

# Novatech Limited

Annual Report and Financial Statements

Period Ended

31 May 2020

Company Number 02605046

THURSDAY



\*A9G79NAR\*

A12

22/10/2020

#247

COMPANIES HOUSE

# Novatech Limited

## Contents

---

	Page
Company Information	
Strategic Report	1 - 4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 28

## Company Information

---

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

# Novatech Limited

## Strategic Report For the Period Ended 31 May 2020

---

### Introduction

The Directors present their report and the financial statements for the 13 month ended 31 May 2020. The reporting date has changed from 30 April to 31 May resulting in these accounts being for a longer period of 13 months. The comparative amounts included in these accounts are for a 12 month period.

### 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 PC's, laptops and components in the B2C market.

During the year we invested in our marketing capabilities, which increased our administration cost but we are hopeful we will see the benefits of this in future years and we benefitted earlier than expected during the lockdown period.

When we started to see the reports of Covid-19 in China in January, our primary concern was the effect it would have on our supply chains due to the lock down in both Wuhan and wider China. At that time, we took the decision to increase our stock holding of components that we felt would go into short supply.

In late February and early March, as Covid-19 started to spread across Europe, we realised that there was a potential for a lockdown in the UK. With this in mind, we started to prepare our office based staff for remote working. We felt this would be a major challenge, as before the lockdown, we had very little remote working on a regular basis across the business. However, due to the strength, resilience and flexibility of our in-house developed integrated IT and telecoms systems we were able to send almost 50% of our workforce home on 22nd March. From then to the date of signing we have operated seamlessly and on many occasions with larger volumes of calls emails and Live Chats than normal.

Several of our business customers either shut down during lock down or worked at a much reduced level and we also had to close our retail store due to the government regulations. However, the increase in internet sales during lockdown more made up for the shortfall in the other areas. On some days we were shipping 4 times more orders than we would expect at this time of year. We were also very careful to manage this throughput and, with outstanding service from our delivery partner DPD we managed to deliver over 98% of goods on time.

We also took the decision early on that we were not going to furlough anyone. The retail staff helped in other areas including in the warehouse and helped man the call queues. Rather than furlough some of our Business Sales Team we felt it was far more important that the kept in contact with their customers during lockdown, even though we knew some of them would not be placing any orders.

Due to our global purchasing operations and flexible in-house services team, we were also able to help several essential service customers, including Portsmouth NHS where their incumbent suppliers could not.

Due to the lockdown period, the board decided to extend our financial year to May 2020 to present the most accurate position we could of our performance through lockdown and to assist with the preparation of our year end accounts.

# Novatech Limited

## Strategic Report (continued) For the Period Ended 31 May 2020

---

### Business review and future developments continued

The directors are pleased to report an increase in sales and a small increase in our profit before tax, especially after the continued investment through the year.

We acknowledge the various risks ahead in 2020 and 2021 but we have traded strongly ahead of prior year in Q1 of 20/21 and continue to look to maximise sales due to the increase awareness and attention on businesses working from home strategies and the pc gaming market. We have completed a review of our business customer base and we are confident the business sectors we operate in, will be less affected, by both the lockdown and the recession than the economy as a whole.

We continue to monitor the satisfaction of our website customers using an independent feedback provider. We now have over 15,000 reviews with and our satisfaction level has stayed above 95%.

During 2019 we signed and agreed to new banking facilities with Santander on a new £1m loan and £1.25m overdraft and these are reflected in the balance sheet in these financial statements. These were agreed in advance of the governments COVID support loans and were agreed on commercial terms. We have not had the requirement to use any of the government's COVID related support loans since these were agreed. These facilities provide us with the additional flexibility in our working capital to enable the organic growth we have planned and to provide us with considerable financial resources to ensure we can be in a suitable position through any possible downturn in the future.

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.

	<b>13 months ended 31 May 2020 £</b>	<b>12 months ended 30 April 2019 £</b>
Turnover	<b>30,705,740</b>	26,886,387
Gross Profit	<b>4,985,477</b>	4,486,561

The gross profit percentage for the period was 16.2% (2019 - 16.7%).

