

Novation 2017 Limited

Report and Financial statements

Year ended

31 December 2018

Company Number 10693039

FRIDAY



A8EWG2G

A36

27/09/2019

#364

COMPANIES HOUSE

Novation 2017 Limited

**Annual report and financial statements
For the year ended 31 December 2018**

Contents

Page

2	Strategic report
5	Directors report
7	Independent auditor's report
10	Consolidated income statement
11	Consolidated statement of comprehensive income
12	Consolidated statement of financial position
13	Parent company statement of financial position
14	Consolidated statement of cash flows
16	Consolidated statement of changes in equity
18	Parent company statement of changes in equity
19	Notes forming part of the consolidated financial statements

Novation 2017 Limited

Company information For the year ended 31 December 2018

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 year ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018 ("FY18") for Novation 2017 Limited ("N17").

Results and dividends

Turnover for FY18 was €60.1 million, representing the first full year of operation, of the two trading companies based in Montebelluna, Italy, following their acquisition in May 2017. The trading companies have experienced significant growth in FY18 as a result of the post acquisition strategies being implemented effectively. This activity has seen continued growth which in turn has led to a 36% increase in the N17 workforce as new jobs have been created to support the execution of the growth in revenues in FY18.

The consolidated income statement is set out on page 10. This shows that the profit from operations in FY18 was €916,463 (FY17: loss of €4,165,742) and from that the adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period was €4,615,479 (FY17: €1,937,727). 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.

The 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 year 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 year ended 31 December 2018 (continued)

Adjusted EBITDA is calculated as follows:

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Profit/(Loss) from operations:	916,463	(4,165,742)
Fair value adjustment arising from acquisition accounting in respect of stock acquired at acquisition date:	-	3,169,180
Depreciation and amortisation:	3,699,016	1,684,867
Adjusted EBITDA:	4,615,479	688,305
Add back exceptional items:		
One-off non-trading costs for TCX restructuring	-	934,245
One-off non-trading costs incurred by NTech	-	315,177
Adjusted EBITDA before exceptional items	4,615,479	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 year.

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 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. There is no long-term third party debt; all debt facilities provided by the consortium of banks are working capital facilities.

The N17 current net liabilities position reported at the balance sheet date is due principally to the €5,000,000 short term loan which was repaid in July 2019.

Novation 2017 Limited

Strategic report for the year ended 31 December 2018 (*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.

Political Risks

Following the outcome of the UK referendum to leave the EU, there are a number of uncertainties that continue to exist regarding how the exit will be engineered. Therefore, the extent to which our operations and financial performance are likely to be affected in the longer term will only become clear as more details emerge.

Notwithstanding, whilst approximately 13% of 2018 revenue is attributed to the United Kingdom, the majority of this relates to blue-chip automobile customers that have long-term contracts in place, and thus overall trading with the United Kingdom is expected to be largely unaffected by Brexit.

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 2.

The financial position of N17 has developed positively from the prior year and 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 26 September 2019

Andrew Ware

Director

Novation 2017 Limited

Report of the directors for the year ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended to 31 December 2018.

Directors

The directors of the company during the year were:

Claus Stenbaek
Sasha Van De Water
Andrew Ware

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 International Financial Reporting Standards as adopted by the European Union ('IFRS'). 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

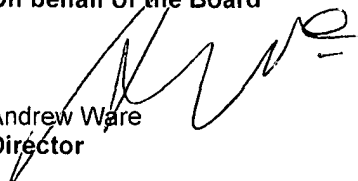
Report of the directors for the year ended 31 December 2018 (*continued*)

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 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 26 September 2019

**NOVATION 2017 LIMITED
INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF NOVATION 2017 LIMITED

Opinion

We have audited the financial statements of Novation 2017 Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated statement of cash flows and the consolidated and parent company statements of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year 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 opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or 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.

