

Novation 2017 Limited

Report and Financial statements

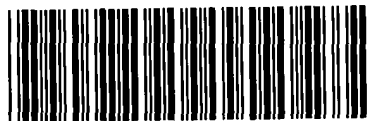
Period ended

31 December 2017

Company Number

10693039

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Novation 2017 Limited

Annual report and financial statements For the period ended 31 December 2017

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Novation 2017 Limited

Annual report and financial statements
For the period ended 31 December 2017

Country of incorporation

United Kingdom

Legal form

Limited Liability Company

Principal activities

The nature of the entities operations and its principal activities are set out in note 9.

Directors

Claus Stenbaek
Sasha Van De Water
Andrew Ware

Secretary and registered office

Andrew Ware

1 Maple Place
London
United Kingdom
W1T 4BB

Company number

10693039

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Novation 2017 Limited

Strategic report for the period ended 31 December 2017

The directors present their strategic report together with the audited financial statements for the period from the date of incorporation on 27 March 2017 to 31 December 2017 for Novation 2017 Limited ("N17").

Results and dividends

Turnover for the period since incorporation was €29.3 million as a result of the acquisition of two trading companies based in Montebelluna, Italy. These acquisitions were made possible as a result of the previous unrelated parent company passing into an Italian legal administration process which led to the public auction of the two trading companies in May 2017.

The consolidated income statement is set out on page 12. This shows that reported loss from operations was €4,165,742 and from that the adjusted Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period was €688,305. The adjusted EBITDA also eliminates the fair value adjustment arising from acquisition accounting in respect of stock acquired at the acquisition date. Given the nature of the activity of N17 as an investment holding company, the adjusted EBITDA is used as a key measure of underlying profitability of the operations of the subsidiary companies; disclosing adjusted EBITDA in this Strategic Report has the added benefit of reporting these adjusted earnings before taking into account any of the financing costs which are themselves dependent on the structure of working capital facilities.

These two trading companies, Novation Tech S.P.A and its subsidiaries ("NTech"), and TCX S.R.L and its subsidiaries ("TCX"), operate across unrelated market segments. NTech is focused on providing value added manufacturing of carbon and composite components for the auto, aircraft and leisure sectors by way of long-term contracted arrangements with leading global brands in each sector. TCX design and manufacture specialist safety footwear for the motorcycle sector, with products spanning leisure, motocross and MotoGP subsectors. Both companies trade across a variety of geographical markets, although they are currently focused principally in European geographies.

N17 has a clear remit to develop the two acquired companies over the medium term to build shareholder value by ensuring that the trading companies are well resourced to execute their medium to long term business plans to grow the businesses in terms of market and product areas as well as build out from the existing geographic focus.

Principal activities and business review

The principal activity of the N17 in the period under review was that of a holding company.

Key Performance Indicators

N17 monitors a range of key performance indicators (KPIs) on a regular monthly basis to manage the underlying trading businesses, enabling operational management at both NTech and TCX to react to new growth opportunities as well as respond to changes in the trading environment. Particular attention is paid to these monthly KPIs and trading information, with variances to budget and forecasts for individual markets and product groups being reviewed, and appropriate action being taken where necessary. Typically the KPI measures reported by the underlying companies would be measured against preset budgets and/ or forecasts and include consideration of:

- Monthly and year to date revenues achieved in total, by key product category or sector
- Gross profit and margin percentages on a monthly and year to date measure in total and by key product category or sector
- EBITDA in value and as a percentage of sales
- Free cash flow generated on a monthly and cumulative basis
- Leverage ratios that consider the borrowings as a proportion of equity at operating company level

Novation 2017 Limited

Strategic report for the period ended 31 December 2017 (*continued*)

Adjusted EBITDA is calculated as follows:

	2017 €
Loss from operations:	(4,165,742)
Fair value adjustment arising from acquisition accounting in respect of stock acquired at acquisition date:	3,169,180
Depreciation and amortisation:	<u>1,684,867</u>
Adjusted EBITDA:	688,305
Add back exceptional items:	
One-off non-trading costs for TCX restructuring	934,245
One-off non-trading costs incurred by NTech	<u>315,177</u>
Adjusted EBITDA before exceptional items	1,937,727

Principal risks and uncertainties

Due to the elongated period of administration under previous ownership, both NTech and TCX each required additional working capital facilities to support the growth plans of the businesses. Such facilities required were secured by each business during the period.

