

Company Registration Number 06738605

ADEY HOLDINGS (2008) LIMITED

**Annual report and consolidated financial statements
for the year ended 31 December 2019**



ADEY HOLDINGS (2008) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Adey Holdings (2008) Limited and its subsidiary undertakings when viewed as a whole.

PRINCIPAL ACTIVITY

The group's key activities are the design and manufacture of specialist heating products in the heating, ventilating and air conditioning industry. The principal activity of the company is to act as the holding company for Adey Innovation Limited, Adey Commercial Ltd, Adey Innovation SAS and Adey Innovation LLC (together "the group").

REVIEW OF THE BUSINESS

The result for the year, which is set out in the profit and loss account, shows consolidated turnover of £48.6m (2018: £45.0m). Gross margin has improved to 57.3% (2018: 52.3%), due to a different sales mix being obtained. The amortisation on goodwill and intangible assets of £524,000 (2018: £180,000) has meant that the group is reporting an operating profit of £12.1m (2018: £10.8m).

The directors consider that the financial position at the end of the year is satisfactory.

Our complete product range enables us to offer a best practice solution to all customers, which is well received in the marketplace, contributing to sales growth across all product ranges.

2019 saw the successful acquisition of Alpha Scientific Limited, a Commercial Water Testing company based in Slough. This acquisition has served to increase our testing capacity, the scope of tests we can carry out, and the geographical area that we can service.

2019 also saw the successful launch of various new domestic and commercial products, most notably the MagnaClean Professional3 Sense®, a first of its kind filter that enables remote monitoring of sludge build up in heating systems.

The senior management team possesses a number of years' of industry knowledge and experience which has become a significant driver in the sales growth achieved.

The ADEY brand continues to become more established overseas.

KEY PERFORMANCE INDICATORS

The group has seen solid sales growth again this year, despite difficult boiler market conditions.

Operating profit has again improved this year, increasing by 11% (2019: £12,053,000, 2018: £10,811,000). This increase has been aided by the additional sales revenue generated in the year, whilst at the same time keeping administrative costs under control.

The group will continue to invest in the use of new technology to enhance the quality of its products in order to remain competitive in the market.

ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (continued)

The Board monitors various KPIs during the course of the year to ensure that the group remains on financial target and within its strategy.

	2019	2018
Gross margin (%)	57.3%	52.3%
Debt ratio	1.04	1.03
Current ratio	1.97	2.05

Gross margin has performed well in the year despite adverse movements in foreign exchange and increasing raw material costs. Product mix and new markets have helped enhance gross margin. The company has kept its debt management under control with the its debt ratio performing consistently against prior year.

The company continues to have adequate resources in place to meet its short term borrowing commitments, with a current ratio of over approximately 2x.

Definitions:

- Gross margin is calculated as gross profit over net sales.
- Debt ratio is calculated as total debts over total assets.
- Current ratio is calculated as current assets over current liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to relate to maintaining the level of demand for the group's products and servicing that demand.

There remains significant uncertainty over the economic effects of the Covid-19 global pandemic, the duration of the civil arrangements to mitigate infection and on the ongoing levels of government support for businesses.

The directors recognise that Covid-19 will have an impact on a number of customers, who due to lock down periods and ongoing restrictions will themselves see a fall in demand in the near term. The Adey group has therefore undergone a significant cost saving review and implemented a number of cash protection measures during the period, to mitigate the risks posed by a drop in sales. All non-essential, discretionary spend has been paused until the end of Q3 and Governmental support schemes have been utilised where possible. As a result of the aforementioned measures, overheads are now forecasted to come in at 16% below the 2020 budget, delivering significant savings.

The directors also recognise that the pandemic could present procurement risks, namely in the surety of supply. During the period the Adey group has opened its own warehousing and manufacturing facility, which has served to reduce some of the risks posed by Covid-19, as has the increased stock holding which has resulted.

During the period the Adey group has maximised the use of technology to enable remote working across the business ensuring optimum operational efficiency, even during lock down periods.

ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Maintaining a technological advantage is key to retaining demand and hence the Adey brand's continuing growth and success. We aim to minimise this risk by employing a high calibre design team which is constantly focusing on product innovation and development.

The group's activities expose it to a number of financial risks including raw material price increases. The type of materials used by the group increases this risk as suitable alternatives may be difficult to obtain; however, the group mitigates this through a closely managed procurement process which seeks to minimise the volatility of input prices and the risk which this presents.

The group's major customers are national plumbing merchants. The group has incurred no material bad debts during the period and the directors consider credit risk to be low.

There remains considerable uncertainty over the UK's future trading arrangements with the EU. However, Brexit is not expected to have a significant operational impact on the Adey Group, since the vast majority of turnover is derived from within the UK. Nevertheless, the key risks associated with Brexit have been identified as potential issues with supply of product into Europe and an increase in duty rates.

We have been working diligently over the past 2 years around our risk mitigation plans, focussing on supply of product into Europe. This has resulted in the opening of a designated distribution warehouse located in Europe.

We have engaged methodically with our supply chain partners to establish our best possible solution to ensure that we maintain continuity of supply of components and finished goods to our expanding customer base.

We have also been working to ensure compliance across our product, services and future business transactions and have evaluated our business processes to deal with any scenario presented to us.

We have carried out detailed customs duty analytics to identify the likely financial impact of any imposition of tariffs in a 'No Deal' scenario and it is the director's firm belief, that even in the event the UK does not secure a trade deal, the Adey Group will continue to trade profitably within the EU.

