

Company Registration No. 01363570 (England and Wales)

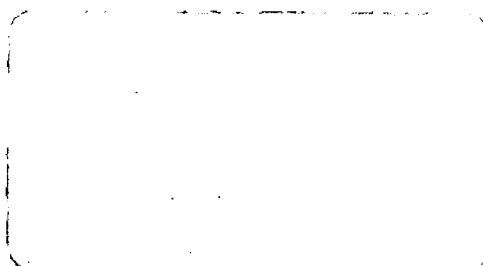
TECHTEST LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018



TECHTEST LIMITED

COMPANY INFORMATION

Directors	Miss L M M Sharp-Smith Mr R E L Smith Miss S F Smith
Secretary	Miss S F Smith
Company number	01363570
Registered office	Street Court Kingsland Leominster Herefordshire United Kingdom HR6 9QA
Auditor	Davies Mayers Barnett Audit Services Pillar House 113/115 Bath Road Cheltenham Gloucestershire GL53 7LS



TECHTEST LIMITED

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TECHTEST LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2018

The directors present the strategic report for the year ended 31 January 2018.

Fair review of the business

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 nature of our business and is written in the context of the risks and uncertainties we face.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover and gross margin.

In 2018 the company has seen a decrease in turnover of 4.4% (1.4% increase in 2017). Gross profit percentage has fallen to 40% in 2018 compared to 42% in 2017. This represents a response to temporary changes within the international market the company operates in.

The company continues to invest in the important area of research and development for the defence and civil aviation markets' product needs.

The order book remained strong at 31st January 2018. The directors are confident that 2018/19 will again show a strong and profitable performance.

Principal risks and uncertainties

The company's financial instruments comprise cash at bank and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise adequate finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate fluctuations and exchange rate risk. It is the company's policy to finance its operations through a mixture of cash and borrowings and to review periodically the mix of these instruments with regard to the projected cash flow requirements of the company and an acceptable level of risk exposure.

Foreign currency risk arises from the sale of goods to customers outside the UK. These sales are priced in sterling but invoiced in Euros and US dollars.

On behalf of the board



Mr R E L Smith

Director

24 September 2018

TECHTEST LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2018

The directors present their report with the financial statements of the company for the year ended 31 January 2018

Principal activities

The principal activity of the company in the year under review was that of the manufacture of test, and search and rescue equipment.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Miss L M M Sharp-Smith
Mr R E L Smith
Miss S F Smith

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Political donations

The recipients and amounts of the political donations are as follows:

	2018	2017
	£	£
The Bruges Group	3,000	3,000
Grass Roots	-	142,500
UKIP	-	150,000
Labour	-	150,000
BM & W Cash	-	3,000
Family Advertising	-	100,000
	<u>3,000</u>	<u>548,500</u>

Auditor

Davies Mayers Barnett LLP resigned as auditors on 30th October 2017 and were replaced by Davies Mayers Barnett Audit Services, a trading name of Group Audit Services Limited (formerly Baldwins Audit Services Limited).

TECHTEST LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risks and uncertainties.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr R E L Smith

Director

24 September 2018

TECHTEST LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHTEST LIMITED

Opinion

We have audited the financial statements of Techtest Limited (the 'company') for the year ended 31 January 2018 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

TECHTEST LIMITED

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

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 and the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Nicola Smith (Senior Statutory Auditor)
for and on behalf of Davies Mayers Barnett Audit Services

24 September 2018

Statutory Auditor

Pillar House
113/115 Bath Road
Cheltenham
Gloucestershire
GL53 7LS

TECHTEST LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 JANUARY 2018

	Notes	2018 £	2017 £
Turnover	3	14,324,373	14,989,984
Cost of sales		(9,588,809)	(8,729,502)
Gross profit		4,735,564	6,260,482
Distribution costs		(653,801)	(606,547)
Administrative expenses		(4,392,368)	(4,364,023)
Operating (loss)/profit	4	(310,605)	1,289,912
Interest receivable and similar income		9,034	24,392
Interest payable and similar expenses	7	(19,280)	(46,375)
(Loss)/profit before taxation		(320,851)	1,267,929
Tax on (loss)/profit	8	343,434	337,171
Profit for the financial year		22,583	1,605,100
Retained earnings brought forward		18,809,337	20,804,237
Dividends	9	-	(3,600,000)
Retained earnings carried forward		18,831,920	18,809,337