The existence of these working capital facilities together with trade debtors, trade creditors and stock for resale exposes N17 to a number of financial risks described below.

The main risks arising from N17's financial instruments are market risk, currency risk, interest rate risk and credit risk. The directors have reviewed and agreed policies for managing each of these risks and they are summarised below.

Currency risk

N17 is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, using simple forward currency contracts.

Liquidity risk

N17 seeks to manage liquidity risk by regularly forecasting future cashflows and monitoring banking facilities in respect of the underlying businesses to ensure sufficient funds are available to meet the financial obligations of the subsidiaries for the foreseeable future.

Liquidity is managed through a combination of banking facilities provided locally in Italy from a consortium of banks. Such facilities include cash advances supported by invoiced sales, import financing and overdraft type facilities. These are renegotiated on an annual basis and are structured to meet the financing needs of each of the underlying businesses on an individual basis without any local guarantees or parent company guarantees.

The N17 current net liabilities position reported at the balance sheet date is due principally to the redeemable zero coupon preference shares of €13,581,000. These preference shares form part of the acquisition structuring undertaken by N17 when simultaneously acquiring both NTech and TCX. There is no current planned intention for these preference shares to be redeemed and consequently there is no systemic liquidity risk to be addressed other than through monitoring the performance of the underlying companies. The preference shares will be mandatorily redeemed on the 7th anniversary of the issuance date.

Novation 2017 Limited

Strategic report for the period ended 31 December 2017 (*continued*)

Interest rate risk

N17 finances its operations through a mixture of shareholder equity, retained profits, working capital facilities and other loans. N17 will continue to monitor interest rate risk and its strategy to mitigate any such exposure in the medium term.

Credit risk

N17's principal financial assets are stock and trade debtors.

In order to manage stock holding risk, stocks are manufactured to order in the context of the carbon and composite stockholdings. With regards to the stocks manufactured in the motorcycle business, this reflects wholesale and agency forecast sales across the two principal selling seasons. Such stockholdings are kept under constant review as part of the operational management within N17 to ensure that each such stock is sold on to the wholesale market or alternative strategies are implemented. Raw material stocks held reflect forecast production needs across N17 and are regularly monitored.

In order to manage credit risk arising from trade debtors, the directors set limits for customers at a business level based on a combination of payment history and size of account. Credit limits are reviewed on a regular basis in conjunction with local operational management giving consideration to debt ageing and collection history, and credit limits are adjusted on a regular basis.

Going concern

N17's business activities, together with the factors likely to affect its future development, performance and position are set out in the principal activities and business review on page 1.

The financial position of N17 has been stable during the period, which has seen significant activity to ensure that the acquired businesses are suitably capitalised with adequate financing to meet planned requirements; risks are thus effectively and constantly managed both at N17 and local operational levels.

The main financial risks arising from the activities of N17 are set out in the strategic report on page 2, together with the related policies and processes for managing these risks.

N17 has prepared forecasts which take into account possible changes in trading which have been reviewed by the directors. These forecasts show that N17 and the underlying operational businesses will be able to operate within the existing facilities.

The directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements for N17.

Approval

This Strategic Report was approved by order of the Board on 30 September 2018


Andrew Ware
Director

Novation 2017 Limited

Report of the directors for the period ended 31 December 2017

The directors present their report together with the audited financial statements for the period from the date of incorporation on 27 March 2017 to 31 December 2017.

Directors

The directors of the company during the period were:

Claus Stenbaek
Sasha Van De Water
Andrew Ware

All the directors were appointed on 27 March 2017.

