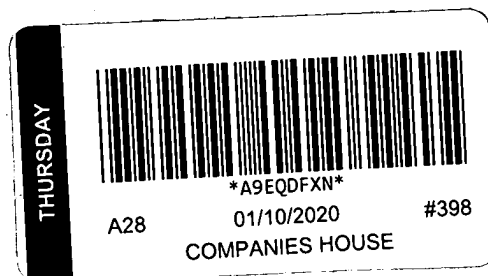




SPI Lasers plc
Directors' report and financial statements
For the year ended 30 June 2020

Registered number: 05546901



SPI Lasers plc (Registered number 05546901)

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SPI Lasers plc (Registered number 05546901)

Officers and professional advisers

Directors

B. Schmidt (Appointed 22nd July 2019, Resigned 1st August 2020)
C Schmitz (Resigned 25th July 2019)
D. Zetzmann-Krien (Appointed 22nd July 2019)
L Aschke (Resigned 22nd July 2019)
M Greenwood
T Fehn (Appointed 1st August 2020)

Secretary

M Varnham

Auditor

Nexia Smith & Williamson
Chartered Accountants & Statutory Auditor
Cumberland House
15 – 17 Cumberland Place
Southampton
SO15 2BG

Bankers

HSBC Bank plc
165 High Street
Southampton
SO14 2NZ

Solicitors

Blake Morgan LLP
New Kings Court
Tollgate
Chandler's Ford
Eastleigh
SO15 2AQ

Registered Office

3 Wellington Park
Tollbar Way
Hedge End
Southampton
SO30 2QU

SPI Lasers plc (Registered number 05546901)

Strategic report

Principal activities

SPI Lasers plc is the holding company of the UK entity SPI Lasers UK Ltd and the US entity SPI Lasers LLC. SPI Lasers plc is intending to sell its shares in SPI Lasers LLC to TRUMPF US as part of the sales reorganisation. The directors do not expect any other changes in respect of the future activities of the Company.

Business review and key performance indicators

The directors monitor key performance indicators on a regular basis including items such as profit for the period. The financial year ended 30 June 2020 has resulted in a loss of £2,905 compared to a previous year profit of £3,001. The directors are satisfied with the performance, position and prospects of the Company.

Risk and uncertainties

The financial risks generated by the decision of the UK to terminate the EU membership are monitored and mitigated where necessary and possible on an appropriate level. As part of the Company's Brexit planning the Company has performed a cross functional risk assessment which has led to various actions to mitigate the assumed impact for SPI and its customers of a hard Brexit scenario. Further the company is monitoring the situation very closely to adopt short term measures as and where needed.

The financial risks generated by the COVID-19 pandemic are monitored and mitigated to the best possible level. The TRUMPF group have defined a Business Resiliency Plan with the aim to ensure the health and wellbeing of its employees, maintain the supply chain and technical support while ensuring we do not add risk of transmission to our customers.

S172 new narrative reporting

Long term consequences

We want to satisfy our customers, employees, owners and society in equal measure. In each of our sectors of activity we are leaders on a world scale, in terms of both technology and organization. We aim to achieve continuous growth that is above average for the sectors in which we are active. We equally aim for an appropriate return on sales that enables us to afford our adequate expenditure on research and development as well as investments made by our own efforts.

Interest of Employees

The same high performance and quality expectations followed by the entire company are also placed on our employees. The safeguarding of jobs is a high priority for us, as is a fair system of remuneration. We promote our employees' personal and professional competence. Creative freedom is just as important as a readiness to express, and criticism is seen as an opportunity. We treat each other with mutual respect and together see to the protection of the company's intellectual and material property.

We endeavour to provide conditions that enable our employees to perform well in safe environments. This includes a healthy work-life balance, health and well-being and the pursuit of diversity among our employees.

SPI Lasers plc (Registered number 05546901)

Strategic report (*continued*)

Foster Business Relationships

Our products and services are known on the market to be innovative and reliable as well as tried and tested in industry conditions. With the continuous development of laser technologies, we develop and maintain strong relationships with both suppliers and customers alike.