SECTION 172 (1) STATEMENT

The Directors of the company – and those of all UK companies – must act in accordance with their duties under the Companies Act 2006 (the Act). These include a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty has been central to the Board's decision-making processes and outcomes over many years. The information which follows in this section describes how, in performing their duties during the year, the Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Act, and constitutes the Director's Section 172 Statement for 2019.

ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)

Long-term decision-making

The Directors delegate day-to-day management and decision-making to its senior management team, but it maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including significant new business initiatives. Then, by receiving regular updates on business programmes and objectives, the Directors monitor that management is acting in accordance with agreed strategy. Processes are in place to ensure that the Directors receives all relevant information to enable it to make well-judged decisions in support of the Company's long-term success.

The nature of the regulatory environment in which the company operates, where legislation can span a 10- to 20-year period, emphasizes the need for long term thinking. Consequently, long-term outlooks always underpin strategic decision-making at the Director level and in fact has been the reason for the company's sustained success, informing growth and expansion into new markets and products at critical junctures.

Decisions made by the Board will impact the company's stakeholders in different ways over the long term and these impacts have to be weighed up against each other and certain trade-offs might need to be considered. For example, the company's continued investment in research and development will ensure product availability.

Reputation for high standards of business conduct

The Directors are responsible for developing a corporate culture which promotes integrity and transparency. They have established systems of corporate governance, and approves policies and procedures which promote corporate responsibility and ethical behaviour.

Key policies that have been implemented include an Anti-Bribery and Corruption policy. Furthermore, as noted in the Directors' Report, the company's Modern Slavery Act.

Stakeholder Engagement

The Directors recognise that relationships with its key stakeholders, including its investors, lenders, employees, customers, and suppliers are important in allowing the Company to achieve its business aims. Engagement takes place with our stakeholders at all level, and the size and diversity of our business and global nature of the Group means that it can take many different forms. Much of it takes place at an operational level, and this is especially true in respect of our customers and suppliers, with whom we deal in the ordinary course of business on a day-to-day basis.

The Directors consider and discuss information from across the organisation to help it understand the impact of the Adey Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Directors through reports and through in-person presentations.

As a result of these activities, the Directors have an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)

Investors

Investors aim to maximise returns at the level of risk they are willing to assume. Consequently, investors' concerns revolve around having continued access to the information they need to assess the relevant risks and ultimately achieving the expected return on their investment.

The long-term success of the company could be adversely affected if investors perceive the required information to be unavailable or unreliable. This in turn could affect their propensity to invest (or reinvest) and the price at which they would be willing to do so. This could hamper the company's ability to achieve its long term goals.

The Adey Group has a successful track-record of partnering with private equity investors to achieve its growth aspirations. The nature of this partnership is such that investors are engaged at the highest levels across the business and are provided with regular updates on Company performance.

Lenders

Like investors, lenders also look to achieve a return on funds they have lent to the company under the debt facilities they make available. However, returns are generally lower, given risk is lowered through a series of mitigating actions, including seniority of the facilities in the inter-creditors agreement, securing the facilities with the assets of the company, setting financial covenants which the company must achieve, and prescribing various other obligation which the company must fulfil (including information undertakings).

Lenders are primarily concerned with the maintaining the risk level of their lending and such with the company's continued compliance with all obligations related to the facilities. Lenders are also subject to strict anti-money laundering ("AML") regulations, so another key concern is ensuring that they are not aiding money laundering in any way.

The Long-Term Success of the company could be adversely affected if it fails to comply with any of the obligations under the senior facility agreement ("SFA"). This could put the company into default which could be costly to remedy or at worst mean that all facilities become due and payable on demand. Any such failures could also affect the company's ability to secure future borrowing and impact the related cost.

A syndicate of lenders provide the company, via the parent companies, with the liquidity it requires both for working capital purposes, as well as investment in capital projects and acquisitions. As such, it is a key stakeholder in the continued growth of the company.

The lenders receive financial information from the company on a monthly and quarterly basis and the Directors also met with the lenders on several occasions during the course of the year. These sessions helped to broaden the lenders' understanding of the business and answer their questions on trading and forecasts. Amendments to the Groups senior facility agreement were also negotiated and enacted during the year.

Employees

Our people are essential to our success, future growth, and our aim to build leading positions in long-term global growth markets. We continue to invest substantial time and effort to employ, train, develop and retain employees who are passionate about our business and have up-to-date knowledge and world class expertise in our key functional areas. Hearing their views on what we do well, and what we can do better, is an important driver for improvement and retaining our best talent.

ADEY HOLDINGS (2008) LIMITED

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)

Customers

The company is defined by its ability to meet the needs of its customer base. It endeavours to develop mutually beneficial partnership which drives the long-term success of all parties. Customer concerns centre around the availability, quality and price of products and services, open and honest communications, and relevant support or their own growth initiatives.

Engagement with customers takes place mainly at an operational level within our business areas through face-to-face meetings, ongoing dialogue through dedicated sales and operations teams, customer relationship managers, and in respect of material customer issues, through our senior management team.

During the year the Directors received updates on key customer issues through regular business reviews. Some of our Directors also regularly attend industry trade shows and exhibitions across the globe where time is spent face-to-face with key customers to hear directly from these strategic partners and to discuss current and future challenges.