Directors' responsibilities

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 period. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disabled persons

It is Group policy to encourage and develop all members of staff. Wherever possible, vacancies are filled from within the Group and adequate opportunities for internal promotion are created. The Group has a comprehensive training and development programme creating the opportunity for employees to maintain and improve their performance and to develop their potential to a maximum level of attainment. The Group supports the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on the grounds of race, age, nationality, religion, ethnic or national origin, sexual orientation, gender or gender reassignment, marital status or disability. It is also Group policy, where possible, to give sympathetic consideration to disabled persons in their application for employment and to protect the interests of existing members of the staff who are disabled.

Novation 2017 Limited

Report of the directors for the period ended 31 December 2017 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



Andrew Ware
Director

Date 30 September 2018

Novation 2017 Limited

Independent auditor's report

TO THE MEMBERS OF NOVATION 2017 LIMITED

Qualified Opinion

We have audited the financial statements of Novation 2017 Limited ("the Parent Company") and its subsidiaries ("the Group") for the period from the date of incorporation on 27 March 2017 to 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the related 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the financial statements:

- give a true and fair view of the state of the Group's and the Parent company's affairs as at 31 December 2017 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

With respect to stock having a carrying value of €13,850,000 the audit evidence available to us was limited because we did not observe the counting of the physical stock on acquisition as at 3 May 2017 of the subsidiaries TCX srl and Novation Tech Spa since that date was prior to our appointment as auditor of the Group and the component auditors did not observe the counting of the physical stock on acquisition as at 3 May 2017. We were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures. Since opening stock affects the determination of the profit for the year, we are unable to determine whether adjustments to the profit for the year and retained earnings might be necessary.

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

Novation 2017 Limited

Independent Auditor's Report (*continued*)

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, 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. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities and consequently we are unable to determine whether adjustments to opening stock, the loss for the period and retained earnings might be necessary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 Group and the Parent Company and its environment obtained in the course of the audit, we are unable to conclude whether or not the Strategic report and Director's report is materially misstated in respect of the matter set out in the Basis for qualified opinion section above.

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept by the Parent Company.

Novation 2017 Limited

Independent Auditor's Report (*continued*)

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;

- returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Diane Campbell (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 30 September 2018

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

Novation 2017 Limited
Consolidated income statement
for the period ended 31 December 2017

	Note	€
Revenue	5, 9	29,283,022
Changes in inventories		19,121,349
Employee benefit expenses	7	6,406,424
Depreciation and amortisation expense	12,13	1,684,867
Other expenses		6,236,124
Loss from operations	6	<u>(4,165,742)</u>
Finance expense	10	(648,677)
Loss before tax		<u>(4,814,419)</u>
Tax credit	11	113,714
Loss for the period		<u>(4,700,705)</u>

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of comprehensive income for the period ended 31 December 2017

	Note	€
Loss for the period attributable to:		
Owners of the parent		<u>(4,700,705)</u>
Other comprehensive income:		-
Total comprehensive income		<u>(4,700,705)</u>
Total comprehensive income attributable to:		
Owners of the parent		<u>(4,700,705)</u>

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of financial position As at 31 December 2017

Company number: 10693039

	Note	€
Assets		
Current assets		
Inventories	16	16,173,448
Trade and other receivables	17	10,193,813
		<u>26,367,261</u>
Non-current assets		
Property, plant and equipment	12	4,118,363
Intangible assets	13	15,193,680
		<u>45,679,304</u>
Liabilities		
Current liabilities		
Trade and other payables	18	16,589,219
Loans and borrowings	19	21,086,194
Employee benefit liabilities		1,089,450
		<u>38,764,863</u>
Non-current liabilities		
Finance lease obligation	18	392,925
Deferred tax liability	21	3,222,121
		<u>42,379,909</u>
NET ASSETS		<u><u>3,299,395</u></u>
Issued capital and reserves attributable to owners of the parent		
Share capital	22	8,000,100
Retained earnings		(4,700,705)
TOTAL EQUITY		<u><u>3,299,395</u></u>

