

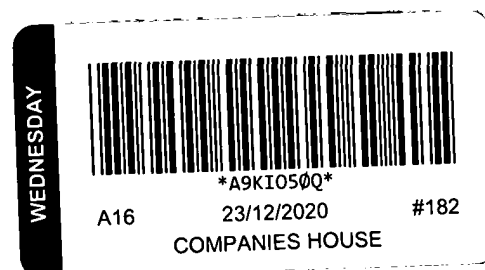
**IDEAL INDUSTRIES HOLDINGS
LIMITED AND SUBSIDIARY
UNDERTAKINGS**

Report and Financial Statements

For the year ended

31 December 2019

Company Number 04998643



IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

**Report and financial statements
for the year ended 31 December 2019**

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Company information

Directors

Kevin Lamb
Sheila Johnsen

Registered office

Sycamore Road
Eastwood Trading Estate
Rotherham
South Yorkshire
S65 1EN

Company number

04998643

Auditor

BDO LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Bankers

HSBC Bank plc, 19 Midsummer Place, Milton Keynes, MK9 3GB

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Strategic report for the year ended 31 December 2019

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2019.

Strategic review of the business

On 20 December 2018, a sale of IDEAL INDUSTRIES Networks Limited was agreed with a third party outside of the group.

IDEAL INDUSTRIES Holdings Limited acquired the entire issued share capital of Cree Europe (Italy) S.r.l on 13th May 2020 for £20m in cash, funded by a loan from its parent company. The company has continued to invest in product development across all of its divisions and subsidiary undertakings in 2019. This continued investment has enabled the group to focus on selling its own designed products. The wider group is continuing to invest in channel access in both developed and developing markets, principally USA, China and India, which is anticipated to yield further benefits in 2020 and beyond.

The directors utilise Key Performance Indicators to measure the performance of the business. These have been considered below:

Continuing Operations	2019 £000	2018 £000	Change
Turnover	62,569	47,120	+24.7%
Gross profit %	38.2%	48.9%	-28.2%
Operating Profit	9,917	9,404	+5.2%
Cash at bank and in hand	13,106	10,279	+21.6%
Shareholders' funds	30,053	59,829	-99.1%
Discontinued Operations	2019 £000	2018 £000	Change
Turnover	-	13,334	-
Gross profit %	-	54.4%	-
Operating Profit	-	1,777	-

The significant reduction in Shareholders' funds of 99.1% was due to the conversion of the £25,117k intercompany loan into a dividend on 28 January 2019 (note 17).

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Strategic report
for the year ended 31 December 2019 (*continued*)

Principal risks and uncertainties

As with all trading businesses, the group is exposed to risks during the conduct of its normal business operations. Mitigation actions and strategies to reduce any potential impact are agreed and put in place wherever possible. The group maintains a range of insurance policies against major insurable risks including damage to property and equipment and employment. Whilst it is not possible to record or quantify every material risk within the group, below is a summary of the key risks the directors believe could have a material impact on the future performance and also how the risk has been mitigated.

Financial risk

The risks of this nature include the use of various financial instruments to raise finance for the group's operations. This includes amounts owed to group / parent companies, cash and other items such as trade debtors and trade creditors, that arise directly from its operations.

The key financial risks considered by the directors are:

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The group selects bankers on recommendation from the ultimate parent company to ensure the cash is invested safely.

Credit risk

The group's principal financial assets are cash and trade debtors. The credit risk associated with the cash is managed by the group monitoring the financial position of the counterparties involved. The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. This has resulted in minimal payment defaults during the year.

Strategic risks

The risks of this nature include changes to the business environment with potentially significant effects on operations and business objectives including customer behavior, competitors, technology and also business channel specific risks.

Relevant economic and market indicators are reviewed by the senior management team on a regular basis. Customers and suppliers are subject to continuous review by the relevant team, and competitor activity is regularly reviewed by senior management.

Activities to maintain and strengthen the technological expertise within the group are constantly ongoing as the group recognises the need to maintain competitive technological position.

Operational risks

Operational risks comprise risks directly attributable to business operations and with a potential impact on the group's financial position and performance.

The key operational risks considered by the directors include:

Supply chain

The risks are mitigated by ensuring that wherever possible key raw material or components required in production processes are available from multiple vendors. In cases where this is not possible adequate stocks are maintained to ensure continued availability.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Strategic report
for the year ended 31 December 2019 (*continued*)

Covid-19/Going Concern

A major risk to the company is the impact of the Covid-19 global pandemic. Further details of response and impact is detailed in the Director's report on page 6.

Brexit

The directors believe the company has taken all necessary preparation it can do in the event of all the potential outcomes.


Customer dependency

Risks are reduced because the receivables due from any individual customer are relatively small in relation to total trade receivables.

Internal control risks and financial reporting risks are addressed annually in the form of independent financial controls assessment that reports directly to the shareholders as well as a comprehensive systematic process for financial reporting.

Approval

The strategic report was approved by the order of the board on 21 December 2020

DocuSigned by:

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Kevin Lamb

Director

Company Registration Number: 04998643

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Report of the directors for the year ended 31 December 2019

The directors have pleasure in submitting the report of the directors and audited financial statements for the year ended 31 December 2019.