Suppliers

The Directors recognise the key role our suppliers play in ensuring the quality of our products and that as a business we meet the high standards of conduct that we set ourselves. The company works with both large international suppliers as well as small, independent family-run businesses. We aim to be fair and ethical in dealings with all our suppliers, pay them on agreed terms and be a collaborative and responsive partner.


FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Demand for the group's products continues to attract new customers and therefore the directors continue to improve and increase the company's range of products in order to grow the business.

The company has successfully launched its next generation filter in January 2020, the MagnaClean Professional3 Sense. Early orders have been very encouraging. The Adey brand is continuing to gather momentum overseas with some sizeable orders already received.

The impact of the Covid-19 pandemic since the balance sheet date is described in the Principal Risks and Uncertainties section above.

The strategic report has been approved by the Board of directors and signed on behalf of the Board:


D Brown
Director
UK Head Office
Gloucester Road
Cheltenham, Gloucestershire
GL51 8NR

31ST July 2020

31 July 2020

ADEY HOLDINGS (2008) LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group and the company, together with the financial statements and auditor's report, for the year ended 31 December 2019.

Directors of the company

The directors who held office during the year and subsequently, unless otherwise stated, were as follows:

D Brown
E Davies (resigned 16 October 2019)
J D Vaughan (appointed 23 October 2019, resigned 15 April 2020)
M W D Webber (appointed 23 October 2019)

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report and form part of this report by cross-reference.

Research and development

The group continues to invest in research and development as it seeks to enhance and improve its product range.

Existence of branches outside the UK

The group has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

Adey Innovation SAS – Cluses, France
Adey Innovation LLC – Pittsburgh, USA

Going concern

For the first half of 2020 sales of the Group are 8% or £2m below those achieved during the same period in 2019. Since the lockdown was imposed the Group has implemented significant cash protection and cost production measures, which have resulted in an EBITDA (for covenant purposes) being achieved that is only 7% below the same period in the prior year. Whilst trading during lockdown was challenging, the Group has come out of the situation strongly and sales are now performing ahead of last year. The Group remains well inside the bank covenant ratios and is forecast to continue to do so on an ongoing basis.

ADEY HOLDINGS (2008) LIMITED

DIRECTORS' REPORT (continued)

Going concern (continued)

The Group has carried out a rigorous programme of sensitised forecasting to measure the impact of the ongoing Covid-19 Pandemic. The August 2020 to December 2020 period has now been prudently forecasted at 22% below the previous year, although the Board is of the view that the chances of this scenario arising are remote due to the sales achieved in June and July 2020 (please see below). Furthermore, sales for Q1 2021 have also been sensitised to 15% down on the same period in the prior year, and the group remains within the covenant ratios. The Group sales achieved in June 2020 were 24% above those of June 2019. July's 2020 Group sales are forecasted to be 22% ahead of July 2019; demonstrating the depth of the Group sensitivities applied to sales and profit forecasts. The 2020 Group gross margin is forecasted to remain at a similar level to 2019. The sensitised Group forecast also includes a controlled increase in overheads to support sales from September 2020 onwards. Group overhead costs are forecasted to be 16% down on 2019 due to the cash protection measures and cost production programme that have been implemented, in addition to the various Governmental grants that have been utilised, such as the Coronavirus Job Retention Scheme. Capital expenditure, which was reduced under the cost savings measures, has been forecasted to return to normal levels from Q4 2020. The 2020 sensitised forecast assumes all supplier payments are made up to date and paid according to terms.

At the end of June 2020 Group cash at bank amounted to £17.3m and is forecasted to be £12.9m in December 2020, based on the sensitised forecast noted above.

The Group drew down £2.9m of the overdraft facility in March 2020. A further draw down of £0.4m is anticipated in Q3 2020. The overdraft facility drawdowns are reflected in the bank balance amounts stated above.

Covid-19 risk

Details regarding Covid-19 risk can be found in the Strategic Report and form part of this report by cross-reference.

Brexit risk

Details regarding Brexit risk can be found in the Strategic Report and form part of this report by cross-reference.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it to the financial risks of changes interest rates. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Foreign exchange risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. To manage this, the company holds a portfolio of derivative instruments comprising forward and option products. Each instrument will have a monthly expiry where the company has an obligation to purchase a specified amount of foreign currency at an agreed exchange rate.

ADEY HOLDINGS (2008) LIMITED

DIRECTORS' REPORT (continued)

Financial risk management objectives and policies (continued)

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in note 1 to the financial statements.

Dividends

The company paid no dividends during the year (2018 £nil). The board of directors do not propose any dividends to be paid following the year end.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

D Brown
Director



31ST July 2020

31 July 2020

ADEY HOLDINGS (2008) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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 period. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ADEY HOLDINGS (2008) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADEY HOLDINGS (2008) LIMITED

Report on the audit of the financial statements

Opinion

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 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Adey Holdings (2008) Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

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).

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

ADEY HOLDINGS (2008) LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 respect of these matters.

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.

