

Company registration number 12545195 (England and Wales)

THE NORTON MOTORCYCLE CO. LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

THE NORTON MOTORCYCLE CO. LIMITED

COMPANY INFORMATION

Directors	Venu Srinivasan Prof. Sir Ralf Dieter Speth Sudarshan Venu K.N. Radha Krishnan Sharad Mohan Mishra Peter Houghton
Secretary	Intertrust (UK) Limited
Company number	12545195
Registered office	1 Bartholomew Lane London EC2N 2AX
Auditor	Spencer Gardner Dickins Audit LLP 3 Coventry Innovation Village Cheetah Road Coventry CV1 2TL

THE NORTON MOTORCYCLE CO. LIMITED

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THE NORTON MOTORCYCLE CO. LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business

Founded in 1898, Norton is Britain's iconic sports motorcycle brand. It is among the most popular motorcycles brands in the world and is one of the most emotive marques today. TVS Motor Company Limited, India acquired the Norton brand and certain assets in April 2020 and 'The Norton Motorcycle Co Limited' (Norton) was formed.

The Principal business of Norton is design, engineering, manufacturing, distributing and selling of high end premium two wheelers. Subsequent to the acquisition, the company has since established a modern, state of the art manufacturing facility at Solar Park, Solihull, West Midlands. The facility accommodates customer reception, brand display, service workshop, manufacturing, design/ R & D studios, test facilities and offices.

As of March 2023, the company has created tangible assets to the extent of £10.7 million and intangible assets of £26.5 million. The facility at Solar Park also includes a customer experience centre which will give a unique experience to customers thereby enhancing the brand image of the products. While the production of motorbikes in the newly established factory has commenced, the Company started delivering the new bikes to the Customers in the later part of the year, primarily driven by supply chain challenges. This is expected to normalize in the fiscal year 23-24. The Company has also onboarded few dealers in line with its distribution strategy.

The company has firmed up its business plan with a series of new products to be launched in coming years, catering to various segments of the premium motorcycle market.

As of March 2023, the parent company has infused share capital to the tune of £74 million which were used to fund the initial acquisition cost, creating the manufacturing facility & equipment and the operational expenses. The company has also opened a loan facility of £25m with a bank and currently have an overdraft to the extent of an additional £5 million to meet its working capital needs. As of 31 March 2023, the company had an overdraft balance of £1.1 million.

Though the company has not taken over any liabilities or obligations as part of the acquisition, the company intends to deliver the motorcycles to customers who had paid deposits and placed orders with the erstwhile Norton company. Such deposits amounting to £3.2m was originally recognized as a liability in the financial statements and this value currently stands at £2.9 million following limited deliveries this year.

Summary of the financial results are as under:

Details	£m
Revenue	0.4
Loss before tax	(29.4)

Corporate Structure

The Norton Motorcycle Co. Limited is a wholly owned subsidiary of TVS Motor (Singapore) Pte Limited. TVS Motor (Singapore) Pte Limited is 100% held by TVS Motor Company Limited which is one of the largest two and three wheeler manufacturers in the world.

THE NORTON MOTORCYCLE CO. LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principal Risks and uncertainties

The company has finalized its product plan for the medium term with a series of new products to be launched in the coming years to cater to different segments of the premium motorcycle market in different geographies. Introduction of these new products with superior features and cutting-edge technologies in a timely manner is key to success of the business. Realizing this need, the company has been focusing in recruiting and filling up key positions in design, engineering, quality, procurement, and other allied functions with requisite skills & knowledge. The company is also partnering with leading Engineering Service Providers in its product development process with a view to bring in efficiency and reduce the lead time. The company will also be leveraging its parent, TVS Motors India's engineering and development capabilities to ensure high quality products are launched in a timely manner.

Initially the company's products would be sold in UK market and in the next few years, the company plans to expand its market to US, European countries, and Asia. The success of the business also depends on economic conditions, and growth trajectory in these countries. Since the company's potential market spread across multiple countries & geographies, the economic and commercial risk of the business is well spread among these markets and this diversified market potential helps to mitigate this risk.

