

Novatech Holdings Limited

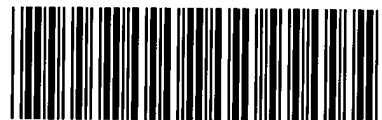
Directors' Report and Financial Statements

Year Ended

30 April 2018

Company Number 07033534

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Novatech Holdings Limited

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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 2018

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 PCs, laptops and components in the B2C market.

The directors are pleased to report an increase in both revenue and profits. This has been largely as a result of our continued focus on our special projects business, which supplies complex technical rack and server builds for the simulation and security infrastructure markets. This part of the business is now gaining significant critical mass and is largely based on projects delivered over extended periods. This has led to deferred revenue in the financial statements of £510,321 and an increase in stock of £351,070 from a single project. It is a key strategic part of our business growth plans for the coming years.

This year we have also invested heavily in our capabilities in the rapidly emerging deep learning/AI markets. We see these as having huge potential in the coming years. It is our goal to become one of the leading infrastructure providers for applications involving data that is highly sensitive.

For our smaller business customers and retail customers, we have continued to focus our attention towards our website. We also monitor the satisfaction of our website customers using the independent feedback provider, Trustpilot. We have received over 10,000 reviews and we have maintained our average approval rating of 92%.

The Directors see the Company's key strengths as having a focussed 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.

	2018 £	2017 £
Turnover	32,110,392	29,515,525
Gross Profit	4,882,271	4,635,982

As a result of the strategy explained above, the company has seen turnover rise to £32,110,392 from £29,515,255 in the prior year.

The gross profit percentage for the year was 15.2% (2017 - 15.7%).

Novatech Holdings Limited

Group Strategic Report (continued) For the Year Ended 30 April 2018

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.

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.

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 on 20TH AUGUST 2018 and signed on its behalf.

D R M Furby
Director



Novatech Holdings Limited

Directors' Report For the Year Ended 30 April 2018

The directors present their report and the financial statements for the year ended 30 April 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

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 store.

Results and dividends

The profit for the year, after taxation, amounted to £334,405 (2017 - £94,512).

After the year end an investment property was sold for £810k and the funds were used to pay down the long term loans.

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 2018

Research and development activities

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 £277,219 (2017 - £169,951).

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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

After the year end an investment property was sold for £810k and the funds were used to pay down the long term loans.

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 on 20th August 2018 and signed on its behalf.



D R M Furby
Director

Novatech Holdings Limited

Independent Auditors' Report to the Members of Novatech Holdings Limited

Opinion

We have audited the financial statements of Novatech Holdings Limited ("the parent company") and its subsidiaries ("the group") for the year ended 30 April 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of financial position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Novatech Holdings Limited

Independent Auditors' 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 Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 Directors' Report.

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

- adequate accounting records have not been kept 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 Auditors' 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 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.

BDO LLP

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

23 August 2018

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 2018

	Note	2018 £	2017 £
Turnover	4	32,110,392	29,515,255
Cost of sales		(27,585,367)	(24,946,167)
Gross profit		4,525,025	4,569,088
Administrative expenses		(4,168,275)	(4,541,987)
Other operating income	5	46,614	102,647
Operating profit	6	403,364	129,748
Interest receivable and similar income		610	74
Interest payable and expenses	10	(48,538)	(43,047)
Profit before taxation		355,436	86,775
Tax on profit	11	(21,031)	7,737
Profit for the financial year		334,405	94,512
Unrealised surplus on revaluation of tangible fixed assets		448,801	-
Unrealised (deficit)/surplus on revaluation of intangible assets		(76,296)	-
Effective portion of changes in fair value of cash flow hedges		15,064	(1,194)
Income tax on other comprehensive income		-	(124)
Other comprehensive income for the year		387,569	(1,318)
Total comprehensive income for the year		721,974	93,194
Profit for the year attributable to:			
Owners of the parent Company		334,405	94,512
		334,405	94,512

The notes on pages 15 to 30 form part of these financial statements.