Principal activity

IDEAL INDUSTRIES Holdings Limited is the European Holding company for IDEAL INDUSTRIES Inc's trading operations across Europe.

The European based divisions that are represented in these accounts are Casella Measurement, IDEAL INDUSTRIES Electrical, Anderson Power Products, CMD Limited and Cree Italy (Europe) S.r.l.

Casella Measurement is principally engaged in the sale of environmental monitoring equipment and services. IDEAL INDUSTRIES Electrical is principally engaged in the sale of tools and supplies for the electrical markets. Anderson Power Products is principally engaged in the sale of electrical connectors. CMD Limited is principally engaged in the manufacture and sale of cable management systems. Cree Europe S.r.l. (Italy) acquired 13th May 2019 is a market leading innovator of indoor, outdoor, and consumer bulb LED lighting. Its cutting-edge technology delivers reliable performance and value beyond light for office and industrial buildings, schools and universities, municipalities, automotive dealerships, healthcare facilities, and more.

On 13th May 2019 IDEAL INDUSTRIES Holdings Limited purchased 100% of the share capital of Cree Europe S.r.l. (Italy) for £19,989k. This was paid for by IDEAL INDUSTRIES Inc, IDEAL INDUSTRIES Holdings parent company. The consideration amount of £19,989k is classified as an intercompany loan as at 31 December 2019 (note 18).

Post balance sheet date £12,271k of the intercompany loan was converted into share capital, leaving the remaining £7,718k as an intercompany loan repayable in the year (note 25).

Results and dividends

The results for the Group show a profit after taxation of £7,371k for the year (2018 - £34,400k). 2018 included a profit of £22,932k on the sale of IDEAL INDUSTRIES Networks Limited.

During the year the company spent £885k (2018 - £834k) on research and continuing development, and research and development tax credits of £nil (2018 - £nil) arose.

A final dividend of £25,117k was paid during the year as well as an interim dividend of £12,031k, giving total dividends paid within the year of £37,147k.

Going concern and Covid-19

The directors acted swiftly and decisively, with support and guidance from the parent company and wider group companies. Home working was deployed quickly and apart from the initial 3 weeks of government enforced lockdown the business has continued to operate, gradually increasing output as it implemented Covid measures to ensure the safety and wellbeing of its staff.

Performance in 2020 had started strongly, the decline in sales corresponded with the UK Government's lockdown restrictions introduced on 23rd March. The drop in revenue is forecasted to be around -17% for FY2020 against 2019. The directors forecast revenue to grow by 15% in FY2021 given current trading conditions and outlook. Once the severity of the impact of the pandemic was understood action was taken to reduce the cost base in line with the step back in revenue. The company utilised the government furlough scheme, but it did not seek any government backed loans due to its strong cash position.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Report of the directors for the year ended 31 December 2019 (*continued*)

Going concern and Covid-19 (*continued*)

Throughout the pandemic the directors have continually re-evaluated the financial forecasts due to the uncertainty caused by covid-19. Cost base has been trimmed with internal controls put in place to monitor and maintain policies put in place. Despite a significant forecasted drop in revenue against prior year, the directors forecast positive EBITDA and cashflow for 2020. As part of the continual review the directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements. These projections have been sensitised based on various levels of revenue and assessed against the available cash headroom. The directors feel that despite the uncertainty and restrictions in place the business has a reasonably strong pipeline and will remain cash positive throughout the twelve months from date of signing. As of December 2020, the Group has over £18.5m in cash and given forecasted trading FY2021 expect to continue to have positive cashflow throughout FY2021. The group will be self-sufficient, and any dividend payments made are discretionary and will only be made if the UK group has adequate cash levels to continue trading as a going concern.

Directors

The directors who served during the year and to the date of this report were as follows:

Carmelle Giblin
Kevin Lamb

IDEAL INDUSTRIES Inc. purchased and maintained Directors and Officers Liability Insurance throughout the financial year for IDEAL INDUSTRIES, Inc. and its family of companies.

Directors, Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Report of the directors for the year ended 31 December 2019 (*continued*)

Directors, Responsibilities Statement (*continued*)

- the directors have taken all steps that they ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom

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- select suitable accounting policies and then apply them consistently;
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- 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Report of the directors
for the year ended 31 December 2019 (*continued*)

Section 172 Statement

The Board of directors of IDEAL INDUSTRIES Holdings Limited consider, both individually and together, that they have acted in the way they consider good faith and promote the success of the company for the benefit of its members as a whole.

The Company is not required to adopt an official recognised corporate government code. However, the Board of Directors have introduced an internal corporate governments code which establish rules and guidelines for strategic, commercial, financial, legal and employment matters. These duties are detailed in this section 172 of the UK Companies Act 2006 which is summarise below:

- **Risk Management**

The company, through its various subsidiaries provide business critical services for their end clients, in a highly regulated environment. It is therefore vital that the company effectively identify, evaluate, manage, and mitigate the risks the business faces, and the company continues to evolve its approach to its risk management. This is ever changing and constantly monitored locally by each subsidiary.

- **The People**

The Company continues to build on its parent company's core values that drive the business and empower its employees. This is done through the 5 pillars below.