# Novatech Limited

## Strategic Report (continued) For the Period Ended 31 May 2020

---

### Principle 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 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.

# Novatech Limited

## Strategic Report (continued) For the Period Ended 31 May 2020

---

### *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.

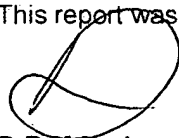
### *Interest rate cash flow risk*

The company hold no interest bearing assets or trade liabilities. The loan from the company's bankers is subject to interest at Libor plus a margin of 1.94% 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 inline with customer demand.

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



**D R M Furby**  
Director

Date: 13/10/20

# Novatech Limited

## Directors' Report For the Period Ended 31 May 2020

---

The directors present their report and the financial statements for the period ended 31 May 2020.

### 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 period 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 period, after taxation, amounted to £117,605 (2019 - £245,291).

Ordinary dividends of £250,430 (2019 - £408,095) were payable during the period.

### Directors

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

A Puttock  
D R M Furby  
J Furby  
J P Wilson

# Novatech Limited

## Directors' Report (continued) For the Period Ended 31 May 2020

---

### 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 £65,817 (2019 - £45,027).

### Matters covered in the strategic report

The following are set out in the strategic report:

Financial risk management, objectives and policies, exposure to price risk, credit risk, liquidity risk, cashflow risk; and future developments in the business of the Company.

### 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 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.



**D R M Furby**  
Director

Date: 13/01/20

# Novatech Limited

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

---

### Opinion

We have audited the financial statements of Novatech Limited ("the company") for the period ended 31 May 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its profit for the period 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 Members of Novatech Limited (continued)

---

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period 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 Members 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 member 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 member 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 member, 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: *16 October 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 Period Ended 31 May 2020

	Note	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Turnover	4	30,705,740	26,886,387
Cost of sales		(25,720,263)	(22,399,826)
<b>Gross profit</b>		<b>4,985,477</b>	<b>4,486,561</b>
Administrative expenses		(4,798,940)	(4,327,565)
Other operating income	5	-	39,760
<b>Operating profit</b>	6	<b>186,537</b>	<b>198,756</b>
Interest receivable and similar income		-	465
Interest payable and expenses	10	(18,160)	(41,039)
<b>Profit before tax</b>		<b>168,377</b>	<b>158,182</b>
Tax on profit	11	(50,772)	87,109
<b>Profit for the financial period</b>		<b>117,605</b>	<b>245,291</b>

There was no other comprehensive income for 2020 (2019:£NIL).

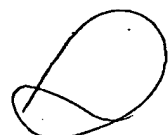
The notes on pages 13 to 28 form part of these financial statements.

**Novatech Limited**  
Registered number:02605046

**Statement of Financial Position:**  
**As at 31 May 2020**

	Note	31 May 2020 £	31 May 2020 £	30 April 2019 £	30 April 2019 £
<b>Fixed assets</b>					
Tangible Assets	13		3,140,950		3,186,236
<b>Current assets</b>					
Stocks	14	2,321,893		1,478,833	
Debtors: amounts falling due within one year	15	2,642,398		2,661,373	
Cash at bank and in hand		2,365,119		981,460	
		<u>7,329,410</u>		<u>5,121,666</u>	
Creditors: amounts falling due within one year	16	<u>(5,936,869)</u>		<u>(4,654,637)</u>	
<b>Net current assets</b>			<u>1,392,541</u>		<u>467,029</u>
<b>Total assets less current liabilities</b>			<u>4,533,491</u>		<u>3,653,265</u>
Creditors: amounts falling due after more than one year	17		(1,069,588)		(70,570)
Deferred tax	19		(115,015)		(100,982)
<b>Net assets</b>			<u><u>3,348,888</u></u>		<u><u>3,481,713</u></u>
<b>Capital and reserves</b>					
Called up share capital	21		535,500		535,500
Revaluation reserve			903,127		924,739
Capital redemption reserve			164,485		164,485
Other reserves			5,978		5,978
Profit and loss account			1,739,798		1,851,011
			<u><u>3,348,888</u></u>		<u><u>3,481,713</u></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: 13/10/20

The notes on pages 13 to 28 form part of these financial statements.

