

Company registration number 01363570 (England and Wales)

TECHTEST LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2024

TECHTEST LIMITED

COMPANY INFORMATION

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

Secretary Miss S F Smith

Company number 01363570

Registered office Street Court
Kingsland
Leominster
Herefordshire
United Kingdom
HR6 9QA

Auditor Azets Audit Services
Epsilon House
The Square
Gloucester Business Park
Gloucester
United Kingdom
GL3 4AD

TECHTEST LIMITED

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TECHTEST LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2024

The directors present the strategic report for the year ended 31 January 2024.

Review of the business and key performance indicators

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 2024 the company has seen an increase in turnover of 22% (2023: increase of 39%). Gross profit percentage has slightly reduced to 60.16% in 2024 compared to 60.58% in 2023.

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 31 January 2024. The directors are confident that 2024/25 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 risk arising from the company's financial instruments is exchange rate risk. 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

5 September 2024

TECHTEST LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2024

The directors present their annual report and financial statements for the year ended 31 January 2024.

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.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £25,000,000. The directors do not recommend payment of a further dividend.

Directors

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

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

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.

TECHTEST LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

On behalf of the board

Mr R E L Smith
Director

5 September 2024

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 2024 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2024 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

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

TECHTEST LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TECHTEST LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Robert Hull
Senior Statutory Auditor
For and on behalf of Azets Audit Services

5 September 2024

Chartered Accountants
Statutory Auditor

Epsilon House
The Square
Gloucester Business Park
Gloucester
United Kingdom
GL3 4AD

TECHTEST LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2024

	Notes	2024 £	2023 £
Turnover	3	31,282,774	25,567,575
Cost of sales		(12,462,563)	(10,079,487)
Gross profit		18,820,211	15,488,088
Distribution costs		(961,256)	(753,962)
Administrative expenses		(8,950,893)	(3,287,308)
Other operating income		9,000	16,000
Operating profit	6	8,917,062	11,462,818
Interest receivable and similar income	7	1,928	-
Profit before taxation		8,918,990	11,462,818
Tax on profit	8	(1,593,942)	(1,655,813)
Profit for the financial year		7,325,048	9,807,005

TECHTEST LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2024

		2024		2023	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		10,352,857		9,228,968
Current assets					
Stocks	11	6,940,345		5,158,899	
Debtors	12	9,137,778		21,820,280	
Cash at bank and in hand		1,225,546		1,550,636	
		<u>17,303,669</u>		<u>28,529,815</u>	
Creditors: amounts falling due within one year	13	<u>(11,697,883)</u>		<u>(4,344,683)</u>	
Net current assets			5,605,786		24,185,132
Total assets less current liabilities			<u>15,958,643</u>		<u>33,414,100</u>
Provisions for liabilities					
Deferred tax liability	14	1,396,564		1,177,069	
		<u>(1,396,564)</u>		<u>(1,177,069)</u>	
Net assets			<u>14,562,079</u>		<u>32,237,031</u>
Capital and reserves					
Called up share capital	15		880		880
Capital redemption reserve	16		120		120
Profit and loss reserves	17		14,561,079		32,236,031
Total equity			<u>14,562,079</u>		<u>32,237,031</u>

The financial statements were approved by the board of directors and authorised for issue on 5 September 2024 and are signed on its behalf by:

Mr R E L Smith
Director

Company Registration No. 01363570

TECHTEST LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2024

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 February 2022		880	120	41,257,824	41,258,824
Year ended 31 January 2023:					
Profit and total comprehensive income for the year		-	-	9,807,005	9,807,005
Dividends	9	-	-	(18,828,798)	(18,828,798)
Balance at 31 January 2023		880	120	32,236,031	32,237,031
Year ended 31 January 2024:					
Profit and total comprehensive income for the year		-	-	7,325,048	7,325,048
Dividends	9	-	-	(25,000,000)	(25,000,000)
Balance at 31 January 2024		880	120	14,561,079	14,562,079

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2024

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. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Techtest Limited is a wholly owned subsidiary of H.R. Smith Group Limited and the results of Techtest Limited are included in the consolidated financial statements of H.R. Smith Group Limited which are available online, from Companies House.