The financial statements on pages 12 to 45 were approved and authorised for issue by the Board of Directors on 30 September 2018 and were signed on its behalf by:

Andrew Wale
Director

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Parent company statement of financial position As at 31 December 2017

Company Number: 10693039

	Note	€
Assets		
Current assets		
Trade and other receivables	17	450,000
Non-current assets		
Investment	20	21,131,100
Total assets		21,581,100
Liabilities		
Current liabilities		
Trade and other payables	18	88,998
Loans and borrowings	19	13,581,000
Total liabilities		13,669,998
NET ASSETS		7,911,102
Issued capital and reserves attributable to owners of the parent		
Share capital	23	8,000,100
Retained earnings		(88,998)
TOTAL EQUITY		7,911,102

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in the financial statements. Included within the Group result for the period is a loss of €88,998 that relates to the company.

The financial statements on pages 12 to 45 were approved and authorised for issue by the Board of Directors on 30 September 2018 and were signed on its behalf by:

Andrew Ware
Director

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of cash flows For the period ended 31 December 2017

	Note	€
Cash flows from operating activities		
Loss for the period		(4,700,705)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	12	779,920
Amortisation of intangible fixed assets	13	904,947
Profit on disposal of fixed assets		(72,530)
Finance expense	10	648,677
Income tax credit	11	(113,714)
		<u>(2,553,405)</u>
(Increase)/Decrease in trade and other receivables		3,243,349
(Increase)/Decrease in inventories		845,732
Increase/(Decrease) in trade and other payables		<u>(762,454)</u>
Cash generated from operations		773,222
Income taxes paid		<u>(9,725)</u>
Net cash flows from operating activities		<u>763,497</u>

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of cash flows for the period ended 31 December 2017 (continued)

	Note	€
Net cash flows from operating activities brought forward		763,497
Investing activities		
Acquisition of intangibles		(784,260)
Acquisition of subsidiaries		(21,131,100)
Proceeds from sale of fixed assets		116,992
Additions of property, plant and equipment		(1,222,746)
Net cash used in investing activities		(23,021,114)
Financing activities		
Issue of ordinary shares		8,000,100
Issue of preference shares		13,131,000
Proceeds from loans and borrowings		1,775,194
Interest paid on loans and borrowings		(648,677)
Net cash (used in)/from financing activities		22,257,617
Net increase in cash and cash equivalents		-
Cash and cash equivalents at beginning of period		-
Exchange (losses)/gains on cash and cash equivalents		-
Cash and cash equivalents at end of period		-

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of changes in equity For the period ended 31 December 2017

	Note			
		Share capital	Retained Earnings	Total
		€		€
At 27 March 2017		-	-	-
Comprehensive income for the period				
Loss for the period		-	(4,700,705)	(4,700,705)
Other comprehensive Income		-	-	-
Total comprehensive Income for the period		-	(4,700,705)	(4,700,705)
Contributions by and distributions to owners				
Issue of share capital		8,000,100	-	8,000,100
Total contributions by and distributions to owners		8,000,100	-	8,000,100
31 December 2017		8,000,100	(4,700,705)	3,299,395

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Parent company statement of changes in equity For the period ended 31 December 2017

	Note		
	Share capital	Retained Earnings	Total
	€	€	€
At 27 March 2017	-	-	-
Comprehensive income for the period			
Loss for the period	-	(88,998)	(88,998)
Other comprehensive Income			
Total comprehensive Income for the period	-	(88,998)	(88,998)
Contributions by and distributions to owners			
Issue of share capital	8,000,100	-	8,000,100
Total contributions by and distributions to owners	8,000,100	-	8,000,100
31 December 2017	8,000,100	(88,998)	7,911,102

The notes on pages 20 to 45 form part of these financial statements.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017

1 Basis of preparation

Novation 2017 Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements are presented in Euro, which is also the Group's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations adopted by the EU (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements.

b) New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these are:

- IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 *Leases* (mandatorily effective for periods beginning on or after 1 January 2019).

