

Novatech Holdings Limited

**Directors' report and financial
statements**

Registered number 7033534

30 April 2016

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Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic Report, the Directors report and the financial statements	5
Independent auditor's report to the members of Novatech Holdings Limited	6
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	11
Cash Flow Statement	15
Notes	16-42

Strategic report

Business Review

During the year the Directors have continued to pursue a strategy focusing on our core strengths of engineered IT solutions for our B2B markets and high end gaming PCs, laptops and components in the B2C market.

We have also continued to concentrate on increasing our efficiency and lowering our direct cost of sale across our general B2B and B2C markets. On the B2B side, we have closely scrutinised our account management of low value customers. We have reluctantly concluded that the threshold for providing dedicated account management needed to rise significantly. Whilst this has meant some non-profitable customers have been lost, the overall effect on the business has been very beneficial.

For our smaller business customers and retail customers, we have continued to focus our attention towards our website. As a result, we have significantly increased the share of our sales directly through it. We also monitor the satisfaction of our website customers using the independent feedback provider, Trustpilot. In just over 18 months since we instigated this, we have received over 4,000 reviews with an average rating of 93%.

The Directors continue to be pleased with the performance of our military simulation and security infrastructure business where sales continue to grow very significantly. This is now a key strategic part of our business growth plans for the coming years.

We have continued to invest in both our facilities and our IT infrastructure. This year we have completely refurbished one of our main offices. Both our website and the majority of our internal systems have been developed. We have continued to make enhancements to improve the customer experience and our efficiency. We have upgraded our IT infrastructure internally and employed greater use of cloud computing to increase our resilience.

We have continued to develop our technical support services and our managed services offering. The Directors see the Company's key strengths as having a focussed strategy, an effective Management Team and skilled, loyal staff to deliver it.

Key performance indicators

Key financial performance indicators in the business are reported to management on a weekly and monthly basis. Extracts from the year are shown below.

	30 April 2016	30 April 2015
Turnover	£33,822,596	£36,757,059
Gross Profit	£5,594,166	£6,030,583
GP%	16.5%	16.4%

As a result of the changes to our account management strategy explained above, the company has seen turnover fall to £33,822,596 from £36,757,059 in the prior year. However, the resulting reduction in direct sales overhead has resulted in a significant increase in net profit.

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Strategic report (*continued*)

Foreign exchange risk

The main financial risk to which the company is exposed is fluctuations in the US dollar and Euro exchange rates, with a high proportion of the business' product cost being denominated in these currencies.

The company policy is to manage any exchange risk by monitoring rates closely and using simple forwards to hedge large exposures alongside purchasing currency when trends present benefit to the company in order to ensure funds are available for settlement of liabilities due. The company has no exposure to equity securities price risk as it holds no other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Debt finance is not utilised. In addition the company manages any potential risk by insuring its credit sales against non-payment.

Liquidity risk

The company retains sufficient cash to ensure it has sufficient funds available for operations.

Interest rate cash flow risk

The company hold no interest bearing assets or trade liabilities. The long term loans from the company's bankers are subject to interest at Barclays Base Rate plus a margin of 1.95% to 2.5% per annum.

By order of the board



26th September 2016

A Puttock
Secretary

Harbour House
Hamilton Road
Castle Trading Estate
Cosham
Hampshire
PO6 4PU

Directors' report

The Directors present their Directors' report and financial statements for the year ended 30 April 2016.

Going Concern

The financial statements have been prepared on a going concern basis. No material uncertainties that cause significant doubt about the ability of the company to continue as a going concern have been identified by the Directors.

The company has considerable financial resources. The £1m overdraft facility adds additional headroom to the company's cash flow forecasts. As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £539,997 (2015: £147,104). Ordinary dividends of £436,835 (2015: £Nil) were payable during the year.

Principal activities

The principal activity of the company during the year was the assembly, supply and support of personal computers and every aspect of IT infrastructure. Our main routes to market are our Business Sales Team, our website and our retail stores.

Key performance indicators

The key financial performance indicators in the business, predominately dealing with sales, margin, stock, customers and overheads, have been identified and are monitored.

Directors

The current directors who served the company during the year and subsequent to the year end were as follows:

DRM Furby

J Furby

DA Payne-Shelley (Resigned 3 August 2015)

J Wilson

S Longmore (Resigned 21 April 2016)

J Davies (Resigned 3 August 2015)

A Puttock (Appointed 3 August 2015)

E Giles (Appointed 21 October 2015)

Enterprise management incentive scheme

The company has an Enterprise Management Incentive (EMI) scheme for the Directors within the group. The EMI option is a right to acquire shares in the company. The 33,000 options are exercisable for £9 per share in the future subject to particular terms and conditions being satisfied. As the options are only exercisable in the event of the sale of the company or its listing on a recognised stock exchange, no further disclosure has been provided in accordance with the accounting policy.