TECHTEST LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10		4,655,128		4,740,613
Investments	11		1		1
			<u>4,655,129</u>		<u>4,740,614</u>
Current assets					
Stocks	14	5,261,837		6,665,962	
Debtors	15	6,538,845		6,886,273	
Cash at bank and in hand		6,863,914		6,639,598	
		<u>18,664,596</u>		<u>20,191,833</u>	
Creditors: amounts falling due within one year	16	(4,486,805)		(6,028,702)	
Net current assets			<u>14,177,791</u>		<u>14,163,131</u>
Total assets less current liabilities			<u>18,832,920</u>		<u>18,903,745</u>
Provisions for liabilities	17		-		(93,408)
Net assets			<u><u>18,832,920</u></u>		<u><u>18,810,337</u></u>
Capital and reserves					
Called up share capital	19		880		880
Capital redemption reserve	20		120		120
Profit and loss reserves	21		18,831,920		18,809,337
Total equity			<u><u>18,832,920</u></u>		<u><u>18,810,337</u></u>

The financial statements were approved by the board of directors and authorised for issue on 24 September 2018 and are signed on its behalf by:

Mr R E L Smith
Director

Company Registration No. 01363570

TECHTEST LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	25	991,291		2,505,346	
Interest paid		-		(1,708)	
Income taxes refunded/(paid)		80,495		(495)	
Net cash inflow from operating activities		<u>1,071,786</u>		<u>2,503,143</u>	
Investing activities					
Purchase of tangible fixed assets		(285,794)		(984,301)	
Proceeds on disposal of tangible fixed assets		-		27,028	
Interest received		9,034		24,392	
Net cash used in investing activities		<u>(276,760)</u>		<u>(932,881)</u>	
Financing activities					
Amount introduced by directors		39,527		2,643,636	
Amount withdrawn by directors		(590,957)		(2,318,213)	
Interest paid		(19,280)		(44,667)	
Dividends paid		-		(3,600,000)	
Net cash used in financing activities		<u>(570,710)</u>		<u>(3,319,244)</u>	
Net increase/(decrease) in cash and cash equivalents		<u>224,316</u>		<u>(1,748,982)</u>	
Cash and cash equivalents at beginning of year		6,639,598		8,388,580	
Cash and cash equivalents at end of year		<u><u>6,863,914</u></u>		<u><u>6,639,598</u></u>	

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

Company information

Techtest Limited is a private company limited by shares incorporated in England and Wales. The registered office is Street Court, Kingsland, Leominster, Herefordshire, United Kingdom, HR6 9QA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 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. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% on cost
Plant and equipment	15% on cost
Fixtures and fittings	15% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cost includes purchase cost and other costs directly attributable to making the asset capable of operating as intended.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss. Transaction costs are expensed to profit or loss as incurred.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Finished goods cost is defined as discounted average selling price, which takes account of a margin reduction.

Raw materials cost is defined as the last purchase price.

Finished goods and raw materials are subject to stock provisions as noted in the critical accounting policy.

Work in progress is valued by reference to the stage of completion of a part at the Balance sheet date, and is based on a discounted average selling price, which takes account of a margin reduction.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The net assets of the scheme are held separately to those of the company in independently administered funds

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, 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 judgements

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful lives of tangible assets

The annual amortisation and depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful lives and residual values are re-assessed at each reporting date. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets.

Stock provision

The company manufactures and sells search and rescue equipment and is subject to changing consumer demands and market 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 age, nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The appropriateness of this stock provision is regularly assessed in light of subsequent performance.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience.

