

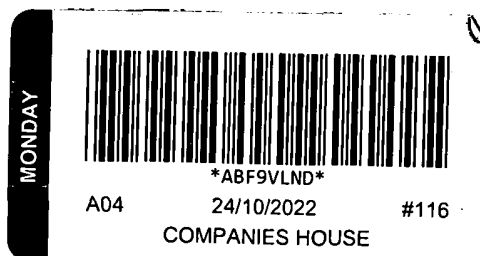
Novatech Holdings Limited

Annual Report and Financial Statements

Year Ended

31 May 2022

Company Number 07033534



Novatech Holdings Limited

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Company Information

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

Novatech Holdings Limited

Group Strategic Report For the Year Ended 31 May 2022

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2022.

Business review and future developments

During the year the directors continued to pursue a strategy focusing on our core strengths of engineered IT solutions and remote IT device logistics for our B2B markets and high end gaming PC's, laptops and components in the B2C market.

Since the pandemic home working has become widely accepted by many organisations. Novatech has developed and deployed our highly automated Direct 2 Desk platform to provide IT device logistics for remote workers for large organisations. We have had significant success in this area and it is becoming an increasingly important sector for us. We will continue to focus our marketing efforts on it as we believe we have further opportunity for substantial growth.

Since February of 2022, the war in Ukraine and the resulting cost of living crisis has had a significant impact on our consumer sales of gaming PCs and components, resulting in the slight reduction in our overall turnover this year. We understand this has also effected our competitors.

However, the drop in consumer sales has been largely offset by the increase in our B2B sales. Therefore, we have decided in 22/23 we will be focusing much more on growing our B2B business.

During the year our administration costs increased in line with previous sales levels but we have taken measures post year end to reduce our administration costs in line with current sales levels and to shape the business to support our growth in B2B Sales.

During the year stock availability improved so accordingly we reduced our stock levels in line with what was required. This had a corresponding effect on our creditor and cash positions compared to last year. Cash remains healthy and we have additional undrawn facilities of £1.25m available if required.

We continue to monitor the satisfaction of our website customers using an independent feedback provider. We now have over 20,000 reviews and our customer satisfaction level has increased from 94% (2021) to 96% (2022).

The directors see the group's key strengths as having a focussed strategy, an effective management team and skilled, loyal staff to deliver it.

Financial key performance indicators

The key performance indicators in the business are reported to management on a weekly and monthly basis.

Extracts from the year are shown below:

	Year ended 31 May 2022	Year ended 31 May 2021
	£	£
Turnover	37,967,305	39,543,595
Gross Profit	6,906,816	7,269,085

The gross profit percentage for the year was 18.2% (year ended 31 May 2021 - 18.4%)

Novatech Holdings Limited

Group Strategic Report (continued) For the Year Ended 31 May 2022

Principal risks and uncertainties

Consumer Confidence

Our consumer sales are directly affected by the general consumer confidence in the UK. We review the current situation on an ongoing basis and look to react accordingly where there is a consistent pattern. We continue to monitor all our costs to ensure we can respond to any longer term downturns, accordingly, if required.

Stock shortages

With rapid changes in technology commonplace, there is a risk that there can be shortages of a number of our key products through any number of reasons, including manufacturer issues, product launch delays, misjudged channel demand or natural disasters. We mitigate this risk by sourcing our products from a large variety of suppliers in a variety of global locations to ensure continuation of supply wherever possible.

Technology Changes

We are primarily an IT hardware provider and we are open to changes in technology and the consumer demand for IT hardware. This could result in a move in the technology solutions customers are looking for that we may not currently offer. To mitigate this risk we constantly review both our own product offering, the alternatives on the market and any up and coming technologies so that we are at the forefront of offering the best, most up to date, solutions to our customers.

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 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 group in order to ensure funds are available for settlement of liabilities due.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, the group 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. Cash remains healthy and we have additional undrawn facilities of £1.25m available if required.

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 the bank of England base rate plus a margin of 1.94% per annum.

