984,498)
At 31 March 2021	<u>1,754,598</u>	<u>562,259</u>	<u>552,456</u>	<u>2,869,313</u>
Depreciation				
At 1 April 2020	458,757	597,748	686,360	1,742,865
Charge for the year on owned assets	162,205	104,763	85,108	352,076
Disposals	(355,889)	(305,894)	(319,833)	(981,616)
At 31 March 2021	<u>265,073</u>	<u>396,617</u>	<u>451,635</u>	<u>1,113,325</u>
Net book value				
At 31 March 2021	<u>1,489,525</u>	<u>165,642</u>	<u>100,821</u>	<u>1,755,988</u>
At 31 March 2020	<u>1,607,216</u>	<u>227,885</u>	<u>152,838</u>	<u>1,987,939</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13. Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 April 2020	250,000
At 31 March 2021	<u>250,000</u>
Subsidiary undertaking	

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Specac Inc.	414Commerce Dr, Suite 175, Fort Washington, PA19034, USA	Ordinary	100 %

14. Stocks

	2021 £	2020 £
Raw materials and consumables	1,122,312	1,187,589
Work in progress (goods to be sold)	220,528	124,368
Finished goods and goods for resale	1,108,665	1,109,838
	<u>2,451,505</u>	<u>2,421,795</u>

Impairment losses recognised or (reversed) in profit or loss was (£15,625) (2020: (£36,974)).

15. Debtors

	2021 £	2020 £
Trade debtors	1,183,799	1,263,792
Amounts owed by group undertakings	1,185,092	741,415
Other debtors	31,696	215,000
Prepayments and accrued income	147,444	140,106
Tax recoverable	55,195	116,269
	<u>2,603,226</u>	<u>2,476,582</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,657,334	1,708,619
	<u>2,657,334</u>	<u>1,708,619</u>

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	554,947	769,935
Amounts owed to group undertakings	234,384	-
Other taxation and social security	42,031	45,058
Other creditors	5,316	3,809
Accruals and deferred income	717,132	685,668
	<u>1,553,810</u>	<u>1,504,470</u>

18. Deferred taxation

	2021 £
At beginning of year	(152,325)
Charged to profit or loss	37,671
At end of year	<u>(114,654)</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(127,764)	(152,325)
Other timing differences	13,110	-
	<u>(114,654)</u>	<u>(152,325)</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

19. Provisions

	Dilapidations £
At 1 April 2020	141,939
At 31 March 2021	141,939

The above provisions relate to dilapidations costs which are expected to be incurred in exiting the lease of the premises that it trades in.

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
73,001 (2020 - 73,001) Ordinary shares of £1.00 each	<u>73,001</u>	<u>73,001</u>

The shares have attached to them full voting, dividend and capital distribution rights.

21. Reserves

Share premium account

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

Profit and loss account

This reserve records retained earnings and accumulated losses.

22. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	518,057	509,870
Later than 1 year and not later than 5 years	1,970,487	1,903,758
Later than 5 years	1,553,356	2,049,989
	<u>4,041,900</u>	<u>4,463,617</u>

SPECAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. Contingent liability

There is a floating charge over all of the company's assets which relates to loans of £2,340,000 owed by the parent company, Specac International Limited. The directors consider that no liability is expected to arise.

24. Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the Specac International Limited group.

25. Controlling party

The company's immediate parent undertaking is Specac International Limited, a company incorporated in the United Kingdom. Specac International Limited prepares group accounts, and that group is the largest and smallest group of undertakings for which group accounts are drawn up. Copies of the group accounts are publicly available at Companies House.

Foresight VCT plc and Foresight 4 VCT plc collectively have a controlling stake in the parent, Specac International Limited. However they each have an independent Board of Directors who makes decisions about the Company independent of each other. The Foresight VCTs are managed by Foresight Group CI Limited, an entity independent of each of the Foresight VCTs.

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