- **Belief in our people** - People are the foundation of IDEAL INDUSTRIES. We strive to ensure that every member of the IDEAL INDUSTRIES family is valued as an individual and treated with fairness, dignity and respect. We expect the very highest levels of performance and integrity from our employees, but we also strive to create opportunities for those employees to develop and reach the heights of their own potential.
- **Long-term value and sustainability** - We believe in the importance of generating profit and increasing shareholder value while also fostering a culture committed to the long term. Profit is a necessary part of sustaining a successful business that benefits every stakeholder—employees, customers, shareholders and communities included. We strive to generate profits while pursuing the highest ethical standards in every aspect of our business, from how we operate to how we take responsibility for our actions.

At IDEAL INDUSTRIES, we aim to manage not only the assets and performance of our business, but also its rich family heritage, the long-term sustainability of the family business, and our proud company culture overall.

- **Commitment to excellence** - We strive for excellence in everything we do, constantly seeking to evolve and improve our business practices to bring our customers the most exceptional products and services possible. This comprehensive commitment to excellence can be seen in each of our products, services, manufacturing practices and people.
- **Strength in relationships** - IDEAL INDUSTRIES depends on and takes pride in cultivating valuable relationships with every customer, business partner, employee and community we work with. We are a business that is dedicated to building and maintaining strong, mutually beneficial relationships and we're proud to have a family heritage that reaffirms our culture and the way we treat others.
- **Transparency in business** - IDEAL INDUSTRIES values openness and honesty in the way we do business. We're committed to proactively communicating our successes while also identifying potential areas of improvement across the organization.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Report of the directors
for the year ended 31 December 2019 (*continued*)

Section 172 Statement (continued)

The Board of Directors of the Company engage directly with the employees through visits and meetings taking place in the subsidiary offices across the UK and Italy. The Board of Directors also frequently use video conferencing technology to present to subsidiary management teams. The local management teams often hold regular meeting with employees to discuss current matters and to address any concerns and to maintain a positive constructive working relationship.

- **Business Relationship**

The Company strategy is focused on delivering excellent customer service to its various customers ranging from end users, original equipment manufacturers (OEM), contractors, public sector, and wholesale. Each subsidiary has its own customer service department focusing specifically on its own individual customers providing direct, bespoke levels of customer service.


- **Community and environment**

The Company's approach is to use its position of strength to create positive changes for the people and the communities with which the Company interact. The Company is committed to embrace the safeguard of the environment and to reduce the utilisation of plastic in its services having delivered a saving of 1.79 tonnes by switching from plastic to cardboard packaging during FY2019. The company also holds several charity days, of which the beneficial of all charitable donations are decided by the staff of that entity.

Auditor

BDO LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of that Act.

By order of the board

DocuSigned by:

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Kevin Lamb
Director

Date: 21 December 2020

Company Registration Number: 04998643

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Opinion

We have audited the financial statements of IDEAL INDUSTRIES Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated statement of total comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the strategic report and report of the directors, 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.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Independent auditor's report (continued)

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK

21/12/2020

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

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Consolidated statement of total comprehensive income for the year ended 31 December 2019

	Note	2019 £,000	2018 £,000
Turnover	3	62,569	47,120
Cost of Sales		(38,682)	(24,066)
Gross profit		<u>23,887</u>	<u>23,054</u>
Distribution costs		(6,988)	(4,592)
Administrative expenses		(6,982)	(9,058)
Group operating profit	4	<u>9,917</u>	<u>9,404</u>
Profit on disposal of discontinued operations	7	-	22,932
Interest receivable and similar income	8	23	14
Interest payable	9	(325)	-
Other income		185	-
Profit on ordinary activities before taxation		<u>9,800</u>	<u>32,350</u>
Taxation on profit on ordinary activities	10	(2,098)	(1,985)
Profit for the financial year		<u>7,702</u>	<u>30,365</u>
Minority interest		25	-
Profit for financial year after minority interest		<u>7,727</u>	<u>30,365</u>
Currency translation differences		(356)	35
Other comprehensive (expense)/income for the year		<u>(356)</u>	<u>35</u>
Profit from continuing operations		<u>7,371</u>	<u>30,400</u>
Profit from discontinued operations, net of tax	26	-	1,700
Profit attributable to owners for the year		<u><u>7,371</u></u>	<u><u>32,100</u></u>

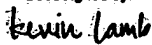
The notes on pages 18 to 39 form part of these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Consolidated statement of financial position at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	12		15,434		14,337
Tangible assets	13		5,031		2,724
			<u>20,465</u>		<u>17,061</u>
Current assets					
Stocks	15	13,841		5,244	
Debtors	17	17,189		35,152	
Cash at bank and in hand		13,106		10,279	
		<u>44,137</u>		<u>50,675</u>	
Creditors: amounts falling due within one year	18	<u>(32,709)</u>		<u>(6,027)</u>	
Net current assets			<u>11,427</u>		<u>44,648</u>
Total assets less current liabilities			<u>31,892</u>		<u>61,709</u>
Provision for liabilities and charges	16		<u>(1,839)</u>		<u>(1,880)</u>
Net assets			<u>30,053</u>		<u>59,829</u>
Capital and reserves					
Called up share capital	21		17,466		17,466
Profit and loss account			12,587		42,363
Equity attributable to owners of the parent company			<u>30,053</u>		<u>59,829</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2020.

