Tinius Olsen Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 998521

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Tinius Olsen Limited

Report and financial statements
for the year ended 31 December 2017

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Directors

M Youings (Managing Director)
M J Wheeler
C R Tait III
M Helton – Resigned 27 February 2017
B Gaskins

Secretary and registered office

B Gaskins, 6 Perrywood Business Park, Honeycrock Lane, Salfords, Surrey, RH1 5DZ

Company number

998521

Auditors

BDO LLP, 55 Baker Street, London W1U 7EU

Tinius Olsen Limited

Strategic report
for the year ended 31 December 2017

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2017.

Review of the business

In presenting this report the financial statements consolidate the results of Tinius Olsen Limited ("the Company") its subsidiary undertaking Tinius Olsen India Pvt Limited incorporated in India and its subsidiary Tinius Olsen Testing Machine Company Shanghai Ltd incorporated in the Peoples Republic of China. The group made a profit before taxation of £400,064 (2016 - £328,978) for the year ended 31 December 2017. The underlying performance of the Company remained strong with a profit before taxation of £705,548 (2016 - £404,084). The company will be able to maintain positive cash balances for the foreseeable future and therefore the going concern basis of accounting has been adopted.

During the year, the company has converted an outstanding balance more than three years payable to Tinius Olsen Ltd UK on account of Royalty & Consultancy charges into equity. The company has filed relevant documents with RBI and the authorized dealer - State Bank of India. Further, on the issue of equity share, relevant compliance related to Companies Act 2013, and necessary filings with regulatory authorities have been completed. Considering reasonable time has elapsed subsequent to necessary filings, the company has recorded the transaction. Management believes that any query that may arise in future would not have any impact on the transaction.

During the year Tinius Olsen Ltd acquired the remaining 40% non-controlling interest in Tinius Olsen India PVT Limited for a total cost of £465,169. This was done as part of a piecemeal acquisition by way of converting debt to equity, as described above, as well as by way of cash payment of £163,037 on 20 December 2017. At the date of acquisition, the group derecognised the carrying amount of the non-controlling interest of £223,505 and recorded a decrease in equity attributable to the owners of the parent.

Principal risks and uncertainties

The directors consider that the key business risk remains competition and as such this continues to be monitored by a regular review of market share and margins. Continuing economic uncertainty in the world is a consideration and as such will be monitored as to any affect this may have on the business.

Key performance indicators

The board utilises a number of key performance indicators to enable consistent method of analysing performance. The key performance indicators, which are used by the board are as follows:

Gross profit margin performance for all customers

Gross profit margin measures the profit achieved on sales after taking account of the direct cost incurred for each customer. These trends are closely monitored and help ensure that all customer relationships are sustainable. This has remained in line with last year at 63% (2016: 63%).

Net profit performance

The net profit performance measures the net profit achieved after taking account the total costs incurred including both direct and indirect cost i.e. profit on ordinary activities after taxation. This is used to compare the company's performance against prior year and forecasts, this year's net performance has increased to 5% (2016 - 4%).

Current ratio performance

The current ratio measures that the company has sufficient current assets to cover its current liability and used in the measurement of the company's liquidity. The current ratio is currently at 2.5 (2016 - 3).

By order of the Board

B Gaskins
Director

Date 14th March 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Directors

The directors of the company during the year were:

M Youings (Managing Director)
M J Wheeler
C R Tait III
M Helton – Resigned 27 February 2017
B Gaskins

Results and dividends

The income statement is set out on page 8 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2016 - £Nil).

Principal activities

The principal activity of the group and company during the year was that of producers of load test equipment.

Financial instruments

Working capital requirements are met principally out of retained profits. In addition, trade debtors and trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

Credit risk and currency risk arise from the company's activities. The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made where possible. The company's policy in respect of currency risk is to invoice primarily in sterling. These risks are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. Debt is currently maintained at a fixed interest rate with the parent company, Tinius Olsen International Company. The directors monitor the liquidity and cash flow of the company carefully.

