

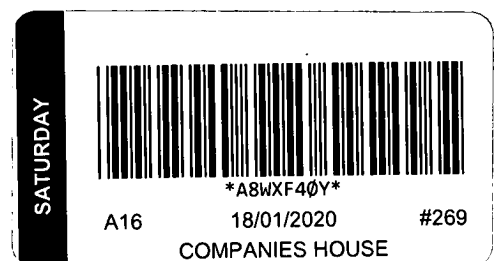
Novatech Holdings Limited

Annual Report and Financial Statements

Year Ended

30 April 2019

Company Number 07033534



Novatech Holdings Limited

Contents

	Page
Company Information	
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9 - 10
Company Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12 - 13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16 - 32

Company Information

Directors	A Puttock D R M Furby J Furby J P Wilson
Registered number	07033534
Registered office	Harbour House Hamilton Road Cosham Hampshire PO6 4PU
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Novatech Holdings Limited

Group Strategic Report For the Year Ended 30 April 2019

Business review and future developments

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, laptops and components in the B2C market.

We have also gained significant traction offering enhanced fulfilment services for a range of IT products. By leveraging the features of our in house developed sales system, we have been able deliver true value to rapidly growing businesses. Where support teams have needed assistance in onboarding large number of new staff short time scales, we have been able to devise initiative solutions. Using an in house developed api to directly connect to customers' systems and offering a host of configuration and deliver to desk services we have been able to reduce their costs and increase their efficiency.

The Directors are disappointed to report a decrease in both revenue and profits this year. Whilst sales in our B2B markets held up well, our consumer sales, and in particular component sales, have declined. In our opinion this has been largely down to increased price competition and the uncertainty around Brexit causing a lack of consumer confidence.

However, we remain confident we have can grow our significant potential to grow our high end gaming PC market and are already seeing positive results from our increased efforts from the beginning of 2019.

We continue to invest in our website to provide more content and become a better research tool with much improved finance options for our customers. We continue to monitor the satisfaction of our website customers using an independent feedback provider. We now have over 12,000 reviews with and our satisfaction level has increased from 92% to 95%.

The Directors see the Group's key strengths as having focused strategy, an effective Management Team and skilled, loyal staff to deliver it.

Financial 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.

	2019 £	2018 £
Turnover	26,848,020	32,110,392
Gross Profit	4,448,194	4,525,025

The gross profit percentage for the year was 16.6% (2018 - 14.1%).

Novatech Holdings Limited

Group Strategic Report (continued) For the Year Ended 30 April 2019

Financial risk management

The group'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 group, 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 group's finance department.

Foreign exchange risk

The main financial risk to which the group 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 group 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 group has no exposure to equity securities price risk as it holds no other equity investments.

Credit risk

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

Interest rate cash flow risk

The group hold no interest bearing assets or trade liabilities. The loan from the group's bankers is subject to interest at Barclays Base Rate plus a margin of 1.95% per annum.

Technological changes

With the constant development of technological solutions the company is open to the risk of obsolescence of stock holdings. To mitigate this risk, stock is reviewed on a continuous basis and stock levels held at levels in-line with customer demand.

This report was approved by the board and signed on its behalf.



D R M Furby
Director

Date: 6 January 2020

Novatech Holdings Limited

Directors' Report For the Year Ended 30 April 2019

The directors present their report and the financial statements for the year ended 30 April 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 group and company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Principal activities

The principle activity of the company during the year continued to be that of a holding company.

The Group conducts its trading operations through its wholly owned subsidiary company, Novatech Limited.

The principal activity of Novatech Limited 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 store.

Results and dividends

The profit for the year, after taxation, amounted to £245,291 (2018 - £334,405).

Directors

The directors who served during the year were:

A Puttock
D R M Furby
J Furby
J P Wilson

Novatech Holdings Limited

Directors' Report (continued) For the Year Ended 30 April 2019

Research and development activities

The Group 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 £45,027 (2018 - £277,219).