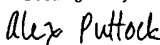
Novatech Holdings Limited

Group Strategic Report (continued) For the Year Ended 31 May 2022

Inventory obsolescence

With the constant development of technological solutions the group 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 inline with customer demand

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

DocuSigned by:

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A Puttock
Director

Date: 13 October 2022

Novatech Holdings Limited

Directors' Report For the Year Ended 31 May 2022

The directors present their report together with the audited financial statements for the year ended 31 May 2022.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 principal 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 £895,627 (year ended 31 May 2021 - £1,677,408). Ordinary dividends of £Nil (2021 - £1,011,326) were payable during the year.

Directors

The directors who served during the year and up to the date of signing the financial statements were:

A Puttock
D R M Furby
J Furby

Novatech Holdings Limited

Directors' Report (continued) For the Year Ended 31 May 2022

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 £77,374 (year ended 31 May 2021 - £20,011).

Matters covered in the strategic report

The following are set out in the strategic report: Financial risk management objectives and policies; information on exposure to price, credit, liquidity and cash flow risk; and likely future developments in the business of the group.

Disclosure of information to auditor

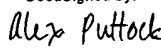
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Auditor

The auditor, 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.

DocuSigned by:

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A Puttock
Director

Date: 13 October 2022

Novatech Holdings Limited

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2022 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.

We have audited the financial statements of Novatech Holdings Limited ("the parent company") and its subsidiaries ("the Group") for the year ended 31 May 2022 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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

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

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

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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the 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.

Novatech Holdings Limited

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

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management incentives and the ability for management to override controls relating to preparation of the financial statements, and considered that the principal risks were related to the posting of inappropriate journal entries, to improve the results before tax for the period and key management estimates.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the audit team included:

- discussions with management regarding consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- identifying and testing journal entries, in particular any manual journal entries to control accounts and journals posted by senior management;
- checked that bank mandates were appropriately updated and performed walkthrough on payment process;
- tested a sample of expense claims by key management and ensured appropriately approved and valid business expense;
- checked new suppliers in the year, appropriate approvals and determined suppliers related to any of the directors;
- checked stock count procedures, attended stock count and followed up on variances, confirmed controls over access of warehouse and authorisation of stock write offs;
- reviewed key accounting estimates including stock provision and depreciation;
- checked process and controls for cash at tills and bank reconciliations; and
- review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including health and safety; and taxation regulations.

Novatech Holdings Limited

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

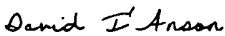
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:

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

Date: 13 October 2022

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 31 May 2022

	Note	2022 £	2021 £
Turnover	4	37,967,305	39,543,595
Cost of sales		(31,060,489)	(32,274,510)
Gross profit		6,906,816	7,269,085
Administrative expenses		(5,748,548)	(5,135,050)
Operating profit	5	1,158,268	2,134,035
Interest payable and similar expenses	9	(20,234)	(20,444)
Profit before taxation		1,138,034	2,113,591
Tax on profit	10	(242,407)	(436,183)
Profit for the financial year		895,627	1,677,408
Other comprehensive income for the year			
Unrealised surplus on revaluation of freehold property		-	1,403,318
Deferred tax on revaluation of freehold property		-	(153,966)
Other comprehensive income for the year		-	1,249,352
Total comprehensive income for the year		895,627	2,926,760
Profit for the year attributable to:			
Owners of the parent company		895,627	1,677,408
		895,627	1,677,408
Total comprehensive income for the year attributable to:			
Owners of the parent company		895,627	2,926,760
		895,627	2,926,760

The notes on pages 17 to 31 form part of these financial statements.