3 Turnover and other revenue

The turnover and profit before taxation are attributable to the one principal activity of the company,

A geographical analysis of turnover has not been provided due to the commercial sensitivity of the information.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

4 Operating (loss)/profit

	2018	2017
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	263,967	(256,553)
Pension costs	49,665	48,771
Fees payable to the company's auditor for the audit of the company's financial statements	9,720	9,300
Depreciation of owned tangible fixed assets	371,279	354,525
Profit on disposal of tangible fixed assets	-	(1,297)
Cost of stocks recognised as an expense	10,778,725	11,051,076
Operating lease charges	297,319	376,438

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
Production	75	76
Quality assurance	15	15
Sales	39	43
Engineering	56	60
Directors	3	3
	188	197

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	5,100,158	5,310,720
Social security costs	496,888	475,023
Pension costs	49,665	48,771
	5,646,711	5,834,514

Key management personnel are considered to be the directors and no other staff members. As such the remuneration of key management personnel for the year ended 31st January 2018 amounted to £305,883 (2017: £251,766).

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	270,929	237,077

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	126,510	123,135

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	19,280	46,375

8 Taxation

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	(435,623)	(109,669)
Changes in tax rates	-	(11,947)
Previously unrecognised timing differences	92,189	(215,555)
Total deferred tax	(343,434)	(337,171)

Further reductions to the UK corporation tax rate were substantively enacted as part of the Finance Act 2016. These reduce the main rate of corporation tax to 17% from 1st April 2020.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

8 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
(Loss)/profit before taxation	(320,851)	1,267,929
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(60,962)	253,586
Effect of Research and development enhanced relief	(520,510)	(541,392)
Effect of items not deductible for tax purposes	114,696	158,783
Under provision in prior year deferred tax	92,189	(215,555)
Other adjustments, including effect of change in rate	31,153	7,407
Taxation credit for the year	(343,434)	(337,171)

9 Dividends

	2018 £	2017 £
Interim paid	-	3,600,000

10 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 February 2017	3,737,528	1,981,730	581,167	6,300,425
Additions	78,068	71,918	135,808	285,794
Disposals	-	(341,501)	(373,007)	(714,508)
At 31 January 2018	3,815,596	1,712,147	343,968	5,871,711
Depreciation and impairment				
At 1 February 2017	142,653	977,010	440,149	1,559,812
Depreciation charged in the year	64,211	257,276	49,792	371,279
Eliminated in respect of disposals	-	(341,501)	(373,007)	(714,508)
At 31 January 2018	206,864	892,785	116,934	1,216,583
Carrying amount				
At 31 January 2018	3,608,732	819,362	227,034	4,655,128
At 31 January 2017	3,594,875	1,004,720	141,018	4,740,613

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

10 Tangible fixed assets (Continued)

Included in cost of land and buildings is freehold land of £285,605 (2017: £285,605) which is not depreciated.

11 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	12	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 February 2017 & 31 January 2018	1
Carrying amount	
At 31 January 2018	1
At 31 January 2017	1

12 Subsidiaries

Details of the company's subsidiaries at 31 January 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Techtest Csar Limited	Street Court, Kingsland, Leominster, Herefordshire, HR6 9QA	Dormant	Ordinary	100

Techtest Csar Limited was incorporated in England and Wales.

13 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	13,008,374	13,261,451
Carrying amount of financial liabilities		
Measured at amortised cost	4,371,015	5,824,506

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

14 Stocks

	2018 £	2017 £
Raw materials and consumables	1,178,286	1,056,197
Work in progress	1,964,418	2,557,661
Finished goods and goods for resale	2,119,133	3,052,104
	<u>5,261,837</u>	<u>6,665,962</u>

A provision for slow moving stock has been recognised of £9,386,658 (2017: £3,080,416).