Directors' report *(continued)*

Research and development

The Company is committed to research and development activities in order to maintain and to improve upon its commitment to quality and innovation.

Research and development expenses in the year amounted to £206,454 (2015: £284,000).

Employees

The Company's policy is to consult and discuss with employees, through the employee forum and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through regular meetings, formal consultations and information bulletins which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Disabled employees

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given once employed. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Political and charitable contributions

The Company made charitable donations during the year of £1,848 (2015: £4,196).

Market value of land and buildings

In the opinion of the Directors, the market value of the land and buildings is not materially different from their book value.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



26th September 2016

Alex Puttock
Secretary

Harbour House
Hamilton Road
Castle Trading Estate
Cosham
Hampshire
PO6 4PU

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP

Gateway House
Tollgate
Chandlers Ford
SO53 3TG
United Kingdom

Independent auditor's report to the members of Novatech Holdings Limited

We have audited the financial statements of Novatech Holdings Limited for the year ended 30 April 2016 set out on pages 8 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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



**James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Gateway House

Tollgate

Chandlers Ford

SO53 3TG

26 September 2016

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 30 April 2016

	Note	2016 £	2015 Restated £
Turnover	2	33,822,596	36,757,059
Cost of sales		(28,228,430)	(30,726,476)
Gross profit		5,594,166	6,030,583
Administrative expenses		(5,060,348)	(5,896,676)
Other operating income		106,031	58,984
Operating profit	3,4	639,849	192,891
Interest receivable	6	1,397	-
Interest payable and similar charges	7	(43,476)	(42,841)
Profit on ordinary activities before taxation		597,770	150,050
Tax charge on profit on ordinary activities	8	(57,773)	(2,946)
Profit for the financial year		539,997	147,104
Other comprehensive income			
Revaluation of tangible fixed assets		-	162,142
Effective portion of changes in fair value of cash flow hedges		3,016	4,367
Income tax on other comprehensive income		(603)	(27,302)
Other comprehensive income for the year, net of income tax		2,413	139,207
Total comprehensive income for the year		542,410	286,311

Consolidated Balance Sheet

At 30 April 2016

	Note	2016 £	2015 Restated £
Fixed assets			
Tangible assets	9	2,903,747	3,071,400
Investment Property	10	1,250,000	1,250,000
		<u>4,153,747</u>	<u>4,321,400</u>
Current assets			
Stocks	11	2,562,633	2,496,166
Debtors	12	1,770,265	2,772,421
Cash at bank and in hand	13	2,289,524	1,205,041
		<u>6,622,422</u>	<u>6,473,628</u>
Creditors: amounts falling due within one year	14	(5,170,433)	(5,912,365)
Net current assets		<u>1,451,989</u>	<u>561,263</u>
Total assets less current liabilities		<u>5,605,736</u>	<u>4,882,663</u>
Creditors: amounts falling due after more than one year	15	(1,799,081)	(1,176,642)
Provisions for liabilities and charges – Deferred tax	19	(145,422)	(150,361)
Net assets		<u>3,661,233</u>	<u>3,555,660</u>
Capital and reserves			
Called up share capital	22	535,501	535,503
Other reserves	22	165,485	165,485
Revaluation reserve	22	599,918	611,754
Cash flow hedging reserve	22	(7,892)	(10,908)
Profit and loss account	22	2,368,221	2,253,826
Shareholders' funds		<u>3,661,233</u>	<u>3,555,660</u>

These financial statements were approved by the board of directors on 26/9/16 and were signed on its behalf by:



Alex Puttock
Director

Company Balance Sheet

at 30 April 2016

	<i>Note</i>	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Investments	9		535,500		535,500
Current assets					
Debtors	12	177,714		139,683	
Cash at bank and at hand		1		3	
			177,715		139,686
Creditors: amounts falling due within one year	14		(176,714)		(138,683)
Net current assets			1,001		1,003
Total assets less current liabilities			536,501		536,503
Net Assets			536,501		536,503
Capital and reserves					
Called up share capital	22		535,501		535,503
Other reserves	22		1,000		1,000
Profit and Loss account	22		-		-
Equity			536,501		536,503

These financial statements were approved by the board of directors on
 on its behalf by:

25/9/16

and were signed



Alex Puttock
 Director

Company registered number: 7033534

Consolidated Statement of Changes in Equity

	Called up Share capital	Other reserves	Revaluation reserve	Cash flow hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
Balance at 1 May 2014	535,503	165,485	428,054	-	2,216,991	3,346,033
Effect of transition to FRS 102	-	-	-	(15,275)	(61,409)	(76,684)
Balance at 1 May 2014 (restated)	535,503	165,485	428,054	(15,275)	2,155,582	3,269,349
Total comprehensive income for the period						
Profit or loss	-	-	-	-	147,104	147,104
Transfer to/from revaluation reserve	-	-	(8,786)	-	8,786	-
Other comprehensive income (see note 22)	-	-	192,486	4,367	(57,646)	139,207
Total comprehensive income for the period	-	-	183,700	4,367	98,244	286,311
Dividends	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-
Balance at 30 April 2015	535,503	165,485	611,754	(10,908)	2,253,826	3,555,660

**Consolidated Statement of Changes in Equity
(continued)**

	Called up Share capital	Other Reserves	Revaluation reserve	Cash flow hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
Balance at 1 May 2015	535,503	165,485	611,754	-	2,337,143	3,649,885
Effect of transition to FRS 102	-	-	-	(10,908)	(83,317)	(94,225)
	-	-	-	-	-	-
Balance at 1 May 2015 (restated)	535,503	165,485	611,754	(10,908)	2,253,826	3,555,660
Total comprehensive income for the period						
Profit or loss	-	-	-	-	539,997	539,997
Transfer to/from revaluation reserve	-	-	(11,836)	-	11,836	-
Other comprehensive income (see note 22)	-	-	-	3,016	(603)	2,413
	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(11,836)	3,016	551,230	542,410
	-	-	-	-	-	-
Dividends	-	-	-	-	(436,835)	(436,835)
Disposal of own shares	(2)	-	-	-	-	(2)
	-	-	-	-	-	-
Total contributions by and distributions to owners	(2)	-	-	-	(436,835)	(436,837)
	-	-	-	-	-	-
Balance at 30 April 2016	535,501	165,485	599,918	(7,892)	2,368,221	3,661,233
	-	-	-	-	-	-

Company Statement of Changes in Equity

	Called up Share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 May 2014	535,503	1,000	-	536,503
Total comprehensive income for the period				
Profit or loss	-	-	-	-
Other comprehensive income (see note 22)	-	-	-	-
Total comprehensive income for the period				
Disposal of own shares	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 April 2015	535,503	1,000	-	536,503

**Company Statement of Changes in Equity
 (continued)**

	Called up Share capital £	Other Reserves £	Profit and loss account £	Total equity £
Balance at 1 May 2015	535,503	1,000	-	536,503
Total comprehensive income for the period				
Profit or loss	-	-	-	-
Other comprehensive income (see note 22)	-	-	-	-
Total comprehensive income for the period				
Disposal of own shares	(2)	-	-	(2)
Total contributions by and distributions to owners	(2)	-	-	(2)
Balance at 30 April 2016	535,501	1,000	-	536,501

Consolidated Cash Flow Statement for year ended 30 April 2016

	Note	2016 £	2015 Restated, £
Cash flows from operating activities			
Profit for the year		539,997	147,104
Adjustments for:			
Depreciation, amortisation and impairment		175,059	201,299
Change in value of investment property		-	14,664
Loss on sale of assets		14,603	105
Interest receivable and similar income	6	(1,397)	-
Interest payable and similar charges	7	43,476	42,841
Taxation	8	57,773	2,946
		<hr/>	<hr/>
Decrease/(increase) in trade and other debtors	12	829,511	408,959
(Increase) in stocks	11	870,379	(43,089)
(Decrease) in trade and other creditors	14	(66,467)	(81,566)
(Decrease)/increase in provisions	20	(897,409)	(964,813)
		<hr/>	<hr/>
		731,075	(894,964)
Tax received		131,777	-
		<hr/>	<hr/>
Net cash from operating activities		862,852	(894,964)
		<hr/>	<hr/>
Cash flows from investing activities			
Net proceeds from sale of tangible fixed assets		50,128	3,209
Interest received	6	1,486	-
Acquisition of tangible fixed assets		(79,296)	(212,989)
		<hr/>	<hr/>
Net cash from investing activities		(27,682)	(209,780)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from new loan	16	1,000,000	1,000,000
Interest paid		(43,565)	(48,198)
Repayment of borrowings		(307,402)	(318,276)
Payment of finance lease liabilities		-	(17,682)
Disposal of own shares		(2)	-
Dividends paid		(399,718)	-
		<hr/>	<hr/>
Net cash from financing activities		249,313	615,844
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		1,084,483	(488,900)
Cash and cash equivalents at 1 May 2015	13	1,205,041	1,693,941
		<hr/>	<hr/>
Cash and cash equivalents at 30 April 2016	13	2,289,524	1,205,041
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Novatech Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 27.

