Company Registration No. 08714391

SOLUTEK ENVIRONMENTAL LIMITED

Report and Financial Statements

31 December 2021

SOLUTEK ENVIRONMENTAL LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS **Page**

SOLUTEK ENVIRONMENTAL LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2021.

The principal activity of the Company is that of the sale and installation of stormwater systems.

Directors

The Directors who held office during the year and up to the date of signing the financial statements, with all exceptions noted, were as follows:

M K Payne – resigned 28 February 2022
P A James
J M Vorih – appointed 28 February 2022

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Proposed dividend

The Directors do not recommend the payment of a dividend (2020: £nil).

Stakeholder engagement statement

Customers – We endeavour to create quality products with engineered solutions that enable a sustainable built environment for our customers, placing our customers' needs at the heart of our strategic decision making.

Shareholders – Creating a competitive advantage generates long-term value for our shareholders. Our strategy is to allocate capital in a disciplined way to fund sustainable profitable growth, yielding consistent returns to shareholders over the long-term.

Employees – Employees' skills, experience and commitment are key to delivering the business strategy, as well as sharing and embedding Group-wide safety, quality and integrity expectations. The Group engages employees through formal and informal systems of communication and consultation including newsletters, videos, suggestion schemes and employee forums.

Suppliers – We value our suppliers and understand the benefit of maintaining long-standing relationships. We encourage fair negotiation with all suppliers, as well as certainty on payment. Protecting these relationships ensures positive impacts on the value chain and thus promotes sustainable success.

Community – The impact of our operations on the local communities and environments within which we operate are of paramount importance to the Company, in both daily operations, and also when making strategic long-term decisions. We recognise the positive differences we can make in our communities on an ongoing basis and the importance of regular engagement.

Future developments and outlook

The Directors are mindful of the ongoing strain due to increasing material costs and supply availability and the rising cost of living. The Directors continue to manage these issues. Whilst we remain vigilant to the risks of further pandemics, the Directors are confident that the Company is well-positioned for the future, following Group guidance throughout. There remains continued improvement in RMI, commercial and infrastructure markets. Our medium-term demand drivers are stronger than ever. The regulatory and environmental drivers around water and climate management will be helpful tailwinds.

No change in the Company's strategy is anticipated in the foreseeable future.

Employees

The Company has retained its focus on developing and training employees and is committed to providing the appropriate skills and technical training that allows employees to operate effectively and safely in their roles and deliver excellent customer service. As part of our ongoing commitment to excellence, we continue to offer all front-line service personnel accredited training focusing on employee engagement, business relations and customer satisfaction. We continue to develop and roll out training programmes relevant to our people needs which form part of our long-term development cycle to continually enhance our employees' customer service capabilities.

The Directors believe that the organisation performs at its best when employees are motivated and engaged. The Company circulates newsletters, videos and emails, uses blogs, holds business update meetings and hosts employee forums.

Whilst the Company does not have a specific human rights policy, it is a subsidiary of the Genuit Group plc (formerly Polypipe Group plc) which does have an Anti-Slavery policy and a Modern Slavery Act Transparency statement available on its website, within which the zero-tolerance policy towards modern slavery and human trafficking rights violations are stated.

The Company gives every consideration to applicants for employment regardless of their sex, sexual orientation, religion, colour, race, nationality, marital status or disability having regard for their aptitude and ability to adequately perform the role whilst maintaining a safe working environment. Where employees become disabled, the Company makes appropriate and reasonable adjustments to their work environment and/or duties, endeavouring to maintain their employment wherever possible and practicable.

Environment and energy efficiency initiatives

The Company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The Directors' continued aim is to comply with all applicable legislation.

The Company is exempt from the disclosure requirements of the Streamlined Energy and Carbon Reporting Framework ("SECR") for the year ended 31 December 2021 as this information is disclosed in the consolidated financial statements of Genuit Group plc.

DIRECTORS' REPORT (continued)

Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required.

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Company's budget and medium-term financial plan, including cash flow forecasts. The Company has modelled a range of scenarios, with the base forecast being one in which, over the going concern assessment period ending 30 September 2023, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing. The Directors have considered the impact of climate-related matters on the going concern assessment and it is not expected to have a significant impact on the Company's going concern.