15 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,251,820	2,330,222
Corporation tax recoverable	-	80,495
Other debtors	4,033,340	4,458,445
Prepayments and accrued income	3,659	17,111
	<u>6,288,819</u>	<u>6,886,273</u>
Deferred tax asset (note 18)	250,026	-
	<u>6,538,845</u>	<u>6,886,273</u>

Amounts due from related undertakings, connected by common control and as included in other debtors, are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

16 Creditors: amounts falling due within one year

	2018 £	2017 -£
Trade creditors	1,723,417	1,437,777
Other taxation and social security	115,790	204,196
Other creditors	1,349,449	3,071,356
Accruals and deferred income	1,298,149	1,315,373
	<u>4,486,805</u>	<u>6,028,702</u>

Amounts due to related undertakings, connected by common control and as included in other creditors, are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

17 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	18	-	93,408

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Balances:				
Accelerated capital allowances	-	162,428	(272,490)	-
Tax losses	-	(69,020)	522,516	-
	-	93,408	250,026	-
Movements in the year:				2018 £
Liability at 1 February 2017				93,408
Credit to profit or loss				(343,434)
Liability/(Asset) at 31 January 2018				(250,026)

19 Share capital

	2018 £	2017 £
Ordinary share capital Issued and fully paid		
880 Ordinary of £1 each	880	880
	880	880

Called-up share capital represents the nominal value of shares that have been issued.

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or other distributions. Each share is also entitled pari passu to participate in a distribution arising from the winding up of the company.

There are no restrictions on the repayment of capital.

20 Capital redemption reserve

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

20 Capital redemption reserve		(Continued)	
	2018		2017
	£		£
At beginning and end of year	120		120

The capital redemption reserve includes amounts transferred following the purchase of own shares.

21 Profit and loss reserves		2018	2017
		£	£
At the beginning of the year		18,809,337	20,804,237
Profit for the year		22,583	1,605,100
Dividends declared and paid in the year		-	(3,600,000)
At the end of the year		18,831,920	18,809,337

Retained earnings include all current and prior period retained profits and losses.

22 Financial commitments, guarantees and contingent liabilities

There were no contingent liabilities as at 31st January 2018 (2017: £Nil).

23 Capital commitments

There were capital commitments as at 31st January 2018 of £236,000 (2017: £Nil).

24 Related party transactions

Key management personnel is considered to be the directors at the balance sheet date. The remuneration of the key management personnel has been detailed in note 5.

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
	£	£	£	£
Companies connected via common control	2,948,439	4,252,814	3,355,083	4,088,933

The above amounts include rent and other recharges.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

24 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2018	2017
	£	£
Amounts owed to related parties		
Companies connected via common control	3,294,498	4,212,168
Directors	489,315	1,040,745
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2018
	Balance
	£
Amounts owed by related parties	
Companies connected via common control	4,134,468
	<u> </u>

	2017
	Balance
	£
Amounts owed in previous period	
Companies connected via common control	5,004,265
	<u> </u>

Included within Creditors is a balance of £489,315 (2017: £1,040,745) relating to the directors of the company. Interest is charged to the company at market rate where the directors' loan accounts are in credit. Included in the Statement of Comprehensive Income, this amounted to £19,290 during the year (2017: £44,667). The loans are unsecured, have no fixed date of repayment and are repayable on demand.

Dividends were paid to the directors in the year of £Nil (2017: £3,600,000).

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

25 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	22,583	1,605,100
Adjustments for:		
Taxation credited	(343,434)	(337,171)
Finance costs	19,280	46,375
Investment income	(9,034)	(24,392)
Gain on disposal of tangible fixed assets	-	(1,297)
Depreciation and impairment of tangible fixed assets	371,279	354,525
Pension scheme non-cash movement	-	(1,708)
Movements in working capital:		
Decrease in stocks	1,404,125	746,963
Decrease in debtors	516,959	63,661
(Decrease)/increase in creditors	(990,467)	377,005
Cash generated from operations	<u>991,291</u>	<u>2,829,061</u>