The company is committed to producing products with high quality standards, establishing a robust supply chain & a strong distribution network in its journey of relaunching this iconic brand to its rightful place at the global level. In this regard, TVS Motor India's strength and capabilities in various aspects of business will be leveraged to bring more efficiencies in quality, cost, quality and delivery.

Other mitigation strategies for the associated risks include:

Liquidity risk – Norton has a mix of short term and long term funds (debt and equity) required to take care of the financing requirements.

Currency risk – Norton has obtained non GBP funding & has taken a hedge to secure against the forex risk. Further, it procures materials from various suppliers located in various countries and USD, EUR are predominated currencies apart from GB sterling. Norton is in discussion with the bankers to consider forward covers to mitigate the exchange exposure against its purchases. This transaction would be closed in FY 23-24. As of now, Norton does not sell in any export markets.

Research and Development

The company continues to focus in its research and development activities in the form of a) understanding the technological development and how they can be used for the benefit of customers, b) developing a deep understanding of the customer preferences and needs c) bringing innovation in style and design and d) undertaking benchmarking exercises. The company will be fully leveraging TVS Motor India's engineering and R & D capabilities in the development of both internal combustion engine vehicles and electric vehicles. Apart from developing the required technology to meet the stringent emission and safety norms, the team of engineers will also be focusing in breakthrough technology initiatives for meeting the future mobility needs of the customers in accordance with the business plans of the company.

The company also collaborates with leading research and educational institutions in UK and in other countries in identifying the emerging trends in advanced technology development

Going Concern

The company has embarked on a journey of reviving the glory of Norton brand by producing and selling superior products which are of high quality coupled with unique design and advanced technology. It has firmed up its product plans for the medium term and is in the process of mobilizing the required resources for executing the same. The shareholders are fully committed in making this project a success and has demonstrated their commitment by way of injecting equity capital to the extent of £74 million. They shall continue their support, as and when required. The funding plans have been validated and the new banks have been onboarded.

The Directors are optimistic, that with the commercial momentum kicking in with the launch of new vehicles & the dealer onboarding, the Company will continue to operate in the foreseeable future and hence adopts the "going concern" basis.

THE NORTON MOTORCYCLE CO. LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Key performance indicators

However, during the last financial year, periodic reviews and board meetings were conducted to review the progress of a) production and supply chain readiness b) financial position of the Company c) status of recruitment d) Engineering and quality plans, e) overall distribution strategy.

Since the commercial sales of vehicles have started toward the end of the financial year, review of KPI's would include Order backlog, dealer performance, gross margin, stock levels, other working capital and other funding requirements.

On behalf of the board

Sharad Mohan Mishra
Director

27 April 2023

THE NORTON MOTORCYCLE CO. LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The Principal business of The Norton Motorcycle Co. Limited (Norton) is design, engineering, manufacturing, distributing and selling of high end premium two wheelers.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Venu Srinivasan
Prof. Sir Ralf Dieter Speth
Sudarshan Venu
K.N. Radha Krishnan
Sharad Mohan Mishra
Peter Houghton

Auditor

In accordance with the company's articles, a resolution proposing that Spencer Gardner Dickens Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management objectives, review of performance, research and development activities and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Sharad Mohan Mishra
Director

27 April 2023

THE NORTON MOTORCYCLE CO. LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

THE NORTON MOTORCYCLE CO. LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF THE NORTON MOTORCYCLE CO. LIMITED

Opinion

We have audited the financial statements of The Norton Motorcycle Co. Limited (the 'company') for the year ended 31 March 2023 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

THE NORTON MOTORCYCLE CO. LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF THE NORTON MOTORCYCLE CO. LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Enquiring of management and those charged with governance around actual and potential litigation and claims.
- Enquiring of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override of controls and risk of fraud in revenue recognition, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the

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

THE NORTON MOTORCYCLE CO. LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF THE NORTON MOTORCYCLE CO. LIMITED

Use of our report

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

Susan Thomas-Walls BSc BFP FCA

Senior Statutory Auditor

For and on behalf of Spencer Gardner Dickins Audit LLP

12 May 2023

Chartered Accountants

Statutory Auditor

3 Coventry Innovation Village
Cheetah Road
Coventry
CV1 2TL

THE NORTON MOTORCYCLE CO. LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	370,353	39,420
Cost of sales		(1,340,368)	(22,689)
Gross (loss)/profit		(970,015)	16,731
Administrative expenses		(28,718,893)	(14,903,648)
Other operating income		-	65,303
Loss before taxation		(29,688,908)	(14,821,614)
Tax on loss	8	329,211	112,644
Loss for the financial year		(29,359,697)	(14,708,970)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

