

COMPANY REGISTRATION NUMBER: 05286537

Pico Technology (Holdings) Limited
Consolidated Financial Statements
For the year ended
30 June 2017



Pico Technology (Holdings) Limited

Consolidated Financial Statements

Year ended 30 June 2017

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Pico Technology (Holdings) Limited

Officers and Professional Advisers

The board of directors

A Tong
Mrs C Tong
G A Roderick

Company secretary

Mrs J E A Percy

Registered office

James House
Colmworth Business Park
Eaton Socon
St Neots
Cambridgeshire
PE19 8PY

Auditor

Streets Audit LLP
Chartered accountant & statutory auditor
Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

Pico Technology (Holdings) Limited

Strategic Report

Year ended 30 June 2017

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties we face.

The group specialises in the development and manufacture of PC oscilloscopes and data loggers.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being turnover, net current assets and retained shareholders' funds.

Turnover has increased by 10% and cost of sales have increased by 13%. A 10% increase in administration cost has resulted in profits being comparable to 2016. At 30 June 2017 the group had retained shareholder funds of £11.6m (2016 £9.9m).

The group is looking to achieve continued turnover growth during the forthcoming year. Employee numbers grew again, and we have a good record of staff retention, helped by a generous pay structure and wide ranging staff benefits. We foster strong relationships with customers and suppliers, and where possible, we seek to place business with local companies. The company has achieved ISO 14001 accreditation, and is continually monitoring its progress.

The risks and uncertainties facing the group at this time arise as follows:

1. The continued impact of "Brexit".
2. The potential for a downturn in the worldwide automotive industry from which a significant proportion of the group turnover is derived.
3. The future effect of the expansion of the Chinese manufacturing industry.

The group's principal financial instruments comprise cash deposits and items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to provide working capital. The existence of these financial instruments exposes the company to a number of financial risks.

1. Irrecoverable debts from customers. This may cause problems with cash-flow as well as profitability. The group manages debt collection closely to ensure that any risk in this area is mitigated.
2. Fluctuations in foreign exchange rates. The group trades in a number of currencies and so is exposed to the daily changes in the relative rates of those currencies. However, we do try to minimise exposure wherever possible. In reality in 2016/17, positive gains in exchanging to sterling were achieved.
3. Reduction in demand. The group operates through a number of distributors worldwide and record and compares the pattern of orders received. This enables us to assess, with a degree of accuracy, the short term effects of changes in demand.

Pico Technology (Holdings) Limited

Strategic Report *(continued)*

Year ended 30 June 2017

The group monitors its financial affairs with particular attention to gross margins by product. Management accounting information covering all areas of the business is reviewed on a regular basis.

This report was approved by the board of directors on 29 November 2017 and signed on behalf of the board by:

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a long horizontal line extending to the right.

Mrs J E A Percy
Company Secretary

Pico Technology (Holdings) Limited

Directors' Report

Year ended 30 June 2017

The directors present their report and the Consolidated Financial Statements of the group for the year ended 30 June 2017.

Directors

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

A Tong
Mrs C Tong
G A Roderick

Dividends

Particulars of recommended dividends are detailed in note 14 to the Consolidated Financial Statements.

Research and development

The group carries out research and development activities in order to enhance its product range and to establish developments in technology that will enable it to design new product and processes within its core market. Research and development expenditure by the group in the year amounted to £279,654 (2016 £227,128).

Disclosure of information in the strategic report

The group has chosen to set out in the strategic report information about the future developments of the group and the financial instruments.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Consolidated Financial Statements for each financial year. Under that law the directors have elected to prepare the Consolidated Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these Consolidated Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Pico Technology (Holdings) Limited

Directors' Report *(continued)*

Year ended 30 June 2017

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 Consolidated 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 29 November 2017 and signed on behalf of the board by:



Mrs J E A Percy
Company Secretary

Pico Technology (Holdings) Limited

Independent Auditor's Report to the Members of Pico Technology (Holdings) Limited

Year ended 30 June 2017

Opinion

We have audited the Consolidated Financial Statements of Pico Technology (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 consolidated financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Pico Technology (Holdings) Limited

Independent Auditor's Report to the Members of Pico Technology (Holdings) Limited *(continued)*

Year ended 30 June 2017

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

Other information

The other information comprises the information included in the annual report, other than the Consolidated Financial Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Consolidated 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 Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated 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 Consolidated Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Pico Technology (Holdings) Limited

Independent Auditor's Report to the Members of Pico Technology (Holdings) Limited *(continued)*

Year ended 30 June 2017

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Consolidated 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, the directors are responsible for the preparation of the Consolidated 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

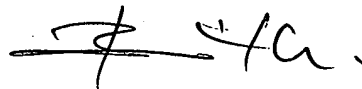
Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Independent Auditor's Report to the Members of Pico Technology (Holdings) Limited *(continued)*

Year ended 30 June 2017

A further description of our responsibilities for the audit of the Consolidated 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.