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.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

1 Accounting policies (Continued)

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.

Other operating income represents the value of rentals received or receivable from tenants of freehold properties held by the company during the period, net of value added tax.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

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 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 2024

1 Accounting policies **(Continued)**

1.7 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.

1.8 Cash at bank and in hand

Cash and cash equivalents 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.

1.9 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 2024

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 2024

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 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.

1.12 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 2024

1 Accounting policies

(Continued)

1.13 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.

1.14 Retirement benefits

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

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

1.16 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 in the period are included in profit or loss.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

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.

Key sources of estimation uncertainty

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 2024

4 Employees

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

	2024 Number	2023 Number
Production	119	104
Quality assurance	10	10
Sales	33	36
Engineering	44	43
Directors	3	3
Total	<u>209</u>	<u>196</u>

Their aggregate remuneration comprised:

	2024 £	2023 £
Wages and salaries	11,450,220	6,071,454
Social security costs	1,306,889	609,241
Pension costs	138,300	112,076
	<u>12,895,409</u>	<u>6,792,771</u>

5 Directors' remuneration

	2024 £	2023 £
Remuneration for qualifying services	<u>4,157,950</u>	<u>-</u>

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

	2024 £	2023 £
Remuneration for qualifying services	<u>1,417,955</u>	<u>-</u>

6 Operating profit

	2024 £	2023 £
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	42,069	(190,309)
Fees payable to the company's auditor for the audit of the company's financial statements	18,000	14,000
Depreciation of owned tangible fixed assets	<u>694,073</u>	<u>537,895</u>

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

7 Interest receivable and similar income

	2024	2023
	£	£
Interest income		
Interest on bank deposits	1,928	-
	<u>1,928</u>	<u>-</u>

8 Taxation

	2024	2023
	£	£
Current tax		
UK corporation tax on profits for the current period	775,000	190,000
Adjustments in respect of prior periods	(35,000)	-
Group tax relief	634,447	1,077,142
	<u>1,374,447</u>	<u>1,267,142</u>
Deferred tax		
Origination and reversal of timing differences	219,495	388,671
	<u>219,495</u>	<u>388,671</u>
Total tax charge	<u>1,593,942</u>	<u>1,655,813</u>

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

	2024	2023
	£	£
Profit before taxation	8,918,990	11,462,818
	<u>8,918,990</u>	<u>11,462,818</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 24.00% (2023: 19.00%)	2,140,558	2,177,935
Tax effect of expenses that are not deductible in determining taxable profit	18,684	20,049
Group relief	19,000	-
Research and development tax credit	(550,316)	(581,467)
Under/(over) provided in prior years	(35,000)	-
Other adjustments, including effect of change in rate	1,016	39,296
	<u>1,593,942</u>	<u>1,655,813</u>
Taxation charge for the year	<u>1,593,942</u>	<u>1,655,813</u>

Factors that may affect future tax charges

A rate of 25% (2023: 25%) has been used for purposes of considering the effects of deferred taxation, in line with the main rate of UK Corporation Tax effective from 1 April 2023.

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

9 Dividends

	2024 £	2023 £
Interim paid	25,000,000	18,828,798

10 Tangible fixed assets

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Fixtures and fittings £	Total £
Cost					
At 1 February 2023	7,070,531	829,702	4,222,729	572,998	12,695,960
Additions	365,173	378,271	843,036	231,482	1,817,962
Transfers	829,702	(829,702)	-	-	-
At 31 January 2024	8,265,406	378,271	5,065,765	804,480	14,513,922
Depreciation and impairment					
At 1 February 2023	751,484	-	2,319,124	396,384	3,466,992
Depreciation charged in the year	149,638	-	472,325	72,110	694,073
At 31 January 2024	901,122	-	2,791,449	468,494	4,161,065
Carrying amount					
At 31 January 2024	7,364,284	378,271	2,274,316	335,986	10,352,857
At 31 January 2023	6,319,047	829,702	1,903,605	176,614	9,228,968

Included in cost of land and buildings is freehold land of £286,105 (2023: £286,105) which is not depreciated.