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future covering at least 12 months from 30 April 2016. For this reason, the Company continues to prepare the financial statements on the going concern basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss and investment properties.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 April 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A special purpose entity (SPE) is consolidated if the Group concludes that it controls the SPE.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaken in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis or reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the lease term. Land is not depreciated. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

- | | |
|----------------------------------|-----------------------------------|
| • Freehold buildings | 50 years on a straight line basis |
| • Freehold building improvements | 25 years on a straight line basis |
| • Leasehold land and buildings | Over the term of the lease |
| • Plant and machinery | 20% on a straight line basis |
| • Fixtures and fittings | 20% on a straight line basis |
| • Motor vehicles | 20% on a reducing balance basis |
| • Computer equipment | 20% on a straight line basis |
| • Website | 20% on a straight line basis |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

1.7 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding stocks, [investment properties] and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than [investment property, stocks and deferred tax assets], are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity. The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on an appropriate valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Further disclosure has not been included in the financial statements as the fair value is considered not to be material.

Notes (continued)

1 Accounting policies (continued)

1.11 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.12 Turnover

Revenue comprises of sales of goods and services excluding value added tax. Revenue from sales of goods is recognised at the point of sale, or where later, upon delivery to the customer and is stated net of returns. Revenue earned from customer support arrangements is recognised as such over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date.

Other operating income received is in respect of sub-let property and is recognised on a straight line basis over the life of the agreement.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	2016 £	2015 £
Sale of goods	33,822,596	36,757,059

3 Expenses and auditor's remuneration

Included in profit for the year are the following:

	2016 £	2015 £
Research and development expensed as incurred	206,454	284,000
Fair value adjustments for investment property	-	14,664
Net loss on disposal of tangible fixed assets	14,603	106

Auditor's remuneration:

	2016 £	2015 £
Audit of the group financial statements	25,740	25,113
Amounts receivable by the group's auditor and its associates in respect of:		
Group taxation compliance services	20,747	5,460
Other	-	2,500

Notes (continued)

4 Staff numbers and costs

	2016 £	2015 £
Wages and salaries	3,682,406	4,583,857
Social security costs	297,216	355,770
Other pension costs	114,385	137,110
	<hr/>	<hr/>
	4,094,007	5,076,737
	<hr/>	<hr/>

The average number of employees during the year was as follows:

	2016 Number	2015 Number
Administration and sales	86	116
Marketing	6	7
Production and distribution	61	72
	<hr/>	<hr/>
	153	195
	<hr/>	<hr/>

Notes (continued)

5 Directors' remuneration

	2016 £	2015 £
Directors' remuneration	777,391	830,097
Company contributions to money purchase pension plans	19,447	20,161
Compensation for loss of office	12,000	-
	<u>777,391</u>	<u>830,097</u>

The aggregate of remuneration of the highest paid director was £208,657 (2015:£ 205,493), and company pension contributions of £5,070 (2015: £5,070) were made to a money purchase scheme on his behalf.

6 Other interest receivable and similar income

	2016 £	2015 £
Interest receivable on financial assets at amortised cost	1,397	-
Net foreign exchange gain	205,940	261,629
	<u>207,337</u>	<u>261,629</u>
Total interest receivable and similar income	<u>207,337</u>	<u>261,629</u>

7 Interest payable and similar charges

	2016 £	2015 Restated £
Interest payable on financial liabilities at amortised cost	43,476	42,840
Effective losses on derivatives treated as fair value hedging instruments	7,892	10,908
	<u>51,368</u>	<u>53,748</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £41,974 (2015: £37,005) and on all other loans of £1,502 (2015:£5,835).