Matters covered in the strategic report

The review of principal risks and uncertainties and future developments are set out in the Strategic Report on pages 1 and 2.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

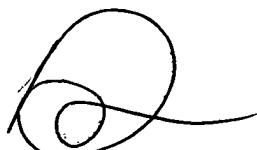
Post balance sheet events

During 2019 the board thoroughly considered our banking options with the renewal of our existing banking facilities due in December 2019. As a result we have signed and agreed to new banking facilities with Santander on a new £1m loan and £1.25m overdraft and these will be reflected in the balance sheet next year. These facilities provide us with the additional flexibility in our working capital to enable the organic growth we have planned for 2020 and beyond.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



D R M Furby
Director

Date: 6 January 2020

Novatech Holdings Limited

Independent Auditor's Report to the Members of Novatech Holdings Limited

Opinion

We have audited the financial statements of Novatech Holdings Limited ("the Parent Company") and its subsidiary ("the Group") for the year ended 30 April 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Statement of Cash Flows, and the 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:

- 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 30 April 2019 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 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.

Novatech Holdings Limited

Independent Auditor's Report to the Members of Novatech Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 and 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.

Novatech Holdings Limited

Independent Auditor's Report to the Members of Novatech Holdings Limited (continued)

Responsibilities of directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David I'Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: ¹⁷~~08~~ January 2020

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

Novatech Holdings Limited

Consolidated Statement of Comprehensive Income For the Year Ended 30 April 2019

	Note	2019 £	2018 £
Turnover	4	26,886,387	32,110,392
Cost of sales		(22,399,826)	(27,585,367)
Gross profit		4,486,561	4,525,025
Administrative expenses		(4,327,565)	(4,168,275)
Other operating income	5	39,760	46,614
Operating profit	6	198,756	403,364
Interest receivable and similar income		465	610
Interest payable and expenses	10	(41,039)	(48,538)
Profit before taxation		158,182	355,436
Tax on profit	11	87,109	(21,031)
Profit for the financial year		245,291	334,405
Unrealised surplus on revaluation of tangible fixed assets		-	448,801
Unrealised surplus/(deficit) on revaluation of intangible assets		-	(76,296)
Effective portion of changes in fair value of cash flow hedges		-	15,064
Other comprehensive income for the year		-	387,569
Total comprehensive income for the year		245,291	721,974
Profit for the year attributable to:			
Owners of the parent Company		245,291	334,405

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Registered number: 07033534

Consolidated Statement of Financial Position As at 30 April 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	3,186,236	3,231,075
Investment property	14	-	1,250,000
		<u>3,186,236</u>	<u>4,481,075</u>
Current assets			
Stocks	15	1,478,833	2,034,091
Debtors: amounts falling due within one year	16	2,662,373	2,912,377
Cash at bank and in hand		981,461	879,945
		<u>5,122,667</u>	<u>5,826,413</u>
Creditors: amounts falling due within one year	17	(4,654,637)	(5,071,079)
Net current assets		<u>468,030</u>	<u>755,334</u>
Total assets less current liabilities		<u>3,654,266</u>	<u>5,236,409</u>
Creditors: amounts falling due after more than one year	18	(70,570)	(1,354,377)
Deferred taxation	21	(100,982)	(236,514)
Net assets		<u><u>3,482,714</u></u>	<u><u>3,645,518</u></u>

Novatech Holdings Limited

Registered number: 07033534

Consolidated Statement of Financial Position (continued) As at 30 April 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	22	535,501	535,501
Revaluation reserve	22	924,739	946,351
Capital redemption reserve	22	165,485	165,485
Other reserves		5,978	5,978
Profit and loss account	22	1,851,011	1,992,203
		<u>3,482,714</u>	<u>3,645,518</u>

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of Comprehensive Income in these financial statements. The profit of the company for the year was £408,095 (2018: 325,078).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D R M Furby
Director

Date: 6 January 2020

The notes on pages 16 to 32 form part of these financial statements.