DocuSigned by:

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Kevin Lamb
Director

Company Registration Number 04998643

The notes on pages 18 to 39 form part of these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital	Profit and loss account	Total equity
	£000's	£000's	£000's
Balance at 1 January 2018	17,466	24,365	41,831
<i>Comprehensive income for the year</i>			
Profit for the year – continuing operations	-	30,365	30,365
Profit for the year – discontinued operations	-	1,700	1,700
	-	32,065	32,065
Other comprehensive income for the year	-	35	35
Profit and comprehensive income for the year	-	32,100	32,100
Contributions by and distributions to owners			
Dividend distributions	-	(14,102)	(14,102)
Total contributions by and distributions to owners	-	(14,102)	(14,102)
Balance at 31 December 2018	17,466	42,363	59,829
<i>Comprehensive income for the year</i>			
Profit for the year	-	7,727	7,727
	-	7,727	7,727
Other comprehensive income for the year	-	(356)	(356)
Profit and comprehensive income for the year	-	7,371	7,371
Contributions by and distributions to owners			
Dividend distributions	-	(37,147)	(37,147)
Total contributions by and distributions to owners	-	(37,147)	(37,061)
Balance at 31 December 2019	17,466	12,587	30,053

The notes on pages 18 to 39 form part of these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Consolidated statement of cash flows for the year ended 31 December 2019

		2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the financial year		7,702	30,365
Adjustments for:			
Depreciation and amortisation of fixed assets	12, 13	3,646	3,348
Profit on disposal of fixed assets	13	(1)	(1)
Net interest receivable	8	(23)	(17)
Other income		(185)	-
Currency translation differences		-	(35)
Profit on disposal	7	-	(22,932)
Taxation expense	10	2,098	2,065
(Increase)/decrease in trade and other debtors		462	(25,440)
(Decrease)/increase in stocks		597	(529)
Increase in trade and other creditors		569	5,388
		<u>14,865</u>	<u>(7,788)</u>
Cash from operations			
Interest paid	9	325	(2)
Income taxes received/(paid)		(2,060)	(1,084)
Net cash (used in)/generated from operating activities		<u>13,130</u>	<u>(8,874)</u>
Cash flows from investing activities			
Purchases of tangible fixed assets	13	(1,589)	(326)
Sale of subsidiary undertaking	7	-	18,738
Purchase of fixed asset investments (net of cash acquired)	28	3,649	-
Interest received		23	19
Net cash generated from (used in) investing activities		<u>2,083</u>	<u>18,431</u>
Cash flows from financing activities			
Dividends paid		(12,030)	(14,102)
Foreign exchange		(356)	-
Net cash used in financing activities		<u>(12,386)</u>	<u>(14,102)</u>
Net (decrease)/increase in cash and cash equivalents		<u>2,827</u>	<u>(4,545)</u>
Cash and cash equivalents at beginning of year		10,279	14,824
Cash and cash equivalents at end of year		<u>13,106</u>	<u>10,279</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		<u>13,106</u>	<u>10,279</u>

The notes on page 18 to 39 form part of these financial statements.

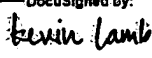
IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Company statement of financial position at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	14		45,238		25,249
			<u>45,238</u>		<u>25,249</u>
Current assets					
Debtors	17	-		25,894	
Cash at bank and in hand		319		124	
		<u>319</u>		<u>26,018</u>	
Creditors: amounts falling due within one year	18	<u>(22,051)</u>		-	
Net current assets			<u>(21,732)</u>		<u>26,018</u>
Total assets less current liabilities, being net assets			<u>23,506</u>		<u>51,267</u>
Capital and reserves					
Called up share capital	21		17,466		17,466
Profit and loss account			6,040		33,801
			<u>23,506</u>		<u>51,267</u>

The profit in respect of the company for the year was £9,386k (2018 – £39,117k).

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2020.

DocuSigned by:

 91B84E2746314F8...

Kevin Lamb
Director

Company Registration Number 04998643

The notes on pages 18 to 39 form part of these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Company statement of changes in equity for the year ended 31 December 2019

	Share capital £,000	Profit and loss account £,000	Total equity £,000
Balance at 1 January 2018	17,466	8,786	26,252
<i>Comprehensive profit for the year:</i>			
Profit for the year	-	39,117	39,117
Profit and total comprehensive income for the year	-	39,117	39,117
Contributions by and distributions to owners			
Dividends paid	-	(14,102)	(14,102)
Total contributions by and distributions to owners	-	(14,102)	(14,102)
Balance at 31 December 2018	17,466	33,801	51,267
<i>Comprehensive profit for the year:</i>			
Profit for the year	-	9,386	9,386
Profit and total comprehensive income for the year	-	9,386	9,386
Contributions by and distributions to owners			
Dividends paid	-	(37,147)	(37,147)
Total contributions by and distributions to owners for the year	-	(37,147)	(37,147)
Balance at 31 December 2019	17,466	6,040	23,506

The notes on page 18 to 39 form part of these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019

1 Accounting policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

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

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

Goodwill arising on the acquisition of subsidiary undertakings and businesses represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. The goodwill arising on the acquisition of CMD Limited is being amortised over its estimated useful life of between 2 months and 10 years, based on estimates and is applied in line with IDEAL INDUSTRIES Inc.'s group accounting policies. Goodwill arising from pre-2014 acquisitions are written down in full.