Notes (continued)

8 Taxation

Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £	2015 £
<i>Current tax</i>		
Current tax on income for the period	63,315	(61,068)
Total current tax	63,315	(61,068)
<i>Deferred tax (see note 19)</i>		
Origination and reversal of timing differences	3,813	61,068
Effect of tax rate change on opening balance	(16,158)	3,729
Adjustments in respect of prior periods	7,406	26,519
Total deferred tax	(4,939)	91,316
Total tax	58,376	30,248

	2016 £	2015 £
Current tax	62,712	(88,370)
Deferred tax	(4,939)	91,316
Total tax	57,773	2,946
Recognised in Profit and loss account	62,712	(88,370)
Recognised in other comprehensive income	603	27,302
Total tax	63,315	(61,068)

Reconciliation of effective tax rate

	2016 £	2015 £
Profit for the year	539,997	147,104
Total tax expense	57,773	2,946
Profit excluding taxation	597,770	150,050
Tax using the UK corporation tax rate of 20% (2015: 20.92%)	119,554	31,390
Effects of:		
Fixed asset differences	16,820	8,460
Expenses not deductible for tax purposes	5,352	5,474
Income not taxable for tax purposes	(3,324)	-
Additional deduction for R&D expenditure	(53,661)	(74,266)
Adjustments to tax charge in respect of previous periods – deferred tax	7,406	-
Timing differences not recognised in the computation	(17,613)	30,248
Change of tax rate	(16,158)	-
Other differences	(603)	1,640
Total tax expense included in profit or loss	57,773	2,946

Notes (continued)

9 Tangible fixed assets - Group

	Freehold land £	Freehold & leasehold buildings £	Investment property £	Plant and machinery £	Fixtures, fittings, equipment, website & motor vehicles £	Total £
Cost						
Balance at 1 May 2015	750,000	1,988,545	1,250,000	15,044	1,135,148	5,138,737
Acquisitions	-	-	-	2,199	77,097	79,296
Reclassification	-	(54,028)	-	-	(73,945)	(127,973)
Revaluation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	(116,754)	(116,754)
Balance at 30 April 2016	750,000	1,934,517	1,250,000	17,243	1,021,546	4,973,306
Depreciation						
Balance at 1 May 2015	-	104,517	-	11,981	700,839	817,337
Depreciation charge for year	-	36,600	-	2,163	136,296	175,059
Reclassification	-	-	-	-	(120,814)	(120,814)
Disposals	-	-	-	-	(52,023)	(52,023)
Balance at 30 April 2016	-	141,117	-	14,144	664,298	819,559
Net book value						
At 30 April 2016	750,000	1,793,400	1,250,000	3,099	357,248	4,153,747
At 30 April 2015	750,000	1,884,028	1,250,000	3,063	434,309	4,321,400

Leased plant and machinery

At 30 April 2016 the net carrying amount of motor vehicles leased under a finance lease was £Nil (2015: £62,080). The leased equipment secures lease obligations (see note 17).

Revaluation

The directors value the portfolio every year. The last external valuation was carried out on 28th April 2015, by Hellier Langston, Chartered Surveyors. Hellier Langston, Chartered Surveyors confirmed the valuation report has been made in accordance with RICS Appraisal and Valuation Manual. The directors consider there to be no material difference between the portfolio's carrying amount and their valuation of it as at 30 April 2016.

The following information relates to tangible fixed assets carried on the basis of revaluation.

Freehold & leasehold buildings

	2016 £	2015 £
At fair value		
28 th April 2015 Full Valuation	1,830,000	1,830,000
Historical cost net book value	1,432,070	1,432,070

Notes (continued)

9 Tangible fixed assets – Group (continued)

Land and Buildings

The net book value of land and buildings comprises:

	2016 £	2015 £
Freehold	1,793,400	1,884,028
	<u>1,793,400</u>	<u>1,884,028</u>

Investments

The group has no investments (2015: none).

The company holds 100% of the shares (class: ordinary) in Novatech Limited, a company incorporated in the UK whose principal activity is computer assembly, supply and support. The cost and net book value of the shares in this group undertaking as at 30 April 2016 are £535,500 (2015: £535,500).

10 Investment property

Group	2016 £
Balance at 1 May 2015 and 30 April 2016	1,250,000
	<u>1,250,000</u>
Historical cost net book value	1,362,434
	<u>1,362,434</u>

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The yields applied were 6.75% - 11%.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as other operating income.

Company	2016 £
Balance at 1 May 2015 and 30 April 2016	-
	<u>-</u>
Historical cost net book value	-
	<u>-</u>

Notes (continued)

11 Stock

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Work in progress	80,314	45,902	-	-
Finished goods	2,349,691	2,450,264	-	-
Goods in transit	132,628	-	-	-
	<u>2,562,633</u>	<u>2,496,166</u>	<u>-</u>	<u>-</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £27,050,213 (2015:£29,593,383). The write-down of stocks to net realisable value amounted to £15,443 (2015:£20,336).