Future developments

The group continues to run an extensive research and development programme which, in the opinion of the directors, is essential for the growth of the business.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

B Gaskins
Director

Date 14th March 2018

Opinion

We have audited the financial statements of Tinius Olsen Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated 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 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 Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Group and the Parent 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 Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the 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 the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Report of the directors, 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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 at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Sophia Michael (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 15th March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Tinius Olsen Limited

Consolidated income statement
for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	2	**7,344,766**	6,162,096
Cost of sales		**(2,737,810)**	(2,258,899)
Gross profit		**4,606,956**	3,903,197
Distribution costs		**(1,765,127)**	(1,303,397)
Administrative expenses		**(2,597,948)**	(2,297,481)
Gain from changes in fair value of investment property		**115,000**	-
Other operating income		**90,978**	72,574
Operating profit	5	**449,859**	374,893
Interest receivable and similar income		**1,890**	4,221
Interest payable and similar charges	6	**(51,685)**	(50,136)
Profit on ordinary activities before taxation		**400,064**	328,978
Taxation on profit on ordinary activities	7	**(61,951)**	(76,033)
Profit on ordinary activities after taxation		**338,113**	252,945
Minority interest		**-**	(63,085)
Profit for the financial year		**338,113**	189,860

All amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Consolidated statement of comprehensive income for the year ended 31 December 2017

	2017 £	2016 £
Profit for the financial year	**338,113**	252,945
Currency translation differences	**(136,204)**	(113,069)
Total comprehensive income for the year	**201,909**	139,876
Profit for the financial year attributable to:		
Acquisition of non-controlling interest (see note 10)	**135,245**	63,085
Owners of the parent company	**202,868**	189,860
	338,113	252,945
Total comprehensive income attributable to:		
Non-controlling interest	**80,764**	20,666
Owners of the parent company	**121,145**	119,210
	201,909	139,876

The notes on pages 16 to 28 form part of these financial statements

Tinius Olsen Limited

Consolidated balance sheet
at 31 December 2017

Company number 998521	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		**2,054,424**		1,929,367
Investment properties	9		**615,000**		500,000
			2,669,424		2,429,367
Current assets					
Stocks	11	**2,028,052**		1,731,095	
Debtors	12	**1,779,028**		2,094,885	
Cash at bank and in hand		**799,219**		795,945	
		4,606,299		4,621,925	
Creditors: amounts falling due within one year	13	**1,854,896**		1,762,635	
Net current assets			**2,751,403**		2,859,290
Total assets less current liabilities			**5,420,827**		5,288,657
Creditors: amounts falling due after more than one year	14		**723,931**		793,670
Net assets			**4,696,896**		4,494,987
Capital and reserves					
Called up share capital	16		**18,000**		18,000
Share premium account			**558,000**		558,000
Capital reserve			**32,619**		32,619
Profit and loss account			**4,088,277**		4,109,873
Shareholders' funds			**4,696,896**		4,718,492
Minority interest			**-**		(223,505)
			4,696,896		4,494,987

The financial statements were approved by the Board of Directors and authorised for issue on 14th March 2018

B Gaskins
Director

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital £	Share premium £	Capital reserve £	Profit and loss account £	Equity attributable to owners of the parent company £	Non-controlling interests £	Total equity £
1 January 2017	18,000	558,000	32,619	4,109,873	4,718,492	(223,505)	4,494,987
Comprehensive income for the year							
Profit for the year	-	-	-	**202,868**	**202,868**	**135,245**	**338,113**
Currency translation differences	-	-	-	(36,768)	(36,768)	(99,436)	(136,204)
Purchase of non-controlling interest	-	-	-	(322,941)	(322,941)	322,941	-
Total comprehensive income for the year	-	-	-	**(359,709)**	**(359,709)**	**223,505**	**(136,204)**
31 December 2017	**18,000**	**558,000**	**32,619**	**3,953,032**	**4,561,651**	**135,245**	**4,696,896**