THE NORTON MOTORCYCLE CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Loss for the year	(29,359,697)	(14,708,970)
Other comprehensive income		
Cash flow hedges loss arising in the year	(208,772)	-
Total comprehensive income for the year	<u>(29,568,469)</u>	<u>(14,708,970)</u>

THE NORTON MOTORCYCLE CO. LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Intangible assets	9	26,453,244		23,143,380	
Tangible assets	10	10,668,129		10,351,215	
		<u>37,121,373</u>		<u>33,494,595</u>	
Current assets					
Stocks	12	9,141,491		4,796,717	
Debtors	13	5,292,401		2,169,659	
Cash at bank and in hand		126		1,051,231	
		<u>14,434,018</u>		<u>8,017,607</u>	
Creditors: amounts falling due within one year	14	<u>(12,431,451)</u>		<u>(6,220,160)</u>	
Net current assets		<u>2,002,567</u>		<u>1,797,447</u>	
Total assets less current liabilities		<u>39,123,940</u>		<u>35,292,042</u>	
Creditors: amounts falling due after more than one year	15	<u>(19,400,367)</u>		<u>-</u>	
Net assets		<u>19,723,573</u>		<u>35,292,042</u>	
Capital and reserves					
Called up share capital	18	74,300,001		60,300,001	
Hedging reserve	19	(208,772)		-	
Profit and loss reserves	19	(54,367,656)		(25,007,959)	
Total equity		<u>19,723,573</u>		<u>35,292,042</u>	

The financial statements were approved by the board of directors and authorised for issue on 27 April 2023 and are signed on its behalf by:

Sharad Mohan Mishra
Director

Company Registration No. 12545195

THE NORTON MOTORCYCLE CO. LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2021		36,800,001	-	(10,298,989)	26,501,012
Year ended 31 March 2022:					
Loss and total comprehensive income for the year		-	-	(14,708,970)	(14,708,970)
Issue of share capital	18	23,500,000	-	-	23,500,000
Balance at 31 March 2022		60,300,001	-	(25,007,959)	35,292,042
Year ended 31 March 2023:					
Loss for the year		-	-	(29,359,697)	(29,359,697)
Other comprehensive income:					
Cash flow hedges gains		-	(208,772)	-	(208,772)
Total comprehensive income for the year		-	(208,772)	(29,359,697)	(29,568,469)
Issue of share capital	18	14,000,000	-	-	14,000,000
Balance at 31 March 2023		74,300,001	(208,772)	(54,367,656)	19,723,573

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

The Norton Motorcycle Co. Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Bartholomew Lane, London, EC2N 2AX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of intangible assets and certain tangible fixed assets at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' Compensation for key management personnel.

At the reporting date, the company was 100% owned by TVS Motor (Singapore) Pte Ltd, a company incorporated in Singapore. The ultimate parent company was TVS Motor Company Limited, a company incorporated in India. This company is the parent of the smallest group for which consolidated accounts are drawn up of which the company is a member. The registered office is "Chaitanya" No. 12, Khader Nawaz Khan Road, Nungambakkam, Chennai 600 006, Tamil Nadu, India.

1.2 Going concern

The Company has made significant losses in the financial year as it has incurred expenses on setting up of the business and mobilizing the resources prior to the production commencing.

The directors have prepared a cashflow forecast and undertaken a review of the future financing requirements on the basis of both the expected future investment required into the next financial year as well as for ongoing operations of the Company. The directors are satisfied that sufficient cash facilities have been secured from its bankers and from the parent company to meet its working capital for at least 12 months following the date of signing these financial statements. In particular, the Company has already taken out a term loan (with a moratorium) to help fund its resource requirement during this financial year and a further loan facility has also been sanctioned, which is yet to be availed.