12 Debtors

	Group		Company	
	2016	2015	2016	2015
	£	Restated £	£	£
Trade debtors	1,431,604	2,132,484	-	-
Amounts owed by group undertakings	-	-	177,714	139,683
Other debtors	6,941	117,393	-	-
Prepayments and accrued income	331,720	390,767	-	-
Corporation tax	-	131,777	-	-
	<u>1,770,265</u>	<u>2,772,421</u>	<u>177,714</u>	<u>139,683</u>

13 Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	2,289,524	1,205,041
Cash and cash equivalents per cash flow statements	<u>2,289,524</u>	<u>1,205,041</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2016	Group	2015	Company	2015
	£		£	£	£
Debenture loans (note 16)	230,519		-	-	-
Bank loans and overdrafts	-		219,772	-	-
Obligations under finance leases (see note 17)	-		17,760	-	-
Trade creditors	3,557,504		4,168,290	-	-
Other creditors	209,580		444,017	176,714	138,683
Taxation and social security	427,528		498,955	-	-
Accruals and deferred income	737,410		552,663	-	-
Other financial liabilities	7,892		10,908	-	-
	<u>5,170,433</u>		<u>5,912,365</u>	<u>176,714</u>	<u>138,683</u>

15 Creditors: amounts falling due after more than one year

	2016	Group	2015	Company	2015
	£		£	£	£
Current instalment due on bank loan (note 16)	1,596,261		862,815	-	-
Trade creditors	-		38,201	-	-
Corporation tax	202,820		275,626	-	-
	<u>1,799,081</u>		<u>1,176,642</u>	<u>-</u>	<u>-</u>

Notes (continued)

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Novatech Holdings Limited had no outstanding

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Creditors falling due more than one year				
Secured bank loans	-	863	-	-
Debenture loans	1,596	-	-	-
Finance lease liabilities	-	38	-	-
	<u>1,596</u>	<u>901</u>	<u>-</u>	<u>-</u>
Creditors falling due within less than one year				
Secured bank loans	-	220	-	-
Debenture loans	231	-	-	-
Finance lease liabilities	-	18	-	-
	<u>231</u>	<u>238</u>	<u>-</u>	<u>-</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Debenture Loan 1	GBP	1.95%	2019	Monthly – 2014-2019	886	1,083
Debenture Loan 2	GBP	2.5%	2020	Monthly – 2015-2020	941	-
Finance lease liabilities	GBP	7.0%	2016	Monthly – 2013-2016	-	56
					<u>1,827</u>	<u>1,139</u>

Notes (continued)

17 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	-	18
Between one and five years	-	38
More than five years	-	-
	<hr/>	<hr/>
	-	56
	<hr/>	<hr/>

Novatech Holdings Ltd had no outstanding liabilities.

18 Other financial liabilities

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year				
Fair value of foreign currency forward contracts	(7,892)	(10,908)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets 2016 £	2015 £	Liabilities 2016 £	2015 £	Net 2016 £	2015 £
Fixed asset timing differences	-	-	143,622	211,943	143,622	211,943
Short term timing differences	-	-	1,800	1,486	1,800	1,486
Losses and other deductions	-	(63,068)	-	-	-	(63,068)
	<u>-</u>	<u>(63,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,068)</u>
Tax (assets) / liabilities	<u>-</u>	<u>(63,068)</u>	<u>145,422</u>	<u>213,429</u>	<u>145,422</u>	<u>150,361</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 April 2016 has been calculated based on these rates.

Novatech Holdings Limited had no outstanding balances.

Notes (continued)

20 Provisions

Group

	Deferred Tax Provision £
Balance at 1 May 2015	150,361
Provisions made during the year	314
Provisions used during the year	(5,253)
Provisions reversed during the year	-
Balance at 30 April 2016	145,422

Novatech Holdings Limited had no outstanding provisions.

The deferred tax charge for the year as referred to in note 19.

21 Employee Benefits

Defined contribution pension scheme

Group

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £114,385 (2015: £137,110).

There were outstanding contributions of £nil at the year end (2015: Nil).