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

ADEY HOLDINGS (2008) LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

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 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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Wright

Andrew Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

31 July 2020

ADEY HOLDINGS (2008) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	48,565	45,041
Cost of sales		(20,747)	(21,490)
Gross profit		<u>27,818</u>	<u>23,551</u>
Administrative expenses		(15,765)	(12,740)
Operating profit		12,053	10,811
Interest receivable and similar income	4	33	1,117
Interest payable and similar charges	4	(633)	(34)
Profit before taxation	5	11,453	11,894
Tax on profit	8	(119)	355
Profit for the financial year		<u>11,334</u>	<u>12,249</u>
Profit for the year attributable to:			
Non-controlling interest		27	-
Owners of the parent company		11,307	12,249
		<u>11,334</u>	<u>12,249</u>

Turnover and operating profit derive wholly from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2019


	Note	2019 £'000	2018 £'000
Profit for the financial year		11,334	12,249
Currency translation difference on foreign currency net investments	35	(46)	(46)
Total comprehensive income		<u>11,369</u>	<u>12,203</u>
Total comprehensive income attributable to:			
Non-controlling interest		27	-
Owners of the parent company		11,342	12,203
		<u>11,369</u>	<u>12,203</u>

ADEY HOLDINGS (2008) LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	4,678	3,172
Tangible assets	11	3,651	3,894
Goodwill	12	3,886	-
		<u>12,215</u>	<u>7,066</u>
Current assets			
Stocks	14	8,394	8,180
Debtors	15	37,667	28,970
Cash at bank and in hand		10,377	8,351
		<u>56,438</u>	<u>45,501</u>
Creditors: amounts falling due within one year	16	<u>(15,972)</u>	<u>(13,185)</u>
Net current assets		<u>40,466</u>	<u>32,316</u>
Total assets less current liabilities		52,681	39,382
Creditors: amounts falling due after more than one year	17	(2,143)	(247)
Provisions for liabilities	18	<u>(411)</u>	<u>(379)</u>
Net assets		<u>50,127</u>	<u>38,756</u>
Capital and reserves			
Called-up share capital	20	-	-
Profit and loss account	20	50,098	38,756
Equity attributable to owners of the parent company		<u>50,098</u>	<u>38,756</u>
Non-controlling interests	22	<u>29</u>	<u>-</u>
Total shareholder's funds		<u>50,127</u>	<u>38,756</u>

The financial statements of Adey Holdings (2008) Limited (registered number 06738605) were approved by the board of directors and authorised for issue on 31 July 2020. They were signed on its behalf by:


D Brown
Director

31ST JULY 2020

ADEY HOLDINGS (2008) LIMITED

COMPANY BALANCE SHEET
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	13	-	-
Intangible assets	10	1,552	1,272
		<u>1,552</u>	<u>1,272</u>
Current assets			
Debtors	15	8,814	9,327
		<u>8,814</u>	<u>9,327</u>
Creditors: amounts falling due within one year	16	(10,873)	(10,873)
Net current liabilities		<u>(2,059)</u>	<u>(1,546)</u>
Total assets less current liabilities		(507)	(274)
Provisions for liabilities	18	(25)	(25)
Total assets less current liabilities, being net liabilities		<u>(532)</u>	<u>(299)</u>
Capital and reserves			
Called-up share capital	20	-	-
Profit and loss account	20	(532)	(299)
Shareholder's funds		<u>(532)</u>	<u>(299)</u>

No profit and loss account is prepared for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £233,000 (2018: £170,000).

The financial statements of Adey Holdings (2008) Limited (registered number 06738605) were approved by the board of directors and authorised for issue on 31 July 2020. They were signed on its behalf by:



D Brown
Director

31st July 2020

ADEY HOLDINGS (2008) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Equity attributable to owners of parent company £'000	Non- ntrolling interests £'000	Total equity £'000
At 1 January 2018	-	26,553	26,553	-	26,553
Profit for the financial year	-	12,249	12,249	-	12,249
Currency translation difference on foreign currency net investments		(46)	(46)	-	(46)
Total comprehensive income	-	12,203	12,203	-	12,203
At 31 December 2018	-	38,756	38,756	-	38,756
Additions on acquisition of subsidiaries (note 22)	-	-	-	2	2
Profit for the financial year	-	11,307	11,307	27	11,334
Currency translation difference on foreign currency net investments	-	35	35	-	35
Total comprehensive income	-	11,342	11,342	27	11,369
At 31 December 2019	-	50,098	50,098	29	50,127

ADEY HOLDINGS (2008) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	-	(129)	(129)
Loss for the financial year, being total comprehensive income	-	(170)	(170)
At 31 December 2018	-	(299)	(299)
Loss for the financial year, being total comprehensive income	-	(233)	(233)
At 31 December 2019	-	(532)	(532)

ADEY HOLDINGS (2008) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash flows from operating activities	21	6,648	2,868
Cash flows used in investing activities			
Interest received		33	28
Purchases of tangible fixed assets		(1,046)	(1,583)
Purchases of intangible fixed assets		(1,789)	(1,402)
Acquisition of subsidiary, net of cash acquired		(3,530)	-
Net cash flows used in investing activities		<u>(6,332)</u>	<u>(2,957)</u>
Cash flows from financing activities			
Proceeds from issue of loan notes		1,990	-
Interest paid		(144)	(34)
Net cash flows used in financing activities		<u>1,846</u>	<u>(34)</u>
Tax (paid)/received		(171)	265
Net increase in cash and cash equivalents		<u>1,991</u>	<u>142</u>
Cash and cash equivalents at beginning of year		8,351	8,255
Effect of foreign exchange rate changes		35	(46)
Cash and cash equivalents at end of year		<u>10,377</u>	<u>8,351</u>
Reconciliation to cash at bank and in hand			
Cash and cash equivalents		<u>10,377</u>	<u>8,351</u>