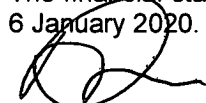
Novatech Holdings Limited

Registered number: 07033534

Company Statement of Financial Position As at 30 April 2019

	Note	2019 £	2018 £
Fixed assets			
Fixed asset investments		535,500	535,500
Current assets			
Debtors: amounts falling due within one year	16	63,296	28,620
Cash at bank and in hand		1	1
		<u>63,297</u>	<u>28,621</u>
Creditors: amounts falling due within one year	17	(62,296)	(27,620)
Net current assets		<u>1,001</u>	<u>1,001</u>
Net assets		<u><u>536,501</u></u>	<u><u>536,501</u></u>
Capital and reserves			
Called up share capital	22	535,501	535,501
Capital redemption reserve	22	1,000	1,000
		<u><u>536,501</u></u>	<u><u>536,501</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 January 2020.



D R M Furby
Director

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Changes in Equity For the Year Ended 30 April 2019

	Called up share capital £	Capital redemption reserve £	Revaluatio n reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 May 2018	535,501	165,485	946,351	5,978	1,992,203	3,645,518
Comprehensive income for the year						
Profit for the year	-	-	-	-	245,291	245,291
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	245,291	245,291
Dividends: Equity capital	-	-	-	-	(408,095)	(408,095)
Transfer to/from profit and loss account	-	-	(21,612)	-	21,612	-
Total transactions with owners	-	-	(21,612)	-	(386,483)	(408,095)
At 30 April 2019	535,501	165,485	924,739	5,978	1,851,011	3,482,714

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Changes in Equity For the Year Ended 30 April 2018

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 May 2017	535,501	165,485	588,082	(9,086)	1,968,640	3,248,622
Profit for the year	-	-	-	-	334,405	334,405
Revaluation of fixed property	-	-	448,801	-	-	448,801
Deferred tax on revaluation	-	-	(76,296)	-	-	(76,296)
Other comprehensive income	-	-	-	15,064	-	15,064
Total comprehensive income for the year	-	-	372,505	15,064	334,405	721,974
Dividends: Equity capital	-	-	-	-	(325,078)	(325,078)
Transfer to/from profit and loss account	-	-	(14,236)	-	14,236	-
Total transactions with owners	-	-	(14,236)	-	(310,842)	(325,078)
At 30 April 2018	535,501	165,485	946,351	5,978	1,992,203	3,645,518

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Company Statement of Changes in Equity For the Year Ended 30 April 2019

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 May 2017	535,501	1,000	-	536,501
Profit for the year	-	-	325,078	325,078
Total comprehensive income for the year	-	-	325,078	325,078
Dividends: Equity capital	-	-	(325,078)	(325,078)
Total transactions with owners	-	-	(325,078)	(325,078)
At 1 May 2018	535,501	1,000	-	536,501
Profit for the year	-	-	408,095	408,095
Total comprehensive income for the year	-	-	408,095	408,095
Dividends: Equity capital	-	-	(408,095)	(408,095)
Total transactions with owners	-	-	(408,095)	(408,095)
At 30 April 2019	535,501	1,000	-	536,501