Benjamin Halstead (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountant & statutory auditor

Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

29 November 2017

Pico Technology (Holdings) Limited
Consolidated Statement of Comprehensive Income
Year ended 30 June 2017

	Note	2017 £	2016 £
Turnover	5	16,505,685	15,015,467
Cost of sales		<u>8,330,896</u>	<u>7,359,087</u>
Gross profit		8,174,789	7,656,380
Administrative expenses		4,861,838	4,414,285
Other operating income	6	<u>892</u>	<u>—</u>
Operating profit	7	3,313,843	3,242,095
Other interest receivable and similar income	11	(1,601)	11,825
Interest payable and similar expenses	12	<u>—</u>	<u>6,771</u>
Profit before taxation		3,312,242	3,247,149
Tax on profit	13	<u>576,905</u>	<u>614,364</u>
Profit for the financial year		2,735,337	2,632,785
Revaluation of tangible assets		76,154	—
Foreign currency retranslation		<u>93,562</u>	<u>245,251</u>
Other comprehensive income for the year		169,716	245,251
Total comprehensive income for the year		2,905,053	2,878,036
Profit for the financial year attributable to:			
The owners of the parent company		2,489,706	2,485,470
Non-controlling interests		<u>245,631</u>	<u>147,315</u>
		2,735,337	2,632,785
Total comprehensive income for the year attributable to:			
The owners of the parent company		2,659,422	2,730,721
Non-controlling interests		<u>245,631</u>	<u>147,315</u>
		2,905,053	2,878,036

All the activities of the group are from continuing operations.

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited
Consolidated Statement of Financial Position
30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	15	45,507	57,762
Tangible assets	16	3,507,842	2,988,871
Investments	17	440	416
		<u>3,553,789</u>	<u>3,047,049</u>
Current assets			
Stocks	18	2,463,889	2,132,221
Debtors	19	2,252,899	1,858,757
Cash at bank and in hand		5,604,568	4,796,471
		<u>10,321,356</u>	<u>8,787,449</u>
Creditors: amounts falling due within one year	20	<u>1,556,890</u>	<u>1,374,363</u>
Net current assets		<u>8,764,466</u>	<u>7,413,086</u>
Total assets less current liabilities		<u>12,318,255</u>	<u>10,460,135</u>
Creditors: amounts falling due after more than one year	21	—	32,272
Provisions			
Taxation including deferred tax	22	12,432	2,229
Net assets		<u>12,330,687</u>	<u>10,425,634</u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Share premium account	26	99,000	99,000
Revaluation reserve	26	121,059	44,905
Other reserves, including the fair value reserve	26	576	576
Profit and loss account	26	11,340,503	9,757,235
Equity attributable to the owners of the parent company		<u>11,562,138</u>	<u>9,902,716</u>
Non-controlling interests		<u>768,549</u>	<u>522,918</u>
		<u>12,330,687</u>	<u>10,425,634</u>

The consolidated statement of financial position
continues on the following page.

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Consolidated Statement of Financial Position *(continued)*

30 June 2017

These Consolidated Financial Statements were approved by the board of directors and authorised for issue on 29 November 2017, and are signed on behalf of the board by:



A Tong
Director

Company registration number: 05286537

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Company Statement of Financial Position

30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	16	3,000,685	2,445,178
Investments	17	896,061	896,061
		<u>3,896,746</u>	<u>3,341,239</u>
Current assets			
Debtors	19	278,168	280,319
Cash at bank and in hand		1,541,877	1,000,000
		<u>1,820,045</u>	<u>1,280,319</u>
Creditors: amounts falling due within one year	20	1,181,101	1,297,202
Net current assets/liabilities		<u>638,944</u>	<u>16,883</u>
Total assets less current liabilities		<u>4,535,690</u>	<u>3,324,356</u>
Provisions			
Taxation including deferred tax	22	15,749	–
Net assets		<u>4,519,941</u>	<u>3,324,356</u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Share premium account	26	99,000	99,000
Revaluation reserve	26	121,059	44,905
Profit and loss account	26	4,298,882	3,179,451
Members funds		<u>4,519,941</u>	<u>3,324,356</u>

The profit for the financial year of the parent company was £2,119,431 (2016: £2,369,454).