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Adey Holdings (2008) Limited is a private limited company limited by shares, incorporated in England and Wales, United Kingdom under the Companies Act. The address of the registered office is UK Head Office, Gloucester Road, Cheltenham, Gloucestershire, GL51 8NR. The nature of the group's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Adey Holdings (2008) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Adey Holdings (2008) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year.

c. Going concern

For the first half of 2020 sales of the Group are 8% or £2m below those achieved during the same period in 2019. Since the lockdown was imposed the Group has implemented significant cash protection and cost production measures, which have resulted in an EBITDA (for covenant purposes) being achieved that is only 7% below the same period in the prior year. Whilst trading during lockdown was challenging, the Group has come out of the situation strongly and sales are now performing ahead of last year. The Group remains well inside the bank covenant ratios and is forecast to continue to do so on an ongoing basis.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

c. Going concern (continued)

The Group has carried out a rigorous programme of sensitised forecasting to measure the impact of the ongoing Covid-19 Pandemic. The August 2020 to December 2020 period has now been prudently forecasted at 22% below the previous year, although the Board is of the view that the chances of this scenario arising are remote due to the sales achieved in June and July 2020 (please see below). Furthermore, sales for Q1 2021 have also been sensitised to 15% down on the same period in the prior year, and the group remains within the covenant ratios. The Group sales achieved in June 2020 were 24% above those of June 2019. July's 2020 Group sales are forecasted to be 22% ahead of July 2019; demonstrating the depth of the Group sensitivities applied to sales and profit forecasts. The 2020 Group gross margin is forecasted to remain at a similar level to 2019. The sensitised Group forecast also includes a controlled increase in overheads to support sales from September 2020 onwards. Group overhead costs are forecasted to be 16% down on 2019 due to the cash protection measures and cost production programme that have been implemented, in addition to the various Governmental grants that have been utilised, such as the Coronavirus Job Retention Scheme. Capital expenditure, which was reduced under the cost savings measures, has been forecasted to return to normal levels from Q4 2020. The 2020 sensitised forecast assumes all supplier payments are made up to date and paid according to terms.

At the end of June 2020 Group cash at bank amounted to £17.3m and is forecasted to be £12.9m in December 2020, based on the sensitised forecast noted above.

The Group drew down £2.9m of the overdraft facility in March 2020. A further draw down of £0.4m is anticipated in Q3 2020. The overdraft facility drawdowns are reflected in the bank balance amounts stated above.

d. Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the group is expected to benefit. This period is ten years. Provision is made for any impairment.

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

Design applications are included at cost and amortised over their estimated useful economic life which is expected to be 10 years. Provision is made for any impairment.

Asset class

Amortisation method and rate

Patents	Over 10 years
Patent renewal	Over 4 years
Trademarks	Over 10 years
Design applications	Over 10 years
Development costs	Over 10 years

The amortisation charged on intangible assets, sits within administrative costs within the profit and loss account.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

e. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

Asset class	Depreciation method and rate
Short leasehold land and buildings	Over 10 years
Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance
Motor vehicles	25% reducing balance
Assets under construction	Not depreciated

f. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss in the period.

The group's activities expose it to change in foreign currency rates. The group uses foreign exchange forward contracts to hedge these exposures.

g. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

h. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the weighted average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.

i. Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

i. Financial instruments (continued)

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

(iii) Derivative financial instruments

Profit or loss recognised immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

j. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a cash generating unit, the reversal is applied first to the assets (other than goodwill) of the cash generating unit on a pro-rata basis and then to any goodwill allocated to that cash generating unit.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

k. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

k. Taxation (continued)

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets 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 liabilities or assets are expected to be settled or recovered.

l. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

m. Interest received

Interest income is recognised when it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

n. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The company places provisions against slow moving stock, bad debts and office dilapidations.

o. Investments

Investments in subsidiary undertakings are measured at cost less provision for impairment.

p. Interest payable

Interest payable is written off the the profit and loss account as incurred.

q. Interest received

Interest income is recognised when it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the group has transferred to the buyer the significant risks and rewards of ownership of goods. Following detailed quantification of the group's obligations in respect of rectification work, and limitation on the buyer's ability to require further work or replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

Key sources of estimation uncertainty

Impairment of tangible assets

Determining whether tangible assets are impaired requires an estimation of their value in use to the group. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the tangible asset and a suitable discount rate in order to calculate present value.

Capitalisation of development costs

Development costs are capitalised where the directors are satisfied with the technical, commercial and financial viability of individual projects. This exercise requires judgement and relies on external market research. Each project is reviewed for impairment periodically.

Taxation

The company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of some of these items may give rise to profits, losses or cash flows.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Provisions and contingent liabilities

Warranty provision

The group offers warranties for most of its products. Management estimates the related provision for future claims based on historic claim information, as well as evaluating recent trends that might suggest past cost information may differ from future claims.

Slow-moving stock provision

A stock provision has been placed against slow-moving items which have been identified after a detailed review by management. Identified items which have a stock holding of over six months' sales are provided for at their carrying values less scrap value.

Bad debt provision

A specific bad debt provision has been placed against aged debtor balances which management deem to be of potential risk. The creditworthiness of all customer accounts are reviewed periodically and only aged balances that carry such a risk are provided for.

