

Registered number: 03801408

**PCE AUTOMATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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**PCE AUTOMATION LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	H A Cook (appointed 3 February 2022) J B Cook S L Cook D W Nolloth N Parker P A Utting
<b>Registered number</b>	03801408
<b>Registered office</b>	Ellough Road Ellough Beccles Suffolk NR34 7TE
<b>Independent auditors</b>	Larking Gowen LLP Chartered Accountants & Statutory Auditors King Street House 15 Upper King Street Norwich NR3 1RB

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**PCE AUTOMATION LIMITED**

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## **PCE AUTOMATION LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Introduction**

The directors present their strategic report, together with financial statements for the year ending 31st December 2021.

#### **Business review**

The principal activity of the company is the design & manufacture of automation equipment to world leading standards. PCE Automation Limited operates within the market sectors of Ocular, Life Sciences, Consumer Goods, Packaging & Build to Print.

With effect from January 2021, all trading from DB Automation Limited & Premier Bowlfeeders Limited has been undertaken by PCE Automation Limited.

During 2021 PCE launched Project Shooting Star, a 3-year investment program of infrastructure and strategic policies. As part of Phase 1 a new extension of offices and larger canteen facilities was completed at the PCE HQ. These premises in Beccles, Suffolk will be further expanded as part of Phase 2 by the building of a new 3500M<sup>2</sup> state of the art R&D, manufacturing, and assembly facility. The investment program will not only recognise the revenue target of £25m by the year ending 2025 but also create 150 new employment opportunities and drive the business to its future goals.

Covid-19 continued to disrupt the business world and personal lives globally within the economic year. As a by-product of the pandemic PCE started to see a strain on its supply chain in Q4 2021 with delivery dates moving out. Immediate contingency planning was instigated, working with our alliance partners to ensure the continuity of supply. PCE continues to monitor delivery as a KPI ensuring our customers' requirements and key project milestones are achieved. Our staff have demonstrated a resilience and flexibility during these tumultuous times and continue to be the key asset to our continued success.

The limited growth in revenue and the reduction in gross margin in 2021 can be attributed to Covid-19, increased costs of working & delayed production. However, the sales pipeline suggests this is temporary and a return to high growth and increased profitability is expected in 2022 / 2023.

In winning the Queens Award for Enterprise 2020 PCE has gained further recognition within the key markets of Ocular and Life Sciences. Enquiries from these sectors are at an all-time high as PCE continues to build upon this award for of excellence with a healthy order book and sales pipeline.

#### **Principal risks and uncertainties**

The Board of Directors review all principal risks to the business at quarterly board meetings. The management continually monitor and challenge the company's control measures and procedures to ensure all risks to the company and its employees are minimised.

#### **Economic Risk**

Any potential impact of Brexit has been successfully managed within the current economic period. There has been no major disruption to operations or deliveries as we continue to work closely with our key suppliers through strategic alliance partnerships. Supply and demand of components alongside inflationary pressures are considered the main current economic risk. These factors are continually monitored by our specialist procurement and project management team, with weekly reports to the Directors.

As a strategic policy export revenue continues to grow as an overall percentage of PCE's business. This is seen as essential to meet the expansion of PCE's business both domestically and on a global scale. Exposure to any currency fluctuations is systematically reviewed with forward contracts and controlled quotation validity periods to ensure any risk is minimised.

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## **PCE AUTOMATION LIMITED**

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### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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As energy prices continue to rise PCE has secured fixed contracts on electricity until 2024. This coupled with the benefit of solar panels on the buildings in Beccles, Suffolk help mitigate the economic risk.

#### **Financial Risks**

Financial risks arise from payment terms granted to customers globally against individual projects. Standard payment terms are staged against agreed milestones to ensure the burn rate for investment is limited and cash flow is maintained. Customers of PCE Automation are blue-chip companies and so whilst the risk is considered low, regular credit checks are undertaken. Governance directives carried out by our dedicated project managers ensure that exposure to financial risk is continually monitored and reported to the Directors.

A written commitment from the company's bankers for guaranteed investment if required underpins the continued strong and healthy company financial standing.

#### **Competition**

Research & Development is a vital and key component ensuring the business remains at the forefront of technological advances. Proof of Concept (PoC) projects were undertaken in 2021 for new and existing customers and a key component in enforcing our competitive advantage.

#### **Personnel**

The skills and flexibility of the PCE employees is a crucial factor to the company's continued success. The directors partake in a monthly companywide meeting to share business news and answer any queries within the PCE team. Employee council meetings allow two-way communication to management and ensures the direction & culture of the business is a shared responsibility. PCE witnessed an increase in staff turnover of 4.8% year on year although this is still well below the industry and national average. Leaver interviews are monitored by the Managing Director to ensure there are no trends or reoccurring issues that need to be addressed.