Valuation of investments

Investments in subsidiaries are measured at cost less any provision for impairment.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are measured at cost less impairment as their fair value cannot be reliably measured.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

**Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)**

1 Accounting policies (*continued*)

Going concern and Covid-19

Performance in 2020 had started strongly, the decline in sales corresponded with the UK Government's lockdown restrictions introduced on 23rd March. The drop in revenue is forecasted to be around -17% for FY2020 against 2019. The directors forecast revenue to grow by 15% in FY2021 given current trading conditions and outlook. Once the severity of the impact of the pandemic was understood action was taken to reduce the cost base in line with the step back in revenue. The company utilised the government furlough scheme, but it did not seek any government backed loans due to its strong cash position.

Throughout the pandemic the directors have continually re-evaluated the financial forecasts due to the uncertainty caused by covid-19. Cost base has been trimmed with internal controls put in place to monitor and maintain policies put in place. Despite a significant forecasted drop in revenue against prior year, the directors forecast positive EBITDA and cashflow for 2020. As part of the continual review the directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements. These projections have been sensitised based on various levels of revenue and assessed against the available cash headroom. The directors feel that despite the uncertainty and restrictions in place the business has a reasonably strong pipeline and will remain cash positive throughout the twelve months from date of signing. As of December 2020, the Group has over £18.5m in cash and given forecasted trading FY2021 expect to continue to have positive cashflow throughout FY2021. The group will be self-sufficient, and any dividend payments made are discretionary and will only be made if the UK group has adequate cash levels to continue trading as a going concern.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or, in rare cases, the product being ready for delivery, based on specific contract terms.

Revenue from services provided by the group is recognised when the group has performed its obligations and in exchange obtained the right to consideration.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Assets are measured at depreciated historical cost. Depreciation is provided to write off the cost of the tangible fixed assets, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Fixtures and fittings	- 2 to 10 years
Buildings	- 50 years
Leasehold improvements	- over the period of the lease
Plant and equipment	- 2 to 10 years

Land is not depreciated as it is considered to have an indefinite useful life.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

1 Accounting policies (*continued*)

Depreciation (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items on a category-by-category basis.

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis.

Cost of finished goods is based on the cost of direct materials on a first-in, first-out basis. In the case of goods of own manufacture, cost includes the relevant proportion of works overheads.

Net realisable value is the estimated selling price less all further costs to complete and sell.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Research and development costs

In the research and development phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research and development shall be recognised as an expense in the statement of total comprehensive income in the period in which it is incurred.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

1 Accounting policies (*continued*)

Operating leases

All leases are operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the financial reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the financial reporting date.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the financial reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

1 Accounting policies (*continued*)

Financial Instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is an 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.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether leases entered into by the group as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Intangible fixed assets (see note 12)*

Intangible assets are amortised over their useful lives and are reviewed annually for any indicators of impairment.

The Directors have reviewed the opening balance sheet and associated goodwill on the acquisition of Cree Europe (Italy) S.r.l and do not consider there to be separately identifiable intangibles.

- *Tangible fixed assets (see note 13)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Investments (see note 14)*

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments which are reviewed for impairment on an annual basis at the reporting date.

- *Stocks (see note 15)*

Stock held is reviewed for impairment on an annual basis and provision made for any items where there is uncertainty that they can be sold. Judgement is made as to whether the stock is slow and obsolete and impaired accordingly.

- *Deferred taxation (see note 16)*

Unrelieved taxation losses are reviewed on an annual basis and assessed on consistent, past performance of taxable profits earned in the relevant trades for which deferred tax assets would be recognised.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

3 Analysis of turnover

	2019 £,000	2018 £,000
Analysis of turnover by country of destination:		
United Kingdom	32,420	32,545
Rest of Europe	20,604	9,633
Rest of the world	9,545	4,942
	<hr/>	<hr/>
Continuing Operations	62,569	47,120
Turnover relating to discontinued operations (note 27)	-	13,334
	<hr/>	<hr/>
	62,569	60,454
	<hr/>	<hr/>

4 Operating profit

	2019 £'000	2018 £'000
This relates to continuing activities and is arrived at after charging/(crediting):		
Research and development		
- current year's expenditure	885	834
Amortisation of intangible assets	2,797	2,797
Depreciation of tangible fixed assets	527	546
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts ¹	147	153
Exchange differences	299	(17)
Hire of plant and machinery (excluding operating leases)	-	9
Other operating lease rentals	748	718
	<hr/>	<hr/>

¹ Fees of £15k (2018: £32k) for audit services were paid for overseas subsidiaries by other group companies not included in balance above.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

5 Employees

	2019 £'000	2018 £'000
Staff costs (including directors) consist of:		
Wages and salaries	9,280	7,037
Social security costs	1,203	702
Cost of defined contribution scheme	551	383
	<hr/>	<hr/>
Continuing operations	11,034	8,122
Staff costs relating to discontinued operations	-	2,838
	<hr/>	<hr/>
	11,034	10,960
	<hr/>	<hr/>

The average number of employees (including directors) during the period was as follows:

	2019 Number	2018 Number
Production	166	127
Design and development	29	10
Sales and marketing	77	15
Administration	54	87
	<hr/>	<hr/>
Continuing operations	326	239
Employee number relating to discontinued operations	-	52
	<hr/>	<hr/>
	326	291
	<hr/>	<hr/>

6 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	-	-
Contributions to money purchase pension schemes	-	-
	<hr/>	<hr/>

There were no directors participating in the group's money purchase pension schemes (2018 - nil).