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital £	Share premium £	Capital reserve £	Profit and loss account £	Equity attributable to owners of the parent company £	Non-controlling interests £	Total equity £
1 January 2016	18,000	558,000	32,619	3,990,663	4,599,282	(244,171)	4,355,111
Comprehensive income for the year							
Profit for the year	-	-	-	189,860	189,860	63,085	252,953
Currency translation differences	-	-	-	(70,650)	(70,650)	(42,919)	(113,069)
Total comprehensive income for the year	-	-	-	119,210	119,210	20,666	139,876
31 December 2016	18,000	558,000	32,619	4,109,873	4,718,492	(223,505)	4,494,987

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		**338,113**	252,945
Adjustments for:			
Depreciation, impairment and amortisation of fixed assets	5/9	**170,808**	118,981
Net interest payable	6	**51,685**	45,912
Taxation expense	7	**61,951**	76,033
Decrease in trade and other debtors	12	**290,018**	(371,760)
Increase in stocks	11	**(305,352)**	(30,874)
Increase in trade and other creditors	13	**86,473**	52,241
Fair value gains recognised in income statement		**(115,000)**	-
Foreign exchange	5	**(114,602)**	(128,389)
Interest received		**(1,890)**	-
Profit on disposal		**(1,414)**	(2,912)
Cash from operations		**460,790**	12,177
Interest paid	6	**(51,685)**	(50,136)
Taxation paid		**(28,734)**	(92,905)
Net cash generated from operating activities		**380,371**	(130,864)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**2,828**	22,855
Purchases of tangible fixed assets	9	**(302,647)**	(482,515)
Interest received		**1,890**	4,221
Net cash from investing activities		**(297,929)**	(455,439)
Cash flows from financing activities			
Capital element of lease repaid		**(7,041)**	(2,669)
Repayment of loan	14	**(69,241)**	(65,545)
Net cash used in financing activities		**(76,282)**	(68,214)
Decrease in cash and cash equivalents		**(6,160)**	(654,517)
Cash and cash equivalents at beginning of year		**795,945**	1,416,549
Foreign exchange gains and losses		**9,434**	33,913
Cash and cash equivalents at end of year		**799,219**	795,945
Cash and cash equivalents comprise:			
Cash at bank and in hand		**799,219**	795,945
		799,219	795,945

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Company balance sheet
at 31 December 2017

Company number 998521	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		**1,692,290**		1,725,633
Investment properties	9		**615,000**		500,000
Investments	10		**1,097,816**		442,677
			3,405,106		2,668,310
Current assets					
Stocks	11	**1,523,633**		1,437,897	
Debtors	12	**2,473,672**		2,530,044	
Cash at bank and in hand		**604,134**		675,453	
		4,601,439		4,643,394	
Creditors: amounts falling due within one year	13	**1,051,281**		930,795	
Net current assets			**3,550,158**		3,712,599
Total assets less current liabilities			**6,955,264**		6,380,909
Creditors: amounts falling due after more than one year	14		**723,931**		793,172
Net assets			**6,231,333**		5,587,737
Capital and reserves					
Called up share capital	16		**18,000**		18,000
Share premium account			**558,000**		558,000
Capital reserve			**32,619**		32,619
Profit and loss account			**5,622,714**		4,979,118
Shareholders' funds			**6,231,333**		5,587,737

The financial statements were approved by the Board of Directors and authorised for issue on 14th March 2018

B Gaskins
Director

The notes on pages 16 to 28 form part of these financial statements.

Tinius Olsen Limited

Company statement of changes in equity for the year ended 31 December 2017

	Share Capital £	Share premium £	Capital reserve £	Profit and loss account £	Total equity £
1 January 2016	**18,000**	**558,000**	**32,619**	**4,627,055**	**5,235,674**
Profit and total Comprehensive income for the year					
Profit for the year	-	-	-	352,063	**352,063**
31 December 2016	**18,000**	**558,000**	**32,619**	**4,979,118**	**5,587,737**
Profit and total Comprehensive income for the year					
Profit for the year	-	-	-	643,597	643,597
31 December 2017	18,000	558,000	32,619	5,622,715	6,231,334

The notes on pages 16 to 28 form part of these financial statements.