Impact of Operations

Our corporate responsibility is to handle resources carefully and to avoid negative impact on the environment as much as possible coupled with a conscious approach to plan for the long term and to actively involve ourselves in shaping the conditions within which our main trading subsidiary operates in.

Maintaining Reputation

Our position as a high-tech fibre laser manufacturer is embedded in the culture of the company. Our drive to provide innovative and reliable products to our customers is at the forefront of business decisions making process.

Acting fairly

Our intention is to behave responsibly toward our stakeholders and to treat them fairly, so they too benefit from the successful delivery of our long-term plans.



M Greenwood
Director
17th September 2020

SPI Lasers plc (Registered number 05546901)

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 30 June 2020. The period shown as 2020 represents the financial year ended 30 June 2020, and the period shown as 2019 represents the financial year ended 30 June 2019.

Directors

The directors who held office during the year except as noted, were as follows:

B. Schmidt
D. Zetzmann-Krien
L Aschke
C Schmitz
M Greenwood

Dividends

The loss for the financial year of £2,905 (2019: profit of £3,001) has been taken to reserves. The directors do not recommend the payment of a dividend (2019: £nil).

Directors' indemnities

The Company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and continues to be in force as at the date of this report. The Company has purchased directors' and officers' liability insurance.

Going concern basis

The directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On a day to day basis the Company is dependent on funding provided by its trading subsidiary, SPI Lasers UK Limited, which is forecast to be able to continue to provide such support for at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. In addition, the Directors of the company have a written confirmation from TRUMPF International Beteiligungs-GmbH to provide financial support, if necessary, to the Company for the next twelve months, to cover the continuation of trade.

The Directors have taken due care and diligence in accessing the short and long term impact of the COVID-19 pandemic. This has been highlighted in the risks and uncertainties section of the Strategic report.

SPI Lasers plc (Registered number 05546901)

Directors' report (continued)

Energy Use, Efficiency and Carbon Emissions

In the reporting period the Company used 3342MWh of electricity and 2124MWh of natural gas. Our current supplier generates 7.5% of its electricity from coal and 51.1% from natural gas. This means that the Company was responsible for the emission of 870 tonnes of CO2 in the reporting period.

The Company is certified to ISO50001 and is committed to an energy efficiency program which is independently audited. The Company has reduced the electrical energy required to manufacture each kW of power from its lasers by 68% over a five year period. The figures are as follows:

2015-16: 5671 kWh / kW;
2016-17: 3838 kWh / kW;
2017-18: 2790 kWh / kW;
2018-19: 2783 kWh / kW;
2019-20: 1788 kWh / kW.

Political contributions

During the year ended 30 June 2020, the Company made no political donations (2019: £nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Nexia Smith & Williamson were appointed as the Company's auditor in 2020 and have indicated that they are willing to continue in office. A resolution to reappoint Nexia Smith & Williamson as auditor for the ensuing year will be proposed at the Annual General Meeting

Approved by the Board of Directors and signed on its behalf by



M Varnham
Company Secretary
17th September 2020

SPI Lasers plc
3 Wellington Park
Tollbar Way
Hedge End
Southampton
SO30 2QU

SPI Lasers plc (Registered number 05546901)

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of SPI Lasers plc

Opinion

We have audited the financial statements of SPI Lasers plc (the 'company') for the year ended 30 June 2020 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 UK, including the FRC's Ethical Standard as applied to SME listed entities, 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

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 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.

Emphasis of matter – impact of COVID-19

We draw attention to note 2 of the financial statements, which describes the impact of COVID-19 on the company. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of SPI Lasers plc (continued)

Other information

The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 where 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.

Independent auditor's report to the members of SPI Lasers plc (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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. This description forms part of our auditor's report.

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.