Emoluments of the highest paid director were £nil (2018 - £nil). Group pension contributions of £nil (2018 - £nil) were made to a money purchase scheme on their behalf.

The directors of the company are also directors of IDEAL INDUSTRIES Inc. group and are based in the US. The directors' services to the company did not occupy a significant amount of time. As such the directors did not receive any remuneration for their incidental services to the company during the current or preceding year.

All director's remuneration is borne by the parent company IDEAL INDUSTRIES Inc.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

6 Directors' remuneration (continued)

Key management personnel for the group are considered to include only the directors of the group who together have the authority and responsibility for planning, directing and controlling the activities of the group.

7 Profit on disposal of discontinued operations

On 20 December 2018, IDEAL INDUSTRIES Holdings Limited entered into a sales agreement to sell its Networks division, this included the sale of IDEAL INDUSTRIES Networks Limited, IDEAL INDUSTRIES SAS, IDEAL INDUSTRIES GmbH and ID Networks US LLC. The profit on sale of this division was determined as follows:

	£'000	2018 £'000
Cash proceeds		26,198
Net assets disposed of:		
Tangible fixed assets	104	
Stocks	1,031	
Debtors	1,764	
Deferred tax asset	1,345	
Cash	7,460	
Creditors	(8,438)	
		(3,266)
Profit on disposal		22,932
The net inflow of cash in respect of the sale of the Networks division is as follows:		2018 £'000
Cash consideration		26,198
Cash transferred on disposal		(7,460)
Total		18,738

8 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest receivable		
Continuing operations	23	14
Discontinued operations	-	5
	23	19

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

9 Interest payable and similar charges

	2019 £'000	2018 £'000
Other interest payable – discontinued operations	-	2
Loan interest payable	325	-
	<u>325</u>	<u>2</u>

Loan interest payable of £325k is the interest arising on the £7.7m loan from IDEAL INDUSTRIES Inc. Interest is calculated at the annual rate of 1.238%. No specific repayment date, however IDEAL INDUSTRIES Holdings Limited anticipates that this will be repaid by 31 December 2020.

10 Taxation on profit on ordinary activities

Continuing operations	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year	2,024		2,304	
Adjustment in respect of previous periods	5		2	
	<u>5</u>	2,029	<u>2</u>	2,306
<i>Foreign tax</i>				
Current tax on foreign income for the year		337		-
Total current tax		<u>2,366</u>		<u>2,306</u>
<i>Deferred tax</i>				
Origination and reversal of timing differences (note 16)	(276)		(411)	
Adjustment in respect of previous periods	8		90	
	<u>8</u>	(268)	<u>90</u>	(321)
Taxation on profit on continuing ordinary activities		<u>2,098</u>		<u>1,985</u>
Income tax expense/(credit) from current taxation on discontinued operations		-		80
Taxation on profit on discontinued ordinary activities		<u>-</u>		<u>80</u>
Taxation on profit		<u>2,098</u>		<u>2,065</u>

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

**Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)**

10 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is higher (2018 – lower) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax		
- continuing operations	9,483	32,350
- discontinued operations	-	1,780
	<u>9,483</u>	<u>34,130</u>
Profit on ordinary activities before tax	<u>9,483</u>	<u>34,130</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,802	6,485
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	31	489
R&D expenditure credits	(28)	26
Fixed asset differences	180	192
Different tax rate on overseas earnings	108	30
Adjustment to deferred tax in respect of changes in tax rates	(9)	(2)
Adjustment of deferred tax in respect of prior periods	8	90
Adjustment of corporation tax in respect of prior periods	5	2
Income not taxable arising from sale of Networks operations	-	(4,834)
Adjustment of current and deferred taxes in respect of discontinued operations	-	(413)
Other timing differences	1	-
	<u>2,098</u>	<u>2,065</u>
Total tax charge for period	<u>2,098</u>	<u>2,065</u>

11 Profit for the financial period

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit after tax for the year was £9,386k (2018 – Profit of £39,117k).