1 Accounting policies

Tinius Olsen Limited is a Private limited company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the report of directors. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Tinius Olsen Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of the company and its subsidiary undertaking, Tinius Olsen-India Private Limited and Tinius Olsen Shanghai as at 31 December 2017 using the acquisition method of accounting. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition. On acquisition, fair values are attributed to the assets and liabilities of the business acquired, any excess of consideration over these fair values being taken to Goodwill.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax or local taxes on sales and is recognised when the risks and rewards of ownership has passed to the customer. These criteria are considered to be met when the goods are despatched.

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation is provided to write off the cost or valuation, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold buildings	-	over 50 years
Plant and machinery	-	over 7 to 10 years
Motor vehicles	-	over 3 to 4 years
Fixtures and fittings	-	over 3 to 7 years

Investment properties

Investment property is carried at fair value determined annually with reference to external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

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

Foreign currency

(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances
Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1 Accounting policies *(continued)*

All foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Research and development

All research and development costs are written off as incurred.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Taxation

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met. Deferred tax balances are not discounted.

Leased assets - Lessor

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Leased assets - Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

1 Accounting policies *(continued)*

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

2 Analysis of turnover

	2017 £	2016 £
Analysis of turnover by country of destination:		
United Kingdom	**1,241,155**	866,443
Rest of Europe	**1,657,909**	1,225,968
Rest of the world	**4,445,702**	4,069,685
	7,344,766	6,162,096

3 Employees

Group	2017 £	2016 £
Staff costs consist of:		
Wages and salaries	**2,375,323**	2,230,926
Social security costs	**244,568**	226,077
Other pension costs	**195,653**	170,103
	2,815,544	2,627,106

The average number of employees during the year was:	Number	Number
Office and management	**18**	12
Manufacturing	**24**	25
Sales and design	**28**	27
	70	64

The company currently contributes to a group personal pension plan, which is a defined contribution scheme. The assets of the plan are held separately from those of the company in an independently administered fund. The pension cost charge also includes contributions payable by the company to this fund. Included within accruals are outstanding contributions amounting to £NIL (2016 - £18,329).

4 Directors

	2017 £	2016 £
Directors' remuneration consists of:		
Directors' emoluments	**363,364**	322,838
Company contributions to defined contribution pension scheme	**52,011**	46,226
	415,375	369,064

There were three directors in the company's defined contribution pension scheme during the year (2016 - three).

Emoluments of the highest paid director was £165,361 (2016 - £163,382). Company pension contributions of £22,720 (2016 - £20,487) were made to a defined contribution scheme on his behalf.

A pension of £15,000 (2016 - £15,000) was paid to a former director.

Key management personnel is considered to be the board of directors and total compensation paid to key management personnel is equal to director's remuneration.

5 Group operating profit

	2017 £	2016 £
This has been arrived at after charging/(crediting):		
Research & Development	**304,778**	282,845
Depreciation	**170,808**	118,981
Operating lease expense	**29,654**	23,783
Auditors' remuneration - audit services	**57,037**	68,741
Auditors' remuneration - taxation compliance services	**6,370**	6,222
Foreign exchange differences	**(114,602)**	(128,389)
Rental income	**(90,978)**	(49,022)
Inventory recognised as an expense	**2,642,033**	1,983,748

6 Group interest payable and similar charges

	2017 £	2016 £
Lease interest	**6,395**	581
Loan interest	**45,290**	49,555
	51,685	50,136

7 Group taxation on ordinary activities

	2017 £	2016 £
Current tax		
UK Corporation tax	**115,165**	53,341
Foreign tax	**-**	24,012
Double tax relief	**-**	-
Adjustment in respect of previous periods	**(48,979)**	(33,170)
	66,186	44,183
Deferred tax		
Movement in the period	**(2,087)**	34,310
Adjustment in respect of previous periods	**(2,148)**	(2,981)
Effect of tax rate change	**-**	521
Taxation charge on profit on ordinary activities	**61,951**	76,033

The taxes assessed for the year is lower than (2016 - greater) the standard rate of Corporation tax in the UK. The differences are explained below.

