We're helping Construction build better

Genuit Group plc
Annual Report & Accounts 2021

Registration number:
06059130

We are the Genuit Group

We're helping Construction build better, by being the UK's leading provider of sustainable water, climate and ventilation management solutions for the built environment.

Sustainability is at the heart of how we run our businesses, ensuring we have the most talented, empowered, and diverse teams focusing on our key objectives around growth, innovation and addressing the challenges facing construction.

Product featured on the front cover of this Report is the Drimaster-Eco Positive Input Ventilation Unit.

Forward-looking statements
This Annual Report contains various forward-looking statements that reflect management's current view with respect to future events and financial and operational performance. All statements reflect knowledge and information available as at the date of preparation of this Annual Report and there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Therefore, nothing in this Annual Report should be construed as a profit forecast.

Highlights

The Group has continued to outperform the construction market, and made strong progress against its ESG targets.

Revenue

49.1% ↑

Underlying cash generated from operations

45.5% ↑

Profit before tax

164.3% ↑

Underlying operating profit

125.8% ↑

Underlying basic earnings per share

126.7% ↑

Net debt

£138.0m ↑

Highlights

- Revenue increase of 49.1% due to significant increase in demand and robust price leadership in the market
- Ongoing recovery in underlying operating profit margin despite cost headwinds and supply chain constraints
- Underlying basic earnings per share of 30.6p, an increase of 126.7%
- Strong operational cash management and balance sheet, net debt 1.2 times pro forma EBITDA
- Continued strategic investment in business, net capital expenditure of £34.1m
- Proposed final 2021 dividend of 8.2p per share
- The three acquisitions made in the year (Adey, Nu-Heat and Plura) performed well, with Adey exceeding expectations
- A strongly supported £96.3m capital raise to help fund the Adey acquisition
- Continuing to invest in market leading brands and growth drivers underpinned by sustainability, resilience and adaptation

ESG Highlights

- The Group is making progress against its 2025 ESG targets and senior management's incentive programmes are now aligned to these
- Continued focus on serving the needs created by four key sustainability drivers:
  - Increasing need for resilient drainage;
  - Need for green urbanisation;
  - Increased focus on clean healthy indoor air and ventilation; and
  - A move towards a low, or zero carbon, built environment.
- As well as serving the needs of our sustainability-based growth drivers, we continue our progress on operating sustainably:
  - Material consumed from recycled inputs increased to 49.4%, against a target of 62.0% by 2025;
  - 44.0% reduction in CO_2 intensity, signed up to Pledge to Net Zero 1.5 Degree Scheme and we are in the process of gaining SBTi verification;
  - Increased sales of new products to a value of £120.0m (2019: £77.1m) resulting in a Vitality Index of 20.2%, against our target of 25.0% by 2025; and
  - 3.2% of our workforce were in accredited earn and learn programmes and we were awarded Silver Status within The 5% Club

Group Overview

Genuit Group helps to create a better built environment. We recognise the role that the built environment has in meeting the requirements of climate change adaptation and resilience, and we develop and manufacture sustainable solutions to the key challenges faced within water, climate and ventilation management.

Our Vision

Genuit Group has a clear goal to be the leading, UK-focused, provider of sustainable construction products.

Our Purpose

Our colleagues across all of our businesses are focused on 'Helping Construction Build Better'. We bring a collaborative and problem-solving mindset to the challenges faced by our customers in improving the built environment. This covers everything from building in more sustainable ways, and creating better spaces, through to helping the promotion of modern methods of construction. Genuit Group is part of the construction community, with a clear sense of purpose and role within it.

Our Culture and Values

Genuit Group is a decentralised group. We believe that our key expertise sits in our businesses, close to our customers and the opportunities within their sectors. Therefore we enable and empower our people so that decision-making is performed in a timely manner, by those close to our markets. We promote a culture where people understand how they contribute to our success, so that their decision-making takes account of all the relevant stakeholders.

When the Group re-branded to Genuit Group in 2021, we created a name which would allow people to recognise a connection to the key values and ways of working which exist across all of our businesses. The themes of being genuine and problem-solving ingenuity, are referred to across the Group and although the businesses sometimes articulate these slightly differently in their local values, nonetheless they are characteristics which go to the heart of how we operate.

Winning Sustainably

We focus on providing solutions for climate change adaptation and resilience. We believe that in doing so, it is imperative that we operate our *Group in the most sustainable way* possible in order to be consistent with our commercial objectives. Therefore, in 2020 we communicated a broad range of sustainability-based objectives, covering the near, medium, and longer term.

Genuit Group has raised the bar in the way we hold ourselves accountable against these targets, whether in our remuneration, via incentive programmes, or in our use of third party verification. Working together, we will make the built environment more sustainable for generations to come.

We hold market leading positions across key segments in residential, commercial and infrastructure sectors, and our brand portfolio comprises some of the most respected names in the construction industry.

3,658
colleagues

29
sites

Investment Proposition

Genuit Group is the UK's leading provider of sustainable water and climate management solutions for the built environment.

1.

Market leadership positions across a portfolio which has a balanced exposure to all sectors of the construction market and its cycle.

The Group has leading positions in its key markets, including commercial ventilation, underfloor heating, above ground drainage, hydronic filters, and plastic plumbing systems. We manage our portfolio across residential, commercial, and infrastructure sectors, in both new build and RMI, in order to balance against market cyclicality.

Read more on **pages 8 to 13**

2.

Successful business model, with barriers to entry and experienced colleagues.

Genuit Group is a decentralised business model, which allows our experienced management teams to make market driven decisions in a timely manner, and to best serve the needs of their customers. The Group supports its businesses with investment in technology, and the development of its people to ensure we combine agility with the scale benefits our Group can provide. This business model creates barriers to entry and protects our market positions.

Read more on **pages 8 to 23**

3.

Significant structural growth opportunities.

Genuit Group is focused on sectors supported by clear drivers which can sustain a growth rate of 2% to 4% above the construction market average, across the cycle. We pursue these growth drivers both organically and inorganically. Regulatory and environmental factors continue to provide significant growth opportunities in both water and climate management, and will drive adoption and greater penetration of new technologies such as underfloor heating and hydronic filters. The Group is also well placed to benefit from policies aimed at addressing the ongoing structural housing deficit.

Read more on **pages 22 to 23**

4.

Strong ESG credentials with clear targets and sustainability at the heart of our business.

Genuit Group has set ambitious sustainability targets for 2025, and will be publishing Science Based Targets which take us beyond that as part of our commitment to the Pledge to Net Zero. As well as being clear on reducing the impact of our business on the environment, Genuit offers a broad range of solutions to help with the mitigation of, and adaptation to, the challenges that climate change bring.

Read more on **pages 14 to 19**

5.

A strong, proven, financial track record.

Our above market growth rate, and ability to use our scale delivers strong profitability and cashflow. The Group has a strong M&A record, delivering three transactions in 2021 and continues to see opportunities for further expansion into adjacent sectors, as well as portfolio completion within its existing segments. The Group has a balance sheet capable of supporting future growth and has no defined benefit pension scheme.

Read more on **pages 45 to 50**

3 years: profit before tax

Sales by Sector 2021

Experienced and skilled teams

Committed targets for 2025

2–4%

Growth rate above construction market average across the cycle

Strategic Report

Chairman and Chief Executive Officer Review

The Group is focused on real growth drivers and providing innovative solutions that our customers value.

Ron Marsh
Chairman

Joe Vorih
Chief Executive Officer

We are delighted to report that the Group has delivered a record performance in the year with revenue 49.1% higher than prior year at £594.3m (2020: £398.6m) and 32.8% above 2019 (£447.6m). CPA statistics show the UK market was 3.6% below 2019 levels, and so it is pleasing to see us outperforming the market with like-for-like volume growth of 2.6% versus 2019. This is a reflection of our businesses being focused on real growth drivers and providing innovative solutions that our customers value. The acquisitions we completed early in 2021 are all performing well, with Adey ahead of expectations and all are well established within the Group. We are now focusing on leveraging their performance further. In common with the rest of the manufacturing sector, the speed of recovery from 2020 placed stress upon our supply chains, both with cost and availability of components. Our teams worked incredibly hard to satisfy customer needs and, due to our brand strengths and product offerings, we were able to take price leadership positions across our key sectors.

We remain committed to market outperformance via organic and inorganic growth, and our financial performance and strong shareholder support enables us to pursue our M&A objectives.

With strong fundamentals in our markets, the strength of our talent and our focus on innovation, this is an exciting time for the Genuit Group.

Environmental, Social and Governance

At our Capital Markets Event in November 2020, we explained how our focus on addressing growth drivers relating to the sustainability agenda would be matched by our commitment to operating sustainably. We have continued to make strong progress against the various ESG targets we announced then.

We reduced our like-for-like carbon intensity by 44.0% during the year, which is excellent progress toward our 2025 goal of a 66.0% reduction and of course we have also signed up to the ambitious 1.5 degree warming target as part of our Pledge to Net Zero. Operating sustainably is now deeply embedded across our businesses and within our culture.

Marketplace Review

Following a 15.0% decline in 2020, the construction market showed some resilience, with 13.3% growth in 2021. The market continued to have momentum, and is forecast to grow by a further 4.3% in 2022.