**NOVATION 2017 LIMITED
INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF NOVATION 2017 LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

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

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

**NOVATION 2017 LIMITED
INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF NOVATION 2017 LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

26 September 2019

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

Novation 2017 Limited

Consolidated income statement for the year ended 31 December 2018

		Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
	Note		
Revenue	5, 9	60,049,464	29,283,022
Raw materials and consumables		(28,549,452)	(19,121,349)
Employee benefit expenses	7	(16,955,577)	(6,406,424)
Depreciation and amortisation expense	12, 13	(3,699,016)	(1,684,867)
Other expenses		(9,928,956)	(6,236,124)
Profit/(loss) from operations	6	916,463	(4,165,742)
Finance expenses	10	(624,763)	(648,677)
Finance income	10	85,435	-
Profit/(loss) before tax		377,135	(4,814,419)
Tax (charge)/credit	11	(611,277)	113,714
Loss for the year		(234,142)	(4,700,705)

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Loss for the year attributable to:		
Owners of the parent	(234,142)	(4,700,705)
Other comprehensive income:		
Foreign exchange differences on translation of foreign subsidiaries	(26,454)	-
Total comprehensive income	(260,596)	(4,700,705)
Total comprehensive income attributable to:		
Owners of the parent	(260,596)	(4,700,705)

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of financial position As at 31 December 2018

	Note	31 December 2018 €	31 December 2017 €
Current assets			
Inventories	16	18,682,558	16,173,448
Trade and other receivables	17	23,374,612	12,108,252
Cash and cash equivalents		1,056,760	-
		<u>43,113,930</u>	<u>28,281,700</u>
Non-current assets			
Property, plant and equipment	12	5,108,727	4,467,686
Intangible assets	13	14,351,590	14,844,357
Deferred tax assets	21	367,054	385,141
		<u>62,941,301</u>	<u>47,978,884</u>
Total assets			
		<u>62,941,301</u>	<u>47,978,884</u>
Liabilities			
Current liabilities			
Trade and other payables	18	22,012,316	18,440,924
Current tax liabilities		461,644	447,875
Loans and borrowings	19	18,855,095	21,086,194
Employee benefit liabilities		992,039	1,089,450
		<u>42,321,094</u>	<u>41,064,443</u>
Non-current liabilities			
Finance lease obligation	18	1,442,008	392,925
Deferred tax liability	21	2,910,303	3,222,121
		<u>46,673,405</u>	<u>44,679,489</u>
Total liabilities			
		<u>46,673,405</u>	<u>44,679,489</u>
NET ASSETS		<u>16,267,896</u>	<u>3,299,395</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	22	8,000,100	8,000,100
Foreign exchange reserve		(26,454)	-
Preference shares	23	13,131,000	-
Retained earnings	24	(4,836,750)	(4,700,705)
		<u>16,267,896</u>	<u>3,299,395</u>
TOTAL EQUITY		<u>16,267,896</u>	<u>3,299,395</u>

The financial statements on pages 10 to 47 were approved and authorised for issue by the Board of Directors on 26 September 2019 and were signed on its behalf by:

Andrew Ware
Director

The notes on pages 49 to 47 form part of these financial statements.

Novation 2017 Limited

Parent company statement of financial position As at 31 December 2018

Company Number: 10693039	Note	31 December 2018 €	31 December 2017 €
Current assets			
Trade and other receivables	17	4,888,052	450,000
Non-current assets			
Investment	20	21,131,100	21,131,100
Total assets		26,019,152	21,581,100
Liabilities			
Current liabilities			
Trade and other payables	18	98,261	88,998
Loans and borrowings	19	5,000,000	13,581,000
Total liabilities		5,098,261	13,669,998
NET ASSETS		20,920,891	7,911,102
Issued capital and reserves attributable to owners of the parent			
Share capital	22	8,000,100	8,000,100
Preference shares	23	13,131,000	-
Retained earnings	24	(210,209)	(88,998)
TOTAL EQUITY		20,920,891	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 year is a loss of €121,211 (2017: €88,998) that relates to the company.

The financial statements on pages 10 to 47 were approved and authorised for issue by the Board of Directors on 26 September 2019 and were signed on its behalf by:

Andrew Ware
Director

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of cash flows For the year ended 31 December 2018

		Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
	Note		
Cash flows from operating activities			
Loss for the year		(234,142)	(4,700,705)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	1,427,802	779,920
Amortisation of intangible fixed assets	13	2,271,214	904,947
Loss/(profit) on disposal of fixed assets		11,030	(72,530)
Share based payment charge	25	98,097	-
Finance expense	10	624,763	648,677
Finance income	10	(85,435)	-
Income tax charge /(credit)	11	611,277	(113,714)
		4,724,606	(2,553,405)
(Increase)/Decrease in trade and other receivables		(11,742,814)	3,243,349
(Increase)/Decrease in inventories		(2,509,110)	845,732
Increase/(Decrease) in trade and other payables		2,849,722	(1,245,010)
Cash generated from operations		(6,677,596)	290,666
Income taxes paid		(735,390)	(9,725)
Interest received		85,435	-
Net cash flows from operating activities		(7,327,551)	280,941

