

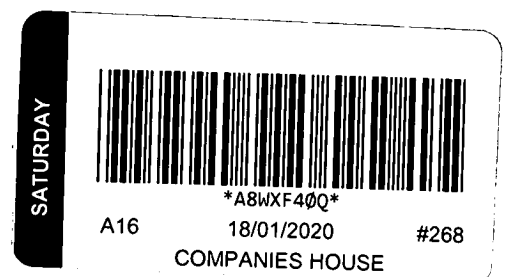
Novatech Limited

Annual Report and Financial Statements

Year Ended

30 April 2019

Company Number 02605046



Novatech Limited

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Company Information

Directors	A Puttock D R M Furby J Furby J P Wilson
Registered number	02605046
Registered office	Harbour House Hamilton Road Castle Trading Estate Cosham Hampshire PO6 4PU
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Novatech Limited

Strategic Report For the Year Ended 30 April 2019

Business review and future developments

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

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

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

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

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

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

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.

	2019 £	2018 £
Turnover	26,886,387	32,110,392
Gross Profit	4,486,561	4,882,271

The gross profit percentage for the year was 16.7% (2018 - 15.2%).

Novatech Limited

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

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.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. 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 loan from the company's bankers is subject to interest at Barclays Base Rate plus a margin of 1.95% per annum.

Technological changes

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

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



D R M Furby
Director

Date: 6 January 2020

Novatech Limited

Directors' Report For the Year Ended 30 April 2019

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal 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 £245,291 (2018 - £334,405).

Ordinary dividends of £408,095 (2018 - £325,078) were payable during the year.

Directors

The directors who served during the year were:

A Puttock
D R M Furby
J Furby
J P Wilson

Novatech Limited

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

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 £45,027 (2018 - £277,219).

Matters covered in the strategic report

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

Disclosure of information to auditors

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

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


Post balance sheet events

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

Auditors

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

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



D R M Furby
Director

Date: 6 January 2020

Novatech Limited

Independent Auditor's Report to the Member of Novatech Limited

Opinion

We have audited the financial statements of Novatech Limited ("the Company") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its 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 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 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 Limited

Independent Auditor's Report to the Member of Novatech 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 in the Annual Report and Financial Statements, other than the financial statements and our auditors report thereon, 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Novatech Limited

Independent Auditor's Report to the Member of Novatech 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 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 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

Date: 17 January 2020

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

Novatech Limited

Statement of Comprehensive Income For the Year Ended 30 April 2019

	Note	2019 £	2018 £
Turnover	4	26,886,387	32,110,392
Cost of sales		(22,399,826)	(27,228,121)
Gross profit		4,486,561	4,882,271
Administrative expenses		(4,327,565)	(4,525,521)
Other operating income	5	39,760	46,614
Operating profit	6	198,756	403,364
Interest receivable and similar income		465	610
Interest payable and expenses	10	(41,039)	(48,538)
Profit before tax		158,182	355,436
Tax on profit	11	87,109	(21,031)
Profit for the financial year		245,291	334,405
Other comprehensive income for the year			
Unrealised surplus on revaluation of tangible fixed assets		-	448,801
Deferred tax on revaluation of tangible fixed assets		-	(76,296)
Effective portion of changes in fair value of cash flow hedges		-	15,064
Other comprehensive income for the year		-	387,569
Total comprehensive income for the year		245,291	721,974


The notes on pages 11 to 26 form part of these financial statements.

Novatech Limited
Registered number: 02605046

Statement of Financial Position
As at 30 April 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	3,186,236	3,231,075
Investment property	14	-	1,250,000
		<u>3,186,236</u>	<u>4,481,075</u>
Current assets			
Stocks	15	1,478,833	2,034,091
Debtors: amounts falling due within one year	16	2,661,373	2,911,377
Cash at bank and in hand		981,460	879,944
		<u>5,121,666</u>	<u>5,825,412</u>
Creditors: amounts falling due within one year	17	<u>(4,654,637)</u>	<u>(5,071,079)</u>
Net current assets		467,029	754,333
Total assets less current liabilities		3,653,265	5,235,408
Creditors: amounts falling due after more than one year	18	(70,570)	(1,354,377)
Deferred tax	20	(100,982)	(236,514)
Net assets		3,481,713	3,644,517
Capital and reserves			
Called up share capital	22	535,500	535,500
Revaluation reserve	22	924,739	946,351
Capital redemption reserve	22	164,485	164,485
Other reserves		5,978	5,978
Profit and loss account	22	1,851,011	1,992,203
		<u>3,481,713</u>	<u>3,644,517</u>

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



D R M Furby
Director

Date: 6 January 2020

The notes on pages 11 to 26 form part of these financial statements.

Novatech Limited

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

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 May 2017	535,500	164,485	588,082	(9,086)	1,968,640	3,247,621
Profit for the year	-	-	-	-	334,405	334,405
Revaluation of fixed property	-	-	448,801	-	-	448,801
Deferred tax on revaluation	-	-	(76,296)	-	-	(76,296)
Other comprehensive income	-	-	-	15,064	-	15,064
Total comprehensive income for the year	-	-	372,505	15,064	334,405	721,974
Dividends: Equity capital	-	-	-	-	(325,078)	(325,078)
Transfer to/from profit and loss account	-	-	(14,236)	-	14,236	-
At 1 May 2018	535,500	164,485	946,351	5,978	1,992,203	3,644,517
Profit for the year	-	-	-	-	245,291	245,291
Total comprehensive income for the year	-	-	-	-	245,291	245,291
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(408,095)	(408,095)
Transfer to/from profit and loss account	-	-	(21,612)	-	21,612	-
At 30 April 2019	535,500	164,485	924,739	5,978	1,851,011	3,481,713

The notes on pages 11 to 26 form part of these financial statements.