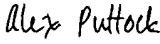
Novatech Holdings Limited

Registered number: 07033534

**Consolidated Statement of Financial Position
As at 31 May 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	4,897,825	4,478,877
Current assets			
Stocks	14	2,514,842	3,564,281
Debtors: amounts falling due within one year	15	3,387,329	2,989,668
Cash at bank and in hand		1,986,140	3,962,344
		<u>7,888,311</u>	<u>10,516,293</u>
Creditors: amounts falling due within one year	16	(5,307,139)	(8,407,843)
Net current assets		<u>2,581,172</u>	<u>2,108,450</u>
Total assets less current liabilities		<u>7,478,997</u>	<u>6,587,327</u>
Creditors: amounts falling due after more than one year	17	(916,558)	(995,311)
Provisions for liabilities			
Deferred taxation	19	(400,909)	(326,693)
Net assets		<u><u>6,161,530</u></u>	<u><u>5,265,323</u></u>
Capital and reserves			
Called up share capital	20	536,081	535,501
Revaluation reserve	21	2,060,745	2,102,801
Capital redemption reserve	21	165,485	165,485
Profit and loss account	21	3,399,219	2,461,536
Total equity		<u><u>6,161,530</u></u>	<u><u>5,265,323</u></u>

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

DocuSigned by:

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A Puttock
 Director

Date: 13 October 2022

The notes on pages 17 to 31 form part of these financial statements.

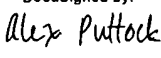
Novatech Holdings Limited

Registered number: 07033534

**Company Statement of Financial Position
As at 31 May 2022**

	Note	2022 £	2021 £
Fixed assets			
Fixed asset investments	13	535,500	535,500
Current assets			
Debtors: amounts falling due within one year	15	1,581	1,001
Net assets		537,081	536,501
Capital and reserves			
Called up share capital	20	536,081	535,501
Capital redemption reserve	21	1,000	1,000
Total equity		537,081	536,501

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

DocuSigned by:

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A Puttock
 Director

The notes on pages 17 to 31 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2022

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2021	535,501	165,485	2,102,801	2,461,536	5,265,323
Comprehensive income for the year					
Profit for the year	-	-	-	895,627	895,627
Total comprehensive income for the year	-	-	-	895,627	895,627
Shares issued during the year	580	-	-	-	580
Transfer (to)/from profit and loss account	-	-	(42,056)	42,056	-
Total transactions with owners	580	-	(42,056)	42,056	580
At 31 May 2022	536,081	165,485	2,060,745	3,399,219	6,161,530

The notes on pages 17 to 31 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Changes in Equity For the Period Ended 31 May 2021

	Called up share capital	Capital redemption reserve	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 June 2020	535,501	165,485	903,127	5,978	1,739,798	3,349,889
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,677,408	1,677,408
Revaluation of freehold property	-	-	1,403,318	-	-	1,403,318
Deferred tax on revaluation	-	-	(153,966)	-	-	(153,966)
Total comprehensive income for the year	-	-	1,249,352	-	1,677,408	2,926,760
Dividends: Equity capital	-	-	-	-	(1,011,326)	(1,011,326)
Transfer (to)/from profit and loss account	-	-	(49,678)	(5,978)	55,656	-
Total transactions with owners	-	-	(49,678)	(5,978)	(955,670)	(1,011,326)
At 31 May 2021	535,501	165,485	2,102,801	-	2,461,536	5,265,323

The notes on pages 17 to 31 form part of these financial statements.

Novatech Holdings Limited

Company Statement of Changes in Equity For the Year Ended 31 May 2022

	Called up share capital £	Capital redemption reserve £	Total equity £
At 1 June 2021	535,501	1,000	536,501
Comprehensive income for the year			
Profit for the year	-	-	-
	-	-	-
Total comprehensive income for the year			
Shares issued during the year	580	-	580
At 31 May 2022	536,081	1,000	537,081

Company Statement of Changes in Equity For the Period Ended 31 May 2021

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 June 2020	535,501	1,000	-	536,501
Comprehensive income for the year				
Profit for the year	-	-	1,011,326	1,011,326
	-	-	1,011,326	1,011,326
Total comprehensive income for the year				
Dividends: Equity capital	-	-	(1,011,326)	(1,011,326)
Total transactions with owners				
	-	-	(1,011,326)	(1,011,326)
At 31 May 2021	535,501	1,000	-	536,501

The notes on pages 17 to 31 form part of these financial statements.