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of cash flows for the year ended 31 December 2018 (continued)

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Net cash flows from operating activities brought forward	(7,327,551)	280,941
Investing activities		
Acquisition of intangibles	(1,778,447)	(784,260)
Acquisition of subsidiaries	-	(21,131,100)
Proceeds from sale of fixed assets	4,616	116,992
Additions of property, plant and equipment	(2,084,489)	(1,222,746)
Net cash used in investing activities	(3,858,320)	(23,021,114)
Financing activities		
Issue of ordinary shares	-	8,000,100
Issue of preference shares	-	13,131,000
Proceeds from loans and borrowings	11,349,901	1,775,194
Net increase in finance lease obligations	1,517,493	482,556
Interest paid on loans and borrowings	(624,763)	(648,677)
Net cash from financing activities	12,242,631	22,740,173
Net increase in cash and cash equivalents	1,056,760	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	1,056,760	-

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital €	Foreign exchange reserves €	Preference shares €	Retained earnings €	Total equity €
At 1 January 2018	8,000,100	-	-	(4,700,705)	3,299,395
Comprehensive income for the year					
Loss for the year	-	-	-	(234,142)	(234,142)
Other comprehensive Income					
Foreign exchange differences on translation of foreign subsidiaries	-	(26,454)	-	-	(26,454)
Total comprehensive Income for the year	-	(26,454)	-	(234,142)	(260,596)
Transactions with owners in their capacity as owners:					
Reclassification of preference shares from debt to equity	-	-	13,131,000	-	13,131,000
Credit relating to equity settled share based payments	-	-	-	98,097	98,097
Total transactions with owners in their capacity as owners:	-	-	13,131,000	98,097	13,229,097
At 31 December 2018	8,000,100	(26,454)	13,131,000	(4,836,750)	16,267,896

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Consolidated statement of changes in equity for the year ended 31 December 2018 (continued)

	Share capital €	Foreign exchange reserves €	Preference shares €	Retained earnings €	Total equity €
At 21 March 2017	-	-	-	-	-
Comprehensive income for the year					
Loss for the year	-	-	-	(4,700,705)	(4,700,705)
Other comprehensive Income	-	-	-	-	-
Total comprehensive Income for the year	-	-	-	(4,700,705)	(4,700,705)
Transactions with owners in their capacity as owners:					
Issue of share capital	8,000,100	-	-	-	8,000,100
Total transactions with owners in their capacity as owners	8,000,100	-	-	-	8,000,100
At 31 December 2017	8,000,100	-	-	(4,700,705)	3,299,395

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Parent company statement of changes in equity For the year ended 31 December 2018

	Share capital €	Preference shares €	Retained earnings €	Total equity €
At 1 January 2018	8,000,100	-	(88,998)	7,911,102
Comprehensive income for the year				
Loss for the year	-	-	(121,211)	(121,211)
Other comprehensive Income	-	-	-	-
Total comprehensive Income for the year	-	-	(121,211)	(121,211)
Transactions with owners in their capacity as owners				
Reclassification of preference shares from debt to equity	-	13,131,000	-	13,131,000
Total transactions with owners in their capacity as owners	-	13,131,000	-	13,131,000
At 31 December 2018	8,000,100	13,131,000	(210,209)	20,920,891
	Share capital €	Preference shares €	Retained earnings €	Total equity €
At 27 March 2017	-	-	-	-
Comprehensive income for the year				
Loss for the year	-	-	(88,998)	(88,998)
Other comprehensive Income	-	-	-	-
Total comprehensive Income for the year	-	-	(88,998)	(88,998)
Transactions with owners in their capacity as owners				
Issue of share capital	8,000,100	-	-	8,000,100
Total transactions with owners in their capacity as owners	8,000,100	-	-	8,000,100
At 31 December 2017	8,000,100	-	(88,998)	7,911,102

The notes on pages 19 to 47 form part of these financial statements.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018

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 functional currency for Novation 2017 Limited and its subsidiaries (referred to as "the Group").