Further, the parent company has confirmed its continuing support for the company and its intention to continue supporting the company with working capital as and when required. The directors are therefore confident, and the company has adequate resources and working capital to continue in operational excellence for the foreseeable future to meet its ongoing liabilities.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

License fee income is recognised at fair value in the period to which it relates.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated and is amortised over the life of the product to which it relates once the product is placed in the market.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost or valuation and are subsequently measured at cost or valuation less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Intangible assets comprise acquired brand names, intellectual property and goodwill and are carried at valuation less amortisation.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents and licences	8 years straight line
Development costs	5 - 8 years straight line
Brand names and trademarks	8 years straight line

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	8 years straight line
Plant and equipment	3 and 10 years straight line
Fixtures and fittings	3 years straight line
Computers	3 years straight line
Motor vehicles	6 - 8 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company 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.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements, estimates and assumptions which have had the most significant effect on amounts recognised in the financial statements and which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock obsolescence provisions

At each balance sheet date the directors assess stock for obsolescence. Due to the size and nature of stock this is a key accounting estimate.

The provision is calculated based on an estimate of the remaining life of stock held at the balance sheet date.

Tangible and intangible fixed assets

Judgements are required on estimating the useful economic lives of tangible and intangible fixed assets. Where an indication of impairment is identified the estimation of recoverable value requires estimation.

Deferred tax

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

Capitalisation of development costs

Management judgement has been required in estimating the proportion of time spent by staff in the development of products in order that those costs are capitalised as intangible fixed assets.

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by class of business		
Motorcycle sales	314,872	14,520
Parts and servicing	32,919	12,833
Royalty income	22,388	10,632
Other income	174	1,435
	<u>370,353</u>	<u>39,420</u>
	2023	2022
	£	£
Other revenue		
Grants received	-	65,303
	<u>-</u>	<u>65,303</u>

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4 Operating loss

	2023	2022
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	369,905	(41,548)
Research and development costs	1,069,095	-
Government grants	-	(65,303)
Depreciation of owned tangible fixed assets	1,976,957	879,039
Loss on disposal of tangible fixed assets	12,517	1,007
Amortisation of intangible assets	3,816,396	3,008,230
Operating lease charges	674,699	523,356
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2023	2022
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	17,435	17,000
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	1,100	1,000
All other non-audit services	5,630	3,180
	<u> </u>	<u> </u>
	6,730	4,180
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023	2022
	Number	Number
Administration	57	30
Production	144	118
	<u> </u>	<u> </u>
Total	201	148
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	11,406,946	4,736,453
Social security costs	1,154,674	487,781
Pension costs	728,106	330,711
	<u> </u>	<u> </u>
	13,289,726	5,554,945
	<u> </u>	<u> </u>

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

6 Employees (Continued)

£1,024,875 of wages and salary costs, £107,022 of social security costs and £72,560 of pension costs have been capitalised as development costs and are not included in the figures noted above.

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	18,000	18,000

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0.

8 Taxation

	2023 £	2022 £
Current tax		
Adjustments in respect of prior periods	(329,211)	(112,644)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Loss before taxation	(29,688,908)	(14,821,614)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(5,640,893)	(2,816,107)
Tax effect of expenses that are not deductible in determining taxable profit	123,188	(157,767)
Unutilised tax losses carried forward	5,588,010	2,973,874
Research and development tax credit in respect of prior period	(329,211)	(112,644)
Capital allowances super deduction	(70,305)	-
Taxation credit for the year	(329,211)	(112,644)

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Intangible fixed assets

	Patents and licences	Development costs	Brand names and trademarks	Total
	£	£	£	£
Cost				
At 1 April 2022	429,000	4,316,677	23,894,836	28,640,513
Additions	-	7,004,816	121,444	7,126,260
At 31 March 2023	429,000	11,321,493	24,016,280	35,766,773
Amortisation and impairment				
At 1 April 2022	80,438	-	5,416,695	5,497,133
Amortisation charged for the year	53,625	760,986	3,001,785	3,816,396
At 31 March 2023	134,063	760,986	8,418,480	9,313,529
Carrying amount				
At 31 March 2023	294,937	10,560,507	15,597,800	26,453,244
At 31 March 2022	348,562	4,316,677	18,478,141	23,143,380