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

12 Intangible assets

Group	Trade name £,000	Developed Technology £,000	Customer relationships £'000	Goodwill on consolidation £'000	Total £'000
<i>Cost</i>					
At 1 January 2019	1,200	200	13,018	7,064	21,482
On acquisition of Cree Italy S.r.l	-	-	-	3,998	3,998
At 31 December 2019	1,200	200	13,018	11,062	25,480
<i>Amortisation</i>					
At 1 January 2019	240	100	3,895	2,910	7,145
On acquisition of Cree Italy S.r.l	-	-	-	256	256
Charge for the year	120	50	1,690	785	2,645
At 31 December 2019	360	150	5,585	3,951	10,046
<i>Net book value</i>					
At 31 December 2019	840	50	7,433	7,111	15,434
At 31 December 2018	960	100	9,123	4,154	14,337

The company does not have any intangible assets.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

13 Tangible fixed assets

Group	Fixtures and fittings £'000	Land and Buildings £'000	Leasehold Improvement £'000	Plant and equipment £'000	Total £'000
<i>Cost</i>					
At 1 January 2019	1,339	1,839	60	1,572	4,810
Additions	172	-	62	1,355	1,589
On business combination	230	-	258	979	1,467
Disposals	(1)	-	-	-	(1)
At 31 December 2019	1,740	1,839	380	3,906	7,865
<i>Depreciation</i>					
At 1 January 2019	1,076	147	8	858	2,089
Provision for year	77	91	81	496	745
Disposals	-	-	-	-	-
At 31 December 2019	1,153	238	89	1,354	2,834
<i>Net book value</i>					
At 31 December 2019	587	1,601	291	2,552	5,031
At 31 December 2018	263	1,691	58	712	2,724

The company does not have any tangible fixed assets.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

14 Fixed asset investments

Company	Group Undertakings £'000
Cost	
At 1 January 2019	25,249
Acquisition of Cree Italy (Europe) S.r.l.	19,989
Disposals	-
	<u>45,238</u>

Name	Country of incorporation or registration	Proportion of Ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>			
IDEAL INDUSTRIES Limited Sycamore Road, Eastwood Trading Estate, Rotherham, S65 1EN, UK	United Kingdom	100%	Sale of environmental monitoring equipment and services and the sale of electrical connectors.
CMD Limited Sycamore Road Eastwood Trading Estate Rotherham South Yorkshire S65 1EN	United Kingdom	100%	Sale and manufacture of cable management systems
Cree Europe S.r.l (Italy) Via Sandro Pertini 122, 50019 Sesto Fiorentino Italy	Italy	100%	Sale of indoor, outdoor, and consumer bulb LED lighting.

15 Stocks

	Group 2019 £'000	Group 2018 £'000
Raw materials and consumables	7,068	1,983
Work in progress	1,204	77
Finished goods	5,569	3,184
	<u>13,841</u>	<u>5,244</u>

The value of stocks charged in the year for continuing operations to cost of sales was £30,931k. (2018 – £20,276k).

The company does not hold any stock.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

16 Deferred taxation

Deferred tax assets/(liabilities)

	Group 2019 £,000	Group 2018 £,000
At 1 January	(1,858)	(834)
Credited to profit or loss	268	321
Charged on disposal of IDEAL INDUSTRIES Networks Limited	-	(1,345)
Deferred tax on Cree Europe (Italy) S.r.l acquisition	(188)	-
	<u> </u>	<u> </u>
At 31 December	(1,779)	(1,858)
	<u> </u>	<u> </u>

The deferred tax balance is made up as follows:

Deferred tax asset

Fixed asset timing differences	-	-
Short term timing differences	60	22
Losses and other deductions	-	-
	<u> </u>	<u> </u>
Total deferred tax asset	60	22
	<u> </u>	<u> </u>

Deferred tax liability

Accelerated capital allowances	168	40
Short term timing differences	1,483	-
Deferred tax on differences between fair values and tax bases	-	1,840
Deferred tax on Cree Europe (Italy) S.r.l acquisition	188	-
	<u> </u>	<u> </u>
Total deferred tax liability	1,839	1,880
	<u> </u>	<u> </u>

Comprising:

Asset – due within one year	60	22
Liability	(1,839)	(1,880)
	<u> </u>	<u> </u>

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

17 Debtors

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade Debtors	14,742	6,288	-	777
Amounts owed by group undertakings	903	453	-	-
Deferred tax (see note 16)	60	22	-	-
Other taxes	487	117	-	-
Prepayment and accrued income	997	3,155	-	-
Intercompany loan	-	25,117	1,713	25,117
	<u>17,189</u>	<u>35,152</u>	<u>1,713</u>	<u>25,894</u>

All amounts shown under debtors fall due for payment within one year, this includes intercompany loans receivable.

18 Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	5,695	2,319	-	-
Amounts owing to group undertakings	547	484	-	-
Social security and payroll taxes	657	416	-	-
Corporation tax	981	862	-	-
Other creditors	179	179	-	-
Accruals and deferred income	4,661	1,767	349	-
Intercompany loan	19,989	-	21,702	-
	<u>32,709</u>	<u>6,027</u>	<u>22,051</u>	<u>-</u>

All amounts owed to group undertakings have been classified as current liabilities due to the terms of the agreement which state that balances are repayable on demand.

Intercompany loans have been classified as current liabilities as these are short term loans which will be repaid within 1 year.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

19 Financial Instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	28,750	42,137	319	544
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities				
Financial liabilities measured at amortised cost	11,014	4,749	349	-
	<hr/>	<hr/>	<hr/>	<hr/>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

20 Pensions

Defined contribution scheme

The group operates a defined contribution scheme for the benefit of its employees. The assets of the scheme are administered by the trustees in a fund independent from those of the group.