## Novatech Limited

### Statement of Changes in Equity For the Period Ended 31 May 2020

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
<b>At 30 April 2018</b>	535,500	164,485	946,351	5,978	1,992,203	3,644,517
Profit for the year	-	-	-	-	245,291	245,291
<b>Total comprehensive income for the year</b>	-	-	-	-	245,291	245,291
Dividends: Equity capital	-	-	-	-	(408,095)	(408,095)
Transfer (to)/from profit and loss account	-	-	(21,612)	-	21,612	-
<b>At 30 April 2019</b>	535,500	164,485	924,739	5,978	1,851,011	3,481,713
Profit for the period	-	-	-	-	117,605	117,605
<b>Total comprehensive income for the period</b>	-	-	-	-	117,605	117,605
<b>Contributions by and distributions to owners</b>						
Dividends: Equity capital	-	-	-	-	(250,430)	(250,430)
Transfer (to)/from profit and loss account	-	-	(21,612)	-	21,612	-
<b>At 31 May 2020</b>	<b>535,500</b>	<b>164,485</b>	<b>903,127</b>	<b>5,978</b>	<b>1,739,798</b>	<b>3,348,888</b>

The notes on pages 13 to 28 form part of these financial statements.

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

---

### 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 and the nature of the company's operations and its principal activity 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 management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Going concern

The directors have prepared detailed budgets and forecasts for the financial year ending 31 May 2022, taking into account the expected trading performance for the financial year ending 31 May 2020 and the principal risks and uncertainties affecting the company as set out in the Strategic Report (including the actual and potential impact arising from the emergence of COVID-19). The company had traded profitably and generated positive cash flows through Q1 of 2020/2021 and is expected to return a strong operating performance through 2020 with a strong pipeline, increased demand for gaming pc's and the continued support for the increased amount of remote workers in the UK. Whilst there are considerable uncertainties in the general economy, the company had cash balances of £2.4m as at 31 May 2020 and has additional resources at its disposal if required.

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.

#### 2.3 Revenue

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

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

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

---

### 2. Accounting policies (continued)

#### 2.4 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 11.42, 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 31 May 2020 and these financial statements may be obtained from Harbour House, Hamilton Road, Castle Trading Estate, Cosham, Hampshire, P06 4PU.

#### 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
Other fixed assets	-	4% 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 profit or loss.

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

---

### 2. Accounting policies (continued)

#### 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.

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.

#### 2.7 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.

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

---

### 2. Accounting policies (continued)

#### 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

#### 2.10 Finance costs

Finance costs are charged to profit or loss 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.

#### 2.12 Operating leases

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 profit or loss 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.

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

---

### 2. Accounting policies (continued)

#### 2.14 Current and deferred taxation

The tax expense for the period 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 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 Period Ended 31 May 2020

---

### 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 Period Ended 31 May 2020

### 4. Turnover

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

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Sale of goods	30,079,388	26,007,380
Sale of services	626,352	879,007
	<u>30,705,740</u>	<u>26,886,387</u>

Analysis of turnover by country of destination:

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
United Kingdom	30,394,834	26,670,158
Rest of Europe	310,906	216,229
	<u>30,705,740</u>	<u>26,886,387</u>

### 5. Other operating income

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Net rents receivable	-	39,760
	<u>-</u>	<u>39,760</u>

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 6. Operating profit

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

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Research & development charged as an expense	65,817	45,027
Exchange differences	(159,118)	(8,337)
Other operating lease rentals	53,222	53,927
Defined contribution pension cost	118,586	104,374
Depreciation of tangible fixed assets	119,042	126,532
	<u>119,042</u>	<u>126,532</u>

### 7. Auditor's remuneration

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
<b>Fees payable to the company's auditor in respect of:</b>		
Audit of the financial statements	25,000	20,700
Taxation compliance services	4,400	3,150
Assistance with preparation of financial statements	2,800	1,225
Tax advisory	10,000	10,120
All other services	1,150	550
	<u>18,350</u>	<u>15,045</u>