	2017 £	2016 £
Profit on ordinary activities before tax	**400,064**	328,978
Surplus on ordinary activities at the standard rate of corporation tax in the UK 19.25% (2016 - 20%)	**76,999**	65,796
Effects of:		
Expenses not deductible for tax purposes	**5,747**	7,224
Changes in tax rates	**(494)**	(15,572)
Difference in tax rates	**(31,801)**	42,885
Unrecognised deferred tax	**84,761**	11,851
Over provision in respect of previous years	**(48,979)**	(33,170)
Over provision in respect of previous years-deferred tax	**(2,148)**	(2,981)
Income not taxable for tax purposes	**(22,134)**	-
Current tax charge for year	**61,951**	76,033

8 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year after taxation was £643,597 (2016 - £352,063).

9 Tangible assets – Group

	Investment property £	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost						
At 1 January 2017	500,000	2,096,471	675,096	115,376	777,962	4,164,905
Additions	-	-	43,981	-	258,666	302,647
Revaluations	115,000	-	-	-	-	115,000
Disposals	-	-	-	-	(2,242)	(2,242)
Exchange differences	-	-	(104)	(704)	(6,628)	(7,436)
At 31 December 2017	**615,000**	**2,096,471**	**718,973**	**114,672**	**1,027,758**	**4,572,874**
Depreciation						
At 1 January 2017	-	639,252	459,584	91,447	545,255	1,735,538
Charge for the year	-	36,651	34,895	3,844	95,418	170,808
Disposals	-	-	-	-	(828)	(828)
Exchange differences	-	-	(84)	(538)	(1,446)	(2,068)
At 31 December 2017	**-**	**675,903**	**494,395**	**94,753**	**638,399**	**1,903,450**
Net book value						
At 31 December 2017	615,000	1,420,568	224,578	19,919	389,359	2,669,424
At 31 December 2016	500,000	1,457,219	215,512	23,929	232,707	2,429,367

Finance leases

The net book value of Motor Vehicles above includes an amount of £6,484 (2016 - £6,958) in respect of assets held under finance leases. The related depreciation charge on these assets was £1,213 (2016 - £3,652).

Investment properties

The group and company's investment properties are valued annually on 31 December at fair value. The property was independently, professionally valued at 31 December 2017 in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuations Manual. At December 2017, the directors had an independent valuation done by Vail Williams, resulting in a fair value adjustment of £115,000.

If investment property had been accounted for under the historic cost accounting rules, the property would have been carried at its historical cost being £673,187 (£673,187).

9 Tangible assets – Company

	Investment property £	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost						
At 1 January 2017	500,000	2,096,471	671,481	90,838	560,749	3,919,539
Additions	-	-	41,967	-	19,264	61,231
Revaluations	115,000	-	-	-	-	115,000
Disposals	-	-	-	-	-	-
At 31 December 2017	**615,000**	**2,096,471**	**713,448**	**90,838**	**580,013**	**4,095,770**
Depreciation						
At 1 January 2017	-	639,219	458,495	74,772	521,420	1,693,906
Provided for the year	-	36,651	33,068	2,665	22,190	94,574
Disposals	-	-	-	-	-	-
At 31 December 2017	**-**	**675,870**	**491,563**	**77,437**	**543,610**	**1,788,480**
Net book value						
At 31 December 2017	615,000	1,420,601	221,885	13,401	36,403	2,307,290
At 31 December 2016	500,000	1,457,252	212,986	16,066	39,329	2,225,633

The net book value of tangible assets includes an amount of £Nil (2016 - £Nil) in respect of assets held under finance leases. The related depreciation charge for year was £Nil (2016 - £Nil).

10 Fixed assets investments

Company	Subsidiary undertaking £
Cost	
At 1 January 2017	442,677
Additions	655,139
At 31 December 2017	**1,097,816**

During the year, the company has converted an outstanding balance more than three years payable to Tinius Olsen Ltd UK on account of Royalty & Consultancy charges into equity. The company has filed relevant documents with RBI and the authorized dealer - State Bank of India. Further, on the issue of equity share, relevant compliance related to Companies Act 2013, and necessary filings with regulatory authorities have been completed. Considering reasonable time has elapsed subsequent to necessary filings, the company has recorded the transaction. Management believes that any query that may arise in future would not have any impact on the transaction.