Summary

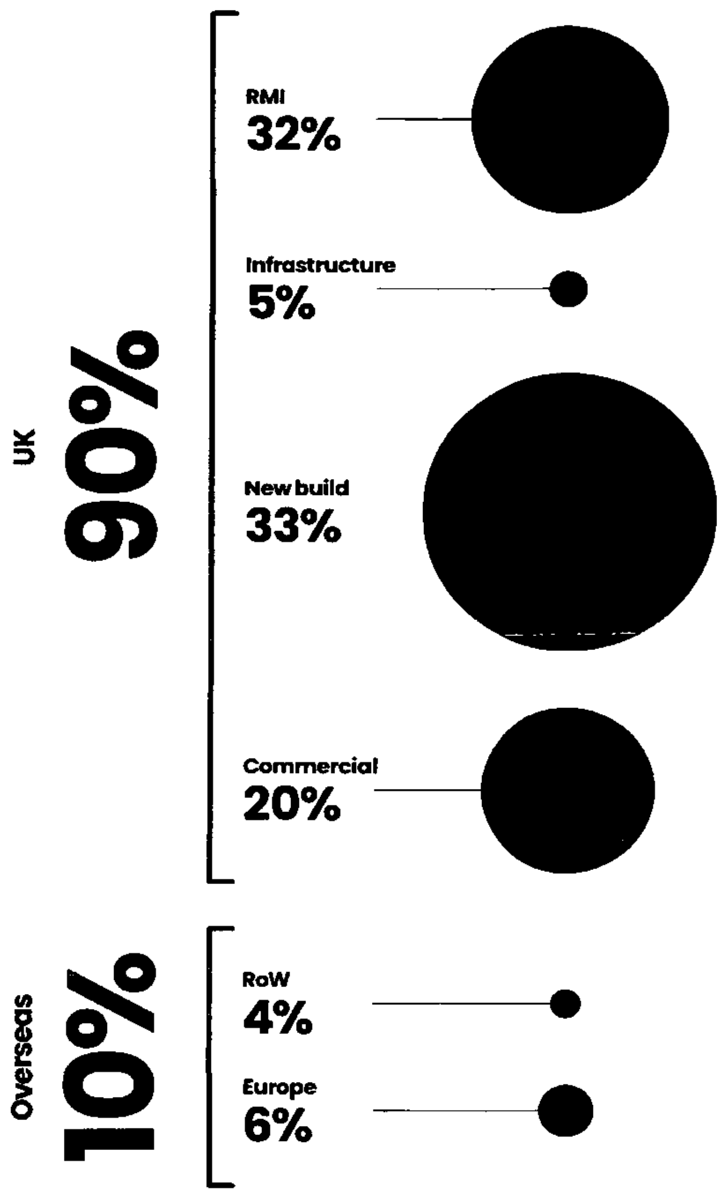
Overall UK construction grew by 13.3% versus 2020 (source: CPA/ONS), as the construction sector continued to show resilience in the face of Covid-19, and also the instability and issues surrounding the Brexit implementation process. Although this is a slight growth downgrade on some earlier estimates, in reality this is largely because 2020 performed better than the basis upon which those forecasts had been formed. Excluding infrastructure, which is slightly distorted by the impact of marquee projects such as HS2 and Hinckley Point, the other sectors grew by a combined total of 11.6%, which is a stronger recovery than that shown in 2014 when the sector emerged from the financial crisis. The outlook shows a continuation of this recovery, with a total sector growth rate of 4.3% forecast for 2022, or 3.2% if infrastructure is excluded.

The 2021 residential RMI market, worth

£61.8bn

was the largest on record

Demand drivers



We are engaged with Science Based Targets and are part of the cohort that will have independently verified targets and measures by Summer 2022. As part of our governance process of assessing climate risk and impact, our 2021 Annual Report & Accounts includes Task Force on Climate-related Financial Disclosures ("TCFD").

Our commitment to employee development and social mobility is reflected in our membership of The 5% Club with 3.2% of qualifying colleagues participating in accredited training schemes thus earning us Silver Status.

Our use of recycled material in the year increased to 49.4% of our total tonnage consumption. By 2025, recycled materials should represent 62.0% of our total polymer consumption; the maximum possible under current regulations across our ranges. We have committed to expanding our ability to utilise recycled materials in 2021 by initiating a £2.5m investment in a new multi-layer extrusion line at our Aylesford site. We are also seeking to broaden the potential for products containing recyclate, by using our influence within various standards and approvals bodies, so that they recognise the societal requirement for these products, which offer equivalent performance levels but with the lower carbon content our customers increasingly value. We continue to place innovation at the heart of our business, ensuring we have the solutions for the emerging challenges faced by the construction sector.

Our sales of products launched in the last five years totalled £120.0m in 2021, or 20.2% of net revenues. We will continue to drive this toward our 2025 target of 25.0%.

Outlook

We have a balanced exposure to UK construction markets with robust growth drivers, and continue to execute our strategy investing organically and by acquisition. Our recent acquisitions are performing well. The housebuilding sector has had an encouraging start to 2022 with a greater level of starts versus completions. Residential repairs, maintenance and improvement ("RMI") remains strong with improvement in the commercial and infrastructure markets.

The Group is offsetting input cost inflation with necessary market leading price increases, and has already taken a number of actions to address the lag impact of the price increases.

The Board is mindful of the global macro-economic uncertainty from the ongoing tragic events in Ukraine. Whilst early in the current financial year, the Group continues to have strong momentum and is well positioned to make further progress in full year 2022.

Ron Marsh
Chairman

Joe Vorih
Chief Executive Officer

All three acquisitions performing well, with Adey ahead of expectations

Adey
UK leading provider of magnetic filters, chemicals and related products

Nu-Heat
Leading provider of sustainable underfloor heating solutions

Plura
Manufacturer of chambers, platform accessories with transferable pultrusion technology

Our new brand

In April 2021, Polypipe Group plc changed its name to Genuit Group plc. Our new brand was created to reflect that our different businesses, who make us who we are, are all part of something bigger. Our businesses share the same vision, values and aspirations. We work collaboratively to provide our employees with a sense of belonging, both to the business within which they operate, but also to the wider Group.

As the Genuit Group, we want to leverage our collective successes, create new opportunities and continue to 'Help Construction build better'.

GENUIT GROUP

Key features

2021 was the highest level of Private Housing RMI activity on record and 2022 is set to remain at that level

After two years of a rush to completions, 2021 saw a focus on housing starts, which is set to continue for the next two years

The road and rail sectors underpin a huge boost in infrastructure spending

Structural changes in retail and our use of office space have provided challenges in the commercial new build market

Public sector expenditure is set to increase in education and health

What this means for Genuit Group

Given our spread across the sectors, Genuit is poised to benefit from overall market growth. Within housing, our products are generally early in the build cycle, and so will benefit from a bias toward starts

The Residential Sector

The structural need for more affordable homes remains as valid as ever. Following 17.0% growth in private residential construction in 2021, the sector is forecast to grow by 3.0% in 2022.

Buoyant private homes sector
Much of the stimulus activity from 2020 carried on into the first half of 2021 and so this caused a significant rush to complete housing transactions. As an indicator of the level of volatility in this sector, completions in England in Q2 2020 were 61.4% below Q2 2019, yet by Q1 2021 they were running at 13.2% higher than Q1 2019. Slightly more than 161,000 homes were completed during 2021. This was significantly ahead of the starts figure of 152,800, despite the starts figure itself being 30.0% greater than the 2020 level.

The race for space
One of the consequences of the pandemic has been the so-called race for space, and to that end the mix between houses and flats has continued to move toward the former, with 86.0% of net additional dwellings being houses (source: DLUHC). This also means that new houses have played a larger part in new dwellings, with conversions and change of use suffering the detrimental effects of that ongoing trend. The outlook for 2022 in the private sector is for some continued rebalancing toward starts; CPA estimate 5.0% growth in starts in 2022 in comparison with 2.0% growth in completions. This impetus on starts is likely to be greatest in the first few months of the year, as developers may also seek to establish sites that can be rolled out under the governance of the existing Building Regulations, prior to the introduction of Parts L & F.

160k

private new home starts in 2022 are forecast to be **10.1%** above the 2019 level

Supply challenges
On the supply side, there were well publicised issues in 2021 relating to shortages across a range of building materials, as well as construction labour, which was experiencing post-Brexit challenges. Nonetheless, despite these headwinds, the sector showed robust growth. Whilst there continues to be some fragility on the supply side, and short-term issues of consumer inflation, the structural issues remain, and so growth is expected with starts continuing to grow through 2022 and at 3.0% into 2023 (source: CPA).

The public sector
The public sector also bounced back sharply in 2021 with 39,511 starts (source: CPA) being ahead of the 2019 figure. Completions also grew 17.0% versus prior year, however, due to the 23.1% drop as a result of the pandemic, did not recover to pre-pandemic levels. Adjustments to the Affordable Homes Programme, and the Shared Ownership & Affordable Homes Programme, reflect Government's preference for facilitating home ownership in the private sector, rather than directly raising new housing supply. Consequently, shared ownership and sales via housing associations and private developers have seen more focus than traditional social housing for rental. In the near term, whilst moderate growth is expected, there is an expectation that financing will need to be shifted to the various remediation and fire safety improvements, so the outlook for 2022 is a return to growth in starts of 2.0%, with completions growing at 3.0%. At the same time, the shift towards that remediation activity sees public housing RMI forecast to grow 7.0% in 2022 and 5.0% in 2023.

Marketplace Review continued

Private housing RMI

Private housing RMI is estimated to have grown by 17.0% in 2021. The narrative around the accumulation of household savings through 2020, and the lack of opportunity to spend on foreign holidays, has been well documented. It is certainly the case that residential RMI has been a significant beneficiary of this increase in disposable income. The sector has also benefited from historically high levels of property transactions, since a lot of RMI activity occurs within the first year of a house move. The various stimulus policies such as those on stamp duty, undoubtedly drove high volatility in transactions, as well as a high overall total. For example, June 2021 saw 199,300 transactions, which was the highest on record (source: HMRC). 2021 was the highest output value this sector has seen since records began, and so although it is forecast to be flat through 2022, this perspective should not be forgotten.