The amount recognised in the profit and loss account for continuing operations as an expense in relation to the group's defined contribution scheme is £551k (2018 - £383k). There was a £35k (2018 - £30k) pension liability outstanding at the year end.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

21 Share capital

	2019 £'000	2018 £'000
<i>Issued, called up and fully paid</i>		
At 1 January 2019 (17,466 ordinary share at £1 nominal value)	17,466	17,466
	<hr/>	<hr/>
At 31 December 2019	17,466	17,466
	<hr/>	<hr/>

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issue.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22 Commitments

Operating Leases

The group had minimum lease payments under these non-cancellable operating leases as set out below:

Group	2019 £'000	2018 £'000
Not later than 1 year	738	651
Later than 1 year and not later than 5 years	3,230	1,533
	<hr/>	<hr/>
Total	3,968	2,184
	<hr/>	<hr/>

The company had no commitments under non-cancellable operating leases as at 31 December 2019 (2018 - nil).

Capital Commitments

The group had £nil (2018 - £9k) of capital commitments contracted but not yet provided as at 31 December 2019.

The company had no capital commitments contracted not yet provided as at 31 December 2019 (2018 - nil).

23 Related party disclosures

In accordance with FRS 102, transactions with fellow wholly owned subsidiaries of IDEAL INDUSTRIES Inc. have not been disclosed in these financial statements.

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

**Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)**

24 Ultimate parent company and controlling party

The ultimate parent company of the group is IDEAL INDUSTRIES Inc., whose registered office is at 1375 Park Avenue, Sycamore, Illinois, 60178, United States, which owns the entire share capital of IDEAL INDUSTRIES Holdings Limited.

The smallest and largest group of undertakings for which consolidated financial statements have been drawn up is that headed by IDEAL INDUSTRIES Inc, incorporated in the United States.

25 Post balance sheet events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This is considered a non-adjusting post balance sheet event, and therefore no impact on the carrying value of assets at the balance sheet date is noted. Consideration of the impact of this on the going concern status of the business is included in the Strategic report and in the going concern accounting policy.

In January 2020, £12,271k of the intercompany loan with Ideal Industries Inc was converted into shares, with 12,271,359 ordinary shares at £1.00 nominal value being issued to IDEAL INDUSTRIES Inc.

26 Analysis of net debt

	At 1 January 2019	Cash flows	Non-cash flows	At 31 December 2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	10,279	2,827	-	13,106
Debt due within 1 year	-	-	(19,989)	(19,989)
	<u>10,279</u>	<u>2,827</u>	<u>(19,989)</u>	<u>(6,883)</u>

In January 2020, £12,271k of the net debt was converted in share capital (note 25).

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

**Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)**

27 Discontinued operations

The sale of the trade and assets of the Networks division within Ideal Industries Limited on 1 June 2018 is a prior year transaction. The trade and asset transfer was performed at book value of £3,971k. The effect of the discontinued operations relating to the Networks division has been detailed below:

The effect of the discontinued operations relating to the statement of total comprehensive income is detailed below:

	Note	2019 £,000	2018 £,000
Turnover	3	-	13,334
Cost of sales		-	(6,082)
Gross profit		<u>-</u>	<u>7,252</u>
Distribution costs		-	(1,452)
Administrative expenses		-	(4,023)
Operating profit		<u>-</u>	<u>1,777</u>
Net Interest receivable and similar income	8	-	5
Interest payable and similar charges	9	-	(2)
Profit on ordinary activities before taxation		<u>-</u>	<u>1,780</u>
Tax (paid)/credit	10	-	(80)
Profit for the year		<u>-</u>	<u>1,700</u>

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

28 Business Combinations

Acquisition of Cree Europe S.r.l (Italy)

On 13 May 2019 the group acquired 100% of Cree Europe S.r.l (Italy) for £19,989k paid by parent company IDEAL INDUSTRIES Inc, by the way of an intercompany loan note amounting to £19,989k which has been settled as per note 25. There is no deferred or contingent consideration in respect of this business combination.

In calculating the goodwill arising on acquisition, the fair value of net assets of Cree Europe S.r.l (Italy) have been assessed and adjustments from book value have been made where necessary.

	Book Value	Revaluation	Fair Value
Assets			
Tangible fixed assets	870	609	1,479
Inventory	9,349	(155)	9,194
Debtors	7,578	-	7,578
Cash at bank	3,649	-	3,649
Total Assets	21,446	454	21,900
Trade creditors	(3,271)	-	(3,271)
Creditors due within 1 year	(2,638)	-	(2,638)
Deferred tax	188	(188)	-
Net Assets	15,725	266	15,991
Goodwill (note 12)			3,998
Balance sheet as at 13th May 2019			19,989

IDEAL INDUSTRIES HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

28 Business Combinations (continued)

Cash outflow on acquisition	£'000
Purchase consideration as above	19,989
	19,989
Less: Cash and cash equivalents acquired	(3,649)
Net cash outflow on acquisition	16,340

Contribution by the acquired business for the reporting period included in the consolidated statement of financial activities since acquisition:

	Current period since acquisition £'000
Turnover	17,099
Retained profit for the year	867

The goodwill arising on acquisition is attributable to the expected increase of revenues and the anticipated growth of the group's new and existing markets. Consideration for any separately identifiable intangibles was performed, with no such assets being identified.