#### **Future developments and Going Concern**

The events of COVID-19 have been reviewed by the directors relating to supply chain, employees, and freedom of travel.

Many potential clients have delayed their planned automation capital investment projects during the current economic year which has directly impacted PCE's turnover. However, we maintain regular dialogue with all our customers and the underlying requirement to automate their processes remains strong. PCE has continued with its Shooting Star program with infrastructure projects, staff recruitment and training as we predict an influx of projects during 2022 & 2023.

The invasion of Ukraine by Russia is devastating and the thoughts of PCE and all our staff goes out to those who are affected. Whilst there are currently no live projects or enquiries to Russia, we will uphold all sanctions enforced by the UK government.

Supply chain shortages caused by Covid-19 have been further compounded by the crisis in Ukraine and analysts' reports suggest this a contributory factor to growing inflation. PCE continually monitors the remuneration to our valued employees alongside the commercial viability of our products and services.

Harry Cook was appointed Sales Director on 3rd February 2022 and brings a greater focus on our key market sectors.

PCE remains in a financially strong cash position and returns profitable figures despite difficult trading conditions. With no major borrowing and a firm commitment from our financial banking partners the directors are committed to the business as a going concern.

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**PCE AUTOMATION LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Financial key performance indicators**


The directors monitor KPIs via monthly management accounts including Sales Enquiries, Revenue, 3 Month Rolling Average of Incoming Orders, Value to be Invoiced, EBITDA.

Health & Safety records are analysed at all Board Meetings. The Health & Safety of employees, visitors and contractors is constantly challenged as an ongoing business culture. This is recognised by the companies continued ISO9001 accreditation.

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

Mr J B Cook  
Director

Date:

  
20-07-22

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**PCE AUTOMATION LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**Directors**

The directors who served during the year were:

J B Cook  
S L Cook  
D W Nolloth  
N Parker  
P A Utting

**Results and dividends**

The profit for the year, after taxation, amounted to £434,312 (2020 - £641,130).

The directors recommended payment of dividends totalling £211,200 (2020 - £455,247) during the year.

With effect from 1 January 2021, subsidiaries DB Automation Limited and Premier Bowlfeeders Limited are non-trading companies, with all trading undertaken via PCE Automation Limited.

**Matters covered in the Strategic Report**

Information on exposure to risk and future developments are covered in the Strategic Report.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

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**PCE AUTOMATION LIMITED**

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

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**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 judgments 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.

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.


**Auditors**

The auditors, Larking Gowen 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.

J B Cook  
Director

Date:

  
20-07-22

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## **PCE AUTOMATION LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCE AUTOMATION LIMITED**

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#### **Opinion**

We have audited the financial statements of PCE Automation Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 December 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 Auditors' 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.

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## **PCE AUTOMATION LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCE AUTOMATION LIMITED (CONTINUED)**

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#### **Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

#### **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 5, 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.

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## **PCE AUTOMATION LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCE AUTOMATION LIMITED (CONTINUED)**

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#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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:

Due to the field in which the Company operates, we identified the areas most likely to have a direct material impact on the financial statements as UK accounting standards and the Companies Act 2006; health and safety; and employment law.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, included the following:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations, accidents in the workplace and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Auditing the risk of management override of controls, including through testing journal entries and adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business; and
- Reviewing controls surrounding payments to suppliers and employees, and testing a sample of purchases and payments to ensure these are bona fide business expenses.

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**PCE AUTOMATION LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCE AUTOMATION LIMITED  
(CONTINUED)**

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There are inherent limitations in our audit procedures described above. The more removed that laws are from financial transactions, the less likely it is that we would become aware of such non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 Auditors' 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 Auditors' 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.

*Larking Gowen LLP*

John Atkins ACA FCCA (Senior Statutory Auditor)

for and on behalf of  
**Larking Gowen LLP**

Chartered Accountants  
Statutory Auditors

King Street House  
15 Upper King Street  
Norwich  
NR3 1RB

Date: *29 July 2022*

**PCE AUTOMATION LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	10,241,119	8,108,976
Cost of sales		(8,434,718)	(5,906,472)
<b>Gross profit</b>		<b>1,806,401</b>	<b>2,202,504</b>
Administrative expenses		(1,574,411)	(1,283,937)
Other operating income	5	25,034	57,979
<b>Operating profit</b>	6	<b>257,024</b>	<b>976,546</b>
Income from shares in group undertakings		90,264	-
Amounts written off investments		(90,264)	(418,374)
Interest receivable and similar income	9	1,142	2,503
Interest payable and similar expenses	10	(917)	(665)
<b>Profit before tax</b>		<b>257,249</b>	<b>560,010</b>
Tax on profit	11	177,063	81,120
<b>Profit after tax</b>		<b>434,312</b>	<b>641,130</b>
Retained earnings at the beginning of the year		3,526,491	3,340,608
Profit for the year		434,312	641,130
Dividends declared and paid		(211,200)	(455,247)
<b>Retained earnings at the end of the year</b>		<b>3,749,603</b>	<b>3,526,491</b>