10 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2022	4,871,914	2,444,298	1,960,006	620,130	1,454,621	11,350,969
Additions	36,593	1,536,085	144,782	299,216	394,914	2,411,590
Disposals	-	(20,859)	(12,196)	-	(118,700)	(151,755)
At 31 March 2023	4,908,507	3,959,524	2,092,592	919,346	1,730,835	13,610,804
Depreciation and impairment						
At 1 April 2022	197,539	188,158	297,753	132,259	184,045	999,754
Depreciation charged in the year	610,877	208,463	683,347	234,876	239,394	1,976,957
Eliminated in respect of disposals	-	(1,518)	(3,507)	-	(29,011)	(34,036)
At 31 March 2023	808,416	395,103	977,593	367,135	394,428	2,942,675
Carrying amount						
At 31 March 2023	4,100,091	3,564,421	1,114,999	552,211	1,336,407	10,668,129
At 31 March 2022	4,674,375	2,256,140	1,662,253	487,871	1,270,576	10,351,215

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Financial instruments

	2023	2022
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	583,941	-

12 Stocks

	2023	2022
	£	£
Raw materials and consumables	7,858,190	3,920,202
Work in progress	577,128	770,692
Finished goods and goods for resale	706,173	105,823
	<u>9,141,491</u>	<u>4,796,717</u>

13 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	3,008,007	378,851
Corporation tax recoverable	-	112,644
Other debtors	1,461,852	562,755
Prepayments and accrued income	822,542	1,115,409
	<u>5,292,401</u>	<u>2,169,659</u>

14 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Bank loans and overdrafts	16	1,054,781	-
Trade creditors		2,658,016	973,339
Amounts owed to group undertakings		996,379	1,224,122
Taxation and social security		487,898	241,855
Derivative financial instruments		583,941	-
Other creditors		2,796,389	3,253,373
Accruals and deferred income		3,854,047	527,471
		<u>12,431,451</u>	<u>6,220,160</u>

15 Creditors: amounts falling due after more than one year

	Notes	2023	2022
		£	£
Bank loans and overdrafts	16	19,400,367	-

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Loans and overdrafts

	2023 £	2022 £
Bank loans	19,400,367	-
Bank overdrafts	1,054,781	-
	<u>20,455,148</u>	<u>-</u>
Payable within one year	1,054,781	-
Payable after one year	19,400,367	-
	<u>19,400,367</u>	<u>-</u>

The bank loan is to be secured by a charge over the company's plant & machinery. At 31 March 2023 the company is in the process of creating this charge against the security.

The bank loan bears interest of 2.60% per annum over SOFR and is repayable by December 2027.

17 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	728,106	330,711
	<u>728,106</u>	<u>330,711</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	74,300,001	60,300,001	74,300,001	60,300,001
	<u>74,300,001</u>	<u>60,300,001</u>	<u>74,300,001</u>	<u>60,300,001</u>

The company has one class of ordinary shares which have full rights to voting, dividends and capital distribution. They do not confer any rights of redemption.

At various points during the year a total of 14,000,000 ordinary shares of £1 each were issued for cash at par.

19 Reserves

Hedging reserve

The hedging reserve represents accumulated gains or losses on hedging transactions.

Profit and loss reserves

Profit and loss reserves represent the retained profits of the company since its inception.

THE NORTON MOTORCYCLE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £	2022 £
Within one year	595,733	529,685
Between two and five years	881,516	290,349
In over five years	7,384	8,912
	<u>1,484,633</u>	<u>828,946</u>

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023 £	2022 £
Acquisition of tangible fixed assets	<u>487,467</u>	<u>-</u>

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is disclosed in note 7.

Other information

The company has taken advantage of the exemption under the terms of FRS102 not to disclose related party transactions with wholly owned companies within the group.

23 Cash flow hedges

During the year the company took out a loan facility of \$30m of which \$24m was drawn down at the year end. To mitigate against currency fluctuations the company also entered into a currency swap agreement. The hedging instrument used was a forward currency contract which had a fair value of £20.139m at the year end.

Cashflows from this hedging transaction are expected to occur from December 2024.

The amount of change in fair value of the hedging instrument recognised in other comprehensive income during the year was a loss of £209k. The amount of hedge ineffectiveness recognised in the profit and loss for the year was a loss of £258k.

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