Novatech Holdings Limited

Consolidated Statement of Cash Flows For the Year Ended 31 May 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	895,627	1,677,408
Adjustments for:		
Depreciation of tangible assets	149,664	132,262
Loss on disposal of tangible assets	1,800	-
Interest paid	20,234	20,444
Taxation charge	242,407	436,183
Decrease/(increase) in stocks	1,049,439	(1,242,388)
(Increase) in debtors	(494,021)	(346,269)
Decrease in amounts owed by related parties	96,360	-
(Decrease)/increase in creditors	(2,997,329)	2,079,889
Corporation tax (paid)	(300,318)	(11,663)
Net cash generated (used in)/from operating activities	(1,336,137)	2,745,866
Cash flows from investing activities		
Purchase of tangible fixed assets	(574,397)	(66,871)
Sale of tangible fixed assets	3,984	-
Net cash used in investing activities	(570,413)	(66,871)
Cash flows from financing activities		
Issue of ordinary shares	580	-
Repayment of loans	(50,000)	(50,000)
Dividends paid	-	(1,011,326)
Interest paid	(20,234)	(20,444)
Net cash used in financing activities	(69,654)	(1,081,770)
Net (decrease)/increase in cash and cash equivalents	(1,976,204)	1,597,225
Cash and cash equivalents at beginning of year	3,962,344	2,365,119
Cash and cash equivalents at the end of year	1,986,140	3,962,344
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,986,140	3,962,344
	1,986,140	3,962,344

The notes on pages 17 to 31 form part of these financial statements.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

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 judgement 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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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 Going concern

The directors have prepared detailed budgets and forecasts for the financial year ending 31 May 2024, taking into account the expected trading performance and the principal risks and uncertainties affecting the company as set out in the Strategic Report. Whilst there are considerable uncertainties in the general economy, the company has strong cash balances at 30 September 2022 and has additional undrawn bank facilities available.

After considering all of the above factors, the directors have a reasonable expectation that the company has sufficient access to adequate resources to continue in operational existence for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements. The directors therefore consider it appropriate to adopt the going concern principle in preparing the financial statements.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

2. Accounting policies (continued)

2.4 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 reporting date.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model 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

2.6 Revaluation of tangible fixed assets

Land and freehold property 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 reporting date.

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

Revaluation gains and losses are recognised in other 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 the consolidated statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

2. Accounting policies (continued)

2.8 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 the consolidated statement of comprehensive income.

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.11 Financial instruments

The group 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.

2.12 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

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.

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.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

2.17 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.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 reporting 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.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

2. Accounting policies (continued)

2.18 Current and deferred taxation (continued)

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.

2.19 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.

3. Judgements 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 31 May 2022

4. Turnover

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

	2022 £	2021 £
Sale of goods	37,420,809	38,959,108
Sale of services	546,496	584,487
	<u>37,967,305</u>	<u>39,543,595</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	37,925,514	39,420,002
Rest of Europe	41,791	123,593
	<u>37,967,305</u>	<u>39,543,595</u>

5. Operating profit

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

	2022 £	2021 £
Research & development charged as an expense	77,374	20,011
Depreciation of tangible fixed assets	150,649	132,253
Exchange differences	(63,177)	(209,973)
Other finance lease rentals	78,955	51,822
Defined contribution pension cost	123,801	130,569

6. Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	1,000	1,000
Fees payable to the company's auditor for the audit of the company's subsidiary	28,000	26,500
Tax compliance services	6,400	6,150
Assistance with preparation of financial statements and other services	22,493	4,100

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

7. Employees

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

	Group 2022 £	Group 2021 £
Wages and salaries	4,120,442	3,768,980
Social security costs	403,304	318,820
Cost of defined contribution scheme	123,801	130,569
	<u>4,647,547</u>	<u>4,218,369</u>

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

	Group 2022 No.	Group 2021 No.
Administration and sales	69	64
Marketing	8	7
Production and distribution	42	38
	<u>119</u>	<u>109</u>

The company has no employees.