Notes (continued)

22 Capital and reserves

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
535,500 Class A Ordinary shares of £1 each	535,500	535,500
<i>Allotted and called up</i>		
Class C Ordinary shares of £1 each	1	3
	<u>535,501</u>	<u>535,503</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Revaluation reserve

Where tangible fixed assets are revalued the cumulative increase in the fair value of the property at the date of revaluation in excess of any previous impairment losses is included in the revaluation reserve.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes (continued)

22 Capital and reserves (continued)

Other comprehensive income

2016 Group	Revaluation reserve £	Cash flow hedging reserve £	Profit and loss account £	Total Other comprehensive income £
Other comprehensive income	-	-	539,997	539,997
Transfer to/from reval reserve	(11,836)	-	11,836	-
Revaluation of tangible fixed assets	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	3,016	-	3,016
Income tax on other comprehensive income	-	-	(603)	(603)
Total other comprehensive income	(11,836)	3,016	551,230	542,410

2015

Group

	Revaluation reserve £	Cash flow hedging reserve £	Profit and loss account £	Total Other comprehensive income £
Other comprehensive income	-	-	147,104	147,104
Transfer to/from reval reserve	(8,786)	-	8,786	-
Revaluation of tangible fixed assets	192,486	-	(30,344)	162,142
Effective portion of changes in fair value of cash flow hedges	-	4,367	-	4,367
Income tax on other comprehensive income	-	-	(27,302)	(27,302)
Total other comprehensive income	183,700	4,367	98,244	286,311

Novatech Holdings Limited has no other comprehensive income.

Notes (continued)

23 Financial instruments

23 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000	2015 £000
Liabilities measured at amortised cost	<u>1,823</u>	<u>1,083</u>

23 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price.

23 (c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2016			2015		
	Carrying amount £	Expected cash flows £	1 year or less £	Carrying amount £	Expected cash flows £	1 year or less £
Forward exchange contracts:						
Liabilities	(7,892)	(7,892)	(7,892)	(10,908)	(10,908)	(10,908)
	<u>(7,892)</u>	<u>(7,892)</u>	<u>(7,892)</u>	<u>(10,908)</u>	<u>(10,908)</u>	<u>(10,908)</u>

The company uses simple 3-6 month forward contracts to secure the rate at which foreign exchange is purchased to settle supplier payments. This mitigates the risk of a market move resulting in unseen profits or losses on exchange. Their fair value was (£7,892) (2015: (£10,908)) and the change in fair value recognised in other comprehensive income was £3,016 (2015: £4,367)

23 (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair Value 2016 £	Fair Value 2015 £
Cash flow hedge	(7,892)	(10,908)

Notes (continued)

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	45	58	-	-
Between one and five years	17	43	-	-
	<u>62</u>	<u>101</u>	<u>-</u>	<u>-</u>

During the year £72,091 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £72,150).

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	110	110	-	-
Between one and five years	403	483	-	-
More than five years	38	68	-	-
	<u>551</u>	<u>661</u>	<u>-</u>	<u>-</u>

Notes (continued)

25 Related party disclosures

Group

Identity of related parties with which the group has transacted

During the year the group made a loan to DRM Furby, the maximum amount outstanding during the year was £172,594 (2015: £433,204) and the amount outstanding at the year end was £nil (2015: £nil). During the year, the group also made a loan to Isabella Morgan LLP, an entity of which David and Joanne Furby are two of the three partners. The maximum amount outstanding during the year was £155,348 (2015: £147,932) and the balance outstanding at year end was £nil (2015: £100,921). The group did not make any purchases from Isabella Morgan LLP during the year (2015: £nil).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £12,000 (2015: £nil).

During the year the group transferred ownership of a vehicle under a finance lease agreement to DRM Furby. At the time of the transaction the carrying value of the vehicle was £52,248 and released the group from a finance lease obligation of £48,228. The loss on disposal of the asset was £2,470.

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2016 £000	2015 £000	2016 £000	2015 £000
Key management personnel of the company or its Parent	2	1	17	3
	<u>2</u>	<u>1</u>	<u>17</u>	<u>3</u>
	Receivables outstanding 2016 £000	2015 £000	Creditors outstanding 2016 £000	2015 £000
Key management personnel of the company or its Parent	-	433	-	-
Other related parties	-	101	-	-
	<u>-</u>	<u>534</u>	<u>-</u>	<u>-</u>

Novatech Holdings Limited has no related party transactions.

Notes (continued)

26 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2016 and the comparative information presented in these financial statements for the year ended 30 April 2015.