The notes on pages 12 to 29 form part of these financial statements.

**PCE AUTOMATION LIMITED**  
**REGISTERED NUMBER: 03801408**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	12	1,875	3,375
Tangible assets	13	1,000,519	956,546
Investments	14	1,500	91,764
		<u>1,003,894</u>	<u>1,051,685</u>
<b>Current assets</b>			
Stocks	15	377,949	294,564
Debtors: amounts falling due within one year	16	2,873,044	2,654,423
Cash at bank and in hand	17	2,542,920	1,793,874
		<u>5,793,913</u>	<u>4,742,861</u>
Creditors: amounts falling due within one year	18	(2,839,554)	(2,078,802)
<b>Net current assets</b>		<u>2,954,359</u>	<u>2,664,059</u>
<b>Total assets less current liabilities</b>		<u>3,958,253</u>	<u>3,715,744</u>
Creditors: amounts falling due after more than one year	19	(1,147)	(4,317)
<b>Provisions for liabilities</b>			
Deferred tax	21	(132,503)	(109,936)
<b>Net assets</b>		<u><u>3,824,603</u></u>	<u><u>3,601,491</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	18,000	18,000
Share premium account	23	57,000	57,000
Profit And Loss Account	23	3,749,603	3,526,491
		<u><u>3,824,603</u></u>	<u><u>3,601,491</u></u>

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

J B Cook  
Director  
Date:

  
20-07-22

The notes on pages 12 to 29 form part of these financial statements.

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## **PCE AUTOMATION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **1. General information**

The company is a private company limited by shares, registered in England and Wales. The registered office is Ellough Road, Ellough, Beccles, Suffolk, NR34 7TE.

#### **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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of PCE Group Limited as at 31 December 2021 and these financial statements may be obtained from Ellough Road, Beccles, Suffolk, United Kingdom, NR34 7TE.

##### **2.3 Going concern**

The events of COVID-19 have been reviewed by the directors relating to supply chain, employees, and freedom of travel. Many potential clients have delayed their planned automation capital investment projects during the current economic year which has directly impacted PCE's turnover. However, the company maintains regular dialogue with all of its customers and the underlying requirement to automate their processes remains strong. PCE has continued with its Shooting Star program with infrastructure projects, staff recruitment and training as the directors predict an influx of projects during 2022 & 2023. PCE remains in a financially strong cash position and returns profitable figures despite difficult trading conditions. With no major borrowing and a firm commitment from the company's financial banking partners, the directors are committed to the business as a going concern.

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## **PCE AUTOMATION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **2. Accounting policies (continued)**

##### **2.4 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

##### **2.5 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

In the case of long-term contract work, turnover reflects the contract activity of the year once contractual obligations have been met and is based on the directors' valuation of work carried out on each contract.

Turnover reflects costs incurred to date in establishing and managing the contracts plus the directors' best estimate of attributable profits which include a proportion of the total profits anticipated to be made on the contract, to the extent that their realisation is reasonably foreseeable.

Provision is made for foreseeable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

Sales of spare parts are recognised on despatch.

##### **2.6 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.

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## **PCE AUTOMATION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **2. Accounting policies (continued)**

##### **2.7 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

##### **2.8 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

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

##### **2.9 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

##### **2.10 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **2.11 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 Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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## **PCE AUTOMATION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **2. Accounting policies (continued)**

##### **2.12 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 balance sheet 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 balance sheet 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 balance sheet date.

##### **2.13 Intangible assets**

###### **Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Income and Retained Earnings over its useful economic life.

The estimated useful lives range as follows:

Goodwill	-	10% straight line
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##### **2.14 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.

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## PCE AUTOMATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.14 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:

Land and buildings	- 2% straight line on buildings
Plant and machinery	- 10-15% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 15% straight line
Leasehold improvements	- 10% 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.

##### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.16 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.

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

##### 2.17 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.

##### 2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.19 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.20 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 balance sheet 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 Balance Sheet.