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	658,485	528,819
Company contributions to money purchase pension plans	13,269	16,437
	<u>671,754</u>	<u>545,256</u>

The aggregate of remuneration of the highest paid director was £200,175 (year ended 31 May 2021 - £204,225), and company pension contributions of £5,750 (year ended 31 May 2021 - £3,943) were made to a money purchase scheme on their behalf.

9. Interest payable and similar charges

	2022 £	2021 £
Bank interest payable	<u>20,234</u>	<u>20,444</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	165,734	410,602
Adjustments in respect of previous periods	2,456	(32,131)
Total current tax	168,190	378,471
Deferred tax		
Origination and reversal of timing differences	72,168	6,767
Adjustments in respect of prior periods	2,049	11,115
Effect of tax rate change on opening balance	-	39,830
Total deferred tax	74,217	57,712
Taxation on profit on ordinary activities	242,407	436,183
Factors affecting tax charge for the year/period		

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,138,034	2,113,591
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	216,226	401,582
Effects of:		
Fixed asset differences	16,716	17,915
Expenses not deductible for tax purposes	806	398
Additional deduction for R&D expenditure	(13,165)	-
Adjustments to tax charge in respect of prior periods	2,049	(32,131)
Adjustments to tax charge in respect of prior periods - deferred tax	2,456	11,115
Remeasurement of deferred tax for changes in tax rates	17,319	74,255
Chargeable gains	-	117,015
Deferred tax on revaluation gain	-	(153,966)
Total tax charge for the year	242,407	436,183

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

10. Taxation (continued)

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the statement of financial position date has been calculated using the applicable rate when the liability is expected to be realised.

11. Dividends

	2022 £	2021 £
Dividends declared and paid	-	1,011,326

12. Tangible fixed assets

Group

	Freehold land £	Freehold property £	Plant and machinery £	Fixtures, Fittings, Computer Equipment, Motor vehicles £	Total £
Cost or valuation					
At 1 June 2021	750,000	3,658,971	17,243	1,248,474	5,674,688
Additions	-	146,588	-	427,809	574,397
Disposals	-	-	-	(69,057)	(69,057)
At 31 May 2022	750,000	3,805,559	17,243	1,607,226	6,180,028
Depreciation					
At 1 June 2021	-	133,980	17,243	1,044,588	1,195,811
Charge for the year	-	48,104	-	102,545	150,649
Disposals	-	-	-	(64,257)	(64,257)
At 31 May 2022	-	182,084	17,243	1,082,876	1,282,203
Net book value					
At 31 May 2022	750,000	3,623,475	-	524,350	4,897,825
At 31 May 2021	750,000	3,524,991	-	203,886	4,478,877

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

12. Tangible fixed assets (continued)

Subsequent to the year end on 10 August 2022, the freehold land and property 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. This resulted in no fair value adjustments.

The historic cost of the freehold land and property is cost of £2,442,034 (31 May 2021 - £2,295,446), accumulated depreciation based on historic cost is £512,071 (31 May 2021 - £463,967), and net book value of £1,929,963 (31 May 2021 - £1,831,479).

The company holds no tangible fixed assets.

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 June 2021	535,500
At 31 May 2022	<u>535,500</u>

Subsidiary undertaking

The following is a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Novatech Limited	Harbour House, Hamilton Road, Cosham, Portsmouth, Hampshire, PO6 4PU	Trading company	Ordinary	100%

14. Stocks

	Group 2022 £	Group 2021 £
Work in progress (goods to be sold)	54,666	63,117
Finished goods and goods for resale	2,460,176	3,501,164
	<u>2,514,842</u>	<u>3,564,281</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

15. Debtors: amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	2,631,380	1,966,752	-	-
Amounts owed by related parties	300,000	396,360	580	-
Other debtors	212,071	262,587	1,001	1,001
Prepayments and accrued income	243,878	363,969	-	-
	3,387,329	2,989,668	1,581	1,001