These Consolidated Financial Statements were approved by the board of directors and authorised for issue on 29 November 2017, and are signed on behalf of the board by:

A Tong
Director



Company registration number: 05286537

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited
Consolidated Statement of Changes in Equity
Year ended 30 June 2017

	Note	Called up share capital £	Share premium account £	Revaluati on reserve £	Other reserves, including the fair value reserve £	Profit and loss account £	Equity attributab le to the owners of the parent company £	Non-contr olling interests £	Total £
At 1 July 2015		1,000	99,000	44,905	576	8,201,514	8,346,995	375,603	8,722,598
Profit for the year						2,485,470	2,485,470	147,315	2,632,785
Other comprehensive income for the year:									
Foreign currency retranslation		–	–	–	–	245,251	245,251	–	245,251
Total comprehensive income for the year		–	–	–	–	2,730,721	2,730,721	147,315	2,878,036
Dividends paid and payable	14	–	–	–	–	(1,175,000)	(1,175,000)	–	(1,175,000)
Total investments by and distributions to owners		–	–	–	–	(1,175,000)	(1,175,000)	–	(1,175,000)
At 30 June 2016		1,000	99,000	44,905	576	9,757,235	9,902,716	522,918	10,425,634

The consolidated statement of changes in equity
continues on the following page.
The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited
Consolidated Statement of Changes in Equity *(continued)*
Year ended 30 June 2017

	Note	Called up share capital £	Share premium account £	Revaluati on reserve £	Other reserves, including the fair value reserve £	Profit and loss account £	Equity attributab le to the owners of the parent company £	Non-contr olling interests £	Total £
Profit for the year						2,489,706	2,489,706	245,631	2,735,337
Other comprehensive income for the year:									
Revaluation of tangible assets	16	–	–	76,154	–	–	76,154	–	76,154
Foreign currency retranslation		–	–	–	–	93,562	93,562	–	93,562
Total comprehensive income for the year		–	–	76,154	–	2,583,268	2,659,422	245,631	2,905,053
Dividends paid and payable	14	–	–	–	–	(1,000,000)	(1,000,000)	–	(1,000,000)
Total investments by and distributions to owners		–	–	–	–	(1,000,000)	(1,000,000)	–	(1,000,000)
At 30 June 2017		<u>1,000</u>	<u>99,000</u>	<u>121,059</u>	<u>576</u>	<u>11,340,503</u>	<u>11,562,138</u>	<u>768,549</u>	<u>12,330,687</u>

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Company Statement of Changes in Equity

Year ended 30 June 2017

	Note	Called up share capital £	Share premium account £	Revaluatio n reserve £	Profit and loss account £	Total £
At 1 July 2015		1,000	99,000	44,905	1,984,997	2,129,902
Profit for the year					2,369,454	2,369,454
Total comprehensive income for the year		–	–	–	2,369,454	2,369,454
Dividends paid and payable	14	–	–	–	(1,175,000)	(1,175,000)
Total investments by and distributions to owners		–	–	–	(1,175,000)	(1,175,000)
At 30 June 2016		1,000	99,000	44,905	3,179,451	3,324,356
Profit for the year					2,119,431	2,119,431
Other comprehensive income for the year:						
Revaluation of tangible assets	16	–	–	76,154	–	76,154
Total comprehensive income for the year		–	–	76,154	2,119,431	2,195,585
Dividends paid and payable	14	–	–	–	(1,000,000)	(1,000,000)
Total investments by and distributions to owners		–	–	–	(1,000,000)	(1,000,000)
At 30 June 2017		<u>1,000</u>	<u>99,000</u>	<u>121,059</u>	<u>4,298,882</u>	<u>4,519,941</u>