Commercial and Public Non-Housing Construction

The commercial construction sector had seen two years of decline, even before the pandemic, due to the various issues around political uncertainty and Brexit, and 2020 saw a further decline of 22.4%, meaning that the market was 30.0% below its 2017 highpoint. 2021 saw some recovery with growth of 2.6% from that low base. There are ongoing post-pandemic structural questions relating to office space, which represents 30.0% of this sector and the role of retail in the high street, and although there is ongoing growth in the leisure and entertainment sub-sectors, commercial construction is not expected to reach pre-pandemic levels during the next two years. Within the public sector, it is unsurprising that the health service saw a considerable short-term hike in activity with a 26.1% increase in new build activity in 2021, as well as health playing a significant role in the 10.0% increase in public sector RMI seen in the year.

A slowing of growth

Although public sector growth is forecast at 2.9% in 2022, it is still below its pre-pandemic levels, as the gradient of that growth slows due to the completion of hospital projects and the significant activity related to the Commonwealth games in Birmingham is completed. The mid-term outlook is more positive however, with the CPA forecasting a 2023 growth of 12.1%, led by the initiatives in the School Rebuilding Programme, and the Hospital Rebuilding Programme. These programmes are well trialled, and the impacts significant, although as ever there remain questions around the timetable of delivery, given the multi-year delays in flagship projects such as the Royal Liverpool Hospital and the Midland Metropolitan Hospital.

Education construction expenditure is set to rise by

10.4%

in 2022

Infrastructure

Infrastructure is the sector that was least impacted during the pandemic, with the large outdoor projects seeing relatively minor productivity impacts due to the rules around social distancing. Given this, and the significant capital projects currently in place, it is no surprise that this sector is already at pre-pandemic levels with 2021 growth of 23.5%, and an expectation of growth into 2022 of 9.7%. This would put the 2022 activity level at 29.1% above the 2019 exit level. As ever, some marquee projects dominate this space, with HS2, large wind farms, Hinckley Point and the Thames Tideway Tunnel project all having material impacts on the sector.

For completeness, it should also be noted that due to the way ONS measure activity on these major projects, the granular data and timing can be prone to error, even though the total picture is representative. The roads sector is also set to see significant growth, with the RIS2 now securing a funding envelope of £24.0bn between 2020-2025. Elsewhere in infrastructure, the regulatory investment periods covering the key utilities, such as the water industry AMP, are also set to see a growth phase continuing into 2022.

Our Business Model

Our purpose

We address the challenges caused by climate change and urbanisation by providing water and climate management solutions. We're helping construction build better.

Our resources

People
Experts knowledgeable on our customers' applications and empowered to act.

IP/expertise
Innovation, continuous improvement and unique IP defends our market positions.

Strong leadership
Clear direction and focused resource allocation enables our colleagues to deliver our strategic vision.

Capital investment
Disciplined capital allocation to fund sustainable profitable growth, consistent with our strategic objectives.

How we create value

Smart solutions
Digital tools provide controls, monitoring systems and data management expertise, which add value for customers.

Engineered solutions
Design and engineering expertise combine mechanical performance with economic value. Many of our solutions are bespoke for particular customer or project needs, where we can use our knowledge of applications and translate that into tailored offers.

Discrete products
Practical solutions to practical challenges. Our focus and passion for excellence begins with some of the simplest products in our ranges. Our scale affords automation and high levels of efficiency in these high volume lines.

Driven by competitive advantage

Trust
- Market leadership
- Respected brands

Value
- Intelligent engineered solutions
- Smarter thinking and better solutions

Capability
- Industry authority
- Product innovation

Sustainability
- Sustainable products and practices
- Addressing environmental challenges

Range
- Breadth and depth of product systems

Support
- Leading-edge design expertise
- Application-based technical support

Competence
- Manufacturing and logistics scale
- Bespoke product solutions

Our sustainability framework

Advancing the circular economy
We want to lead the industry in recycling and waste. It is our ambition to increase recyclability to its maximum threshold and to become a zero-to-waste operation.

Developing sustainable solutions
In order to drive new areas of growth, we want to scale innovation for sustainable products, increase the proportion of new and breakthrough products, and use digital technology to add value.

Creating sustainable value for our stakeholders

Customers
Quality and innovative products, engineered solutions that enable a sustainable built environment, support, value, range, bespoke solutions, market leading brands.

Shareholders
Dividend, capital growth opportunity, responsible and ethical investment.

Employees
Training and skills development, commitment to diversity, direct engagement and empowerment, providing a chance to make a difference.

Suppliers
Long-standing relationships, fair negotiation, certainty on payment, reputation, visibility on revenues.

Communities and the environment
Working towards a sustainable built environment, *sustainable products* and practices, enhancing the environment, while engaging with communities and charities.

↑

To help our customers

Genuit Group helps professionals create sustainable, engineered water and climate management solutions for the built environment.

Customers
- One-off installers
- Contract installers
- Civil engineers and contractors
- M&E specifiers

Who then deliver to the end user
- Housebuilders
- Civils and Commercial sector developers
- Asset owners and self-builders

↑

With four environmental growth drivers

Requirements of resilient drainage
A warmer, wetter world with unexpected and more frequent weather events will need innovative floodwater drainage systems better suited to the climate.

Climate management solutions for cleaner air
Pollution, particulates and viruses in the air pose a threat to health and wellbeing, particularly in cities. Intelligent climate management systems deliver cleaner and more hygienic air indoors

The need for green urbanisation
Growing cities, impacted by climate change, suffer from the 'heat island effect'. Green urbanisation solutions mitigate this and help reduce water scarcity and increase biodiversity.

Low/zero carbon heating
As a result of the energy transition, there is increasing need for low and zero carbon heating solutions in the context of the move towards a more sustainable built environment.

↑

Tackling climate change
We are committed to reducing the carbon footprint from our operations and products by focusing on reducing overall emissions without resorting to carbon offsetting.

Investing in an engaged and diverse workforce
We are determined to bring in different perspectives through building a much more diverse talent pool and supporting our colleagues and communities to 'build back better'.

Our sustainability framework

Advancing the circular economy

Genuit Group continues to demonstrate leadership in its commitment to recycling. For example, the Group is the largest user of recycled materials within its European plastic piping peer group. The use of recycled polymers is constrained by product standards, such that the maximum we can use within our mix of products would be 62.0% of our total polymer consumption.

We have a stated objective of being at that level by 2025. As product mix fluctuates then this ceiling does also move, and unfortunately this happened to a small extent in 2021. The housing market which had seen a focus on completions in 2020, saw a reaction with a significant increase in starts in 2021 which led to a major uplift in demand for underground products, where our ability to use recycled product is less, due to the prevailing standards. Despite this headwind, our 2021 tonnage comprised 49.4% recycled materials.

Target: Recycled materials

62.0%

by 2025

We remain extremely active in pursuing ways to increase this number. During the year we approved capital expenditure at Polypipe Building Services for a £2.5m investment in a new extrusion line to allow us to begin to make multilayer soil pipe using recyclate through its core; we remain committed to ensuring our capital expenditure programmes are focused upon technology which improves the sustainability of our products. We are also actively working to influence changes to historical standards to increase the proportion of our ranges that can be made using recyclate.

Modern technology means that products using recyclate no longer have performance disadvantages, and it is our view that standards need to reflect the interests of society. Genuit Group is working hard with regulators and industry bodies to push these boundaries further.

"
Our investments in recycling capability allow us to convert waste into products with a design life of over 100 years.

In 2021 Genuit Group invested in its ability to use recycled PVC

£2.5m

Our sustainability framework

Tackling climate change

As well as providing products and solutions which improve resilience and adaptation to the effects of climate change, Genuit Group is also committed to reducing the impact of its own activities and processes. In 2020 we announced that we would reduce our like-for-like Scope 1 and 2 carbon impact by 66.0% by 2025.

In 2021 we reduced our like-for-like carbon intensity by 44.0%, using the market-based methodology of measurement. Across the Group we reviewed our sources of electricity supply, and switched all possible contracts to being supplied through renewable-only sources. Once we have unwound legacy contracts in our acquired businesses, this will be completely rolled out across the Group.

Target:

66.0%

by 2025

During 2021, we also signed up to the Pledge to Net Zero process, and have committed to being aligned with the more ambitious 1.5 degree Business Ambition process. As part of that process, we have also committed the business to Science Based Targets. We are working to submit these targets by the summer of 2022, which will then be third-party verified and audited by SBTi, and will form the backbone of our journey post-2025 to being Net Zero. Unlike our near-term targets, this will also include our Scope 3 impacts.

During 2021, as well as our energy management activities we have also trialled bio-diesel in our commercial fleet; the findings of that trial suggest a helpful reduction in our tailpipe emissions, and provide an input into a broader investigation of moving away from fossil fuels in that fleet. We are undertaking a change to the management of our company cars, and will begin to migrate to Plug-in Hybrid Electric Vehicles and Electric Vehicles over the coming months.

"
We have reduced our carbon intensity by 44.0% without using offsets.

Our sustainability framework

Developing sustainable solutions

Genuit Group recognises that the future challenges of resilience and adaptation will not only be addressed by the products and solutions of today – that is why we see innovation as having a key part to play in developing a sustainable business for the future.

Target:
An ongoing Vitality Index of

25.0%

by 2025

Progress:
In 2021 our Vitality Index was

20.2%

2020: 22.8%

Many of our existing product ranges in water and climate management are addressing the issues created by climate change. From the large stormwater solutions of Ridgistorm XL from Polypipe Civils & Green Urbanisation, through to the heat pump powered Under Floor Heating systems from Nu-Heat, we are supplying solutions to ever changing weather events, or providing efficient heat from renewable sources.