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 8. Employees

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

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Wages and salaries	3,416,507	3,128,130
Social security costs	304,260	293,190
Cost of defined contribution scheme	131,579	104,374
	<u>3,852,346</u>	<u>3,525,694</u>

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

	2020 No.	2019 No.
Administrations and sales	59	59
Marketing	6	5
Production and distribution	34	36
	<u>99</u>	<u>100</u>

### 9. Directors' remuneration

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Directors' remuneration	567,049	518,803
Company contributions to money purchase pension plans	23,759	18,336
	<u>590,808</u>	<u>537,139</u>

The aggregate of remuneration of the highest paid director was £219,648 (year ended 31 April 2019 - £181,190), and company pension contributions of £7,323 (year ended 31 April 2019 - £5,211) were made to a money purchase scheme on their behalf.

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 10. Interest payable and similar expenses

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Bank interest payable	18,160	41,039
	<u>18,160</u>	<u>41,039</u>

### 11. Taxation

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	43,138	48,282
Adjustments in respect of previous periods	(6,399)	141
<b>Total current tax</b>	<u>36,739</u>	<u>48,423</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,224)	(135,532)
Adjustments in respect of prior periods	3,022	-
Effect of tax rate change on opening balance	12,235	-
<b>Total deferred tax</b>	<u>14,033</u>	<u>(135,532)</u>
<b>Taxation on profit</b>	<u>50,772</u>	<u>(87,109)</u>

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 11. Taxation (continued)

#### Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	13 month period ended 31 May 2020 £	Year ended 30 April 2019 £
Profit on ordinary activities before tax	168,377	158,182
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	31,992	30,055
<b>Effects of:</b>		
Fixed asset differences	8,359	-
Expenses not deductible for tax purposes	1,114	17,173
Adjustments to tax charge in respect of prior periods	(6,399)	141
Chargeable gains	-	(149,974)
Adjustment to tax charge in respect of previous periods - deferred tax	3,022	-
Timing differences not recognised in the computation	449	-
Deferred tax rate change	-	15,496
Remeasurement of deferred tax for changes in tax rates	12,235	-
<b>Total tax charge for the period/year</b>	<b>50,772</b>	<b>(87,109)</b>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

The UK corporation tax rate was 19% in the period to 31 May 2020 and this rate has been used for the purposes of preparing the tax disclosures. The Government announced in the 2016 Budget that the UK corporation tax rate will decrease further to 17% from 1 April 2020. In the March 2020 Budget, it was announced that the corporation tax rate would remain at 19% and that the reduction on 1 April 2020 would no longer be coming into force. Accordingly, deferred tax balances recognised in the accounts as at the year-end have been calculated using the 19% rate.

### 12. Dividends

	31 May 2020 £	30 April 2019 £
Dividends declared and paid	250,430	408,095

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 13. Tangible fixed assets

	Freehold land £	Freehold property £	Plant and machinery £	Fixtures, Fittings, Equipment, Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 May 2019	750,000	2,190,000	17,243	1,200,308	4,157,551
Additions	-	-	-	77,912	77,912
Disposals	-	-	-	(30,964)	(30,964)
At 31 May 2020	<u>750,000</u>	<u>2,190,000</u>	<u>17,243</u>	<u>1,247,256</u>	<u>4,204,499</u>
<b>Depreciation</b>					
At 1 May 2019	-	43,800	16,803	910,712	971,315
Charge for the period on owned assets	-	45,033	440	73,569	119,042
Disposals	-	-	-	(26,808)	(26,808)
At 31 May 2020	<u>-</u>	<u>88,833</u>	<u>17,243</u>	<u>957,473</u>	<u>1,063,549</u>
<b>Net book value</b>					
At 31 May 2020	<u>750,000</u>	<u>2,101,167</u>	<u>-</u>	<u>289,783</u>	<u>3,140,950</u>
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>

In 2018, 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.

The Directors have considered the market value of the properties by reference to external data and do not consider there to be a material change in the valuation of the properties as at 31 May 2020.