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	2,735,337	2,632,785
<i>Adjustments for:</i>		
Depreciation of tangible assets	192,827	194,731
Amortisation of intangible assets	12,255	12,255
Other interest receivable and similar income	1,601	(11,825)
Interest payable and similar expenses	–	6,771
Tax on profit	576,905	614,364
Accrued income	(12,698)	(65,104)
<i>Changes in:</i>		
Stocks	(331,668)	67,507
Trade and other debtors	(392,472)	2,083,772
Trade and other creditors	54,138	(277,659)
Cash generated from operations	2,836,225	5,257,597
Interest paid	–	(6,771)
Interest received	(1,601)	11,825
Tax paid	(499,834)	(570,276)
Net cash from operating activities	<u>2,334,790</u>	<u>4,692,375</u>
Cash flows from investing activities		
Purchase of tangible assets	(595,993)	(148,282)
Proceeds from sale of tangible assets	22	–
Net cash used in investing activities	<u>(595,971)</u>	<u>(148,282)</u>
Cash flows from financing activities		
Loan repayments	(336)	(445,965)
Non cash adjustment for minority interests and foreign exchange on consolidation	69,614	156,810
Dividends paid	(1,000,000)	(1,175,000)
Net cash used in financing activities	<u>(930,722)</u>	<u>(1,464,155)</u>
Net increase in cash and cash equivalents	808,097	3,079,938
Cash and cash equivalents at beginning of year	4,796,471	1,716,533
Cash and cash equivalents at end of year	<u>5,604,568</u>	<u>4,796,471</u>

The notes on pages 18 to 32 form part of these Consolidated Financial Statements.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements

Year ended 30 June 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is James House, Colmworth Business Park, Eaton Socon, St Neots, Cambridgeshire, PE19 8PY.

2. Statement of compliance

These Consolidated Financial Statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Group and company information

Pico Technology (Holdings) Limited is a Limited company, incorporated in England and Wales. The registered office is the principal place of business for its subsidiary company Pico Technology Limited. The principal activity of the company during the year was that of a holding company and the principal activity of its subsidiary companies was that of software development and manufacture of software and electrical products.

The business activities of the group, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the group, the group objectives, policies and processes for managing its exposure to financial risks.

4. Accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The Consolidated Financial Statements are prepared in sterling, which is the functional currency of the entity.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

4. Accounting policies *(continued)*

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as disclosed in the accounting policies.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as disclosed in the accounting policies and below.

1 Depreciation charge

The annual depreciation charge for each class of tangible fixed asset is based on an estimate of the useful economic life of the respective assets. This is reviewed periodically by the directors to ensure that they reflect both the external and internal factors.

2 Stock provision

Stock and work in progress are stated net of a provision for slow moving and obsolete stock. The directors review this provision periodically to ensure slow moving and obsolete stock is identified and the provisions are appropriately calculated.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

4. Accounting policies *(continued)*

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business. Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

4. Accounting policies *(continued)*

Amortisation

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

Goodwill on consolidation - 10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Freehold property	- Land 0%, buildings 2.5% per annum straight line
Plant and machinery	- 20% reducing balance
Fixtures and fittings	- 20% reducing balance
Motor Vehicles	- 25% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

4. Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is computed on a first in first out basis.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

5. Turnover

Turnover arises from:

	2017	2016
	£	£
Sale of goods	<u>16,505,685</u>	<u>15,015,467</u>

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

5. Turnover *(continued)*

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2017 £	2016 £
United Kingdom	4,200,655	3,941,443
Europe	4,917,578	4,197,574
Rest of the World	7,387,452	6,876,450
	<u>16,505,685</u>	<u>15,015,467</u>

6. Other operating income

	2017 £	2016 £
Other operating income	<u>892</u>	<u>—</u>

7. Operating profit

Operating profit or loss is stated after (crediting)/charging:

	2017 £	2016 £
Amortisation of intangible assets	12,255	12,255
Depreciation of tangible assets	192,827	194,731
Impairment of trade debtors	10,020	(13,083)
Foreign exchange differences	<u>(652,484)</u>	<u>(513,689)</u>

8. Auditor's remuneration

	2017 £	2016 £
Fees payable for the audit of the consolidated financial statements	<u>12,900</u>	<u>12,700</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>9,700</u>	<u>9,700</u>

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

9. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2017 No.	2016 No.
Administrative staff	12	12
Directors	3	3
Sales, marketing and distribution	23	20
Production and purchasing	21	21
Development	43	40
Technical support	11	10
	<u>113</u>	<u>106</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017 £	2016 £
Wages and salaries	4,205,403	3,738,139
Social security costs	347,763	314,730
Other pension costs	302,279	382,491
	<u>4,855,445</u>	<u>4,435,360</u>

10. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017 £	2016 £
Remuneration	180,042	145,740
Company contributions to defined contribution pension plans	20,000	150,000
	<u>200,042</u>	<u>295,740</u>

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

	2017 No.	2016 No.
Defined contribution plans	<u>2</u>	<u>2</u>

G A Roderick, a director of the company, received fees from a subsidiary company for consultancy services. The total chargeable for the year was £28,821 (2016 - £25,194). At the year end G A Roderick was owed £nil (2016 £nil) by the group.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

11. Other interest receivable and similar income

	2017 £	2016 £
Interest on cash and cash equivalents	(2,095)	11,614
Interest on bank deposits	339	—
Interest receivable on early payment of corporation tax	155	211
	<u>(1,601)</u>	<u>11,825</u>

12. Interest payable and similar expenses

	2017 £	2016 £
Interest on banks loans and overdrafts	—	6,771

13. Tax on profit

Major components of tax expense

	2017 £	2016 £
Current tax:		
UK current tax expense	353,364	328,000
Adjustments in respect of prior periods	—	(8,666)
Total UK current tax	353,364	319,334
Foreign current tax expense	253,951	258,136
Total current tax	<u>607,315</u>	<u>577,470</u>
Deferred tax:		
Origination and reversal of timing differences	(30,410)	36,894
Tax on profit	<u>576,905</u>	<u>614,364</u>

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

13. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	<u>3,312,242</u>	<u>3,247,149</u>
Profit on ordinary activities by rate of tax	629,326	648,341
Effect of expenses not deductible for tax purposes	1,126	888
Effect of capital allowances and depreciation	(58,174)	(40,370)
Over provision in earlier years	—	(8,666)
Enhanced research and development relief	(119,077)	(113,145)
Patent box claim	(45,132)	(44,841)
Other items including adjustments as a result of consolidation	66,184	80,429
Adjustments due to tax rates in other countries	<u>102,652</u>	<u>91,728</u>
Tax on profit	<u>576,905</u>	<u>614,364</u>

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2017 £	2016 £
Equity dividends on ordinary shares	<u>1,000,000</u>	<u>1,175,000</u>

15. Intangible assets

Group	Goodwill £
Cost	
At 1 Jul 2016 and 30 Jun 2017	<u>122,557</u>
Amortisation	
At 1 July 2016	64,795
Charge for the year	12,255
At 30 June 2017	<u>77,050</u>
Carrying amount	
At 30 June 2017	<u>45,507</u>
At 30 June 2016	<u>57,762</u>

The company has no intangible assets.

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

16. Tangible assets

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Investment property £	Total £
Cost or valuation						
At 1 Jul 2016	2,432,725	321,907	589,833	167,590	645,178	4,157,233
Additions	39,953	15,000	96,389	—	444,651	595,993
Disposals	—	—	(538)	—	—	(538)
Revaluations	—	—	—	—	91,903	91,903
Other movements	17,909	12,984	3,355	—	—	34,248
At 30 Jun 2017	<u>2,490,587</u>	<u>349,891</u>	<u>689,039</u>	<u>167,590</u>	<u>1,181,732</u>	<u>4,878,839</u>
Depreciation						
At 1 Jul 2016	396,820	181,417	460,880	129,245	—	1,168,362
Charge for the year	54,382	55,981	63,292	19,172	—	192,827
Disposals	—	—	(516)	—	—	(516)
Other movements	2,030	6,308	1,986	—	—	10,324
At 30 Jun 2017	<u>453,232</u>	<u>243,706</u>	<u>525,642</u>	<u>148,417</u>	<u>—</u>	<u>1,370,997</u>
Carrying amount						
At 30 Jun 2017	<u>2,037,355</u>	<u>106,185</u>	<u>163,397</u>	<u>19,173</u>	<u>1,181,732</u>	<u>3,507,842</u>
At 30 Jun 2016	<u>2,035,905</u>	<u>140,490</u>	<u>128,953</u>	<u>38,345</u>	<u>645,178</u>	<u>2,988,871</u>

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

16. Tangible assets *(continued)*

Company	Long leasehold property £	Plant and machinery £	Investment property £	Total £
Cost or valuation				
At 1 July 2016	1,800,000	—	645,178	2,445,178
Additions	39,953	15,000	444,651	499,604
Revaluations	—	—	91,903	91,903
At 30 June 2017	<u>1,839,953</u>	<u>15,000</u>	<u>1,181,732</u>	<u>3,036,685</u>
Depreciation				
Charge for the year	36,000	—	—	36,000
At 30 June 2017	<u>36,000</u>	<u>—</u>	<u>—</u>	<u>36,000</u>
Carrying amount				
At 30 June 2017	<u>1,803,953</u>	<u>15,000</u>	<u>1,181,732</u>	<u>3,000,685</u>
At 30 June 2016	<u>1,800,000</u>	<u>—</u>	<u>645,178</u>	<u>2,445,178</u>

Included in Freehold Property is Land totalling £37,718 (2016 - £37,718) which is not subject to depreciation.