The Company also has access to the Group's RCF. At 31 December 2021, the Group had available £102.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities, which were originally due to expire in November 2023, have been renewed subsequent to the year end on 10 August 2022. The renewal includes an increase in the RCF facility of £50.0m available until at least August 2026, subject to covenant headroom, and a seven-year private placement loan note of £25.0m repayable in August 2029. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Company has adequate financial resources to continue in operational existence for a period of at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

Each of the Directors has confirmed that as at the date of this report:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves 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 Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

E G Versluys
Secretary
29 September 2022

SOLUTEK ENVIRONMENTAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- present fairly the financial position and financial performance of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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;
- provide additional disclosures when compliance with the specific requirements in UK GAAP FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLUTEK ENVIRONMENTAL LIMITED

Opinion

We have audited the financial statements of Solutek Environmental Limited for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included understanding the forecast future cash flows, the impact of downside scenarios on the Company's ability to continue as a going concern, and the consistency of management's forecast growth rate with external industry forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 September 2023.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLUTEK ENVIRONMENTAL LIMITED (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 "Reduced Disclosure Framework" and Companies Act 2006).
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for compliance and legal matters. We corroborated our enquiries through our review of Board minutes and consideration of the results of our audit procedures performed across the Company, including audit procedures in respect of the compliance of these financial statements with the disclosure requirements of FRS 101 and the Companies Act 2006.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur in relation to financial reporting and the effectiveness of the Company's controls and procedures in respect of fraud prevention.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved assessing the appropriateness of account estimates and judgements made by management, reviewing any manual journals which have a higher susceptibility to management override of controls, assessing the compliance of the financial statements with the required reporting frameworks, and assessing the Company's compliance with the applicable laws and regulations.

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 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.

Ernst & Young LLP.

Christabel Cowling (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
29 September 2022

SOLUTEK ENVIRONMENTAL LIMITED

INCOME STATEMENT
For the year ended 31 December 2021

	Notes	**2021** **£'000**	2020 £'000
Turnover		**2,043**	1,638
Cost of sales		**(1,755)**	(1,142)
Gross profit		**288**	496
Administration expenses		**(212)**	(271)
Other operating income	*5*	**-**	27
Operating profit	*6*	**76**	252
Interest payable and similar charges		**(1)**	-
Profit on ordinary activities before taxation		**75**	252
Tax on profit on ordinary activities	*10*	**8**	(16)
Profit for the year		**83**	236

All results are derived from continuing operations.

There was no other comprehensive income or expense in the periods presented, therefore no statement of comprehensive income has been prepared. Total comprehensive income is equal to the profit or loss in the periods presented.

SOLUTEK ENVIRONMENTAL LIMITED

BALANCE SHEET
At 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Fixed assets			
Tangible assets	*11*	**34**	49
Right-of-use assets	*12*	**96**	-
		130	49
Current assets			
Stocks	*13*	**18**	26
Debtors	*14*	**564**	379
Cash and cash equivalents		**124**	90
		706	495
Creditors: amounts falling due within one year	*15*	**(355)**	(226)
Net current assets		**351**	269
Total assets less current liabilities		**481**	318
Creditors: amounts falling due after one year	*16*	**(65)**	-
Provision for liabilities	*17*	**(24)**	(9)
Net assets		**392**	309
Capital and reserves			
Share capital	*18*	**-**	-
Retained earnings	*19*	**392**	309
Total equity		**392**	309

These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

P A James
Director
29 September 2022

Company Registration No. 08714391

The accompanying Notes are an integral part of these financial statements.

SOLUTEK ENVIRONMENTAL LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	-	73	73
Profit for the year	-	236	236
Total comprehensive income for the year	-	236	236
At 31 December 2020	-	309	309
Profit for the year	-	**83**	**83**
Total comprehensive income for the year	-	**83**	**83**
At 31 December 2021	-	**392**	**392**

SOLUTEK ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Authorisation of financial statements

The financial statements of Solutek Environmental Limited for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 29 September 2022 and the balance sheet was signed on the Board's behalf by P A James.

Solutek Environmental Limited is a private company limited by shares incorporated and domiciled in England and Wales. The Registered Office of the Company is 4 Victoria Place, Holbeck, Leeds, LS11 5AE.

2. Accounting policies

The basis of preparation and accounting policies used in preparing the Company's financial statements for the year ended 31 December 2021 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented. No relevant accounting standards or interpretations became effective in the current reporting period.