Novatech Holdings Limited

Registered number: 07033534

Consolidated Statement of Financial Position As at 30 April 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	13	3,231,075	2,813,344
Investment property	14	1,250,000	1,250,000
		<u>4,481,075</u>	<u>4,063,344</u>
Current assets			
Stocks	15	2,034,091	3,319,941
Debtors: amounts falling due within one year	16	2,912,377	2,122,517
Bank and cash balances		879,945	456,038
		<u>5,826,413</u>	<u>5,898,496</u>
Creditors: amounts falling due within one year	17	(5,071,079)	(4,985,702)
Net current assets		<u>755,334</u>	<u>912,794</u>
Total assets less current liabilities		<u>5,236,409</u>	<u>4,976,138</u>
Creditors: amounts falling due after more than one year	18	(1,354,377)	(1,591,528)
Provisions for liabilities			
Deferred taxation	21	(236,514)	(135,988)
		<u>(236,514)</u>	<u>(135,988)</u>
Net assets		<u><u>3,645,518</u></u>	<u><u>3,248,622</u></u>
Capital and reserves			
Called up share capital	22	535,501	535,501
Revaluation reserve		946,351	588,082
Capital redemption reserve		165,485	165,485
Other reserves		5,978	(9,086)
Profit and loss account		1,992,203	1,968,640
		<u><u>3,645,518</u></u>	<u><u>3,248,622</u></u>

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

20th August 2018



D R M Furby

Director

The notes on pages 15 to 30 form part of these financial statements.

Novatech Holdings Limited

Registered number: 07033534

Company Statement of Financial Position As at 30 April 2018

	Note	2018 £	2017 £
Fixed assets			
Fixed asset investments		535,500	535,500
		<u>535,500</u>	<u>535,500</u>
Current assets			
Debtors: amounts falling due within one year	16	28,620	43,977
Bank and cash balances		1	1
		<u>28,621</u>	<u>43,978</u>
Creditors: amounts falling due within one year	17	(27,620)	(42,977)
Net current assets		<u>1,001</u>	<u>1,001</u>
Total assets less current liabilities		<u>536,501</u>	<u>536,501</u>
Net assets excluding pension asset		<u>536,501</u>	<u>536,501</u>
Net assets		<u>536,501</u>	<u>536,501</u>
Capital and reserves			
Called up share capital	22	535,501	535,501
Capital redemption reserve		1,000	1,000
Profit for the year		325,078	505,805
Other changes in the profit and loss account		(325,078)	(505,805)
		<u>-</u>	<u>-</u>
		<u>536,501</u>	<u>536,501</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
20th August 2018


D R M Furby
Director

The notes on pages 15 to 30 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
Comprehensive income for the year						
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
Other comprehensive income for the year	-	-	372,505	15,064	-	387,569
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 15 to 30 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Changes in Equity For the Year Ended 30 April 2017

	Called up share capital	Capital redemption reserve	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2016	535,501	165,485	599,918	(7,892)	2,368,221	3,661,233
Comprehensive income for the year						
Profit for the year	-	-	-	-	94,512	94,512
Other comprehensive income	-	-	-	(1,194)	(124)	(1,318)
Other comprehensive income for the year	-	-	-	(1,194)	(124)	(1,318)
Total comprehensive income for the year	-	-	-	(1,194)	94,388	93,194
Dividends: Equity capital	-	-	-	-	(505,805)	(505,805)
Transfer to/from profit and loss account	-	-	(11,836)	-	11,836	-
Total transactions with owners	-	-	(11,836)	-	(493,969)	(505,805)
At 30 April 2017	535,501	165,485	588,082	(9,086)	1,968,640	3,248,622

The notes on pages 15 to 30 form part of these financial statements.