The group and company hold an investment properties in Southwold and Horning which have been made available to all UK group employees as holiday accommodation. The group and company also hold further investment property. The valuation has been made by the directors, on an open market value for existing use basis.

17. Investments

Group	Other investment s £
Cost	
At 1 July 2016	416
Revaluations	24
At 30 June 2017	<u>440</u>
Impairment	
At 1 Jul 2016 and 30 Jun 2017	<u>—</u>

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

17. Investments *(continued)*

Group	Other investment s £
Carrying amount At 30 June 2017	440
At 30 June 2016	416
Company	Shares in group undertakin gs £
Cost	
At 1 July 2016	896,061
At 30 June 2017	896,061
Impairment	
At 1 Jul 2016 and 30 Jun 2017	—
Carrying amount	
At 30 June 2017	896,061
At 30 June 2016	896,061

Subsidiaries

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Pico Technology Limited	Ordinary	100
Pico North America Holdings Inc.	Ordinary	100
Pico North America Inc.	Ordinary	67
Eltesta	Ordinary	50

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

18. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials and consumables	300,255	400,491	—	—
Work in progress	812,027	441,054	—	—
Finished goods and goods for resale	1,351,607	1,290,676	—	—
	<u>2,463,889</u>	<u>2,132,221</u>	<u>—</u>	<u>—</u>

19. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	1,918,310	1,612,436	—	—
Amounts owed by group undertakings	—	—	278,168	280,319
Prepayments and accrued income	122,577	107,119	—	—
Directors loan account	1,075	—	—	—
Other debtors	210,937	139,202	—	—
	<u>2,252,899</u>	<u>1,858,757</u>	<u>278,168</u>	<u>280,319</u>

20. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	748,153	692,315	—	—
Amounts owed to group undertakings	—	—	1,181,101	1,288,232
Accruals and deferred income	543,147	554,175	—	—
Corporation tax	120,760	13,279	—	8,970
Social security and other taxes	108,579	94,288	—	—
Director loan accounts	—	336	—	—
Pension creditor	25,439	19,970	—	—
Other creditors	10,812	—	—	—
	<u>1,556,890</u>	<u>1,374,363</u>	<u>1,181,101</u>	<u>1,297,202</u>

21. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Other creditors	—	32,272	—	—

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

22. Provisions

Group	Deferred tax (note 23) £
At 1 July 2016	2,229
Additions	19,525
Charge against provision	(34,186)
At 30 June 2017	<u>(12,432)</u>
Company	Deferred tax (note 23) £
At 1 July 2016	–
Additions	15,749
At 30 June 2017	<u>15,749</u>

23. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Included in provisions (note 22)	<u>(12,432)</u>	<u>2,229</u>	<u>15,749</u>	<u>–</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	22,238	74,457	–	–
Fair value adjustment of investment property	15,749	–	15,749	–
Pension plan obligations	(4,833)	(3,994)	–	–
Profit on inter-group stock	(45,586)	(68,234)	–	–
	<u>(12,432)</u>	<u>2,229</u>	<u>15,749</u>	<u>–</u>

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £302,279 (2016: £382,491).

Pico Technology (Holdings) Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 30 June 2017

25. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

26. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

27. Directors' advances, credits and guarantees

The directors have a loan account with the subsidiary company Pico Technology Limited. At the start of the year the directors were owed £336. During the year the company advanced funds of £22,007 and the directors repaid £20,596. The closing balance owed to the group was £1,075. No interest has been charged on the loan and the amount is repayable on demand.

28. Related party transactions

Company

The group was under the control of A Tong throughout the current and previous year. A Tong is the managing director and majority shareholder.

The group has taken advantage of the exemption available under Financial Reporting Standard 102 not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements. The total remuneration paid to key management personnel in the year was £253,709 (2016 £328,263).