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Cash Flows For the Year Ended 30 April 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	206,924	334,405
Adjustments for:		
Depreciation of tangible assets	118,679	152,138
Loss on disposal of tangible assets	(51,215)	-
Interest paid	41,039	48,538
Interest received	(465)	(610)
Taxation charge	(87,109)	21,031
Decrease in stocks	604,130	1,285,850
Decrease/(increase) in debtors	182,304	(729,973)
(Decrease)/increase in creditors	(394,472)	281,387
(Decrease) in provisions	(430,403)	(262,387)
Corporation tax received/(paid)	-	(551)
Foreign exchange	-	(6,923)
Net cash generated from operating activities	189,412	1,122,905
Cash flows from investing activities		
Purchase of tangible fixed assets	(83,778)	(172,048)
Sale of tangible fixed assets	11,155	-
Sale of investment properties	1,300,000	-
Interest received	465	610
Net cash from investing activities	1,227,842	(171,438)
Cash flows from financing activities		
Repayment of loans	(901,279)	(188,487)
Dividends paid	(373,420)	(297,457)
Interest paid	(41,039)	(48,538)
Net cash used in financing activities	(1,315,738)	(534,482)
Net increase in cash and cash equivalents	101,516	416,985
Cash and cash equivalents at beginning of year	879,945	456,037
Foreign exchange gains and losses	-	6,923
Cash and cash equivalents at the end of year	981,461	879,945
Cash at bank and in hand	981,461	879,945

The notes on pages 16 to 32 form part of these financial statements.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

1. General information

Novatech Holdings Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office and registered number is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 judgment in applying the Group's accounting policies (see note 3).

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been published as the reconciliation for the group and parent company would be the same.
- 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

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue comprises of sales of goods and services excluding value added tax. Revenue from sales of goods is recognised at the point of sale upon delivery to the customer dependent on contract terms 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 properties and is recognised on a straight line basis over the life of the agreements.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model, 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as follows:

Depreciation is provided on the following basis:

Freehold property	-	2% Straight line
Plant and machinery	-	20% Straight line
Motor vehicles	-	20% Reducing balance
Fixtures and fittings	-	20% Straight line
Computer equipment	-	20% Straight line
Other fixed assets	-	20% Straight line

2.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.6 Investment property

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

Investment property is carried at fair value determined annually by 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 the Consolidated Statement of Comprehensive Income.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock 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.

2.8 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.10 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

2. Accounting policies (continued)

2.12 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. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

2.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Research and development costs

Expenditure on pure and applied research is recognised in the Statement of Comprehensive Income in the year in which it is incurred.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Determine whether there are indicators of impairment of the tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles are taken into account.

- Tangible fixed asset valuation

Fixed assets are revalued on a periodic basis and tested annually for indications of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. Performance of the asset, market reviews and external reviews, where necessary, are all taken into account when reviewing fixed asset valuation.

- Stock provisions

The group reviews its finished goods stock on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimates of future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the group operates.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	Restated 2018 £
Sale of goods	26,007,380	31,070,170
Sale of services	879,007	1,040,222
	<u>26,886,387</u>	<u>32,110,392</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	26,670,158	31,676,236
Rest of Europe	216,229	434,156
	<u>26,886,387</u>	<u>32,110,392</u>

5. Other operating income

	2019 £	2018 £
Net rents receivable	<u>39,760</u>	<u>46,614</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Research & development charged as an expense	45,027	277,219
Depreciation of tangible fixed assets	126,532	152,138
Exchange differences	(8,337)	(122,710)
Other operating lease rentals	53,927	46,306
Defined contribution pension cost	<u>126,532</u>	<u>101,983</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	23,500	22,750
Tax compliance services	3,650	4,600
Assistance with preparation of financial statements	3,775	3,400
Tax advisory	10,120	-
	<u>41,045</u>	<u>30,750</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £
Wages and salaries	3,128,130	3,243,185
Social security costs	293,190	258,796
Cost of defined contribution scheme	104,374	101,983
	<u>3,525,694</u>	<u>3,603,964</u>

The average monthly number of employees employed by the group, including the directors, during the year was as follows:

	2019 No.	2018 No.
Administrations and sales	59	66
Marketing	5	5
Production and distribution	36	43
	<u>100</u>	<u>114</u>

The Company has no employees.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

9. Directors' remuneration

	2019 £	2018 £
Directors' remuneration	518,803	505,951
Company contributions to money purchase pension plans	18,336	17,622

The aggregate of remuneration of the highest paid director was £181,190 (2018 - £180,933), and company pension contributions of £5,211 (2018 - £5,070) were made to a money purchase scheme on their behalf.