Several innovation programmes were disrupted by the Covid-19 pandemic in 2020, as well as some of the supply chain challenges seen around the world in 2021. Unfortunately, this impacted some product launches, and dampened progress against this target. Nonetheless, several exciting new solutions were brought to market during the year, maybe none more so than the PolySync system, which connects drainage attenuation systems with weather forecasting technology to provide a highly innovative and adaptive solution to urban drainage combined with urban greening.

Our R&D pipeline remains strong, and although progress versus the Vitality Index target has been slightly behind our expectations, our 2021 sales included £120.0m of revenue from products which did not exist five years ago, and that £120.0m represents growth of 55.6% versus our 2019 baseline year of comparison.

Bloc Smart Blue-Green Roof

Our work on the installation of a ground-breaking climate and water resilient research roof in the heart of Manchester, has been completed. Cited on Bloc, the smart blue-green roof (designed by EPG and developed by Polypipe Civils & Green Urbanisation), combines Permavoid and PolySync to store and re-use rainwater at roof level, which reduces the volume of surface run-off entering the sewer network. As a result, it will help lower the risk of flooding associated with the prolonged high-intensity storms, which are becoming more frequent with climate change

The blue-green roof has transformed a city-centre tower block into the home of Manchester's first luscious, wildflower sky-meadow, which has the potential to influence the future of urban design and the role it plays in managing the impacts of climate change. The local variety of wildflower (carefully selected by project partners STRI) will help to attract pollinators, including a particularly rare butterfly, the Manchester Argus.

Using real-time high resolution weather forecasting data, if heavy rainfall is forecast in Manchester, the PolySync system will instruct the attenuation tank to reduce its stored water volume ahead of time to accommodate storm flow without surcharging the local sewer or river network. Equally, if a prolonged dry spell is predicted, the system will maintain maximum volume for re-use for the irrigation of the green assets above and in turn, support Biodiversity Net Gain requirements. Additionally, it will support United Utilities (which co-funded the installation at Bloc) to develop a greater understanding of how new construction and data technologies can support Manchester to mitigate the impact of climate change.

Polypipe Civils & Green Urbanisation's Permavoid solution was used to create this innovative blue-green roof structure. The shallow sub-base attenuation system is comprised of high strength modular cells connected using PermaTies to create a structural raft. Made from 100% recycled polymer, the system manages rainfall at source.

Our sustainability framework

> **"The breadth of Genuit Group provides exciting opportunities for our people.**

Investing in an engaged and diverse workforce

Genuit Group realises the role that people play in achieving its success. It is therefore vital to our ambition that we are able to recruit from the widest possible talent pool, and that all of our colleagues feel valued members of our Group.

Target: People in Earn & Learn	**Progress:**
5.0%	**3.2%**
by 2025	2020: 3.8%

Employee engagement is measured by way of an annual survey across the Group. Perhaps unsurprisingly in the context of Covid-19 and increased levels of remote working, our engagement level dropped by 4.6% during 2021. Nonetheless, we have processes to investigate some of the causes behind this decrease, and will be instigating measures for 2022, in order to return to the positive trend we had seen previously.

We continue to invest heavily in developing our people, in a variety of programmes, focusing on technical or job specific skills, as well as the broader requirements of leadership. At the end of 2021, 3.2% of our colleagues were in some form of accredited Earn and Learn activity; that is over a hundred people improving their various skill sets and capabilities. Our budgets and plans for 2022 will see this number grow further.

We recognise the role diversity and inclusion play in an organisation, and we want all colleagues present and future to see Genuit Group as an organisation in which they can all thrive. We have recording and monthly reporting measures in place on key areas of diversity and have recently introduced further analysis and processes within recruitment activities to enable us to be more proactive in ensuring we attract a diverse range of candidates to the business.

When we rebranded the organisation as Genuit Group plc in 2021, one of our underlying objectives was to create a sense of dual identity for all colleagues to feel a sense of belonging – both to the business in which they worked and the wider Group. This sense of group belonging is important in order to facilitate and improve mobility of people between our businesses, and help people to have the broadest possible career paths and opportunities. We are investing further in our internal communications resources in 2022, to ensure that the momentum of the rebranding of the Group is carried forward.

Realising the potential of our people

Talent & development

A strong, customer-focused organisation is cultivated through effective leadership, organisational bench strength and proactively creating the right development opportunities for our people.

Performance management

High performance is achieved through setting and measuring both individual and shared objectives which are aligned to the strategic goals and expected behaviours of the business.

Culture, engagement, inclusion

Success is achieved through consistently driving the right behaviours and fostering an inclusive culture that promotes positivity, wellbeing and high levels of employee engagement.

Reward & recognition

Improved business performance is realised through incentivising individuals to create value, outperform and demonstrate the right behaviours.

Six Strategic Growth Drivers

Genuit Group has six growth drivers which underpin performance. Providing solutions for adaptation and mitigation of climate change is at the heart of our growth strategy.

In order to achieve our objective of outperforming the underlying construction market by 2-4% per annum, we focus on the key tailwinds relating to climate change as well as two other trends and opportunities.

1

The increasing need for resilient drainage

As our climate changes, planners need to cater for more frequent extreme weather events. This combines with increased urbanisation to place higher demands upon flood and drainage management systems, requiring ever more sophisticated solutions. The need to manage large volumes of water, in a sustainable way, is a key issue facing planners and developers.

2

The need for green urbanisation

As more people live in our towns and cities, society is placing demands upon solutions which integrate drainage functionality, along with providing better urban environments. The ability to use green spaces as part of water management, and as a way to promote air quality, is a real opportunity to move beyond basic product functionality and to provide added societal value.

3

The focus on clean and healthy air

The quality of air we breathe inside buildings and in external living spaces is rightly high upon society's agenda. There is increased focus on the removal of harmful particulates, and the Covid-19 pandemic has placed sharp focus upon the necessity of ventilating the spaces in which we live and work. Specifiers and building owners now see that air quality should be given the same focus in building design as that traditionally placed upon heating and lighting, in terms of the environment it creates.

Growth drivers driven by the sustainability challenges we face

The built environment has an impact role to play in climate change adaption and resilience, and we focus upon four key growth drivers which relate to our core strengths of water management, and ventilation and climate management.

The increasing need for resilient drainage	1
The need for green urbanisation	2
The focus on clean and healthy air	3
The transition to low and zero carbon heating	4
In addition to this, we see ongoing opportunities for growth based around:	
Legacy material substitution	5
Geographic reach	6

4

Low and zero carbon heating, and low carbon construction

Being able to heat our buildings with a lower carbon impact has been a key element of Government's suite of policies to mitigate climate change. This has involved changes to the building regulations, such as Part L, as well as a more holistic view on transitioning from carbon-based heating, as expressed in the Heat & Buildings Strategy published in October 2021, ahead of COP26. As well as the carbon impact of heating, there is also a wider acknowledgement of the role carbon places in construction more generally and, in order to meet climate change targets, the entire supply chain needs to play its part in reducing the carbon impact of the way we design and build our homes and workplaces.

5

Legacy material substitution

Although the majority of our target segments are now substantially converted to modern products, there are still some sectors where substitution continues to represent an opportunity. As materials develop, and attitudes change, so we see continued growth headroom through the ongoing move to plastic alternatives.

6

Geographic reach

Given the international nature of our growth drivers, many of our solutions are attractive in overseas markets. We see opportunities to serve these needs via export models or cooperation with local partners. Although we remain focused primarily on UK opportunities where we can best leverage our commercial footprint, we foresee geographic reach continuing to be a growth driver.

Key Performance Indicators

As a Board, we continually review our performance indicators that are critical to the measurement and delivery of our strategic objectives and sustainable shareholder returns.

We have defined our Key Performance Indicators (KPIs) to measure alignment between our operating activity and strategic goals.

Strategic objectives

Sustainable water management solutions	1
Sustainable climate management solutions	2
Legacy material substitution	3
Legislative tailwinds	4
Smart solutions, innovation and continuous improvement	5
Customer-focused complete solutions	6
Geographic reach	7

Non-financial KPIs

Recycling

Link to strategic objectives:

5 6

The proportion of the Group's overall polymer consumption satisfied with recycled materials.

Importance to Genuit

The Group has a commitment to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations including reducing waste to landfill.

Commentary

Our use of recycled material in the year increased to 49.4% of our total tonnage consumption. In addition, we invested in increasing our capability to use recycled polymer, most notably in our Building Services business, which should accelerate our progress towards achieving our target of 62.0% by 2025.

Financial KPIs

Sales growth

Link to strategic objectives:

3 4 6 7

The annual percentage growth in both Group and UK (by destination) revenue.

Importance to Genuit

Our strategy is to ensure that investment in our people and operations drives sales growth which outperforms the construction market, thus enhancing our market leadership position.

Commentary

Group revenue increased significantly due to the accretive impact of the Adey, Nu-Heat and Plura acquisitions, increased volumes following recovery from the initial impacts of Covid-19, and inflation. On a like-for-like basis, Group revenue increased 29.5% compared to the overall UK construction market of 13.3%, as suggested in the CPA Winter forecast, reflecting our strategy to target those end markets where profitable growth prospects are greatest.

Underlying operating margin

Link to strategic objectives:

3 4 5 6 7

Underlying operating profit as a percentage of revenue.

Importance to Genuit

Indicates that we are investing in the right initiatives and operating efficiently, by driving out non-value-added costs and delivering productivity gains.

Commentary

Underlying operating margin recovered 5.4 percentage points as volumes recovered following the pandemic. This is lower than historical levels due to the normal lag in effecting price increases to recover inflation and ongoing Covid-19 related costs.