3. Turnover

An analysis of the group's turnover by geographical market is set out below.

Turnover:

	2019	2018
	£'000	£'000
Sales – UK	41,165	39,118
Sales – rest of world	7,400	5,923
	<u>48,565</u>	<u>45,041</u>

Turnover is derived from a one class of business being the sale plumbing and heating supplies.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

4. Net finance (costs)/income

	2019	2018
	£'000	£'000
Bank interest receivable	33	27
Financial instruments	-	1,090
Total interest receivable and similar income	<u>33</u>	<u>1,117</u>
Bank interest payable	(144)	(34)
Financial instruments	(489)	
Total interest payable and similar charges	<u>(633)</u>	<u>(34)</u>
	<u>(600)</u>	<u>1,083</u>

Financial instruments

	2019	2018
	£'000	£'000
Fair value movement of financial instruments	<u>(489)</u>	<u>1,090</u>

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 31 December 2019**

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2019	2018
	£'000	£'000
Depreciation of tangible fixed assets	1,231	1,024
Amortisation of intangible fixed assets	524	180
Research and development – wages and salary costs	1,196	702
Research and development – other costs	581	507
Loss/(gain) on foreign exchange	88	(59)
Auditor's remuneration:		
- Audit related	75	53
- Tax compliance	72	113
- Tax advisory	67	28
- Corporate finance	263	465
Operating lease rentals – motor vehicles	21	12
Operating lease rentals – land and buildings	232	143

The analysis of the auditor's remuneration is as follows:

	2019	2018
	£'000	£'000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	41	38
For the audit of other companies within the group	34	15
Total audit fees	75	53
Taxation compliance services	72	72
Taxation advisory services	67	69
Corporate finance	263	465
Total non-audit fees	402	606

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

6. Staff numbers and costs

Group

The average monthly number of employees (including executive directors) was:

	2019	2018
	Number	Number
Sales	34	37
Administration	102	70
	<u>136</u>	<u>107</u>

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	6,250	4,557
Social security costs	771	574
Pension costs	129	-
	<u>7,150</u>	<u>5,131</u>

The company had no employees during the year (2018: none).

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

7. Directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	150	150

The directors were employed by London Bidco Limited, a fellow group company in both years. The remuneration of one director was then recharged to Adey Innovation LLP, a subsidiary company in respect of services to the group.

8. Tax on profit

The tax charge comprises:

	2019 £'000	2018 £'000
Current tax on profit		
UK corporation tax	224	130
Adjustment to prior year charge	(105)	(481)
Total current tax	119	(351)
Deferred tax		
Origination and reversal of timing differences	-	(4)
Total tax on profit	119	(355)

The standard rate of tax applied to reported profit is 19.0% (2018: 19.0%).

During the year beginning 1 January 2020, the net reversal of deferred tax assets and liabilities is expected to be nil.

There is no expiry date on timing differences, unused tax losses or tax credits.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

8. Tax on profit (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £'000	2018 £'000
Group profit before tax	11,453	11,894
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 19.0% (2018: 19.0%)	2,176	2,260
Effects of:		
- Expenses not deductible for tax purposes	284	114
- Income not taxable	(29)	(282)
- Timing differences	148	95
- Research and development enhanced relief	(570)	(323)
- Other differences	(124)	(175)
- Patent box relief	(817)	(798)
- Group relief not paid for	(844)	(761)
- Origination and reversal of timing differences	-	(4)
- Adjustment to previous period	(105)	(481)
Group current tax charge for period	119	(355)

9. Dividends on equity shares

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the period:	-	-

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. Intangible fixed assets

Group

	Patents £'000	Trademarks £'000	Design applications £'000	Development costs £'000	Total £'000
Cost					
At 1 January 2019	972	461	256	1,985	3,674
Additions	278	111	81	1,319	1,789
At 31 December 2019	<u>1,250</u>	<u>572</u>	<u>337</u>	<u>3,304</u>	<u>5,463</u>
Amortisation					
At 1 January 2019	232	122	63	85	502
Charge for the year	109	52	29	93	283
At 31 December 2019	<u>341</u>	<u>174</u>	<u>92</u>	<u>178</u>	<u>785</u>
Net book value					
At 31 December 2019	<u>909</u>	<u>398</u>	<u>245</u>	<u>3,126</u>	<u>4,678</u>
At 31 December 2018	<u>740</u>	<u>339</u>	<u>193</u>	<u>1,900</u>	<u>3,172</u>

Company

	Patents £'000	Trademarks £'000	Design applications £'000	Total £'000
Cost				
At 1 January 2019	972	461	256	1,689
Additions	278	111	81	470
At 31 December 2019	<u>1,250</u>	<u>572</u>	<u>337</u>	<u>2,159</u>
Amortisation				
At 1 January 2019	231	123	63	417
Charge for the year	110	51	29	190
At 31 December 2019	<u>341</u>	<u>174</u>	<u>92</u>	<u>607</u>
Net book value				
At 31 December 2019	<u>909</u>	<u>398</u>	<u>245</u>	<u>1,552</u>
At 31 December 2018	<u>741</u>	<u>338</u>	<u>193</u>	<u>1,272</u>

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. Tangible fixed assets

Group	Short leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2019	1,109	3,574	2,215	1,422	8,320
Additions	55	600	323	126	1,104
Disposals	-	(94)	(30)	(113)	(237)
At 31 December 2019	1,164	4,080	2,508	1,435	9,187
Depreciation					
At 1 January 2019	665	1,953	1,180	628	4,426
Charge for the year	117	489	408	217	1,231
Disposals	-	(51)	(3)	(67)	(121)
At 31 December 2019	782	2,391	1,585	778	5,536
Net book value					
At 31 December 2019	382	1,689	923	657	3,651
At 31 December 2018	444	1,621	1,035	794	3,894

The Group has acquired motor vehicles and other plant and equipment on leases which are considered to meet the definition of finance leases and are accounted for accordingly. At the balance sheet date, the net book value of these assets was £655,000 (2018: £653,000).