The historic cost of the freehold land and property is cost of £2,228,561 (2019 - £2,228,561), accumulated depreciation based on historic cost of £438,729 (2019 - £349,896), and net book value of £1,789,832 (2019 - £1,940,305).

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 14. Stocks

	31 May 2020 £	30 April 2019 £
Goods in transit	-	70,214
Work in progress	77,725	45,959
Finished goods	2,244,168	1,362,660
	<u>2,321,893</u>	<u>1,478,833</u>

### 15. Debtors

	31 May 2020 £	30 April 2019 £
Trade debtors	1,594,061	2,024,950
Amounts owed by related parties	400,560	303,499
Other debtors	227,359	110,449
Prepayments and accrued income	420,418	222,475
	<u>2,642,398</u>	<u>2,661,373</u>

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

### 16. Creditors: Amounts falling due within one year

	31 May 2020 £	30 April 2019 £
Debenture loans	50,000	551,633
Trade creditors	3,844,979	2,934,836
Amounts owed to group undertakings	-	62,296
Corporation tax	43,138	46,496
Other taxation and social security	805,795	451,587
Other creditors	419,126	110,886
Accruals and deferred income	773,831	494,538
Financial instruments	-	2,365
	<u>5,936,869</u>	<u>4,654,637</u>

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 17. Creditors: Amounts falling due after more than one year

	31 May 2020 £	30 April 2019 £
Debentures loans	950,000	-
Accruals and deferred income	119,588	70,570
	1,069,588	70,570

### 18. Interest-bearing loans and borrowings

Analysis of the maturity of loans is given below:

	31 May 2020 £	30 April 2019 £
<b>Amounts falling due within one year</b>		
Bank loans	50,000	551,633
<b>Amounts falling due 1-2 years</b>		
Bank loans 1-2 years	50,000	-
<b>Amounts falling due 2-5 years</b>		
Bank loans 2-5 years	900,000	-
	1,000,000	551,633

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

### 19. Deferred taxation

	31 May 2020 £	30 April 2019 £
At beginning of year	(100,982)	(236,514)
Charged to profit or loss	(14,033)	135,532
<b>At end of year</b>	<b>(115,015)</b>	<b>(100,982)</b>

# Novatech Limited

## Notes to the Financial Statements For the Period Ended 31 May 2020

### 19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	31 May 2020 £	30 April 2019 £
Accelerated capital allowances	115,015	101,384
Short term timing differences	-	(402)
	<u>115,015</u>	<u>100,982</u>

### 20. 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 £118,586 (year ended 30 April 2019 - £104,374).

There were outstanding contributions of £Nil at the year end (year ended 30 April 2019 - £Nil).

### 21. Share capital and reserves

	31 May 2020 £	30 April 2019 £
<b>Allotted, called up and fully paid</b>		
535,500 (2019 - 535,500) Ordinary shares of £1.00 each	<u>535,500</u>	<u>535,500</u>

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

#### *Revaluation reserve*

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

#### *Capital redemption reserve*

The capital redemption reserve relates to the Companies own shares bought back from shareholders in earlier years

#### *Other reserve*

Other 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 Period Ended 31 May 2020

### 22. Commitments under operating leases

At 31 May 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	31 May 2020 £	30 April 2019 £
Not later than 1 year	28,067	43,428
Later than 1 year and not later than 5 years	10,550	18,064
	<u>38,617</u>	<u>61,492</u>

### 23. Related party disclosures

*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 £229,152 (year ended 30 April 2019 - £373,420) and the amount outstanding at the year end was £Nil (2019 - £Nil).

*Other related party transactions*

	Sales to 31 May 2020 £	Administrative expenses incurred from 13-months ended 31 May 2020 £	Sales to 30 April 2019 £	Administrative expenses incurred from year ended 30 April 2019 £
Key management personnel of the company or its parent	1,078	94,256	255	8,612
CoConnect Limited	104,633	-	252,916	-
	<u>105,711</u>	<u>94,256</u>	<u>253,171</u>	<u>8,612</u>

At 31 May 2020 CoConnect Limited had an outstanding loan of £275,000 (2019 - £100,000) and an outstanding debt of £125,560 (2019 - £303,499).

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

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.