2.1 Basis of preparation and statement of compliance with FRS 101

The financial statements of Solutek Environmental Limited have been prepared in accordance with FRS 101, and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The financial statements are prepared in Pounds Sterling and are rounded to thousands (£'000) unless otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, and paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Error;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment; and
- the requirements of IFRS 15 Revenue from Contracts with Customers, including paragraphs 110, 113(a), 114-115, 118, 119(a)-(c), 120-127, and 129.

2.2 Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required.

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Company's budget and medium-term financial plan, including cash flow forecasts. The Company has modelled a range of scenarios, with the base forecast being one in which, over the going concern assessment period ending 30 September 2023, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing. The Directors have considered the impact of climate-related matters on the going concern assessment and it is not expected to have a significant impact on the Company's going concern.

The Company also has access to the Group's RCF. At 31 December 2021, the Group had available £102.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities, which were originally due for expiry in November 2023, have been renewed subsequent to the year end on 10 August 2022. The renewal includes an increase in the RCF facility of £50.0m available until at least August 2026, subject to covenant headroom, and a seven-year private placement loan note of £25.0m repayable in August 2029. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Company has adequate financial resources to continue in operational existence for a period of at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Foreign currency translation

Transactions in foreign currencies are initially recognised by the Company at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the balance sheet date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2. Accounting policies (continued)

2.4 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred, or services provided, to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

2.4.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Our most commonly used standard payment terms are 30 days net end of month.

2.5 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same tax authority and that authority permits the Company to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the income tax rates that are expected to apply when the asset is realised or the liability is settled, based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

2.6 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of tangible fixed assets over its expected useful life as follows:

Plant and other equipment	4 to 10 years on a straight-line basis

The carrying amounts of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end, and where adjustments are required, these are made prospectively.

A tangible fixed asset and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any profit or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.8 Leasing

Right-of-use-assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its expected useful life and the lease term. Right-of-use assets are subject to impairment.

2. Accounting policies (continued)

2.8 Leasing (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases that are considered of low value . Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases, to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

2.9 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debtors that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade debtors that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and cash equivalents and trade and other debtors.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Company does not currently hold any fair value through other comprehensive income financial assets.

2. Accounting policies (continued)

2.9 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets at amortised cost
The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and cash equivalents and trade and other debtors.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade debtors, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other creditors, amounts owed to group undertakings and lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. Profits or losses on liabilities held for trading are recognised in the income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials - purchase cost on a first-in, first-out basis;
- Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

2.12 Pensions

The Company operates a defined contribution pension plan. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management have not made any significant judgements or estimates.

4. New and amended accounting standards and interpretations

Accounting standards or interpretations which have been adopted in the year

There were no accounting standards or interpretations that have become effective in the year which had an impact on disclosures, financial position or performance.

Accounting standards or interpretations issued but not yet effective

There were no accounting standards or interpretations issued which have an effective date after the date of these financial statements that the Company reasonably expects to have an impact on disclosures, financial position or performance.

5. Other operating income

	2021	2020
	£'000	£'000
Government grants	**-**	27

Government grants are in respect of the Coronavirus Job Retention Scheme. There are no unfulfilled conditions or contingencies attached to these grants.

6. Operating profit

This is stated after charging:

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets (owned)	**28**	35
Depreciation of right-of-use assets	**2**	-
Cost of stock recognised as an expense	**670**	544
Distribution costs	**54**	51
Loss on disposal of tangible fixed assets	**1**	2

7. Auditor's remuneration

The Company paid the following amounts to the Company's auditor in respect of the audit of the financial statements:

	2021	2020
	£'000	£'000
Audit of the Company's annual financial statements	**4**	4

There were no non-audit services provided to the Company (2020: £nil).

8. Staff costs and Directors' remuneration

	2021 £'000	2020 £'000
Salaries and wages	**864**	565
Social security costs	**34**	38
Other pension costs	**14**	7
	912	610

The average number of employees during the year:

	2021 No.	2020 No.
Manufacturing	19	11
Administration	1	1
	20	**12**

The remuneration of the Directors is paid by the ultimate parent Genuit Group plc. The Directors of Solutek Environmental Limited are also Directors of Genuit Group plc and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, their total remuneration is included in the aggregate of Directors' remuneration disclosed in the financial statements of the ultimate parent company.