During the year Tinius Olsen Ltd acquired the remaining 40% non-controlling interest in Tinius Olsen India PVT Limited for a total cost of £465,169. This was done as part of a piecemeal acquisition by way of converting debt to equity, as described above, as well as by way of cash payment of £163,037 on 20 December 2017. At the date of acquisition, the group derecognised the carrying amount of the non-controlling interest of £223,505 and recorded a decrease in equity attributable to the owners of the parent.

The following was the subsidiary undertaking at the end of the year:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Tinius Olsen India Private Limited	Republic of India	100%	Producers of load test equipment

Tinius Olsen India Private Limited accounting year end is the 31 March. This is common with the majority of Indian companies.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Tinius Olsen Testing Machine Company Shanghai Limited	Peoples Republic of China	100%	Producers of load test equipment

11 Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods and goods for resale	**643,647**	342,548	**553,131**	393,058
Raw materials and consumables	**465,053**	411,037	**69,069**	68,998
Work in progress	**919,352**	977,510	**901,433**	975,841
	2,028,052	1,731,095	**1,523,633**	1,437,897

There is no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	**1,112,270**	1,105,968	**941,104**	695,303
Other debtors	**157,932**	148,578	**6,742**	21,318
Prepayments and accrued income	**88,230**	123,814	**77,222**	112,833
Amounts owed by group undertakings	**420,596**	716,525	**1,448,605**	1,700,590
	1,779,028	2,094,885	**2,473,672**	2,530,044

All amounts fall due for payment within one year.

Included within amounts owed by group undertakings for the Company is an amount of £890,503 (2016 - £1,049,167) due from Tinius Olsen India Private Limited. This subsidiary has net liabilities of £352,343 (2016 - £558,753), no provision has been recognised on this balance as the ultimate parent has provided support for this balance.

13 Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Payments received on account	**121,196**	128,007	**39,834**	79,204
Trade creditors	**615,425**	800,698	**401,766**	299,192
Amounts owed to group undertakings	**501,827**	400,520	**155,576**	214,174
Other taxation and social security	**78,883**	94,861	**77,775**	87,607
Corporation tax	**115,166**	76,033	**115,166**	52,021
Accruals and deferred income	**422,399**	256,850	**261,164**	198,597
Obligations under finance lease	**-**	5,666	**-**	-
	1,854,896	1,762,635	**1,051,281**	930,795

14 Creditors: amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts owed to group undertakings	**723,931**	793,172	**723,931**	793,172
Obligations under finance lease	**-**	498	**-**	-
	723,931	793,670	**723,931**	793,172

14 Creditors: amounts falling due after more than one year *(continued)*

Group and company Maturity of debt:	Amounts due to parent undertaking 2017 £	Amounts due to parent undertaking 2016 £	Finance leases 2017 £	Finance leases 2016 £
In one year or less, or on demand	**69,242**	65,545	-	5,618
In more than one year but not more than two years	**73,148**	69,242	-	498
In more than two years but not more than five years	**245,145**	232,055	-	-
In more than five years	**405,638**	491,875	-	-
	723,931	793,172	-	498

Amounts due to parent undertaking comprise one loan of £793,173 (2016 - £793,172).

The long-term loan of attracts interest at 5.5% and is payable by equal monthly instalments commencing 1 January 2007. The redemption date is 2027.

The long-term loans are secured against, with a right of set off against, any and all present, future and after acquired funds, monies, balances, stocks, bonds, notes, deposit accounts, and other personal property of any nature whatsoever in which the company has any interest.