**2.21 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 ordinary shares.

**2.22 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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## PCE AUTOMATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

In the application of the Company's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### **Critical judgments**

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

##### Inventory provisioning

The Company designs and builds manufacturing machinery and is subject to customer demands and trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumption around anticipated saleability of spares goods and future usage of raw materials.

##### Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

##### Revenue recognition

The Company uses a percentage-of-completion method in accounting for its fixed price contracts to produce the machinery. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed.

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**4. Turnover**

The whole of the turnover is attributable to the principal activity.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	4,791,206	3,793,704
Rest of Europe	578,180	457,806
Rest of the world	4,871,733	3,857,466
	<u>10,241,119</u>	<u>8,108,976</u>

**5. Other operating income**

	2021 £	2020 £
Other operating income	19,721	26,333
Government grants receivable	5,313	31,646
	<u>25,034</u>	<u>57,979</u>

**6. Operating profit**

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation and amortisation	183,385	126,555
Exchange differences	(29,584)	(14,630)
Other operating lease rentals	197,562	106,831
Auditors' remuneration	16,250	15,000
	<u>166,513</u>	<u>227,756</u>

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**7. Employees**

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

	2021 £	2020 £
Wages and salaries	3,003,808	2,563,134
Social security costs	296,224	235,439
Cost of defined contribution scheme	141,611	109,740
	<u>3,441,643</u>	<u>2,908,313</u>

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

	2021 No.	2020 No.
Directors	5	4
Administration	11	9
Manufacturing	81	66
	<u>97</u>	<u>79</u>

**8. Directors' remuneration**

	2021 £	2020 £
Directors' emoluments	215,909	154,106
Company contributions to defined contribution pension schemes	19,080	13,158
	<u>234,989</u>	<u>167,264</u>

The highest paid director received remuneration of £61,749 (2020 - £61,239).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,095 (2020 - £6,915).

**9. Interest receivable**

	2021 £	2020 £
Other interest receivable	<u>1,142</u>	<u>2,503</u>

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**10. Interest payable and similar expenses**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Bank interest payable	<b>258</b>	-
Finance leases and hire purchase contracts	<b>659</b>	<b>665</b>
	<b>917</b>	<b>665</b>

**11. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>47,798</b>	<b>116,210</b>
Adjustments in respect of previous periods	<b>(247,428)</b>	<b>(264,616)</b>
<b>Total current tax</b>	<b>(199,630)</b>	<b>(148,406)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>22,567</b>	<b>67,286</b>
<b>Taxation on loss on ordinary activities</b>	<b>(177,063)</b>	<b>(81,120)</b>

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**11. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower 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>257,249</u>	<u>560,010</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	48,877	106,402
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19,580	62,866
Capital allowances for year in excess of depreciation	9,214	39,002
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(247,428)	(289,390)
Group relief	(7,306)	-
<b>Total tax charge for the year</b>	<u>(177,063)</u>	<u>(81,120)</u>

**Factors that may affect future tax charges**

The Finance Bill 2021 published by the UK government substantively enacts changes to the rates of corporation tax such that companies with profits greater than £50,000 will be taxed at 25% (subject to marginal relief). Companies with profits less than £50,000 will continue to be taxed at the current rate of 19%. The Company anticipates profits exceeding £50,000 and has therefore recognised deferred tax at 25%.

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**12. Intangible assets**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 2021	<b>15,000</b>
At 31 December 2021	<b>15,000</b>
<b>Amortisation</b>	
At 1 January 2021	<b>11,625</b>
Charge for the year on owned assets	<b>1,500</b>
At 31 December 2021	<b>13,125</b>
<b>Net book value</b>	
At 31 December 2021	<b>1,875</b>
At 31 December 2020	<b>3,375</b>

**PCE AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets**

	Land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>						
At 1 January 2021	283,916	164,016	417,181	71,174	642,260	1,578,547
Additions	-	83,005	12,613	39,909	90,331	225,858
At 31 December 2021	283,916	247,021	429,794	111,083	732,591	1,804,405
<b>Depreciation</b>						
At 1 January 2021	7,786	38,572	213,447	50,293	311,903	622,001
Charge for the year	3,893	19,743	45,684	8,832	103,733	181,885
At 31 December 2021	11,679	58,315	259,131	59,125	415,636	803,886
<b>Net book value</b>						
At 31 December 2021	272,237	188,706	170,663	51,958	316,955	1,000,519
At 31 December 2020	276,130	125,444	203,734	20,881	330,357	956,546

Included within land and buildings is freehold land costing £89,260 which is not depreciated.