11 Stocks

	2024 £	2023 £
Raw materials and consumables	3,741,218	2,064,374
Work in progress	2,558,696	2,120,270
Finished goods and goods for resale	640,431	974,255
	6,940,345	5,158,899

Stock provisions, as detailed in note 2, have been recognised of £5,976,992 (2023: £5,418,435).

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

12 Debtors

	2024	2023
	£	£
Amounts falling due within one year:		
Trade debtors	5,742,410	5,117,916
Amounts owed by group undertakings	2,023,948	16,383,752
Other debtors	439,269	203,526
Prepayments and accrued income	932,151	115,086
	<u>9,137,778</u>	<u>21,820,280</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

13 Creditors: amounts falling due within one year

	2024	2023
	£	£
Trade creditors	1,657,635	1,540,113
Amounts owed to group undertakings	868,403	873,447
Corporation tax	775,000	190,000
Other taxation and social security	302,170	159,749
Other creditors	1,220,841	1,220,841
Accruals and deferred income	6,873,834	360,533
	<u>11,697,883</u>	<u>4,344,683</u>

Amounts due to related undertakings, connected by common control and as included in other creditors of £1,220,841 (2023: £1,220,841), are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Amounts owed to group undertakings 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 2024

14 Deferred taxation

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

	Liabilities 2024 £	Liabilities 2023 £
Balances:		
Accelerated capital allowances	1,414,035	1,177,069
Other short term timing differences	(17,471)	-
	<u>1,396,564</u>	<u>1,177,069</u>
		2024
Movements in the year:		£
Liability at 1 February 2023		1,177,069
Charge to profit or loss		219,495
		<u>1,396,564</u>

15 Share capital

	2024 Number	2023 Number	2024 £	2023 £
Ordinary share capital Issued and fully paid				
Ordinary of 0.1p each	880,000	880,000	880	880
	<u>880,000</u>	<u>880,000</u>	<u>880</u>	<u>880</u>

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.

16 Capital redemption reserve

	2024 £	2023 £
At the beginning and end of the year	120	120
	<u>120</u>	<u>120</u>

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

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

17 Profit and loss reserves

	2024	2023
	£	£
At the beginning of the year	32,236,031	41,257,824
Profit for the year	7,325,048	9,807,005
Dividends declared and paid in the year	(25,000,000)	(18,828,798)
At the end of the year	<u>14,561,079</u>	<u>32,236,031</u>

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

18 Financial commitments, guarantees and contingent liabilities

A potential contingent liability exists at the balance sheet date however at the date of approval of the financial statements the outcome is unknown and cannot be measured reliably. As a result, the directors have not provided for any possible impact to the company in these financial statements.

In addition to the above the company had total guarantees, contingencies and commitments of £93,301 (2023: £365,173) as at the balance sheet date.

All assets are pledged as security to the bank under a fixed and floating charge and by way of a cross guarantee involving other group companies. The maximum extent of this guarantee at the balance sheet date is £Nil (2023: £Nil).

19 Related party transactions

Transactions with related parties

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

	Recharge income		Rent and other recharges	
	2024	2023	2024	2023
	£	£	£	£
Companies connected via common control	<u>36,562</u>	<u>70,878</u>	<u>21,632</u>	<u>19,750</u>

Certain costs are recharged to other related parties, and the income received is allocated against that cost in the profit and loss account. Similarly, certain costs are recharged by related parties and these are posted to the profit and loss accounts to which they relate.

The following amounts were outstanding at the reporting end date and are held within trade creditors, other creditors and accruals:

	2024	2023
	£	£
Companies connected via common control	<u>1,223,100</u>	<u>1,222,539</u>

TECHTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2024

19 Related party transactions **(Continued)**

The following amounts were outstanding at the reporting end date and are held within trade debtors, other debtors and prepayments:

	2024	2023
Amounts due from related parties	£	£
Companies connected via common control	12,505	73,839
	<u> </u>	<u> </u>

20 Ultimate controlling party

The ultimate parent company and ultimate controlling party is H.R. Smith Group Limited, a company incorporated and registered in England and Wales.

The largest group of which Techtest Limited is a member and for which group accounts are prepared is headed by H.R. Smith Group Limited, a company registered in England and Wales, with its registered office of Street Court, Kingsland, Leominster, Herefordshire, United Kingdom, HR6 9QA.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.