N17 is currently assessing the impact of IFRS 15 and IFRS 9 on its financial statements.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies

Revenue

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the Group defers recognition of revenue until the right to return has lapsed.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial period end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

On consolidation, the results of overseas operations are translated into Euro at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Fair value through profit or loss

This category comprises only in-the-money foreign currency contracts (see "Financial liabilities" section for out-of-the-money foreign currency contracts). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

Financial assets (*continued*)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liability was acquired as follows:

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. If such liabilities are interest bearing, they are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Redeemable Preference shares, which are mandatorily redeemable on a specific date, are classified as current liabilities where there is an option at the holder's behest to redeem at any point within that period between issuance and the mandatory repayment date.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

Zero coupon Redeemable preference shares are classified as a current liability to the extent that they remain an obligation of the Group to redeem these shares at some fixed future date. The company and the holders have the rights to have the shares redeemed. These shares were issued on 20 December 2017 and have mandatory redemption date of 7 years after issue.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (continued)

2 Accounting policies (continued)

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for development costs below are not met.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Trademarks and brand value	11 years	Estimated discounted cash flow
Customer lists and relationships	11 years	Estimated discounted cash flow
Development costs	11 years	Estimated discounted cash flow

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Land and buildings	-	2% per annum straight line
Plant and machinery	-	15%-25% per annum straight line
Fixtures and fittings	-	20% per annum straight line
Computer equipment	-	33% per annum straight line
Motor vehicles	-	33% per annum straight line

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. In relation to these financial statements the critical estimates and judgements relate to the identification and valuation of intangible assets acquired in a business combination, the estimate of the fair value of inventory acquired in a business combination, the useful economic life of intangible and tangible fixed assets, and the assessment of goodwill and intangibles for indicators of impairment.

4 Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

4 Financial instruments - Risk Management (*continued*)

Principal financial instruments (*continued*)

(ii) *Financial instruments by category*

Financial assets

	Financial assets at fair value through profit or loss €	Loans and receivables €
Trade and other receivables	-	8,446,062
Foreign currency contracts	185,000	-
Total financial assets	185,000	8,446,062

Financial liabilities

	Financial liabilities at amortised cost €
Trade and other payables	15,419,393
Loans and borrowings (note 19)	21,086,194
Employee benefit liabilities (statutory staff severance fund)	1,089,449
Total financial liabilities	37,595,036

(iii) *Financial instruments not measured at fair value*

Due to their short-term nature, the carrying value of trade and other receivables and trade and other payables approximates their fair value.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

4 Financial instruments - Risk Management (*continued*)

(iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Level 1 €	Level 2 €	Level 3 €
Financial assets			
Derivative financial assets	-	185,000	-
	-	185,000	-

The amounts above relate to currency hedging contracts. There were no transfers between levels during the period.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (continued)

5	Revenue	€
	Sale of goods	<u>29,283,022</u>
6	Loss from operations	€
	This has been arrived at after charging/(crediting):	
	Depreciation:	
	- owned fixed assets	779,920
	- amortisation	904,947
	Auditor's remuneration:	
	- fees payable to the company's auditor for the current period group annual accounts	80,768
	Operating lease costs:	
	- Land and buildings	452,000
	- Plant and machinery	39,283
	Foreign exchange gain	(277,908)
	Profit on disposal of fixed assets	<u>(72,530)</u>
7	Employee benefit expenses	€
	Employee benefit expenses (including directors) comprise:	
	Wages and salaries	5,257,986
	Defined contribution pension cost	253,235
	Social security contributions and similar taxes	895,203
		<u>6,406,424</u>
		No.
	Total number of employees	<u>558</u>

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (continued)

8 Directors

There has been no director's remuneration paid or accrued in the year.

9 Segment information

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different technology and marketing strategies with no common customers or suppliers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer and the Finance Director.