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as 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 judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Some of the comparative figures in the balance sheet of the prior year have been restated as a result of correction of mapping inaccuracies. The restatement had no impact on the net assets of the group or the income statement.

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 2018

In the current financial year, the Group has adopted all the new IFRS that are relevant to its operations and effective for the current financial year. The adoption of the new IFRS did not result in a material effect on the amounts reported for the current or prior financial years.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* was effective for accounting periods commencing on or after 1 January 2018. The standard addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains and establishes three primary measurement categories for financial assets such that the financial assets are classified and measured at fair value. Changes in fair value being recognised in the profit and loss as they arise unless certain restrictive criteria are met regarding the classification and measurement of the asset such that fair value is determined by amortisation of cost or through Other Comprehensive Income. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. A revised expected credit loss model replaces the incurred loss impairment model used in IAS 39. As at the date of initial application, the adoption of the expected credit loss model has had no material effect on the financial statements.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

2 Accounting policies

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires additional disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018. The adoption of IFRS 15 has not resulted in any restatements

b) New standards, interpretations and amendments not yet effective

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

- IFRS 16 *Leases* (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 23 *Uncertainty over Income Tax Positions* (effective 1 January 2019).

Novation 2017 Limited is currently assessing the impact of IFRS 16 on its financial statements.

IFRS 16 Leases

Adoption of IFRS 16 will result in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments amounted to €1.6 million (see note 18), which is not expected to be materially different to the anticipated position on 31 December 2019 or the amount which is expected to be disclosed at 31 December 2018. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately €1.6 million being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 *(continued)*

2 Accounting policies

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

Other

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Revenue

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on the consideration that the Group expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes).

Revenue for the sale of goods and services is recognised at a point in time when control of the goods and related services has passed to customers in accordance with the related contracts.

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.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

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.

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 instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

2 Accounting policies (*continued*)

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from provision of services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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 for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed, on a customer by customer basis, based on historical credit loss information, current conditions and forecasts of future economic conditions. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being presented 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.

Impairment provisions for other receivables and amounts due from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (including loans to related parties) and cash and cash equivalents in the consolidated statement of financial position.

Fair value through profit or loss

This category comprises only in-the-money derivatives. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Other than derivative financial instruments which are not designated as hedging instruments, the Company 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

2 Accounting policies (*continued*)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary and preference shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities, which are trade and other payables, finance lease obligations and loans and borrowings, as subsequently measured at amortised cost.

Financial liabilities are initially measured at fair value. They are subsequently measured at amortised cost, where applicable, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

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 equity as there is no mandatory redemption date and only the company has the right to have the shares redeemed. These shares were issued on 20 December 2017.

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 asset 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 year ended 31 December 2018 (*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

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 and 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 year ended 31 December 2018 (*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:

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 year ended 31 December 2018 (*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.

Share based payments

Share-based compensation benefits are provided to senior management of Novation Tech S.p.A. via the management incentive plan. Information relating to this scheme is set out in note 25.

The fair value of options granted under the management incentive plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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, the assessment of goodwill and intangibles for indicators of impairment and share option valuation.

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.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial instruments - Risk Management (continued)

(i) Principal financial instruments

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

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

(ii) Financial instruments by category

Financial assets

	Financial assets at fair value through profit or loss 2018 €	Loans and receivables 2018 €	Financial assets at fair value through profit or loss 2017 €	Loans and receivables 2017 €
Cash and cash equivalents	-	1,056,760	-	-
Trade and other receivables	-	18,039,855	-	9,785,399
Foreign currency contracts	107,567	-	185,000	-
Total financial assets	107,567	19,096,615	185,000	9,785,399

Financial liabilities

	Financial liabilities at amortised cost 2018 €	Financial liabilities at amortised cost 2017 €
Trade and other payables	22,012,316	18,440,924
Finance lease obligation	1,442,008	392,925
Loans and borrowings (note 19)	18,855,095	21,086,194
Employee benefit liabilities (statutory staff severance fund)	992,039	1,089,450
Total financial liabilities	43,301,458	41,009,493