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

12. Goodwill

Group	Goodwill £'000
Cost	
At 1 January 2019	-
Additions	4,127
At 31 December 2019	<u>4,127</u>
Amortisation	
At 1 January 2019	-
Charge for the year	241
At 31 December 2019	<u>241</u>
Net book value	
At 31 December 2019	<u>3,886</u>
At 31 December 2018	<u>-</u>

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

12. Goodwill (continued)

Acquisition of subsidiary undertaking

On 31 May 2019, Alpha Scientific Limited (formerly Adey CWT Limited), a subsidiary of the group, acquired 100% of the share capital of Adey CWT Limited (formerly Alpha Scientific Limited), giving rise to goodwill of £4,127,000.

The acquisition has been accounted for under the purchase method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets	127	(69)	58
Tangible			
Current assets			
Debtors	704	(57)	647
Cash	996	-	996
Total assets	<u>1,827</u>	<u>(126)</u>	<u>1,701</u>
Creditors			
Trade creditors	(84)	(19)	(103)
Accruals and deferred income	(1)	(59)	(60)
Taxation	(348)	-	(348)
Other creditors	(775)	(16)	(791)
Total liabilities	<u>(1,208)</u>	<u>(94)</u>	<u>(1,302)</u>
Net assets	<u>619</u>	<u>(220)</u>	<u>399</u>
Satisfied by			
Cash			2,500
Loan notes			1,990
Transaction fees			36
			<u>4,526</u>
Goodwill arising on acquisition			<u>4,127</u>

As at the date of acquisition, the fair value of the non-controlling interest arising from the issue of shares to minority shareholders as part of the consideration was £2,000.

This goodwill is being amortised over its estimated useful life of 10 years.

Subsequent to acquisition, the acquired business generated revenue of £1,818,000 and profit before taxation of £397,000.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. Investments

The parent company has investments in the following subsidiary undertakings, associates and other investments, which together form the group.

	Country of incorporation	Principal activity	Holding*	%
Subsidiary undertakings				
Adey Innovation Limited*	UK	Plumbing & heating supplies	Ordinary	100
Adey Commercial Ltd	UK	Plumbing & heating supplies	Ordinary	100
Adey Innovation SAS	FRANCE	Plumbing & heating supplies	Ordinary	100
Adey Innovation LLC	USA	Plumbing & heating supplies	Ordinary	100
Alpha Scientific Limited	UK	Plumbing & heating supplies	Ordinary	85
Adey CWT Limited	UK	Dormant	Ordinary	85

* Direct subsidiary

Registered office of subsidiary undertakings:

Adey Innovation Ltd Adey Commercial Ltd Alpha Scientific Ltd Adey CWT Ltd	Gloucester Road, Cheltenham, GL51 8NR
Adey Innovation SAS	119B Rue De Colombes, 92600 Asnieres Sur Seine
Adey Innovation LLC	PO Box 38664, Pittsburgh, PA 15238

14. Stocks

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	8,394	8,180	-	-

Inventory charged to the profit and loss account in the year was £18,327,000 (2018: £18,667,000).

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

15. Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	12,433	10,973	-	-
Amounts owed by group undertakings	24,747	17,268	8,814	9,327
Financial instruments (note 19)	-	228	-	-
Other debtors	124	65	-	-
Corporation tax	-	23	-	-
Prepayments and accrued income	363	413	-	-
	<u>37,667</u>	<u>28,970</u>	<u>8,814</u>	<u>9,327</u>

Amounts owed by group undertakings and related parties are unsecured, interest free and payable on demand.

16. Creditors – amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	157	193	-	-
Trade creditors	6,085	4,988	-	-
Amounts owed to group undertakings	-	-	10,873	10,873
Other taxation and social security	1,556	1,179	-	-
Other creditors	1,285	913	-	-
Accruals and deferred income	6,541	5,912	-	-
Corporation tax	87	-	-	-
Financial instruments	261	-	-	-
	<u>15,972</u>	<u>13,185</u>	<u>10,873</u>	<u>10,873</u>

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

17. Creditors – amounts falling due after one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	90	247	-	-
Loan notes	2,048	-	-	-
Bank loans	5	-	-	-
	<u>2,143</u>	<u>247</u>	<u>-</u>	<u>-</u>

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

18. Provisions for liabilities

	Product warranties £'000	Deferred Tax £'000	Office Dilapidation £'000	Total £'000
Group				
At 1 January 2019	72	94	213	379
Charged to profit and loss account	12	-	20	32
Utilised	-	-	-	-
At 31 December 2019	<u>84</u>	<u>94</u>	<u>233</u>	<u>411</u>

Deferred tax

	Deferred Tax £'000	Total £'000
Company		
At 1 January 2019	25	25
Credited to profit and loss account	-	-
At 31 December 2019	<u>25</u>	<u>25</u>

Deferred tax is provided as follows:

	2019 £'000	2018 £'000
Group		
Other timing differences	<u>94</u>	<u>94</u>
	2019 £'000	2018 £'000
Company		
Other timing differences	<u>25</u>	<u>25</u>

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the company.