Nexia Smith & Williamson

18/9/2020

Andrew Edmonds
Senior Statutory Auditor for and on behalf of
Nexia Smith and Williamson
Statutory Auditor
Chartered Accountants
4 Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

SPI Lasers plc (Registered number 05546901)

**Statement of comprehensive income
for the year ended 30 June 2020**

	Note	2020 £'000	2019 £'000
Revenue		-	-
Gross Profit		-	-
Administrative expenses		(3)	3
Operating (Loss) / Profit before tax	4	(3)	3
Taxation	7	-	-
(Loss) / profit for the financial period		(3)	3
Total comprehensive income for the period		(3)	3

SPI Lasers plc (Registered number 05546901)

**Statement of changes in equity
for the year ended 30 June 2020**

	Share Capital	Share Premium	Capital Contribution Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2018	5,132	87,789	1,133	(66,225)	27,829
Total comprehensive income for the year					
Profit for the year	-	-	-	3	3
Total comprehensive income for the year	-	-	-	3	3
Issuance of Shares	4	15,696	-	-	15,700
At 1 July 2019	5,136	103,485	1,133	(66,222)	43,532
Total comprehensive income for the year					
Loss for the year	-	-	-	(3)	(3)
Total comprehensive income for the year	-	-	-	(3)	(3)
At 30 June 2020	5,136	103,485	1,133	(66,225)	43,529

SPI Lasers plc (Registered number 05546901)

**Statement of financial position
at 30 June 2020**

	Note	2020 £'000	2019 £'000
Non-current assets			
Investment in subsidiaries	6	43,635	43,635
Total assets		<u>43,635</u>	<u>43,635</u>
Current liabilities			
Trade and other payables	8	(106)	(103)
Total liabilities		<u>(106)</u>	<u>(103)</u>
Net assets		<u>43,529</u>	<u>43,532</u>
Equity			
Share capital	9	5,136	5,136
Share premium account	9	103,485	103,485
Capital contribution reserve		1,133	1,133
Retained earnings		<u>(66,225)</u>	<u>(66,222)</u>
Total shareholders equity		<u>43,529</u>	<u>43,532</u>

The financial statements were approved and authorised for issue by the board of directors on 17th September 2020 and were signed on its behalf by:



M Greenwood
Director

SPI Lasers plc (Registered number 05546901)

**Statement of Cash flows
for the year ended 30 June 2020**

	Note	2020 £'000	2019 £'000
Net cashflow from operating activities		-	-
Investment increase in subsidiary	6	-	(15,700)
Net cash used in investing activities		-	(15,700)
Investment increase from Parent Company	6	-	15,700
Net cash from financing activities		-	15,700
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		<u>-</u>	<u>-</u>

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements

1. General information

SPI Lasers plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values have been rounded to the nearest thousand unless otherwise stated. These financial statements present a period of 12 months.

2. Significant accounting policies

Basis of preparation

The Company has prepared financial statements under International Financial Reporting Standards (IFRS) as adopted by the EU and the accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on a going concern basis.

These financial statements present information about the company and not its group. The company is exempt by virtue of S400 of the Companies Act 2006 from the requirements to prepare group financial statements as an individual company.

Changes in accounting policies and disclosures

- (a) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 July 2019 but not currently relevant to the Company

The following new and amended Standards and Interpretations are not currently relevant to the Company; however, they may have a significant impact in future years:

- IFRIC 23 "Uncertainty over Income Tax Treatments"
- IFRS 16 Leases (mandatory for years commencing on or after 1 January 2019)
- Amendment to IFRS 9: "Prepayment Features with Negative Compensation"
- Amendment to IAS 28: "Investments in Associates and Joint Ventures"
- Amendment to IAS 19: "Employee Benefits"
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 in "Annual Improvements 2015-2017 cycle"

- (b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 July 2019

Amendments have been made to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to the definition of material. The new definition will apply for the first time in the next financial year. The amendments clarify the definition of what is material to the financial statements and how to apply the definition. The amendments will have an impact on the presentation and disclosure in the financial statements. After applying the new definition, the financial statement may have less disclosures as it may be easier to justify that certain disclosures are immaterial to users of financial statements.

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (*continued*)

2. Significant accounting policies (*continued*)

Furthermore, more meaningful disclosures may be presented in a more prominent manner due to the additional guidance on the effects of obscuring information.

Going Concern

The Company is funded on a continuous basis through the main operating subsidiary, SPI Lasers UK Limited. For details on the response to COVID-19 please refer to the Directors report.

The directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On a day to day basis the Company is dependent on funding provided by its trading subsidiary, SPI Lasers UK Limited, which is forecast to be able to continue to provide such support for at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

Taxation

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on a non-discounted basis. Currently there is no deferred tax recognised in the financial statements.

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Investments

Investments in group undertakings are stated at cost less accumulated impairment losses.

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if the asset has an indefinite life, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

SPI Lasers Plc defines a cash-generating unit as the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Financial liabilities and equity

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 Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables in the normal course of trade are not interest bearing and are stated at their amortised cost.

Provisions for liabilities and charges

Provisions are recognised when the Company has a present obligation as the result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Impairment of investment in subsidiaries

Determining whether the investment in subsidiaries is impaired requires an estimation of the value in use of the subsidiaries. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value. This review has not resulted in any additional impairment of the carrying value at 30 June 2020 as the CGU's recoverable amount exceeds its carrying value. Further disclosure is provided in note 6. As at 30 June 2020 the carrying value of this investment was £43,635,000.

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements *(continued)*

4. Operating loss for the period

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Audit of these financial statements	<u>8</u>	<u>8</u>

The fees relating to the annual audit of SPI Lasers plc are paid by SPI Lasers UK Limited. The share of the audit fee that will be paid on behalf of SPI Lasers plc for the financial year audit ending 30th June 2020 is £8,000.

5. Staff costs and directors' remuneration

The average number of employees (including directors) was nil (2019: nil) during the year. The directors receive no remuneration through SPI Lasers plc for their services to the company. The services provided by the directors are wholly attributable to other companies within the Group.

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (continued)

6. Investment in subsidiaries

	2020 £'000	2019 £'000
Gross investment in Group undertakings:		
At the beginning of the financial year	116,605	100,905
Investment in SPI Lasers UK Limited	-	15,700
At the end of the financial year	116,605	116,605
	2020 £'000	2019 £'000
Analysis by Company:		
SPI Lasers UK Limited	116,598	116,598
SPI Lasers LLC	7	7
Total	116,605	116,605
	2020 £'000	2019 £'000
Investment impairment:		
At the beginning of the financial year	(72,970)	(72,970)
Additional impairment	-	-
At the end of the financial year	(72,970)	(72,970)
	2020 £'000	2019 £'000
Analysis by Company:		
SPI Lasers UK Limited	(72,970)	(72,970)
Total	(72,970)	(72,970)
	2020 £'000	2019 £'000
Carrying value of investments:		
At the beginning of the financial year	43,635	27,935
Investment in SPI Lasers UK Limited	-	15,700
At the end of the financial year	43,635	43,635
	2020 £'000	2019 £'000
Analysis by Company:		
SPI Lasers UK Limited	43,628	43,628
SPI Lasers LLC	7	7
Total	43,635	43,635

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (continued)

6. Investment in subsidiaries (continued)

The Company has the following investments in subsidiaries:

	Address of Registered Office	Class of shares held	Number of shares held	Ownership 30 June 2020	Ownership 30 June 2019
SPI Lasers UK Ltd	6 Wellington Park Hedge End SO30 2QU	Ordinary	1,421,168	100%	100%
SPI Lasers LLC	4000 Burton Drive Santa Clara California 95954	Declared 100% interest	-	100%	100%

SPI Lasers plc (Registered number 05546901)

Notes to the financial statements (continued)

6. Investment in subsidiaries (continued)

The key assumptions used in determining the value in use are:

Assumption	How determined
Budgeted EBT	<p>Budgeted EBT has been based on past experience and adjusted for the following:</p> <ul style="list-style-type: none">• Market size development based on third party market analysis assumptions• Revenue development aligned with expected global fibre-lasers market growth• Adjustment in structured cost to support business expansion.• Margins expected to be impacted by negative factors such as price erosion driven by competition, as well as positive factors such as efficiency improvements• Upper limit profit rate based on market analysis
Long-term growth rate	<p>Market growth based on experience and third party market analysis assumption.</p>
Risk adjusted pre-tax discount rate	<p>The pre-tax discount rate applied to the value in use calculation is based on:</p> <ul style="list-style-type: none">• A risk free interest rate adjusted by a market risk premium• An adjustment factor for the specific risk of forecasting