(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 year ended 31 December 2018 *(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 31 December 2018 €	Level 2 31 December 2018 €	Level 3 31 December 2018 €
Financial assets			
Derivative financial assets	-	107,567	-
	<u>-</u>	<u>107,567</u>	<u>-</u>
	-	107,567	-
	<u>-</u>	<u>107,567</u>	<u>-</u>
	Level 1 27 March 2017 to 31 December 2017 €	Level 2 27 March 2017 to 31 December 2017 €	Level 3 27 March 2017 to 31 December 2017 €
Financial assets			
Derivative financial assets	-	185,000	-
	<u>-</u>	<u>185,000</u>	<u>-</u>
	-	185,000	-
	<u>-</u>	<u>185,000</u>	<u>-</u>

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

5 Revenue

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Sale of goods	60,049,464	29,283,022
	<u>60,049,464</u>	<u>29,283,022</u>

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

6 Profit/(loss) from operations

	Year ended 31 December 2018	Period 27 March 2017 to 31 December 2017
	€	€
This has been arrived at after charging/(crediting):		
Depreciation:		
- owned fixed assets	1,427,802	779,920
- amortisation	2,271,214	904,947
Auditor's remuneration:		
- fees payable to the company's auditor for the current year group annual accounts	78,023	80,768
- fees payable to an associate of the company's auditor for the auditing of subsidiary undertakings pursuant to legislation	15,000	15,000
- fees payable to the company's auditor for taxation compliance services	5,524	-
- fees payable to the company's auditor for taxation advisory services	-	19,848
Operating lease costs:		
- Land and buildings	891,046	452,000
- Plant and machinery	254,846	39,283
Foreign exchange loss/(gain)	107,329	(277,908)
Loss/(profit) on disposal of fixed assets	11,030	(72,530)

7 Employee benefit expenses

	Year ended 31 December 2018	Period 27 March 2017 to 31 December 2017
	€	€
Employee benefit expenses (including directors) comprise:		
Wages and salaries	12,368,429	5,257,986
Defined contribution pension cost	1,846,479	253,235
Social security contributions and similar taxes	2,642,572	895,203
Share based payments	98,097	
	16,955,577	6,406,424

	Year ended 31 December 2018	Period 27 March 2017 to 31 December 2017
	Number	Number
Total number of employees	760	558

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

8 Directors' remuneration

There has been no directors' remuneration paid or accrued in the current year or in the prior year.

9 Segment information

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

The group has two reportable segments which 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.

	Carbon composite manufacturing 31 December 2018 €	Specialised Consumer products 31 December 2018 €	Total 31 December 2018 €
<i>Revenue</i>			
Sale of goods	40,189,838	19,859,626	60,049,464
Total revenue from external customers	40,189,838	19,859,626	60,049,464
	Carbon composite manufacturing Period 27 March 2017 to 31 December 2017 €	Specialised Consumer products Period 27 March 2017 to 31 December 2017 €	Total Period 27 March 2017 to 31 December 2017 €
<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

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (continued)

9 Segment information (continued)

	External Revenue by location of customers	Non-current assets by location of assets	External Revenue by location of customers Period 27 March 2017 to 31 December 2017	Non-current assets by location of assets Period 27 March 2017 to 31 December 2017
	Year ended 31 December 2018 €	Year ended 31 December 2018 €	€	€
Italy	28,401,598	17,606,818	14,417,994	14,802,821
Germany	10,437,352	-	4,951,985	-
France	3,963,307	-	2,923,411	-
USA	2,081,276	-	1,192,761	-
United Kingdom	7,933,818	-	1,716,208	-
Sweden	912,472	-	650,110	-
Taiwan	793,768	-	500,620	-
Austria	544,831	-	434,011	-
Spain	454,391	-	396,009	-
Belgium	509,986	-	266,546	-
Australia	337,341	-	219,683	-
Other	3,679,324	1,853,499	1,613,685	1,337,782
	60,049,464	19,460,317	29,283,023	16,140,603

The group has 2 single external customers which has revenue equal to or greater than 10% of the group's revenue. The revenue from each of these customers is: €8,794,194 and €7,820,132. These revenues are attributed to the Carbon composite manufacturing segment.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)

10 Finance income and expense

Recognised in profit or loss

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Finance expense		
Interest expense on financial liabilities measured at amortised cost	624,763	648,677
Total finance expense	624,763	648,677

The above interest expense reflects interest charged in the year in respect of working capital facilities.