Accident frequency

Link to strategic objectives:

5

The number of reported accidents as a proportion of the number of production hours across the whole Group.

Importance to Genuit

Beyond mere compliance, this is an indicator of the state of health and safety at our various sites and the degree to which the workers are protected from work-related hazards at their workplace. Our aspiration is to achieve zero accidents every year.

Commentary

Accident frequency increased following a Covid-19 impacted 2020, though our long-term trend is decreasing. The Group continues to focus on behavioural change with regular observational inspections and encouraging an open reporting culture. Operating businesses across the Group maintain external industry standards, ensuring legislation compliance and adoption of best practice.

Developing our workforce

Link to strategic objectives:

5

The proportion of our UK colleagues actively participating in The 5% Club recognised Earn and Learn schemes such as apprenticeships, graduate trainee programmes and student sponsorships.

Importance to Genuit

Developing and investing in our colleagues drives sales growth, operational efficiency and profitability, whilst facilitating employee retention and enhancing workforce morale.

Commentary

In 2021, we achieved Silver Status with The 5% Club and, at the end of the year, we had over 100 UK colleagues participating in accredited Earn and Learn schemes. The decrease in relative terms from 2020 primarily reflects the Adey, Nu-Heat and Pluro acquisitions and, to a lesser extent, the Covid-19 disruption. On a like-for-like basis, excluding the 2021 acquisitions, 3.6% of our UK colleagues participated in accredited schemes in 2021.

Greenhouse gas emissions

Link to strategic objectives:

1 2 5

The intensity ratio is defined as the total tonnes of Scope 1 and 2 CO_2e produced per total tonnes of production

Importance to Genuit

The year-on-year improvement in this measure demonstrates our commitment to operate in an environmentally sustainable manner, as the Group continues to grow.

Commentary

Group greenhouse gas emissions have decreased significantly. Our decision to switch to certified renewable electricity has directly impacted our emissions intensity. Moreover, it contributes to reducing our reliance on fossil fuels in the wider environment. The Group continues to develop its strategy and framework to further reduce emissions through energy efficiency.

Underlying EPS

Link to strategic objectives:

3 4 5 6 7

Underlying diluted earnings per share.

Importance to Genuit

Provides Genuit's investors, in particular, with a consistent indication of the Group's underlying financial performance.

Commentary

Underlying diluted earnings per share increased due to the accretive impact of the Adey, Nu-Heat and Pluro acquisitions and increased volumes, following recovery from the initial impacts of Covid-19, offset by the higher effective tax rate and increased share count following the February 2021 equity placing.

Cash conversion

Link to strategic objectives:

3 4 5 6 7

Operating cash flow excluding non-underlying items less net capital expenditure to underlying operating profit.

Importance to Genuit

Our focus on cash conversion demonstrates our focus on efficiency, as well as enabling us to fund future organic and inorganic growth.

Commentary

Our cash conversion was impacted by the strategic decision to increase inventory levels to improve customer service performance following the recovery in demand after the pandemic

Return on capital employed

Link to strategic objectives:

3 4 5 6 7

Return on capital employed is the ratio of underlying operating profit, adjusted for the full year benefit from acquisitions during the year, where relevant, to average net assets excluding loans and borrowings, cash and cash equivalents and taxation.

Importance to Genuit

A key indicator of the efficient deployment of capital on the right initiatives and of Genuit's overall business performance.

Commentary

The Group's return on capital employed increased significantly, following recovery from the initial impacts of Covid-19, although remained lower than historical levels due to the dilutive impact of goodwill and other intangible assets recognised following the Adey, Nu-Heat and Pluro acquisitions.

Sustainable Solutions

Genuit Group has sustainability at its core. As well as operating our business sustainably, the Group is addressing the key issues around resilience and adaptation to climate change within the built environment.

Growth drivers

Climate change poses new challenges for the built environment

Resilient drainage

Increased, unexpected and more frequent weather events are testing the limits of conventional drainage and sewage. Adapting to climate change will require innovative floodwater drainage systems better suited to a warmer and wetter world.

Climate management solutions for cleaner air

Pollution and particulates in the air pose a threat to health and wellbeing, particularly in cities. Intelligent climate management systems deliver cleaner and more hygienic air indoors.

Genuit Group's response to these challenges

Adaptation

Although we are fully engaged with mitigating climate change, there is an ongoing and increasing need to adapt to the impact that climate change will continue to have. Even the most aggressive climate goals still expect impacts, such as increased temperatures and extreme weather events, to be with us on a permanent basis.

Resilient drainage

The impact of this is felt no more sharply than within the built environment. Drainage designers are now required to cater for more extreme rainfall on a more frequent basis. Our market-leading solutions within the Polystorm, Pluvial Cube, Versavoid and Rigistorm XL ranges, provide designers with a range of solutions which allow them to combine efficient drainage design into the landscaping or broader building design context. We continue to invest in innovation to provide smarter drainage for a warmer, wetter world, without simply over-engineering solutions in a wasteful way. For example, our recently launched PolySync range combines product functionality with IoT technology, so that drainage systems can have access to weather information.

Climate management solutions for cleaner air

Air management is not just an issue of temperature, but also of air quality. The filtration systems such as Noxmaster and the Haven range, offered by Nuaire and Domus, can remove particulates and help to ensure clean, fresh and healthy air is moved around buildings – whether they be offices, homes or schools. Furthermore, we can engage with specifiers to propose integrated solutions such as a blue-green roof, alongside a ventilation solution, so that the building is using the oxygenated cooler air from the roof. The issue of particulates has been on the agenda for some time, and, of course, Covid-19 has brought ventilation and fresh air into even sharper focus. We continue to innovate solutions for both new build and for retro-fitting, as society recognises the provision of clean air as being as important a facet of building design as the heating and lighting systems.

These issues need new solutions

Low/zero carbon heating
As a result of the energy transition, especially the removal of natural gas from households, there is an increasing need for low and zero carbon heating solutions in the context of the move towards a more sustainable built environment.

Green urbanisation
Growing cities, impacted by climate change, suffer from the 'heat island effect'. Green urbanisation solutions mitigate this, but also help reduce water scarcity and increase biodiversity.

Green urbanisation
Urbanisation places further stress on water management and infrastructure. The challenges of increased rainfall are exacerbated by increased population density, and this presents landscape architects and drainage consultants with additional challenges such as the urban heat island effect, as warm air radiates between buildings in close proximity. Our product ranges of Permavoid and PolySync allow these challenges to be met in an integrated way as blue-green roofs, podium decks and rain gardens provide ways to manage rainwater, whilst using urban greening to give cooling effects, air quality improvements and a visually pleasing environment in which to live and work.

Low/zero carbon heating
Heating and cooling our homes and workplaces is also an area where the issues of mitigation and adaptation meet each other. In terms of mitigation, regulations such as Part L and the Government's recent Heat and Buildings Strategy, published in October 2021, place much emphasis on the transition to low and zero carbon heating. Several Genuit businesses are focused on this issue. Nuaire have been involved in mechanical heat and ventilation recovery for some time, both in commercial and residential applications; this technology uses 'waste' warm air from kitchens and bathrooms to heat water, or other parts of a building. Our market-leading presence in underfloor heating grew in 2021 with our acquisition of Nu-Heat, which also supplies renewable energy such as heat pumps and solar as a part of its proposition. Adey, also acquired in 2021, are market leaders in magnetic filters which significantly improve the efficiency of water-based heating systems, meaning they can provide heat from lower energy inputs. The challenges of adaptation relate more to cooling, as we seek more environmentally friendly solutions than traditional air conditioning. Nuaire's air management solutions can move naturally cooler air around buildings, taking advantage of external shading or sun direction.

Our sustainability framework

Genuit Group is making the built environment more sustainable by helping create a more resilient planet, society and business.

Genuit Group recognises the positive and sustainable impact that we have on the built environment, both locally and at the macro scale. During 2020, a group of senior managers from across the Group developed a series of granular targets and outline action plans that apply across the four areas of our sustainability framework. Some of these build on what we have been doing for some time, some stretch us in new areas, and they combine to give us a robust approach and series of targets to accelerate our progress over the next five years. These targets are well communicated internally and externally, and we hold ourselves accountable for delivery against them as we ensure a resilient business for the future. The topics and targets are embedded in appraisals of staff and management, and for some colleagues, form part of performance evaluation for remuneration. Embedding our sustainability agenda across the workforce is a key focus for us in achieving our objectives. At the same time, we have to articulate our sustainability credentials in order to recruit and retain talented people. We have committed to raising the bar for sustainability, for ourselves and for others, and we want to see smarter and more sustainable processes right across our industry. Working together, we will make the built environment more sustainable for generations to come.

Our sustainability framework

Advancing the circular economy

We want to lead the industry in recycling and waste. It is our ambition to increase recyclability to its maximum threshold and to become a zero-to-waste operation.

Our 2025 targets

62%
of tonnage from recycled plastics

Zero
waste to landfill

Our progress in the year

Despite a more challenging product mix, we increased our proportion of recycled materials versus prior year

- We invested £2.5m to increase our capability and capacity to use recycled PVCu
- In polyethylene and polypropylene products, over 75.0% of our material came from recycled inputs
- We continue to lobby for updates to standards to allow greater use of recyclate

Recycled materials:

49.4%
of total tonnage from recycled materials

Developing sustainable solutions

In order to drive new areas of growth, we want to scale innovation for sustainable products, increase the proportion of new and breakthrough products, and use digital technology to add value.