Novatech Limited

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

1. General information

Novatech Limited is a private company limited by shares and 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.

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 management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Novatech Holdings Limited as at 30 April 2019 and these financial statements may be obtained from Harbour House, Hamilton Road, Castle Trading Estate, Cosham, Hampshire, PO6 4PU.

Novatech Limited

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

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

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

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 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 end of the reporting period.

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

Revaluation gains and losses are recognised in the 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 Statement of Comprehensive Income.

Novatech Limited

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

2. Accounting policies (continued)

2.7 Stocks

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

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

2.8 Financial instruments

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the 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 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 Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

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

Novatech Limited

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

2. Accounting policies (continued)

2.12 Operating lease

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

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 company 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 in the countries where the company operates and generates income.

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

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

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

2.15 Research and development costs

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

Novatech Limited

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

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

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

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

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.

- Stock provisions

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 Limited

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

4. Turnover

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

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

Revenue of £316,200 in the prior year was incorrectly classified. As a result an adjustment has been made to decrease revenue from sale of goods by £316,200 and increase revenue from sale of services by the same amount.

Analysis of turnover by country of destination:

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

5. Other operating income

	2019 £	2018 £
Net rents receivable	39,760	46,614

6. Operating profit

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

	2019 £	2018 £
Research & development charged as an expense	45,027	277,219
Exchange differences	(8,337)	(122,710)
Other operating lease rentals	53,927	46,306
Defined contribution pension cost	104,374	101,983
Depreciation of tangible fixed assets	126,532	152,138

Novatech Limited

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

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the company's auditor in respect of:		
Audit of the financial statements	20,700	20,000
Taxation compliance services	3,150	3,050
Assistance with preparation of financial statements	1,225	2,400
Tax advisory - R&D	10,120	-
All other services	550	-
	15,045	5,450

8. Employees

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

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

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

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

Novatech Limited

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

9. Directors' remuneration

	2019 £	2018 £
Directors' remuneration	518,803	509,951
Company contributions to money purchase pension plans	18,336	17,622
	<u>537,139</u>	<u>527,573</u>

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

10. Interest payable and similar expenses

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

11. Taxation

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

Novatech Limited

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

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2019 £	2018 £
Profit on ordinary activities before tax	<u>158,182</u>	<u>355,436</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	30,055	67,533
Effects of:		
Expenses not deductible for tax purposes	17,173	23,614
Additional deduction for R&D expenditure	-	(68,478)
Surrender of losses for R&D tax credit refund	-	599
Adjustments to tax charge in respect of prior periods	141	(1,270)
Chargeable gains	(149,974)	-
Adjustment to tax charge in respect of previous periods - deferred tax	-	1,296
Deferred tax rate change	15,496	(2,698)
Other permanent differences	-	435
Total tax charge for the year	<u>(87,109)</u>	<u>21,031</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

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

12. Dividends

	2019 £	2018 £
Dividends declared	<u>408,095</u>	<u>325,078</u>

Novatech Limited

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

13. Tangible fixed assets

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

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

Novatech Limited

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

14. Investment property

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

15. Stocks

	2019 £	2018 £
Goods in transit	70,214	379,817
Work in progress	45,959	36,995
Finished goods	1,362,660	1,617,279
	1,478,833	2,034,091

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

Novatech Limited

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

16. Debtors

	2019 £	2018 £
Trade debtors	2,024,950	2,440,759
Amounts owed by related parties	303,499	171,149
Other debtors	110,449	10,793
Prepayments and accrued income	222,475	280,769
Corporation tax recoverable	-	1,929
Financial instruments	-	5,978
	<u>2,661,373</u>	<u>2,911,377</u>

All amounts shown under debtors fall due for payment within one year.

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Debenture loans	551,633	193,425
Trade creditors	2,934,836	3,465,350
Amounts owed to group undertakings	62,296	27,621
Corporation tax	46,496	-
Other taxation and social security	451,587	317,443
Other creditors	110,886	65,969
Accruals and deferred income	494,538	1,001,271
Financial instruments	2,365	-
	<u>4,654,637</u>	<u>5,071,079</u>

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

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

Novatech Limited

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

19. Interest-bearing loans and borrowings

Analysis of the maturity of loans is given below:

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

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

20. Deferred taxation

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

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	101,384	102,327
Short term timing differences	(402)	-
Capital gains	-	134,187
	<u>100,982</u>	<u>236,514</u>

Novatech Limited

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

21. Pension commitments

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

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

22. Share capital and reserves

	2019 £	2018 £
Allotted, called up and fully paid		
535,500 (2018 - 535,500) Ordinary shares of £1.00 each	535,500	535,500

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.

Capital redemption 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.

Novatech Limited

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

23. Commitments under operating leases

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

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

Leases as lessor

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

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

Novatech Limited

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

24. Related party transactions

Identity of related parties with which the company has transacted

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

Other related party transactions

	Administrative expenses		Administrative expenses	
	Sales to 2019	incurred from 2019	Sales to 2018	incurred from 2018
	£	£	£	£
Key management personnel of the company or its parent	255	8,612	769	20,842
Novatech Connect	252,916	-	80,124	-

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

25. Controlling party

The immediate and ultimate parent company is Novatech Holdings Limited. Novatech Holdings Limited is under the control of Mr and Mrs D R M Furby. Copies of the group accounts are available from Novatech Holdings Limited, Harbour House, Hamilton Road, Castle Trading Estate, Cosham, Hampshire, PO6 4PU.