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Finance income		
Bank interest and other interest receivable	85,435	-
Total finance income	85,435	-

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

11 Tax expense

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Group		
Current tax expense		
Current tax on loss for the year	905,006	94,165
Total current tax	905,006	94,165
Deferred tax expense		
Origination and reversal of temporary differences (Note 21)	(293,729)	(207,879)
Total deferred tax	(293,729)	(207,879)
Total tax charge/(credit)	611,277	(113,714)

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

	Year ended 31 December 2018 €	Period 27 March 2017 to 31 December 2017 €
Loss before income taxes	377,135	(4,814,419)
Tax using the Company's domestic tax rate of 19% (2017: 19%)	71,656	(914,740)
Expenses not deductible for tax purposes	924,875	680,561
Adjustments to tax charge in respect of prior periods	44,076	-
Deferred tax assets not recognised	69,622	105,966
Different tax rates applied in overseas jurisdictions	(498,952)	14,499
Total tax charge/(credit)	611,277	(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 year in which such determination is made.

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 *(continued)*

12 Property, plant and equipment

	Land and buildings €	Plant, machinery and motor vehicles €	Fixtures and fittings €	Computer equipment €	Total €
<i>Cost or valuation</i>					
At 1 January 2018	628,060	9,969,572	55,615	381,720	11,034,967
Additions	192,068	1,632,667	186,310	73,444	2,084,489
Disposals	-	(70,720)	-	-	(70,720)
As at 31 December 2018	820,128	11,531,519	241,925	455,164	13,048,736
<i>Accumulated depreciation and impairment</i>					
At 1 January 2018	(226,873)	(6,025,467)	(24,737)	(290,204)	(6,567,281)
Depreciation	(206,159)	(1,161,073)	(23,835)	(36,735)	(1,427,802)
Disposals	-	55,074	-	-	55,074
At 31 December 2018	(433,032)	(7,131,466)	(48,572)	(326,939)	(7,940,009)
<i>Net book value</i>					
At 31 December 2018	387,096	4,400,053	193,353	128,225	5,108,727
At 31 December 2017	401,187	3,944,105	30,878	91,516	4,467,686

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

13 Intangible assets

	Goodwill €	Development costs €	Customer lists and Relationships, patents and moulds €	Trademarks and brand value €	Total €
<i>Cost or valuation</i>					
At 1 January 2018	1,054,366	503,306	6,029,559	8,010,955	15,598,186
Additions	-	1,539,877	235,473	3,097	1,778,447
At 31 December 2018	1,054,366	2,043,183	6,265,032	8,014,052	17,376,633
<i>Accumulated depreciation and impairment</i>					
At 1 January 2018	-	(28,306)	(244,640)	(480,883)	(753,829)
Amortisation charge	-	(873,171)	(689,484)	(708,559)	(2,271,214)
At 31 December 2018	-	(901,477)	(934,124)	(1,189,442)	(3,025,043)
<i>Net book value</i>					
At 31 December 2018	1,054,366	1,141,706	5,330,908	6,824,610	14,351,590
At 31 December 2017	1,054,366	475,000	5,784,919	7,530,072	14,844,357

The Group has no contractual commitments for development costs.

14 Goodwill impairment testing

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on the higher of value in use and fair value less cost to sell. The Group estimates the fair value using EBITDA multiples based on relevant comparable listed companies, applied to revenue. For the year ended 31 December 2018 there was no impairment charge required.

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 year ended 31 December 2018 (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

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 Industrii Nr. 3 Ramnicu Sarat, Buzau, 125300, Romania

16 Inventories

	31 December 2018 €	31 December 2017 €
Raw materials and consumables	3,341,971	4,652,877
Work-in-progress	8,520,392	5,125,628
Finished goods and goods for resale	6,820,195	6,394,943
	18,682,558	16,173,448

Inventories recognised as an expense during the year amounted to €28,549,452 (2017: €19,121,349). Write down of inventories to net realisable value amounted to €839,954 (2017: €244,985). These were recognised as an expense during the year and included in 'changes in inventories' in the income statement. Reversals of previous write downs amounted to €118,438 (2017: €68,463). The amount reversed has been included in 'changes in inventories' in the income statement.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