25%

of sales from products launched within the preceding five years

Innovation continues to be a growth engine within our businesses, as we focus on addressing the challenges of the future

- Our Vitality Index measures the proportion of sales from products and ranges launched within the past five years
- In 2021, those products totalled £120m, a 55.6% increase over our 2019 baseline

Vitality Index:

20.2%

Tackling climate change

We are committed to reducing the carbon footprint from our operations and products by focusing on reducing overall emissions without resorting to carbon offsetting.

66%

reduction of CO_2 emissions (Scope 1 and 2)

During the year, we made considerable progress toward our 2025 target, as well as committing to longer-term goals

- Via green energy sourcing and efficiency programmes, we significantly reduced our carbon impact
- We signed the Pledge to Net Zero, using the 1.5 degree Business Ambition
- We will publish SBT's during 2022

Carbon intensity: Reduced by

44.0%

Investing in an engaged and diverse workforce

We are determined to bring in different perspectives through a diverse talent pool and supporting our colleagues and communities to build successful careers.

5%

of colleagues to be in earn & learn programmes

At the year end, over a hundred colleagues were in qualifying earn and learn programmes

- Programmes such as our HGV Driver Academy provide opportunities, while addressing a skills shortage
- Our earn and learn programmes cover a spectrum from engineering apprenticeships through to digital marketing and we will see this number increase further

People: Percentage in earn and learn

3.2%

Sustainable Operations

As well as providing solutions which seek to limit climate change, or provide resilience and adaptation to it, Genuit Group also has sustainability embedded in the way its businesses operate.

In the Autumn of 2020, we communicated a series of wide-ranging targets across the sustainability agenda, which would form part of our road map. Since then, not only have we progressed against those initiatives, we have also added longer-term goals, and begun processes to have our progress verified by independent third parties.

Reducing our carbon intensity

We have committed, as an interim milestone, to reduce our carbon intensity in Scopes 1 and 2 by 66.0% by 2025 – without resort to offsets. It is pleasing to report that in 2021, our carbon intensity using the market-based method, reduced by 44.0% compared to prior year. During the year, we transferred the vast majority of our sites to being supplied solely from renewable electricity sources. Only the sites which have been recently acquired, and which are subject to legacy supply contracts, are outside of this scope, and this will change as those contracts unwind. This will also apply to any future acquisition activities.

We have also conducted a trial of biodiesel in a section of our commercial fleet. Early results suggest tailpipe reductions in carbon of around 10.0%, as well as reduction in other harmful particulates such as Nitrogen Dioxide. We are taking this trial data into a broader review of our commercial fleet, alongside other options to reduce its carbon impact, and will report more fully in due course. We have also committed to a new leasing contract for our company car fleet, and will begin a process of transitioning that fleet to Electric Vehicles and Plug-in Hybrid Electric Vehicles beginning in the first half of 2022. We will communicate the timetable for transition and its carbon impact in due course.

The company car fleet initiative is one example of us broadening our carbon reduction programmes to include Scope 3. This follows on from us signing the Pledge to Net Zero in the first half of 2021. Subsequent to signing the Pledge, we have since subscribed to the Business Ambition for 1.5 Degrees, which is the most ambitious of the target and measurement regimes, and will be the basis of our Science Based Targets (SBTs). Genuit Group is in the 2022 cohort for submitting targets to Science Based Target Initiative (SBTi), and this will form the framework of our transition to net zero by 2050.

Increasing the use of recyclates

For some time, Genuit Group has been leading the way among European plastic piping producers in using recycled polymers. In our 2020 Capital Markets Event, we committed to achieving 62.0% of our total tonnage being from recyclate by 2025. The products we supply are governed by various standards and approvals, using our baseline product mix, 62.0% would be the maximum permitted across our ranges under those standards. In 2021, the proportion of our tonnage consumed from recyclate was 49.4%, an improvement on the prior year figure of 45.9%. This was achieved despite product mix challenges which were more toward those products where standards either restrict or disallow the use of recycled materials. Indeed, within that total figure, some of our ranges are using much higher levels of recycled inputs.

For example, our polyethylene and polypropylene ranges both averaged over 75% recycled content during 2021. We are investing to increase our consumption of recycled PVC. During 2021 we committed £2.5m of capital expenditure to a multi-layer extrusion line in our Polypipe Building Services business, which will enable our Terrain brand to include more sustainable products within its range. As well as being consistent with our own sustainability objectives, we are seeing increasing demand from our customers for such products and the supporting data, which allows them to reduce the carbon impact of their construction projects. With that in mind, we are continuing our efforts to expand the 62.0% ceiling. We are doing this by using our positions on industry and standards bodies to try to drive change both at a UK and European level. We are also looking at creating products that deliver the required performance levels of those standards, although they are constructed in newer, more sustainable ways. We see our markets being open to accepting these offerings as being the appropriate way to reduce the carbon impact in construction. We are also working to improve the availability of carbon data via tools such as Environmental Product Declarations (EPDs), so that customers and project owners can make informed decisions about their projects.

Greenhouse gas emissions

This report details the energy consumption and greenhouse gas (GHG) emissions from the activities of Genuit Group plc during the period 1 January 2021 to 31 December 2021. Genuit Group plc GHG emissions, reportable under Streamlined Energy and Carbon Reporting (SECR) during the period specified above, were 22,725 tonnes CO_2e. This figure has been calculated using the UK Government's most recent GHG Conversion Factors for Company Reporting (2021). This is in line with standard industry practice and allows fair comparison with other UK businesses.

This figure includes all the material Scope 1 and 2 emissions, required to be disclosed by the specified legislation, plus additional Scope 3 emissions. The Scope 3 emissions include transmission losses and well-to-tank losses and have been included voluntarily, in line with previous submissions.

It can be seen in Table 1 that Genuit Group GHG emissions were 37.77% lower than in the 2020 reporting period. Although there was an increase in emissions from stationary and transport-related fuel combustion, *refrigerant* usage dropped.

A market-based methodology has also been applied to the calculations in Table 1 and throughout the rest of this report to reflect Genuit's investment in a green electricity tariff. This is the reason for the large reduction in electricity, and therefore Scope 2, emissions.

Genuit is committed to improving the scope and quality of their data collection for GHG calculations across the Group and this has partially contributed to the increase in Scope 1 activity, as well as acquisitions made during the financial year.

It can also be seen in Table 1 that the activity of the Group increased by 16.76% when compared to the previous reporting period. This resulted in the Group achieving an emission intensity of 0.152 tonnes CO_2e per tonne of production during 2021, a 46.66% improvement on the previous submission year.

The Group continues to focus on energy efficiency and, in 2022, planned implementation and integration of formal energy efficiency and carbon reduction working groups and committee will be formed to monitor progress, identify areas of improvement and share best practice.

Table 1 Greenhouse gas emissions (tonnes CO_2e) by source and reporting period

Emissions Source	2021	2020	2021 Percentage Share	Percentage Change 2020 to 2021
Fuel combustion: Stationary	5,489	4,739	24.2%	15.82%
Fuel combustion: Transport	13,704	11,252	60.3%	21.80%
Facility operation: Refrigerants	385	665	1.7%	-42.12%
Purchased electricity*	3,147	19,860	13.8%	-84.16%
Total emissions (tCO_2e)	**22,725**	**36,516**	**100.0%**	**-37.77%**
Output (tonnes of production)	149,490	128,036		16.76%
Intensity (tCO_2e per tonne of production)	0.152	0.285		-46.66%

* The 2021 emissions figure for purchased electricity above (and used throughout) reflects our investment in a zero-carbon electricity tariff for the majority of the estate. In the terms of the Greenhouse Gas Protocol, this is called 'market-based' reporting – as opposed to 'location-based' reporting. Location-based reporting does not take into account the electricity supply contracts a company has and instead uses a national carbon emissions factor for electricity. Following the location-based methodology (which is required to be also reported under SECR alongside market-based figures), our 2021 emissions from electricity were 20,417 tCO_2e (including transmission and distribution losses), giving total emissions of 39,995 tCO_2e and an intensity of 0.268 tCO_2e per tonne of production – a 6.12% decrease on 2020. The remaining electricity emissions figure above of 3,147 tCO_2e is from electricity not covered by our zero-carbon tariff, and from transmission and distribution losses.

UK legislation requires the public reporting of Scope 1 and 2 emissions, Scope 3 emissions for quoted companies being optional. As mentioned previously, Scope 3 emissions resulting from transmission and distribution, associated with losses during the use of grid electricity have been included, as well as business travel in private vehicles (grey fleet).

The split in reported emissions by scope is shown in Table 2 below:

Table 2 Greenhouse gas emissions (tonnes CO_2e) by scope and reporting period

Emissions Source	2021	2020	2021 Percentage Share	Percentage Change 2020 to 2021
Scope 1	19,547	13,937	86.0%	40.25%
Scope 2	1,487	18,337	6.5%	-91.89%
Scope 3	1,691	4,242	7.5%	-60.13%
Total emissions (tCO_2e)	**22,725**	**36,516**	**100.0%**	**-37.77%**

When split by scope, it is Scope 1 which is associated with fuel combustion in transportation and combustion of fossil fuels at the site that make up the largest portion of the portfolio (86.0%).

Energy consumption

The introduction of SECR means that companies are required to publish annual energy consumption as well as emissions. Table 3 below shows the total energy consumption for the Group and the split in energy source/fuel type.

Table 3 Energy consumption (MWh) by type and reporting period

Emissions Source	*2021*	*2020*	2021 Percentage *Share*	Percentage Change 2020 *to 2021*
Fuel combustion: Stationary	30,092	21,789	17.5%	38.11%
Fuel combustion: Transport	60,868	45,413	35.4%	34.03%
Purchased electricity	81,102	77,363	47.1%	4.83%
Total Consumption (MWh)	**172,062**	**144,565**	**100.0%**	**19.02%**

Sustainable Operations continued

UK & Global Consumption

A requirement of SECR reporting for PLC companies is that they provide a split of their Scope 1 and 2 emissions between those that are emitted by UK sites and those emitted by sites in their portfolio outside of the UK.