Product warranties

The provision for product warranties relates to expected warranty claims on products sold in the last three years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Office dilapidation

The provision for office dilapidations has been calculated based on the square footage of the office occupied space. Payments relating to the dilapidations will be realised when the office leases come to an end.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

19. Financial instruments

The group holds a number of instruments in their portfolio, mainly forward and option products. Each instrument will have a monthly expiry where the company has an obligation to purchase a specified amount of foreign currency at an agreed exchange rate. Such instruments are valued at the balance sheet date using the Black Scholes Model, with valuations being based on the spot rate at 'close of business' (New York time) on the specified day.

The carrying values of the Group and Company's financial assets and liabilities have been determined by using a mark to market valuation generated using independent foreign exchange market data and are summarised below:

	Group	
	2019	2018
	£'000	£'000
Financial (liabilities)/assets		
Forward foreign currency contracts	(261)	228

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2019	2018
	£'000	£'000
Fair value gains and losses		
(Loss)/gain on financial assets measured at fair value through profit or loss	(489)	1,090

20. Called-up share capital and reserves

	2019	2018
	£'000	£'000
Allotted, called-up and fully-paid		
2 'A' ordinary shares of £1	-	-
2 'B' ordinary shares of £1	-	-

Both classes of share rank pari passu for rights to return of capital, income and voting. The articles provide for independent dividend rights.

Profit and loss account

The profit and loss account represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

21. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2019	2018
	£'000	£'000
Operating profit	12,053	10,811
Adjustment for:		
Loss on disposal of fixed assets	116	58
Depreciation and amortisation	1,755	1,204
	<hr/>	<hr/>
Operating cash flow before movement in working capital	13,924	12,073
(Increase)/decrease in stocks	(214)	(1,050)
Increase in debtors	(8,276)	(9,170)
Increase in creditors	1,182	1,027
Increase/(decrease) in provisions	32	(12)
	<hr/>	<hr/>
Cash generated by operations	6,648	2,868
	<hr/>	<hr/>

22. Non controlling interests

	2019	2018
	£'000	£'000
At beginning of year	-	-
Acquisition of subsidiary undertaking (note 12)	2	-
Total comprehensive income for the year	27	-
At end of year	29	-
	<hr/>	<hr/>

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

23. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
Group				
- within one year	202	-	143	-
- between one and five years	629	-	596	-
	<u>831</u>	<u>-</u>	<u>739</u>	<u>-</u>

Future obligations under finance leases and hire purchase contracts fall due as follows:

	Motor vehicles	
	2019 £'000	2018 £'000
Group		
- within one year	157	193
- between one and five years	90	247
	<u>247</u>	<u>440</u>

There were no capital commitments at the balance sheet date (2018: £nil).

24. Related party transactions

The Company has taken advantage of the exemption in FRS102 section 33 'Related party disclosures' from disclosing balances and transactions with members of the group headed by London Topco Limited that are wholly owned on the basis the subsidiary is included in the consolidated financial statements of London Topco Limited.

A cross guarantee exists amongst the companies within the Adey Holdings (2008) Ltd group for the banking facilities which are held in London Bidco Ltd. The cross guarantee ensures that each subsidiary agrees to become an additional borrower and an additional guarantor of the facility. The value of the facility for the period ending 31st December 2019 was £65,029,000 (2018: £65,029,000) and is presented in the financial statements of London Bidco Ltd.

ADEY HOLDINGS (2008) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

25. Post balance sheet events

There is significant uncertainty over the economic effects of the Covid-19 global pandemic, the duration of the UK's civil arrangements to mitigate infection and on the ongoing levels of UK government support for businesses. The directors recognise that Covid-19 will have a serious impact on a number of customers. However, the Adey Group has implemented many cost saving and cash protection measures to mitigate the risks presented by the pandemic, and to ensure the maximum longevity of the Group.

Demand for the Group's products continues to attract new customers and therefore the directors continue to improve and increase the company's range of products in order to grow the business.

26. Controlling party

As at 31 December 2019, London Bidco Ltd was the immediate shareholder of Adey Holdings (2008) Limited. London Bidco Ltd controls Adey Holdings (2008) Limited as a result of controlling, directly or indirectly, 100% of the issued share capital. London Topco Limited is the parent company of London Bidco Limited and the ultimate parent company of Adey Holdings (2008) Limited. Copies of its consolidated financial statements may be obtained from its registered office, UK Head Office, Gloucester Road, Cheltenham GL51 8NR.

As at 31 December 2019, Lloyds Development Capital (Holdings) Limited a private equity investment company based in the UK, held the majority (54.62%) of shares in London Topco Limited and 31.67% of the voting rights. There is no individual controlling party.

London Topco Limited is not consolidated by Lloyds Development Capital (Holdings) Limited on the basis that it is not considered to be a subsidiary controlled by the Private Equity group but one of the number of companies within their investment portfolio.

Lloyds Development Capital (Holdings) Limited
1 Vine Street
London
W1J 0AH

Adey Holdings (2008) Limited is the parent of the smallest group for which group financial statements are drawn up.