	Carbon composite manufacturing	Specialised Consumer products	Total
	€	€	€
<i>Revenue</i>			
Sale of goods	17,491,719	11,791,303	29,283,022
Total revenue from external customers	17,491,719	11,791,303	29,283,022

	External revenue by location of customers	Non-current assets by location of assets
	€	€
Italy	14,417,994	14,802,821
Germany	4,951,985	-
France	2,923,411	-
USA	1,192,761	-
United Kingdom	1,716,208	-
Sweden	650,110	-
Taiwan	500,620	-
Austria	434,011	-
Spain	396,009	-
Belgium	266,546	-
Australia	219,683	-
Other	1,613,685	1,337,782
	29,283,023	16,140,603

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

10 Finance income and expense

Recognised in profit or loss

Finance expense	€
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Interest expense on financial liabilities measured at amortised cost	648,677
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Total finance expense	648,677
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The above interest expense reflects interest charged in the period in respect of working capital facilities.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (continued)

11 Tax expense	€
Group	
Current tax expense	
Current tax on loss for the period	94,165
	<u>94,165</u>
Total current tax	
Deferred tax expense	
Origination and reversal of temporary differences (Note 21)	(207,879)
	<u>(207,879)</u>
Total deferred tax	
	<u>(207,879)</u>
Total tax credit	(113,714)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to the loss for the period are as follows:

	€
Loss before income taxes	(4,814,419)
	<u>(4,814,419)</u>
Tax using the Company's domestic tax rate of 19%	(914,740)
Expenses not deductible for tax purposes	680,561
Deferred tax assets not recognised	105,966
Different tax rates applied in overseas jurisdictions	14,499
	<u>(113,714)</u>
Total tax credit	(113,714)

Estimates and assumptions

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Company

There is no current or deferred tax arising in respect of the company's activities during the period.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

12 Property, plant and equipment

	Land and buildings €	Plant, machinery and motor vehicles €	Fixtures and fittings €	Computer equipment €	Total €
Cost or valuation					
At 27 March 2017	-	-	-	-	-
Acquired through business combinations	127,619	10,364,721	55,615	381,720	10,929,675
Disposals	-	(395,149)	-	-	(395,149)
	<u>127,619</u>	<u>9,969,572</u>	<u>55,615</u>	<u>381,720</u>	<u>10,534,526</u>
At 31 December 2017	127,619	9,969,572	55,615	381,720	10,534,526
	Land and building €	Plant, machinery and motor vehicles €	Fixtures and fittings €	Computer equipment €	Total €
Accumulated depreciation and impairment					
At 27 March 2017	-	-	-	-	-
Acquired through business combinations	(67,249)	(5,629,170)	(20,961)	(269,550)	(5,986,930)
Depreciation	(8,508)	(718,763)	(3,776)	(20,654)	(779,920)
Disposals	-	350,686	-	-	350,686
	<u>(75,757)</u>	<u>(6,025,467)</u>	<u>(24,737)</u>	<u>(290,204)</u>	<u>(6,416,165)</u>
At 31 December 2017	(75,757)	(6,025,467)	(24,737)	(290,204)	(6,416,165)
Net book value					
At 27 March 2017	-	-	-	-	-
	<u>51,861</u>	<u>3,944,106</u>	<u>30,878</u>	<u>91,516</u>	<u>4,118,363</u>
At 31 December 2017	51,861	3,944,106	30,878	91,516	4,118,363

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

13 Intangible assets

	Goodwill €	Development costs €	Customer lists and Relationships €	Trade marks and brand value €	Total €
Cost					
At 27 March 2017	-	-	-	-	-
Additions - internally developed	-	503,306	-	280,955	784,261
Acquired through business combinations	1,054,366	-	6,530,000	7,730,000	15,314,366
At 31 December 2017	1,054,366	503,306	6,530,000	8,010,955	16,098,627
Accumulated amortisation and impairment					
At 27 March 2017	-	-	-	-	-
Amortisation charge	-	(28,306)	(395,758)	(480,883)	(904,947)
At 31 December 2017	-	(28,306)	(395,758)	(480,883)	(904,947)
Net book value					
At 27 March 2017	-	-	-	-	-
At 31 December 2017	1,054,366	475,000	6,134,242	7,530,072	15,193,680

The Group has no contractual commitments for development costs.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

14 Goodwill and impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The carrying amount of goodwill has been collectively allocated to the NTech and TCX cash generating units (CGUs).