Table 4 Energy consumption (MWh) by type and reporting period

Territory	Scope	tCO_2e	MWh
UK	1	19,516	90,838
Global		31	122
UK	2	1,487	79,245
Global		0	1,857
Total		**21,034**	**172,062**

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the GHG emissions boundary[1].

This approach captures emissions associated with the operation of all buildings such as warehouses, offices and manufacturing sites, plus company-owned transport, and includes Genuit Group plc operations in the UK, Italy, and the United Arab Emirates.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is January 2021 to December 2021, as per the financial accounts.

1 An operational control approach to GHG emissions boundary is defined as: 'Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation.'

Energy efficiency initiatives

SECR legislation requires that every company provides some basic information in their Directors' Report on the energy efficiency initiatives carried out in the financial year covered by this Report.

Further to demonstrating their commitment to sustainability through the recycling of end of life material at the Horncastle facility, the Group have signed the Pledge to Net Zero and have set ambitious targets with milestones in 2025 and 2050.

Genuit (as members of the UK's Climate Change Agreement (CCA) scheme) have agreed to achieve a 3.797% improvement, on 2018 efficiency, by the end of 2022. Eight of the Group's manufacturing sites fall under CCAs, with a further two sites signing up to the scheme at the end of 2022.

To support achieving this target, Genuit have committed to reviewing their approach to energy management across the Group. Following the efforts at selected manufacturing sites, the Group have additional sites conforming to ISO50001 certification. There is a Group plan to further develop and formalise the energy management processes, including regular monitoring budgeted project plans working to facilitate the identification and implementation of energy-saving opportunities.

Task Force on Climate-related Financial Disclosures Report

Introduction

The Group understands the serious threat that climate change poses to our planet and it recognises its responsibility in mitigating its impacts through sustainable business practices and climate resilient products. The Group's purpose is to address challenges caused by climate change and urbanisation and has embedded climate change in its strategy and day-to-day operations. Environmental growth drivers and sustainability framework and targets are highlighted in the Group's Annual Report and Accounts which demonstrate its commitment to this.

However, the Group recognises the benefits of adopting international frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) to provide consistent and transparent information to global markets and, as a result, is committed to aligning its reporting practices to the TCFD. In this first TCFD report, the Group has outlined its current position and identified any changes that will be implemented during 2022, to enable full disclosure against all TCFD recommendations in our 2022 Annual Report and Accounts. Where applicable, the relevant section of our disclosure is linked to relevant sections of this Annual Report and Accounts.

Areas of focus 2022

Perform a detailed risk assessment of climate-related risks and opportunities over the short, medium, and long term, using two climate scenarios to analyse and accurately assess material impact and further analyse the resilience of our strategy

Further consider climate-related risk in strategic decisions and financial planning

Develop a dedicated climate risk management framework to ensure management are informed of climate-related issues and adequately monitor the associated risks

Continue to regularly monitor progress made in achieving our sustainability targets

"

As a Group, we recognise the risk of climate change and the impact it will have on the planet and our business, with sustainability being at the heart of our growth and operational strategy.

We are committed to continue reducing our emissions and environmental impact and will be net zero by 2050, whilst being transparent on our progress through our communicated sustainability targets.

Updating our reporting practices to align with the TCFD will articulate this to our stakeholders in a transparent and consistent manner. We are fully committed to continuing to build on our climate risk reporting framework to produce high-quality disclosures in future years.

Joe Vorih
Chief Executive Officer

Task Force on Climate-related Financial Disclosures Report continued

Governance

Disclose the organisation's governance around climate-related risks and opportunities

a) Describe the board's oversight of climate-related risks and opportunities	The Group recognises the importance of effective governance in the management of climate-related risks and opportunities. During 2021, Genuit Group updated its risk reporting processes so that risks would be consistently monitored and scored, ensuring climate-related risks were effectively embedded across its businesses as part of ongoing improvements to risk identification and mitigation procedures. The Board has overall responsibility for addressing environmental matters and climate-related risks, and delegates the ongoing monitoring and management of these risks to its Risk Committee, which is responsible for discussing and addressing internal controls, and risk management systems and opportunities. Further detail on the membership, activities, responsibilities and frequency of meetings of the Risk Committee can be found in the Risk Committee Report. Climate risk has been recategorised as a principal risk in 2021, and consequently will be individually addressed in the context of all strategic decisions considered by the Risk Committee. The Board is updated quarterly on the progress made by the Group in achieving its sustainability targets, and the Risk Committee will similarly review progress on these targets specifically in the context of climate-related risk and will implement any amendments required to capitalise on opportunities or further mitigate, as appropriate.	Risk Committee Report on pages 78 to 80
b) Describe management's role in assessing and managing climate-related risks and opportunities	The Group understands that taking ownership of climate change risk at all levels within the Group is fundamental to the accurate identification and mitigation of climate-related risk. Divisional management present to the Risk Committee on a rotational basis which includes any climate-related risks, and actions and decisions on climate-related risk and opportunities are communicated by the Risk Committee Chair to the Board in the same way as other principal risks are. Methods and mitigation for managing these risks are communicated by senior management to the business units. This ensures full integration and consistency across the Group. Given the increased prominence climate-related risk will have in Risk Committee meetings going forward, increased reporting and transparency from business units will be required to enable the Risk Committee to have a consolidated oversight of climate-related issues across the Group and report directly to the Board.	Principal Risks and Uncertainties on pages 52 to 56

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Group revenues are primarily generated within the UK and the Group's production facilities are also heavily UK concentrated, therefore assessment of the Group's climate change risk and opportunity is performed within that context. Although under periodic review, assessment of the physical risks is deemed to be immaterial. Some risk exists in certain international areas of the Group's supply chain linked to extreme weather events, and dual supply arrangements are agreed where necessary to mitigate risk. The Group recognises issues of transition risk and therefore has committed its operations to a variety of sustainability targets and will submit Science Based Targets (SBTs) in 2022, consistent with the 1.5 degree business ambition. These risks are assessed in a regulatory and reputation-based context, given the importance of these issues for the Group's stakeholders. These assessments are carried out as part of the risk management processes. The issues of adaptation and resilience to climate change provide opportunities for Group products, and these growth drivers form core parts of the Group's commercial strategy and drive its innovation and Mergers and Acquisitions (M&A) agendas. At the same time, the Group can foresee transition risk in some of its products, and therefore it is in the process of completing Life Cycle Analysis (LCA) and Environmental Product Declaration (EPD) in order for its customers to make informed decisions on embedded carbon.	Framework for managing risk on page 51
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	The outcomes of planned scenario analysis during the year will be reviewed and reflected in the Group's business strategy. The identification of market changes as a result of climate-related risks and opportunities are a consideration in deciding the markets in which the Group chooses to operate. Climate-related risks are inherent and embedded in four of the Group's six growth drivers, which focus on addressing issues resulting from climate change. Innovation and M&A activities focus on identifying opportunities and mitigating risk. The Group has signed the Pledge to Net Zero and, as an interim target, is committed to a 66.0% reduction in Scope 1 and 2 Greenhouse Gas (GHG) emissions by 2025. Group initiatives that underpin this centre around energy reduction, including use of renewable energy sources and reduction in use of fossil fuels in its commercial and car fleets, and its financial planning processes accommodate these initiatives.	Growth Drivers on pages 22 to 23
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The Group aims to reduce its GHG emissions in alignment with its science-based target to meet its goal of becoming net zero by 2050, in alignment with the UK Government's strategy. The Group has committed to the Science Based Targets Initiative (SBTi), the current most ambitious science-based carbon reduction strategy. Plans to enable this transition are in progress and will be published following verification by SBTi. This, alongside its 2025 targets, will ensure that the Group's operations are consistent with a transition to net zero, and forms part of its strategy to achieving this. The Group does not currently see material risk in its revenue streams due to climate change, but is committed to ensuring this assessment is continually monitored during 2022, as part of the implementation of its climate-related risk management framework. The product ranges in water management, climate management, ventilation and low carbon heating, all assist in providing the built environment with resilience to climate change impact, as described in the Group's Principal Risks and Uncertainties.	Tackling Climate Change on page 16 Principal Risks and Uncertainties on pages 52 to 56

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks

a) Describe the organisation's processes for identifying and assessing climate-related risks	*The Group understands the importance of climate-related risk across its businesses and* manages environmental regulations through impact assessments and aspect reviews in its risk register. Environmental risk management has been expanded to include climate as a principal risk in 2021, previously categorised as an emerging risk in 2020. Formal review and ongoing management of the risk register is a responsibility of the Risk Committee, as outlined in the Risk Committee Report.	*Principal* Risks and Uncertainties on pages 52 to 56
b) Describe the organisation's processes for managing climate-related risks	Senior managers from within the business report their key risks, which include sustainability and climate change related risks, to the Risk Committee. These risks are assessed by the Committee to understand their likelihood and impact, along with the necessary mitigations and optimal controls. Given the prominence of sustainability in the Group's strategy, climate and related risks are inherent in everyday operations and decision-making. The Group is currently in the process of developing a dedicated climate risk management framework. For more detail on the framework for managing risk, please refer to the Principal Risks and Uncertainties section within this Report.	Framework for managing risk on page 51
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	As required by the UK Corporate Governance Code Principle C, the Board should establish a framework of prudent and effective controls, which enable risk to be assessed and managed. The responsibility for assessing risk on behalf of the Board was previously that of the Audit Committee, however, following the creation of the Risk Committee during 2021, the latter is now tasked with ensuring the effectiveness of the risk management process, as well as confirming that the Principal Risks and Uncertainties of the business are appropriately disclosed externally. The Risk Committee reviews and provides the Board with recommendations on all risks, including climate change. Further details on the Group's overall risk management process are available within the Principal Risks and Uncertainties section in this Annual Report and Accounts.	Process for identifying, assessing and mitigating risk on pages 79 to 80