17 Trade and other receivables

	31 December 2018 €	31 December 2017 €
Group		
Trade receivables	13,525,304	10,442,535
Less: provision for impairment of trade receivables	(485,449)	(657,136)
	<u>13,039,855</u>	<u>9,785,399</u>
Prepayments	479,070	152,685
Other receivables	9,748,120	1,985,168
	<u>23,267,045</u>	<u>11,923,252</u>
Forward currency contracts	107,567	185,000
	<u>23,374,612</u>	<u>12,108,252</u>
Total	23,374,612	12,108,252
	<u>23,374,612</u>	<u>12,108,252</u>
Current portion	23,374,612	12,108,252
	<u>23,374,612</u>	<u>12,108,252</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 (2017: 30 to 90) days credit term. They are measured at their original invoice amounts which represent their fair value on initial recognition.

Other receivables

Included in other receivables is an amount due from Keyhaven Secondaries Fund II, L.P., a related party, of €5,000,000 (2018: €nil). This was paid to the company on 19 July 2019. Interest is accrued at a rate of 3.50% per annum.

Company

	31 December 2018 €	31 December 2017 €
Other receivables	4,888,052	-
Unpaid preference shares	-	450,000
	<u>4,888,052</u>	<u>450,000</u>
Total	4,888,052	450,000
	<u>4,888,052</u>	<u>450,000</u>
Current portion	4,888,052	450,000
	<u>4,888,052</u>	<u>450,000</u>

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

Allowances for impairment loss

i) Trade receivables

The Group has calculated an expected credit loss for each customer separately in arriving at the impairment loss provision.

The movement in the impairment loss provision has been included in the consolidated income statement.

ii) Other receivables

Expected credit loss for other receivables is €nil (2017 €nil).

Novation 2017 Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)

18 Trade and other payables

	31 December 2018 €	31 December 2017 €
Group		
Current		
Trade payables	14,919,178	11,120,086
Other payables	6,410,969	7,070,638
Finance lease obligations	558,041	89,631
Accruals	124,128	160,569
Total Trade and other payables	22,012,316	18,440,924

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 31 December 2018 €	Interest 31 December 2018 €	Minimum lease payments 31 December 2017 €	Interest 31 December 2017 €
Not later than one year	558,041	24,918	89,631	18,294
Between one year and five years	1,442,008	29,258	392,925	39,860
Later than five years	-	-	-	-
	2,000,049	54,176	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 year ended 31 December 2018 (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:

	31 December 2018 €	31 December 2017 €
Not later than one year	623,684	419,408
Later than one year and not later than five years	1,031,896	643,807
Later than five years	-	12,814
	<u>1,655,580</u>	<u>1,076,029</u>

Company

The Company's trade and other payables comprise accruals of €98,261 (2017: €88,988).

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

19 Loans and borrowings

Group

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

	Book value 31 December 2018 €	Fair value 31 December 2018 €	Book value 31 December 2017 €	Fair value 31 December 2017 €
Current				
Overdrafts	12,055,095	12,055,095	7,505,194	7,505,194
Loans	6,800,000	6,800,000	-	-
Zero Coupon Redeemable Preference shares	-	-	13,581,000	13,581,000
	<u>18,855,095</u>	<u>18,855,095</u>	<u>21,086,194</u>	<u>21,086,194</u>
Total loans and borrowings	<u>18,855,095</u>	<u>18,855,095</u>	<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 0.70% and 3.17% depending on the provider and facility term. Security is provided against any drawn facilities by customer invoices. All facilities have a duration of between 6 and 36 months.

During the year, the group borrowed €5,000,000 as a short-term loan. The loan was repaid on 19 July 2019. Interest is accrued at a rate of 3.50% per annum.

During the year, the group also borrowed €1,800,000 from Keyhaven Secondaries Fund II, L.P., a related entity. The loan was repaid on 19 July 2019. The initial interest rate on the loan was 1.90%. From 24 July 2018 until the repayment date the interest rate on the loan is 2.75%.

Company

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

	Book value 31 December 2018 €	Fair value 31 December 2018 €	Book value 31 December 2017 €	Fair value 31 December 2017 €
Current				
Loans	5,000,000	5,000,000	-	-
Zero Coupon Redeemable Preference shares	-	-	13,581,000	13,581,000
	<u>5,000,000</u>	<u>5,000,000</u>	<u>13,581,000</u>	<u>13,581,000</u>
Total loans and borrowings	<u>5,000,000</u>	<u>5,000,000</u>	<u>13,581,000</u>	<u>13,581,000</u>

All loans are denominated in Euros.