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

15 Subsidiaries

The principal subsidiaries of Novation 2017 Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	Nature of business
Direct			
Montebelluna 2017 Ltd	United Kingdom	100%	Intermediate Holding Company
Indirect			
Novation Tech S.P.A	Italy	100%	Carbon composite manufacturing
Novation Tech HU Kft.	Hungary	100%	Manufacturing
TCX S.R.L	Italy	100%	Specialised consumer products
Kromo Pielmo Com S.R.L	Romania	100%	Manufacturing
NNA Inc.*	USA	0%	-

*NNA Inc. was liquidated before year end

Company	Address
Montebelluna 2017 Ltd	1 Maple Place, London, United Kingdom, W1T 4BB
Novation Tech S.P.A	Via Feltrina Sud, 172 - 31044 Montebelluna, Italy
Novation Tech HU Kft.	5520 Szeghalom, Sarreti Ipari Park, 041/12 hrsz, Hungary
TCX S.R.L	Via G.Ferraris, 56 - 31044 Montebelluna, Italy
Kromo Pielmo Com S.R.L	Strada Alea Industriei Nr. 3 Ramnicu Sarat, Buzau, 125300, Romania
NNA Inc.	N/a

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

16 Inventories	€
Raw materials and consumables	4,652,877
Work-in-progress	5,125,628
Finished goods and goods for resale	6,394,943
	<u>16,173,448</u>

17 Trade and other receivables	€
Group	
Trade receivables	9,288,198
Less: provision for impairment of trade receivables	<u>(657,136)</u>
	8,631,062
Prepayments	152,685
Other receivables	1,225,066
	<u>10,008,813</u>
Trade and other receivables	10,008,813
Forward currency contracts	185,000
	<u>10,193,813</u>
Total financial assets	10,193,813
	<u>10,193,813</u>
Current portion	10,193,813
	<u>10,193,813</u>

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Company

Unpaid preference shares	450,000
Total financial assets	<u>450,000</u>
Current portion	<u>450,000</u>

The unpaid preference shares were eliminated upon cancellation of these shares in April 2018.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

18 Trade and other payables	€
Group	
Current	
Trade payables	11,120,086
Other payables	5,218,933
Accruals	160,569
Total Trade and other payables	16,589,219

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Finance lease obligations

Future lease payments are due as follows:

	Minimum lease payments €	Interest €
Not later than one year	89,631	18,294
Between one year and five years	392,925	39,860
Later than five years		
	482,556	58,154

Finance lease obligations due within one year are included in other payables within current liabilities

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 *(continued)*

18 Trade and other payables (continued)

Operating leases

The Group maintains a mixed portfolio of leased properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing. It also leases certain pieces of manufacturing plant, machinery and vehicles for use in the business.

The total future value of minimum lease payments is due as follows:

	€
Not later than one year	419,408
Later than one year and not later than five years	643,807
Later than five years	12,814
	1,076,029

Company

The Company's trade and other payables comprise Accruals of
€88,988

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (continued)

19 Loans and borrowings

Group

The book value and fair value of loans and borrowings are as follows:

	Book value €	Fair value €
Current		
Overdrafts	7,505,194	7,505,194
Zero Coupon Redeemable Preference shares	13,581,000	13,581,000
	<u>21,086,194</u>	<u>21,086,194</u>
Total loans and borrowings	<u>21,086,194</u>	<u>21,086,194</u>

All loans and borrowings are denominated in Euros. The overdrafts are provided by a number of banks to support working capital and short-term financing needs, with interest rates ranging between 0.66% and 1.80% over Euribor depending on the provider and facility term. Security is provided against any drawn facilities by customer invoices. All facilities have a duration of between 12 and 36 months.