Novatech Holdings Limited

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

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 May 2016	535,501	1,000	-	536,501
Comprehensive income for the year				
Profit for the year	-	-	505,805	505,805
Total comprehensive income for the year	-	-	505,805	505,805
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(505,805)	(505,805)
Total transactions with owners	-	-	(505,805)	(505,805)
At 1 May 2017	535,501	1,000	-	536,501
Comprehensive income for the year				
Profit for the year	-	-	325,078	325,078
Total comprehensive income for the year	-	-	325,078	325,078
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(325,078)	(325,078)
Total transactions with owners	-	-	(325,078)	(325,078)
At 30 April 2018	535,501	1,000	-	536,501

The notes on pages 15 to 30 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Cash Flows For the Year Ended 30 April 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	334,405	94,512
Adjustments for:		
Depreciation of tangible assets	152,138	148,545
Interest paid	48,538	43,047
Interest received	(610)	(74)
Taxation charge	21,031	(7,737)
Decrease/(increase) in stocks	1,285,850	(757,308)
(Increase) in debtors	(729,973)	(353,252)
Increase/(decrease) in creditors	281,387	(531,268)
(Decrease)/increase in provisions	(262,387)	342,688
Corporation tax (paid)	(551)	(63,315)
Foreign exchange	(6,923)	(10,057)
Net cash generated from operating activities	1,122,905	(1,094,219)
Cash flows from investing activities		
Purchase of tangible fixed assets	(172,048)	(58,141)
Interest received	610	74
Net cash from investing activities	(171,438)	(58,067)
Cash flows from financing activities		
Repayment of loans	(188,487)	(185,381)
Dividends paid	(297,457)	(462,829)
Interest paid	(48,538)	(43,047)
Net cash used in financing activities	(534,482)	(691,257)
Net increase/(decrease) in cash and cash equivalents	416,985	(1,843,543)
Cash and cash equivalents at beginning of year	456,037	2,289,523
Foreign exchange gains and losses	6,923	10,058
Cash and cash equivalents at the end of year	879,945	456,038
Cash and cash equivalents at the end of year comprise:		
Bank and cash balances	879,945	456,038
	879,945	456,038

The notes on pages 15 to 30 form part of these financial statements.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

1. General information

Novatech Holdings Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office 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).

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 following principal accounting policies have been applied:

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.

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.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method or reducing balance method.

Depreciation is provided on the following basis:

Freehold buildings	-	2% Straight line
Freehold buildings improvements	-	4% 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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

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 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 2018

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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

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 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.

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 2018

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 and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other sources of estimation uncertainty

- Tangible fixed assets (see note 13)

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 and maintenance programmes 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.

When valuing investment properties judgement is required when using the rental yield valuation method. External sources are used for the rental yield calculations and the properties are impaired if current market valuations reduce below carrying value.

- Stock provisions (see note 15)

The company 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 company operates.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

4. Turnover

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

	2018 £	2017 £
Sale of goods	31,386,370	28,618,653
Sale of services	724,022	896,602
	<u>32,110,392</u>	<u>29,515,255</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	31,676,236	29,085,297
Rest of Europe	434,156	429,958
	<u>32,110,392</u>	<u>29,515,255</u>

5. Other operating income

	2018 £	2017 £
Net rents receivable	46,614	102,647
	<u>46,614</u>	<u>102,647</u>

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	277,219	169,951
Depreciation of tangible fixed assets	152,138	148,543
Exchange differences	(122,710)	(222,479)
Other operating lease rentals	46,306	50,723
Defined contribution pension cost	101,983	107,995

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

7. Auditors' remuneration

Fees payable to the Group's auditor and its associates in respect of:

Audit of the financial statements	22,750	20,500
Taxation compliance services	4,600	4,600
Assistance with preparation of financial statements	3,400	-
	<u>22,750</u>	<u>20,500</u>

8. Employees

Staff costs were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	3,243,185	3,428,314	-	-
Social security costs	258,796	273,637	-	-
Cost of defined contribution scheme	101,983	107,995	-	-
	<u>3,603,964</u>	<u>3,809,946</u>	<u>-</u>	<u>-</u>