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	2020 £
Motor vehicles	4,282	7,493

**14. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2021	510,137
At 31 December 2021	510,137
<b>Impairment</b>	
At 1 January 2021	418,373
Charge for the period	90,264
At 31 December 2021	508,637
<b>Net book value</b>	
At 31 December 2021	1,500
At 31 December 2020	91,764

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
DB Automation Limited	Ellough Road, Ellough, Beccles, Suffolk, England, NR34 7TE	Ordinary	100%

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Fixed asset investments (continued)**

**Subsidiary undertaking (continued)**

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit / (Loss)
DB Automation Limited	1,500	-

**15. Stocks**

	2021 £	2020 £
Raw materials and consumables	377,949	294,564

The carrying value of stocks are stated net of impairment losses totalling £17,586 (2020 - £13,706) due to slow-moving and obsolete stock.

**16. Debtors**

	2021 £	2020 £
Trade debtors	1,360,903	1,342,304
Amounts owed by group undertakings	97,600	6,119
Other debtors	264,135	292,816
Amounts recoverable on contracts	678,279	835,908
Prepayments and accrued income	472,127	177,276
	<u>2,873,044</u>	<u>2,654,423</u>

An impairment loss of £37,500 (2020 - £Nil) was recognised against debtors.

**17. Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	2,542,920	1,793,874

**PCE AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**18. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Trade creditors	636,716	405,515
Amounts owed to group undertakings	1,500	67,080
Corporation tax	47,798	116,210
Other taxation and social security	89,827	101,005
Obligations under finance lease and hire purchase contracts	3,330	5,381
Customer payments on account	1,872,853	1,102,178
Other creditors	7,420	22,206
Accruals and deferred income	180,110	259,227
	<u>2,839,554</u>	<u>2,078,802</u>

All hire purchase creditors are secured on the related assets.

**19. Creditors: Amounts falling due after more than one year**

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	1,147	4,317
	<u>1,147</u>	<u>4,317</u>

All hire purchase creditors are secured on the related assets.

**20. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	3,330	5,381
Between 1-5 years	1,147	4,317
	<u>4,477</u>	<u>9,698</u>

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**21. Deferred taxation**

	2021 £
At beginning of year	(109,936)
Charged to profit or loss	(22,567)
<b>At end of year</b>	<b>(132,503)</b>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(132,503)	(109,936)
	<b>(132,503)</b>	<b>(109,936)</b>

**22. Share capital**

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
15,000 (2020 - 15,000) Ordinary shares of £1.00 each	15,000	15,000
3,000 (2020 - 3,000) Ordinary A shares of £1.00 each	3,000	3,000
	<b>18,000</b>	<b>18,000</b>

Holders of Ordinary A shares are entitled to a fixed dividend of 0.006% of post-tax profits. Holders of Ordinary A shares cannot participate in votes on dividends declared on Ordinary shares. In all other aspects, the Ordinary A shares rank pari-passu with the Ordinary Shares.

The Ordinary shares have no restrictions.

**23. Reserves**

**Share premium account**

This reserve contains the difference between the issue price of shares and their nominal value.

**Profit and loss account**

This reserve records retained earnings and accumulated losses.

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**PCE AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**24. Pension commitments**

The pension cost charge represents contributions payable to defined contribution pension plans and amounted to £141,611 (2020 - £96,582). Contributions totalling £Nil (2020 - £Nil) were payable at the balance sheet date.

**25. Commitments under operating leases**

At 31 December 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	94,203	90,000
Later than 1 year and not later than 5 years	239,965	313,625
Later than 5 years	21,720	31,500
	<u>355,888</u>	<u>435,125</u>

**26. Related party transactions**

During the year, rent was paid to former directors and their close family members totalling £37,314 (2020 - £51,100), paid to the directors pension scheme totalling £56,400 (2020 - £55,731) and between group companies totalling £14,399 (2020 - £Nil).

Dividends paid by PCE Automation Limited to PCE Group Limited for the year totalled £190,800 (2020 - £373,840) and paid by DB Automation Limited to PCE Automation totalling £90,264 (2020 - £Nil).

By year end amounts owing from PCE Group Limited by PCE Automation totalled £97,600 (2020 - £67,080 owed to PCE Group Limited) and owing by PCE Automation to DB Automation Limited totalled £1,500 (2020 - £Nil).

**27. Controlling party**

The immediate and ultimate parent company is PCE Group Limited. PCE Group Limited is registered in England and Wales and the address of the registered office is Ellough Road, Ellough, Beccles, Suffolk NR34 7TE.

The ultimate controlling party is James Cook, by virtue of his majority shareholding in PCE Group Limited.