Company

The book value and fair value of loans and borrowings are as follows:

	Book value €	Fair value €
Current		
Zero Coupon Redeemable Preference shares	13,581,000	13,581,000
	<u>13,581,000</u>	<u>13,581,000</u>
Total loans and borrowings	<u>13,581,000</u>	<u>13,581,000</u>

All loans are denominated in Euros.

The Zero coupon redeemable preference shares were issued on 20 December 2017 to redeem the interim loan capital that was part of the initial acquisition funding structure. The zero coupon redeemable preference shares have a mandatory redemption term of 7 years from the issuance date of 20 December 2017. These preference shares can be redeemed either at the holder's or the company's behest.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the period ended 31 December 2017 (*continued*)

20 Investment in subsidiary undertakings

Company

Subsidiary undertakings

Cost

At 27 March 2017

Additions

21,131,100

21,131,100

Accumulated impairment

At 27 March 2017

Provided for the period

-

-

-

Net carrying amount

At 31 December 2017

21,131,100

Refer to Note 15 for details of the Company's subsidiary undertakings

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%.

The movement on the deferred tax account is as shown below:

	€
At 27 March 2017	-
<i>Recognised in profit and loss</i>	
Tax credit arising from release in the period of deferred tax arising on business combination	(207,879)
<i>Arising on business combination</i>	3,430,000
At 31 December 2017	3,222,121

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

22 Share capital

Group

	Authorised, Issued and fully paid	
	Number	€
Ordinary shares of €1 each	8,000,100	8,000,100
Total	8,000,100	8,000,100

23 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

24 Business combinations during the period

On 3 May 2017 the Group acquired 100% of the voting equity instruments of both NTech and TCX.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value €	Adjustment €	Fair value €
Property, plant and equipment	3,720,000	-	3,720,000
Trademark and brand value	7,730,000	(1,735,595)	5,994,405
Customer lists and relationships	6,530,000	-	6,530,000
Inventories	13,850,000	3,169,180	17,019,180
Receivables	14,040,160	(1,057,504)	12,982,656
Other liabilities	(5,120,000)	-	(5,120,000)
Payables	(13,629,607)	-	(13,629,607)
Net debt	(5,730,000)	-	(5,730,000)
Deferred tax liability	-	(3,430,000)	(3,430,000)
Total net assets	23,130,553	(3,053,917)	20,076,636

The stock adjustment relates to the revaluation of stocks acquired upon acquisition to reflect their fair value in accordance with IFRS 3.

Fair value of consideration paid

	€
Cash	21,131,000
Total consideration	21,131,000
Goodwill (note 13)	1,054,366

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the period ended 31 December 2017 (*continued*)

25 Business combinations during the period (*continued*)

The main factors leading to the recognition of goodwill are:

- The presence of certain intangible assets, such as the brand value, embedded customer relationships and trademarks of the acquired entities, and
- The fact that a lower cost of capital is ascribed to the expected future cash flows of the entire operation acquired than might be to individual assets.

The goodwill recognised will not be deductible for tax purposes.

26 Related party transactions

A consultancy agreement was made and entered into effective from 1 June 2017 between Keyhaven Capital Partners Limited, a related party through common directorship, and Montebelluna 2017 Limited, a wholly owned subsidiary of Novation 2017 Limited. The agreement sets out the agreed framework for the secondment of various professional staff from Keyhaven Capital Partners Limited to Montebelluna 2017 Limited, who in turn provide consultancy services to both NTech and TCX. The amount charged during the period was €86,700, and as at 31 December 2017 €104,040 was outstanding.

27 Ultimate controlling party

There is no ultimate controlling party of N17 since it is itself an investment holding company on behalf of Keyhaven Secondaries Fund I, L.P. and Keyhaven Secondaries Fund II, L.P. which are closed end private equity funds, managed by Keyhaven Capital Partners Limited.

28 Post balance sheet events

There were no post balance sheet events to disclose.