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

19 Loans and borrowings (continued)

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. Until November 2018 these preference shares had a mandatory redemption term of 7 years from the issuance date of 20 December 2017. In November 2018 the terms of the preference shares were amended so that there is no mandatory redemption date and only the company has the right to redeem these. As such the preference shares are now being treated as equity rather than as debt.

During the year, the company borrowed €5,000,000 as a short-term loan. The loan was repaid on 19 July 2019. Interest is accrued at a rate of 3.50% per annum.

20 Investment in subsidiary undertakings

Company

Subsidiary undertakings

	31 December 2018 €
<i>Cost</i>	
At 1 January 2018	21,131,100
Additions	-
At 31 December 2018	21,131,100
<i>Accumulated impairment</i>	
At 1 January 2018	-
Provided for the year	-
At 31 December 2018	-
<i>Net carrying amount</i>	
At 31 December 2018	21,131,100
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 year ended 31 December 2018 (*continued*)

21 Deferred tax

Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (27 March 2017 - 31 December 2017 -19%).

Deferred tax assets

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.

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

	€
At 1 January 2018	385,141
<i>Recognised in profit and loss</i>	
Temporary timing differences recognised	(18,087)
At 31 December 2018	367,054

Deferred tax liabilities

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

	€
At 1 January 2018	3,222,121
<i>Recognised in profit and loss</i>	
Tax credit arising from release in the period of deferred tax arising on business combination	(311,818)
At 31 December 2018	2,910,303

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

22 Share capital

	31 December 2018 €	31 December 2017 €
Group and company		
Authorised, allotted, called up and fully paid		
8,000,100 Ordinary shares of €1 each	8,000,100	8,000,100

23 Preference shares

Group and company

On 20 December 2017 the company issued Zero coupon redeemable preference shares to redeem the interim loan capital that was part of the initial acquisition funding structure. Until November 2018 these preference shares had a mandatory redemption term of 7 years from the issuance date of 20 December 2017 and were included in loans and borrowings. In November 2018 the terms of the preference shares were amended so that there is no mandatory redemption date and only the company has the right to redeem these. As such the preference shares are now being treated as equity rather than as debt.

24 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 year ended 31 December 2018 (*continued*)

25 Share based payments

Group

Novation Tech S.p.A., a subsidiary of the Company, approved a management incentive plan on 28 September 2018. The management incentive plan is designed to provide long-term incentives for senior management to achieve capital growth in the underlying equity value of Novation Tech S.p.A.

Under the plan, participants are granted options which can only be exercised if Novation Tech S.p.A. is sold to a third party above a set hurdle price. Each option gives the right to the option holder to buy 1 Class B share in Novation Tech S.p.A. and has an exercise price of €13.52. The options do not have an expiry date.

Management incentive plan

Set out below are summaries of options granted under the plan:

	2018 Average exercise price per share option €	2018 Number of options	2017 Average exercise price per share option €	2017 Number of options
As at 1 January	-	-	-	-
Granted during the year	13.52	47,368	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
As at 31 December	13.52	47,368	-	-
Vested and exercisable at 31 December	-	-	-	-

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price €	Share options Year ended 31 December 2018	Share options Year ended 31 December 2017
28 September 2018	n/a	13.52	47,368	-
			47,368	-
Weighted average remaining contractual life of options outstanding at end of period			n/a	-

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

25 Share based payments (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2018 was €26.92 per option. The fair value at grant date is determined using the Binominal model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2018 included:

- Grant date: 28 September 2018
- Exercise price: €13.52 per option
- Share price at grant date: €36.90
- Life of the option: 3.25 years
- Expected price volatility: 61.94%
- Risk free interest rate: 1.27 %
- Expected dividend yield: 0%

The expected price volatility is based on the historic volatility of comparable listed companies. The life of the option has been based on the date an exit is most likely to occur.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Options issued under management incentive plan	98,097	-
	98,097	-

Novation 2017 Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

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 year was €120,000 (2017: €86,700), and as at 31 December 2018 €436,153 (2017: €104,040) was outstanding.

Loans from related entities are disclosed in note 19.

27 Ultimate controlling party

There is no ultimate controlling party of Novation 2017 Limited 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.