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	41,039	47,564
Other interest payable	-	974
	<u>41,039</u>	<u>48,538</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	48,282	(1,929)
Adjustments in respect of previous periods	141	(1,270)
Total current tax	<u>48,423</u>	<u>(3,199)</u>
Deferred tax		
Origination and reversal of timing differences	(135,532)	22,934
Adjustments in respect of prior periods	-	1,296
Total deferred tax	<u>(135,532)</u>	<u>24,230</u>
Taxation on (loss)/profit on ordinary activities	<u>(87,109)</u>	<u>21,031</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	158,182	355,436
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	30,055	67,533
Effects of:		
Fixed asset differences	-	21,762
Expenses not deductible for tax purposes	17,173	1,852
Additional deduction for R&D expenditure	-	(68,478)
Surrender of tax losses for R&D tax credit refund	-	599
Adjustments to tax charge in respect of prior periods	141	(1,270)
Adjustments to tax charge in respect of prior periods - deferred tax	-	1,296
Chargeable gains	(149,974)	-
Change of tax rate	15,496	(2,698)
Other differences leading to an increase (decrease) in the tax charge	-	435
Total tax charge for the year	(87,109)	21,031

Factors that may affect future tax charges

The Government has announced that from 1 April 2020 the Corporation Tax main rate will be further reduced to 17%. Accordingly, deferred tax balances recognised in the accounts as at the year end have been calculated as using the 17% rate.

12. Dividends

	2019 £	2018 £
Dividends declared	408,095	325,078

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

13. Tangible fixed assets

Group

	Freehold land £	Freehold property £	Plant and machinery £	Fixtures, Fittings, Equipment, Motor vehicles £	Total £
Cost or valuation					
At 1 May 2018	750,000	2,190,000	17,243	1,126,470	4,083,713
Additions	-	-	-	83,778	83,778
Disposals	-	-	-	(9,940)	(9,940)
At 30 April 2019	750,000	2,190,000	17,243	1,200,308	4,157,551
Depreciation					
At 1 May 2018	-	-	16,232	836,406	852,638
Charge for the year	-	43,800	571	82,161	126,532
Disposals	-	-	-	(7,855)	(7,855)
At 30 April 2019	-	43,800	16,803	910,712	971,315
Net book value					
At 30 April 2019	750,000	2,146,200	440	289,596	3,186,236
At 30 April 2018	750,000	2,190,000	1,011	290,064	3,231,075

The historic cost of the freehold land and buildings is cost of £2,124,588 (2018 - £2,175,764), accumulated depreciation based on historic cost of £349,896 (2018 - £287,093), and net book value of £1,940,305 (2018 - £1,941,468).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

14. Investment property

Group

	Long term leasehold investment property £
At 1 May 2018	1,250,000
Disposals	(1,250,000)
At 30 April 2019	-

15. Stocks

	Group 2019 £	Group 2018 £
Goods in transit	70,214	28,747
Work in progress	45,959	36,995
Finished goods	1,362,660	1,968,349
	1,478,833	2,034,091

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £22,236,508 (2018 - £26,970,849). The write-down of stocks to net realisable value amounted to £Nil (2018 - £74,631).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	2,024,950	2,536,908	-	-
Amounts owed by group undertakings	-	-	62,296	27,620
Amounts owed by related parties	303,499	-	-	-
Other debtors	111,449	86,793	1,000	1,000
Prepayments and accrued income	222,475	280,769	-	-
Tax recoverable	-	1,929	-	-
Financial instruments	-	5,978	-	-
	2,662,373	2,912,377	63,296	28,620

17. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Debenture loans	551,633	193,425	-	-
Trade creditors	2,934,836	3,465,350	-	-
Corporation tax	46,496	-	-	-
Other taxation and social security	451,587	317,443	-	-
Other creditors	173,182	93,590	62,296	27,620
Accruals and deferred income	494,538	1,001,271	-	-
Financial instruments	2,365	-	-	-
	4,654,637	5,071,079	62,296	27,620

18. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £
Debenture loans	-	1,259,487
Accruals and deferred income	70,570	94,890
	70,570	1,354,377

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

19. Interest-bearing loans and borrowings

	Group 2019 £	Group 2018 £
Amounts falling due within one year		
Debenture loans	551,633	193,425
Amounts falling due 1-2 years		
Debenture loans	-	198,709
Amounts falling due 2-5 years		
Debenture loans	-	1,060,778
	<u>551,633</u>	<u>1,452,912</u>

Debenture loans are secured by a legal charge over the freehold land and property in note 13.

20. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through other comprehensive income	-	5,978	-	1
Financial assets that are debt instruments measured at amortised cost	<u>3,421,359</u>	<u>3,503,645</u>	<u>63,297</u>	<u>28,621</u>
Financial liabilities				
Financial liability measured at fair value through other comprehensive income	(2,365)	-	-	-
Financial liabilities measured at amortised cost	<u>(3,980,258)</u>	<u>(5,383,819)</u>	<u>(62,296)</u>	<u>-</u>

Financial assets measured at fair value comprise derivative financial instruments.

Financial assets that are debt instruments measured at amortised cost comprise cash at bank in hand, trade debtors, other debtors, accrued income, amount owed by related parties and amounts owed by group undertakings.

Financial liabilities measured at fair value comprise derivative financial instruments.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other creditors and debt instruments.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

21. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	236,514	135,988
Charged to profit or loss	(135,532)	24,230
Charged to other comprehensive income	-	76,296
At end of year	100,982	236,514

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Fixed asset timing differences	101,384	102,327
Short term timing differences	(402)	-
Losses and other deductions	-	134,187
	100,982	236,514

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
535,500 (2018 - 535,500) Class A Ordinary shares shares of £1.00 each	535,500	535,500
1 (2018 - 1) Class C Ordinary shares share of £1.00	1	1
	535,501	535,501

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 valuation in excess of any previous impairment losses is included in the revaluation reserve.

Cashflow 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.

Capital redemption reserve

xxx

Profit and loss account

The profit and loss account comprises cumulative profits or losses, net of dividends paid and other adjustments.

23. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £104,374 (2018 - £101,983).

There were outstanding contributions of £Nil at the year end (2018 - £Nil).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

24. Commitments under operating leases

At 30 April 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	43,428	37,373
Later than 1 year and not later than 5 years	18,064	34,942
	61,492	72,315

Leases as lessor

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

	2019 £	2018 £
Not later than 1 year	-	100,000
Later than 1 year and not later than 5 years	-	377,500
Later than 5 years	-	332,500
	-	810,000

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2019

25. Related party transactions

Identity of related parties with which the group has transacted

During the year the group made a loan to DRM Furby, a director of the company. The maximum amount outstanding during the year was £373,420 (2018 - £280,900) and the amount outstanding at the year end was £Nil (2017 - £Nil).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £601,187 (2018 - £590,652).

Other related party transactions

	Sales to 2019 £	Administrative expenses incurred from 2019 £	Sales to 2017 £	Administrative expenses incurred from 2017 £
Key management personnel of the company or its parent	255	8,612	769	20,842
Novatech Connect	252,916	-	80,124	-
	253,171	8,612	80,893	20,842

At 30 April 2019 Novatech Connect had an outstanding loan balance of £100,000 (2018 - £75,000) and an outstanding debt of £303,499 (2018 - £96,149).

The company holds 100% of the shares in Novatech Limited, a company incorporated in the UK, registration number 02605046, Hamilton Road, Cosham, Portsmouth, PO6 4PU. The cost and net book value of the shares in this group undertaking as at 30 April 2019 are £535,000 (2018 - £535,000).

26. Controlling party

Novatech Holdings Limited is under the control of Mr and Mrs D R M Furby.