9. Interest payable and similar charges

	2021 £'000	2020 £'000
Bank charges	**1**	-

10. Income tax

(a) Tax (credit) / expense reported in the income statement

	2021 £'000	2020 £'000
Current income tax:		
UK income tax	**-**	23
Adjustment in respect of prior years	**(23)**	-
Total current income tax	**(23)**	23
Deferred income tax:		
Origination and reversal of temporary differences	**9**	(7)
Effects of changes in income tax rates	**6**	-
Total deferred income tax	**15**	(7)
Total tax (credit) / expense reported in the income statement	**(8)**	16

10. Income tax (continued)

(b) Reconciliation of the total tax (credit) / expense

A reconciliation between the tax (credit) / expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	£'000	£'000
Accounting profit before tax	75	252
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2020: 19.0%)	14	48
Effects of tax losses	-	(25)
Income not taxable	(5)	-
Tax rate changes	6	-
Group relief at nil consideration	-	(7)
Adjustment in respect of prior years	(23)	-
Total tax (credit) / expense reported in the income statement	(8)	16

(c) Deferred income tax

The deferred income tax included in the Company balance sheet is as follows:

	2021	2020
	£'000	£'000
Deferred income tax liabilities		
Capital allowances in excess of depreciation	28	9
Temporary differences trading	(4)	-
	24	9

The Company offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

The movement in deferred income tax for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	£'000	£'000
Deferred income tax reported in the income statement	15	(7)

(d) Change in corporation tax rate

An increase in the main UK corporation tax rate from 19% to 25% was substantively enacted on 24 May 2021 to take effect on 1 April 2023 and remained in force at the balance sheet date. On this basis, deferred income tax at 31 December 2021 was measured at 19% or 25% depending on when the deferred income tax asset or liability was expected to reverse. Deferred income tax on the balance sheet at 31 December 2020 was measured at 19%.

On 23 September 2022 the Government announced that the rate increase to 25% will be cancelled and the main UK corporation tax rate will remain at 19%. As this has yet to be enacted into law it has not been reflected in the Company's deferred income tax balances at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. Tangible fixed assets

	Plant and other equipment £'000
Cost	
At 1 January 2021	165
Additions	14
Disposals	(2)
At 31 December 2021	**177**
Depreciation	
At 1 January 2021	116
Charge for year	28
Disposals	(1)
At 31 December 2021	**143**
Net book value	
At 31 December 2021	**34**
At 1 January 2021	49

12. Right-of-use assets and lease liabilities

	Right-of-use assets: Plant and other equipment £'000	Lease liabilities £'000
At 1 January 2021	-	-
Additions	98	(98)
Depreciation of right-of-use assets	(2)	-
At 31 December 2021	**96**	**(98)**

13. Stocks

	31 December 2021 £'000	31 December 2020 £'000
Finished goods	**18**	26

14. Debtors

	31 December 2021 £'000	31 December 2020 £'000
Trade debtors	**431**	377
Prepayments	**4**	2
Other debtors	**129**	-
	564	379

SOLUTEK ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

15. Creditors: amounts falling due within one year

	31 December 2021 £'000	31 December 2020 £'000
Trade creditors	**47**	47
Amounts owed to group undertakings	**222**	79
Income tax	**-**	23
Other taxes and social security costs	**10**	45
Lease liabilities (see note 12)	**33**	-
Other creditors	**20**	4
Accrued expenses	**23**	28
	355	226

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Creditors: amounts falling due after one year

	31 December 2021 £'000	31 December 2020 £'000
Lease liabilities (see note 12)	**65**	-

17. Provision for liabilities

	31 December 2021 £'000	31 December 2020 £'000
Deferred tax	**24**	9

18. Share capital

Authorised, allotted, called up and fully paid:

	31 December 2021		31 December 2020	
	Number	**£**	Number	£
Ordinary shares of £1 each	**100**	**100**	100	100

Ordinary shares have the following rights, preferences and restrictions: each share has full rights in the Company with respect to voting, dividends and distributions.

19. Reserves

	Retained earnings £'000
At 1 January 2021	**309**
Profit for the year	83
At 31 December 2021	**392**

20. Parent company and ultimate parent company

The Company's immediate parent company is Polypipe Limited, a company incorporated in England and Wales. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Genuit Group plc (formerly Polypipe Group plc). Copies of Genuit Group plc's consolidated financial statements can be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Cardiff, CF14 3UZ.