The value of investments in subsidiaries has been justified by a value in use calculation for a 7 year forward looking business plan with an assumed level of growth thereafter, in combination with an asset assessment. Key assumptions on the value in use calculation are a pre tax risk adjusted discount rate of 8.4% (2019: 9.2%), revenue growth of 10% (2019: 10%) and an upper limit of EBT of 7.5% (2019: 7.5%)

As of the measurement date, the recoverable amount at all cash-generating units, based on their value in use, is higher than the carrying amount relevant for the impairment test. SPI Lasers plc believes none of the anticipated changes in key assumptions which can rationally be expected would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

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Notes to the financial statements (continued)

7. Tax

	2020 £'000	2019 £'000
United Kingdom corporation tax credit:		
Current tax charge	-	-
Total current tax for the period	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses arising in the year as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £8,367 using the corporation tax rate of 19% (2019: £6,992 at 17%). The asset will be recovered if the company makes sufficient profits in the future to utilise the losses.

Reconciliation of current year tax

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2020 £'000	2019 £'000
(Loss) / profit before tax	<u>(3)</u>	<u>3</u>
Tax on (loss) / profit on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(1)	1
Factors affecting tax credit:		
Movement in unprovided deferred tax regarding losses	1	(1)
Total tax charge / (credit) for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges:

There were no factors that may affect future tax charges.

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Notes to the financial statements (continued)

8. Trade and other payables – current liability

	2020 £'000	2019 £'000
Other payables	1	2
Amounts owed through intercompany undertaking	<u>105</u>	<u>101</u>
	<u>106</u>	<u>103</u>

Other payables principally comprise amounts outstanding for ongoing costs. For all suppliers, no interest is charged if the trade payable exceeds the credit period.

9. Share Capital

	2020 No.	2019 No.	2020 £'000	2019 £'000
Called up, allotted and fully paid:				
Ordinary shares of 2.5p each	<u>205,439,237</u>	<u>205,439,237</u>	<u>5,136</u>	<u>5,136</u>

10. Notes to the cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities

	2020 £'000	2019 £'000
(Loss) / profit before tax for the period	(3)	3
Increase / (decrease) in payables	<u>3</u>	<u>(3)</u>
Net cash outflow from operating activities	<u>-</u>	<u>-</u>

b) Reconciliation of net cash flow to movement in net funds

	Note	2020 £'000	2019 £'000
Decrease in cash in the period		-	(1)
Movement in net debt in the period		-	-
Opening net funds		-	1
Closing net funds		<u>-</u>	<u>-</u>

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Notes to the financial statements (continued)

11. Financial Instruments

Categories of financial instruments

	Carrying value	
	2020 £'000	2019 £'000
Financial assets		
Cash and cash equivalents	-	-
Financial liabilities		
Trade and other payables	106	103

The Company's treasury function provides services to manage liquidity, market and credit risks.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Company's financial assets and financial liabilities.

Primary financial instruments	Book value	Fair value	Book value	Fair value
	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash and cash equivalents	-	-	-	-
Trade and other payables	106	106	103	103

Basis for determining fair values

Trade and other receivables and trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date and classified as Level 3 of the fair value hierarchy.

Other financial assets and liabilities

Due to the short-term nature of these transactions, the fair value of these financial assets and liabilities approximate the carrying amounts at the statement of financial position date.

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Notes to the financial statements (*continued*)

12. Related party transactions

The transactions and balances listed relate to trading between SPI Lasers plc, other TRUMPF companies and related SPI Lasers companies. Sales to all these related companies encompass management fees and income from subsidiary distribution.

	2020	2019
	£'000	£'000
Trade and other balance owed		
By own subsidiaries	105	101

13. Ultimate parent company and parent company of larger group

The largest group in which the results of the Company are consolidated is that headed by TRUMPF GmbH + Co. KG, registered in Johann-Maus-Str. 2, 71254 Ditzingen, Germany. The consolidated financial statements of this group are available to the public via the TRUMPF website at <http://www.trumpf.com/en/company/facts-and-figures/annual-report.html>.