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

	2018 No.	2017 No.
Administrations and sales	66	81
Marketing	5	6
Production and distribution	43	54
	<u>114</u>	<u>141</u>

9. Directors' remuneration

	2018 £	2017 £
Directors' remuneration	509,951	595,164
Company contributions to money purchase pension plans	17,622	19,924
	<u>509,951</u>	<u>595,164</u>

The aggregate of remuneration of the highest paid director was £202,335 (2017 - £211,038), and company pension contributions of £5,070 (2017 - £5,070) were made to a money purchase scheme on their behalf.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	47,564	43,047
Other interest payable	974	-
	<u>48,538</u>	<u>43,047</u>

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	(1,929)	(7,900)
Adjustments in respect of previous periods	(1,270)	9,721
	<u>(3,199)</u>	<u>1,821</u>
Total current tax	<u>(3,199)</u>	<u>1,821</u>
Deferred tax		
Origination and reversal of timing differences	22,934	6,116
Changes to tax rates	-	(7,632)
Adjustments in respect of prior periods	1,296	(8,042)
	<u>24,230</u>	<u>(9,558)</u>
Total deferred tax	<u>24,230</u>	<u>(9,558)</u>
Taxation on profit/(loss) on ordinary activities	<u>21,031</u>	<u>(7,737)</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.92%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	355,436	86,775
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.92%)	67,533	17,284
Effects of:		
Fixed asset differences	21,762	25,319
Expenses not deductible for tax purposes	1,852	2,508
Additional deduction for R&D expenditure	(68,478)	(48,850)
Surrender of tax losses for R&D tax credit refund	599	2,952
Adjustments to tax charge in respect of prior periods	(1,270)	9,721
Adjustments to tax charge in respect of prior periods - deferred tax	1,296	(8,042)
Deferred tax (charged)/credited directly to equity	-	(124)
Change of tax rate	(2,698)	(8,941)
Other differences leading to an increase (decrease) in the tax charge	435	436
Total tax charge for the year	21,031	(7,737)

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

	2018 £	2017 £
Dividends declared	325,078	505,805
	325,078	505,805

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

13. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 May 2017	1,934,517	750,000	17,243	1,079,686	3,781,446
Additions	25,694	-	-	146,354	172,048
Disposals	-	-	-	(99,570)	(99,570)
Revaluations	229,789	-	-	-	229,789
At 30 April 2018	2,190,000	750,000	17,243	1,126,470	4,083,713
Depreciation					
At 1 May 2017	179,808	-	15,187	773,107	968,102
Charge for the year on owned assets	39,204	-	1,045	111,889	152,138
Disposals	-	-	-	(48,590)	(48,590)
On revalued assets	(219,012)	-	-	-	(219,012)
At 30 April 2018	-	-	16,232	836,406	852,638
Net book value					
At 30 April 2018	2,190,000	750,000	1,011	290,064	3,231,075
At 30 April 2017	1,754,709	750,000	2,056	306,579	2,813,344

In April 2018, the freehold land and buildings were valued at fair value by Vail Williams (Chartered Surveyors). The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

The historic cost of the freehold land and buildings is cost of £2,228,561 (2017: £2,202,867), accumulated depreciation based on historic cost of £287,093 (2017: £224,291), and net book value of £1,941,468 (£2,018,845).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

14. Investment property

Group

	Long term leasehold investment property £
Valuation	
At 1 May 2017	1,250,000
At 30 April 2018	1,250,000

The 2018 valuations were made by Vail Williams and Alder King, on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £	2017 £
Historic cost	1,295,009	1,295,009

The 2018 valuations were made by Vail Williams and Alder King, on an open market value for existing use basis.

15. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Goods in transit	28,747	846,270	-	-
Work in progress	36,995	25,258	-	-
Finished goods	1,968,349	2,448,413	-	-
	2,034,091	3,319,941	-	-

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £26,970,849 (2017 - £24,483,711). The write-down of stocks to net realisable value amounted to £74,631 (2017 - £35,220).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

16. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	2,536,908	1,612,062	-	-
Amounts owed by group undertakings	-	-	27,620	42,977
Other debtors	86,793	150,679	1,000	1,000
Prepayments and accrued income	280,769	359,776	-	-
Tax recoverable	1,929	-	-	-
Financial instruments	5,978	-	-	-
	<u>2,912,377</u>	<u>2,122,517</u>	<u>28,620</u>	<u>43,977</u>

17. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Debenture loans (see note 19)	193,425	192,035	-	-
Trade creditors	3,465,350	2,919,542	-	-
Corporation tax	-	1,821	-	-
Other taxation and social security	317,443	240,585	-	-
Other creditors	93,590	92,228	27,620	42,977
Accruals and deferred income	1,001,271	1,530,405	-	-
Financial instruments	-	9,086	-	-
	<u>5,071,079</u>	<u>4,985,702</u>	<u>27,620</u>	<u>42,977</u>

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Debenture loans (see note 19)	1,259,487	1,449,364	-	-
Accruals and deferred income	94,890	142,164	-	-
	<u>1,354,377</u>	<u>1,591,528</u>	<u>-</u>	<u>-</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

19. Interest-bearing loans and borrowings

Novatech Holdings Limited had no outstanding loans and borrowings.

	Group 2018 £	Group 2017 £
Amounts falling due within one year		
Debenture loans	193,425	192,035
Amounts falling due 1-2 years		
Debenture loans	198,709	196,843
Amounts falling due 2-5 years		
Debenture loans	1,060,778	1,252,521
	<u>1,452,912</u>	<u>1,641,399</u>

Debenture loans are secured by a legal charge over the fixed property and investment property in note 13 and 14.

20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
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>3,503,645</u>	<u>2,219,778</u>	<u>28,621</u>	<u>43,977</u>
Financial liabilities				
Financial liability measured at fair value through other comprehensive income	-	(9,086)	-	-
Financial liabilities measured at amortised cost	<u>(5,383,819)</u>	<u>(5,340,158)</u>	<u>-</u>	<u>42,976</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 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, debt instruments.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

21. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	135,988	145,422
Charged to profit or loss	24,230	(9,434)
Charged to other comprehensive income	76,296	-
At end of year	236,514	135,988

At end of year

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Fixed asset timing differences	102,327	80,864
Short term timing differences	-	(2,767)
Losses and other deductions	134,187	57,891
	236,514	135,988

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
535,500 Class A Ordinary shares shares of £1 each	535,500	535,500
1 Class C Ordinary shares share of £1	1	1
	535,501	535,501

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

22. Share capital (continued)

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.

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 £101,983 (2017 - £107,995).

There were outstanding contributions of £Nil at the year end (2017 - £17,188).

24. Commitments under operating leases

At 30 April 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	37,373	29,292
Later than 1 year and not later than 5 years	34,942	7,428
	72,315	36,720

Leases as lessor

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

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 30 April 2018

	2018 £	2017 £
Not later than 1 year	100,000	30,000
Later than 1 year and not later than 5 years	377,500	120,000
Later than 5 years	332,500	7,500
	810,000	157,500

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, the maximum amount outstanding during the year was £280,900 (2017 - £452,828) and the amount outstanding at the year end was £Nil (2017 - £Nil).

During the year, DRM Furby acquired a vehicle from the business with a NBV of £50,980, this went through the Director's Loan account.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £527,572 (2017 - £615,088).

Other related party transactions

	Sales to 2018 £	Administrative expenses incurred from 2018 £	Sales to 2017 £	Administrative expenses incurred from 2017 £
Key management personnel of the company or its parent	769	20,842	625	11,949
Novatech Connect	80,124	-	-	-
	80,893	20,842	625	11,949

At 30 April 2018 Novatech Connect had an outstanding debt of £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 2018 are £535,000 (2017: £535,000).

26. Post balance sheet events

After the year end an investment property was sold for £810k and the funds were used to pay down the long term loans.

27. Controlling party

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