16. Creditors: amounts falling due within one year

	Group 2022 £	Group 2021 £
Bank loans	68,967	68,967
Trade creditors	3,505,362	6,166,467
Corporation tax	277,818	409,946
Other taxation and social security	621,297	848,070
Other creditors	170,767	200,205
Accruals and deferred income	662,928	714,188
	5,307,139	8,407,843

17. Creditors: amounts falling due after more than one year

	Group 2022 £	Group 2021 £
Bank loans	831,033	881,033
Accruals and deferred income	85,525	114,278
	916,558	995,311

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

18. Interest-bearing loans and borrowings

Analysis of the maturity of loans is given below:

	Group 2022 £	Group 2021 £
Amounts falling due within one year		
Bank Loans	68,967	68,967
Amounts falling due 1-2 years		
Bank loans	50,000	50,000
Amounts falling due 2-5 years		
Bank loans	781,033	831,033
	<u>900,000</u>	<u>950,000</u>

Bank loans are secured by a legal charge over all of the assets of Novatech Limited.

19. Deferred taxation

Group

	2022 £
At beginning of year	326,693
Charged to profit or loss	74,216
At end of year	<u>400,909</u>

The provision for deferred taxation is made up as follows:

	Group 2022 £	Group 2021 £
Accelerated capital allowances	246,996	172,727
Origination and reversal of timing differences	<u>153,913</u>	<u>153,966</u>

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

20. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
535,500 class A ordinary shares shares of £1	535,500	535,500
1 class C ordinary shares share of £1	1	1
1,160 (2021 - Nil) class D ordinary shares of £0.50 each	580	-
	<u>536,081</u>	<u>535,501</u>

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

Share based payment

On 11 December 2017 the company issued options over ordinary shares under an employment Management incentive scheme. The options vest when certain performance conditions are met or on exit event.

The directors do not consider the value of the EMI share option granted gives rise to a significant charge and accordingly no share based payment disclosure has been recorded within the financial statements. 1,160 shares were exercised during the year.

21. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

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.

Capital redemption reserve

The capital redemption reserve relates to Novatech Limited own shares bought back from shareholders in earlier years.

Other reserve

Other reserve comprises of 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.

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

22. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £123,801 (year ended 31 May 2021 - £130,569).

There were outstanding contributions of £Nil at the year end (year ended 31 May 2021 - £Nil).

23. Commitments under operating leases

At 31 May 2022 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £
Not later than 1 year	57,241	44,384
Later than 1 year and not later than 5 years	29,874	51,550
	<u>87,115</u>	<u>95,934</u>

24. Analysis of net debt

	At 1 June 2021 £	Cash flows £	At 31 May 2022 £
Cash at bank and in hand	3,962,344	(1,976,204)	1,986,140
Debt due after 1 year	(881,033)	50,000	(831,033)
Debt due within 1 year	(68,967)	-	(68,967)
	<u>3,012,344</u>	<u>(1,926,204)</u>	<u>1,086,140</u>

25. Related party disclosures

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 £Nil (year ended 31 May 2021 - £925,019).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the period amounted to £671,754 (year ended 31 May 2021 - £545,246).

Novatech Holdings Limited

Notes to the Financial Statements For the Year Ended 31 May 2022

26. Related party disclosures (continued)

Other related party transactions

	Sales to 31 May 2022 £	Administrative expenses incurred from 31 May 2022 £	Sales to 31 May 2021 £	Administrative expenses incurred from 31 May 2021 £
Key management personnel of the company or its parent	406	74,768	1,096	56,092
CoConnect Limited	321,673	-	373,716	-
	<u>322,079</u>	<u>74,768</u>	<u>374,812</u>	<u>56,092</u>

At 31 May 2022 CoConnect Limited had an outstanding loan balance of £300,000 (2021 - £300,000) and an outstanding debt of £Nil (2021 - £96,360).

CoConnect Limited is under the joint control of the key management personnel of the Group.

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