15 Provision for liabilities

	2017 £	2016 £
Deferred tax at 31 December	**21,205**	25,441

16 Share capital

	2017 £	2016 £
Allotted, issued and fully paid 18,000 Ordinary shares of £1 each	**18,000**	18,000

17 Commitments under operating leases

The group and company had minimum lease payments under non-cancellable operating leases as set out below:

	2017 £	2016 £
Operating leases which expire:		
Not later than 1 year	**29,779**	29,779
Later than 1 year and not later than 5 years	**21,337**	51,116
	51,116	80,895

18 Other commitments

At the year-end there were capital commitments in relation to future years totalling £34,375 (2016 - £Nil).

19 Related party transactions

Related party transactions and balances

During the year ended 31 December 2017, the company made sales of £1,122,123 (2016 - £989,497) to Tinius Olsen Testing Machine Company, a fellow group undertaking, at arm's length. Trade debtors include £294,576 (2016 - £371,870), and other debtors of £15,317 (2016 - £52,513) due from Tinius Olsen Testing Machine Company.

During the year marketing charges of £25,000 (2016 - Nil) were made to Tinius Olsen Testing Machine Company. Trade debtors include £25,000 (2016 - Nil) due from Tinius Olsen Testing Machine Company.

The company also made purchases during the year of £168,336 (2016 - £111,362) from Tinius Olsen Testing Machine Company. Trade creditors include £24,848 (2016 - £Nil) due to Tinius Olsen Testing Machine Company.

The company received commissions amounting to £151,769 (2016 - £140,784) which includes accrued commissions of £40,421 (2016 - £52,513) from its parent company during the year, £40,421 (2016 - £51,567) was outstanding at the year-end.

During the year the company's indebtedness to its parent and ultimate parent undertakings are set out in note 14. The related interest charges are also disclosed in note 6.

During the year end 31 December 2017, the company made sales of £64,685 (2016 - £116,918) to Tinius Olsen Testing Machine Company Shanghai Ltd. Trade Debtors include £182,461 (2016 - £116,918).

During the year ended 31 December 2017 Tinius Olsen Testing Machine Company Shanghai Ltd Purchased from Tinius Olsen Testing Machine Company of £64,585 (2016 - £114,459), the trade creditors include £299,838 (2016 - £114,459) due from Tinius Olsen Testing Machine Company Shanghai Ltd.

During the year ended 31 December 2017, the company made trade sales of £294,313 (2016 - £417,611) and royalties of £56,877 (2016 - £83,104) to Tinius Olsen India PVT Ltd, a related undertaking, at arm's length. Trade debtors include £890,503 (2016 - £1,229,488) due from Tinius Olsen India PVT Ltd.

The company also made purchases of £218,352 (2016 - £149,984) from Tinius Olsen India PVT Ltd and marketing recharge of £107,188 during the year (2016 - £63,191). Trade creditors include £61,486 (2016 - £148,629) due to Tinius Olsen India PVT Ltd.

Tinius Olsen India PVT Ltd made sales of £195,403 (2016 - £263,922) to Tinius Olsen Testing Machine Company. Trade Debtors include an amount of £54,673 (2016 - £Nil), due to Tinius Olsen Testing Machine Company. Tinius Olsen India PVT Ltd made purchases of £4,652 (2016 - £8,835) from Tinius Olsen Testing Machine Company. Trade creditors included £114,640 (2016 - £220,216) due to Tinius Olsen Testing Machine Company

Tinius Olsen India PVT Ltd made sales of £Nil (2016 - £10,444), to Tinius Olsen Testing Machine Company Shanghai Ltd. Trade Debtors include £10,444 (2016 - £10,444), to Tinius Olsen Testing Machine Company Shanghai Ltd.

Tinius Olsen India PVT Ltd made sales of £39,008 (2016 - £161,438) to Aimil Ltd and a related party. Tinius Olsen India PVT Ltd made purchases of £234,286 (2016 - £113,011) and was charged commission of £100,009 (2016 - £71,493) from Aimil Ltd and a related party. Trade creditors include £141,678 (2016 - £412,783) due to Aimil Ltd and a related party.

20 Ultimate parent company and parent undertaking of larger group

At 31 December 2017, the company's ultimate parent company was Tinius Olsen International Company, a company incorporated in the United States of America, which is the parent of both the smallest and largest groups of which the company is included in consolidated accounts.