Group

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

			1 May 2014 Effect of transition to FRS			30 April 2015 Effect of transition to FRS	
	Note	UK GAAP £	102 £	FRS 102 £	UK GAAP £	102 £	FRS 102 £
Fixed assets							
Tangible fixed assets		4,165,545	-	4,165,545	4,321,400	-	4,321,400
		<u>4,165,545</u>	<u>-</u>	<u>4,165,545</u>	<u>4,321,400</u>	<u>-</u>	<u>4,321,400</u>
Current assets							
Stocks		2,414,600	-	2,414,600	2,496,166	-	2,496,166
Debtors	a	2,727,387	1,945	2,729,332	2,762,137	10,284	2,772,421
Cash at bank and in hand		1,693,941	-	1,693,941	1,205,041	-	1,205,041
		<u>6,835,928</u>	<u>1,945</u>	<u>6,837,873</u>	<u>6,463,344</u>	<u>10,284</u>	<u>6,473,628</u>
Creditors: amounts due within one year	b	(6,953,067)	(23,158)	(6,976,225)	(5,893,575)	(18,790)	(5,912,365)
		<u>(117,139)</u>	<u>(21,213)</u>	<u>(138,352)</u>	<u>569,769</u>	<u>(8,506)</u>	<u>561,263</u>
Net current assets / (liabilities)							
Creditors: amounts falling due after more than one year		(393,028)	-	(393,028)	(1,176,642)	-	(1,176,642)
		<u>(309,345)</u>	<u>(55,471)</u>	<u>(364,816)</u>	<u>(64,642)</u>	<u>(85,719)</u>	<u>(150,361)</u>
Provisions for liabilities	c						
Deferred tax liability							
		<u>3,346,033</u>	<u>(76,684)</u>	<u>3,269,349</u>	<u>3,649,885</u>	<u>(94,225)</u>	<u>3,555,660</u>
Net assets							
Capital and reserves							
Called up share capital		535,503	-	535,503	535,503	-	535,503
Other reserves		165,485	-	165,485	165,485	-	165,485
Revaluation reserve		428,054	-	428,054	611,754	-	611,754
Cash flow hedging reserve	d	-	(15,275)	(15,275)	-	(10,908)	(10,908)
Profit and loss account		2,216,991	(61,409)	2,155,582	2,337,143	(83,317)	2,253,826
		<u>3,346,033</u>	<u>(76,684)</u>	<u>3,269,349</u>	<u>3,649,885</u>	<u>(94,225)</u>	<u>3,555,660</u>
Shareholders' equity							
		<u>3,346,033</u>	<u>(76,684)</u>	<u>3,269,349</u>	<u>3,649,885</u>	<u>(94,225)</u>	<u>3,555,660</u>

Notes (continued)

Explanation of transition to FRS 102 from old UK GAAP (continued)

Notes to the reconciliation of equity

a) Adjustment contains two elements;

- Leasing costs – under FRS102 accounted for on a straight line basis over the length of the lease resulting in a prepayment of £8,516 at 30th April 2015 and £1,945 at 1st May 2014
- Interest payable – under FRS102 accounted for on an amortised cost basis over the length of the loan resulting in a prepayment of £1,768 at 30th April 2015 and £Nil at 1st May 2014.

b) Adjustment contains two elements;

- Holiday pay – The liability due to untaken staff holiday at balance sheet date was £7,882 at 30th April 2015 and £7,882 at 1st May 2014.

- Cash Flow Hedge Liability – The liability due to the fair value changes in cash flow hedges as per note was £10,908 at 30th April 2015 and £15,276 at 1st May 2014.

- c) Deferred tax liability – Due to the effects of the transition to FRS102 the deferred tax liability increased £55,471 in 2014 and a further £30,248 in 2015.

- d) Cash Flow Hedge Liability – The liability due to the fair value changes in cash flow hedges as per note was £10,908 at 30th April 2015 and £15,275 at 1st May 2014.

Notes (continued)

Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of profit for the year ended 30 April 2015

	Note	UK GAAP £	2015 Effect of transition to FRS 102 £	FRS 102 £
Turnover		36,757,059	-	36,757,059
Cost of sales		(30,726,476)	-	(30,726,476)
Gross profit		6,030,583	-	6,030,583
Administrative expenses	a	(5,903,248)	6,572	(5,896,676)
Other operating income		58,984	-	58,984
Operating profit		186,319	6,572	192,891
Interest payable and similar charges	b	(44,609)	1,768	(42,841)
Profit on ordinary activities before taxation		141,710	8,340	150,050
Tax on profit on ordinary activities	c	-	(2,946)	(2,946)
Profit for the year		141,710	5,394	147,104

Notes to the reconciliation of profit

- a) Leasing costs – under FRS102 accounted for on a straight line basis over the length of the lease resulting in a change of £6,572 for the year's leasing costs.
- b) Interest payable – under FRS102 accounted for on an amortised cost basis over the length of the loan resulting in a change of £1,768 for the year's interest payable charge.
- c) Tax on profit on ordinary activities – Due to the effects of the transition to FRS102 the tax charge on profit on ordinary activities increased to £2,946 for the year.

Novatech Holdings Limited had no adjustments resulting from the transition from UK GAAP to FRS102.