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The Group understands the importance of target setting and achieving them. It is developing systems to further improve its data collection and data integrity, with the input of internal resource and third-party experts. The Group is developing a framework of regular energy efficiency reporting of site-specific targets, which will be agreed and measured. As detailed in the SECR, we use standard measures of emissions intensity and monitor performance at site and Group level. The Group have established both carbon and recycling targets for 2025, using 2019 as the base year for respective reduction. The wider data integrity and accuracy review which was started in 2021 and will be complete in 2022, provides the Group with the capability to monitor and review performance on a monthly basis. The Group will have a greater depth of understanding to ensure *behaviours and actions are taken to achieve its targets. As with all of its processes, the Group will* continue to review and ensure it is able to increase the level of data and matrices beyond current targets and objectives, which will further support its journey to net zero and the adoption of its SBTs	KPIs on pages 24 to 25
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	The Group discloses its emissions through SECR, which is included within the Annual Report and Accounts. The Group will have a Scope 3 emissions inventory within 2022 and has engaged external advisers to verify this as part of our SBTs. Scope 3 emissions have always been included with Scopes 1 and 2 as stipulated in GHG reporting, in addition to the conditions in our Climate Change Agreement, requiring a reduction in carbon intensity throughout the designated reporting periods. The Group's energy is sourced from renewable sources which has seen its carbon impact reduced and the Group has experienced an overall improvement in its operational energy efficiency and carbon emissions. Reporting period changes and improvements in emissions are detailed within the SECR.	Greenhouse Gas Emissions on pages 31 to 32
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	The Group understands the importance of target setting to ensure that it is on a trajectory to achieving its goals. In 2020, ambitious targets were set, including a 66.0% reduction in like-for-like carbon intensity in Scopes 1 and 2, without the use of offsetting. The Group believes that offsetting at this stage does not encourage best practice and should be avoided until it has exhausted all efforts to reduce its GHG emissions. A target was set to reach 62.0% recycled material usage, and the Group is aware that its responsibility as a large plastic manufacturer could have a large positive impact on the environment. The target of 62.0% is what has been identified as the upper limit of what can be achieved under current product standards, however the Group work constantly to increase this number. The Group's state-of-the-art polymer reprocessing plant at its Polypipe Civils and Green Urbanisation site in Horncastle, is testament to this ambition to do more and go further and it has recently invested £2m in increasing its capability to using recycled PVC. The Group is aware that setting these goals was an important element of its sustainability strategy. Its commitment to sustainability is further evidenced through signing Pledge to Net Zero and the setting of SBTs with the SBTi, in line with the 1.5 degree commitment. The Group updated its Remuneration Policy in 2021, which included the refining of performance metrics to include sustainability targets in its long-term incentive plan. This further reflects the central importance of sustainability to the Group's future strategy. More detail on how these are structured can be found in our Remuneration Report.	Sustainable Operations on page 30 Remuneration Report on pages 105 to 116

People

We recognise the crucial role that our people have in delivering our strategy.

During 2021, a Chief People Officer was appointed to the Executive Team to ensure that we have an overarching and Group-wide approach to talent, people development and employee engagement, giving focus to these areas at a senior level and consistently throughout the Group. The Genuit brand enables the creation of an identity within which all colleagues would feel an equal sense of citizenship. In order to be an employer brand of choice and to ensure that our scale provides opportunities for people to develop, we need people to feel a sense of belonging to the business unit in which they work and also to the Group to which they belong. That way we can truly leverage the capabilities that exist within the organisation, creating best practice and knowledge sharing, whilst also offering real employee development

People development

We continued to make progress in our membership of The 5% Club, and were awarded Silver Status during the year. Over a hundred of our employees were in qualifying development programmes at the year-end. This represented 3.2% of the total workforce at that date. Our plans for the year ahead, will ensure further progress in 2022.

Our apprenticeship programmes continue to flourish. These cover a range of disciplines beyond those which might have been traditionally associated with apprenticeships. For example, we currently have apprentices in Digital Marketing, CAD & Design and Field Sales. Our HGV Driver Academy programme uses training as a route to address this specific skill shortage, which is present across the industry and beyond. Similarly, our graduate intake programme is geared around the present and future needs of the business, and so, for example, during 2021 we recruited graduates in sustainability, and material/polymer science

Our online Learning Management Systems are delivering significant amounts of training every month and cover important topics, such as health and safety, compliance, personal development and on the job practical skills.

Employee engagement

We believe our organisation performs at its best when our colleagues are motivated and engaged, and we measure engagement levels via a survey across the Group. 2021 saw a slight reduction of 4.6 percentage points, with an engagement rating of 57.2%. Whilst this is somewhat explainable by the lengthy periods of remote working and the challenges of safe working practices during the Covid-19 pandemic, nonetheless we are focusing efforts on understanding any broader issues, and our local management teams are developing plans to turn this around in 2022.

"Our organisation performs at its best when our employees are motivated and engaged.

Diversity & inclusion

We want to be able to attract people from the widest possible talent pool in order to achieve our goals and objectives. This means that people of all ethnicities, genders, sexual orientations and backgrounds must see Genuit Group as a place in which they can feel welcomed and can thrive. Therefore, across our various businesses, we endeavour to have an ethnicity mix which reflects our local communities. We have recording/reporting measures in place on key areas of diversity which are reported on a monthly basis, and have recently introduced further reporting and analysis within recruitment activities to enable us to be more proactive in ensuring we attract a diverse range of candidates to the business. We are also taking steps to achieve a Group-wide gender mix in line with the Hampton-Alexander report guidelines. Of course, there is some historical imbalance given we are a manufacturing business in the construction products sector, and we are exploring programmes and actions to help redress this. We recently supported a number of our female employees to participate in the 'Yes, She Can Campaign', a workshop designed to support and facilitate female leaders in business/industry. We continue to monitor gender pay gap reporting, and as at 5 April 2021 our median average was -11.0% and mean -15.8% As at the year-end, our gender split was 75.0% male, 25.0% female, which compares to wider construction sector indicators which suggest an average of 10.0% female.

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We leverage the capabilities that exist within the organisation, creating best practice and knowledge sharing.

Health, safety and wellbeing

Genuit Group is committed to improving the quality and safety of the working environment for all of our colleagues.

Health, safety and wellbeing

Manufacturing is an industry with a risk of significant workplace injuries and long-term health hazards, due to the nature of its manufacturing and logistics operations. The Group addresses this through ensuring, maintaining and continually improving its health, safety and environmental standards. The Group's approach includes demonstrable actions and follow up and creating an inclusive culture.

The Group aims to continuously improve the quality and safety of the working environment for all employees. The Group has a published Health, Safety and Environment policy that sets out the overriding principles of health and safety for all employees. The Group divisions operate to externally accredited ISO and OHSAS standards. Group divisions apply the standards as a minimum level of compliance with additional internal processes covering aspects such as training, incident management, audit and review.

Each operating site undertakes regular reviews of health, wellbeing, safety and environmental performance, discussing current and emerging risks and agreeing mitigation plans. Health, safety and environmental performance, including details of significant incidents, are reviewed during the weekly Executive Team meetings. Details and learning are communicated across the Group, ensuring a consistent approach and to prevent reoccurrence.

The Group recognises the importance of understanding and improving its culture. Highly engaged, informed and trusting employees enhance health, safety and environmental performance. As such, we continue to deliver Group wide behavioural-based safety training programmes, the focus being individual and collective decision-making and the consequences of these. Safety ambassadors, together with established formal consultation teams, continually monitor, advise and improve site HSE performance in addition to increasing the positive profile of the cultural change plan.

The Group operates a formal system for reporting and recording hazards and near misses. The 'See it, Sort it, Report it' scheme encourages individuals across the business at all levels to report hazards and suggest solutions, and allows trends to be analysed. This reporting procedure continues to be the catalyst for multiple operational and safety-related projects.

The Group continued the implementation of a focused, formalised safety tour programme for management. These safety tours, undertaken by Executive Directors through to department managers, engage staff and further encourage health, wellbeing, safety and environmental discussion and improvement.

Covid-19 response and management

In response to the pandemic and the changing landscape and requirements throughout 2021, the Group implemented a series of measures to ensure that our operating sites and offices remained safe and secure. Throughout the pandemic, the Group followed Government advice as a minimum and will continue to do so. Additional information and guidance were provided to aid with safe and sustainable remote working.

Significant physical and management measures continue to be implemented across the Group including:

- Covid-19 specific risk assessments remain in place, communicated and under regular review. Additional and regular training and communications to all staff regarding the measures continue to be carried out.
- The Group continues to check the temperature of all employees and visitors on arrival to site. Those with a high temperature are refused entry and advised to have a Covid-19 test.
- Established Covid-19 control measures including face coverings, social distancing, increased hygiene regimens were applied throughout 2021, based on internal risk reviews and in line with Government advice.

Various Group sites have been visited by the HSE Covid-19 inspection team as part of their ongoing programme to check business compliance. The inspectors noted high levels of compliance and best practice being applied.

Health and safety achievements in the year

Following nine consecutive RoSPA Gold Awards, the Group achieved the Gold Medal Award for exceptional performance and dedicated support for health and safety within the organisation.

The Group has introduced two internal occupational health services to further support colleagues. Onsite and remote physiotherapy clinics provide rehabilitation following work and non-work-related injuries. The occupational health and physio teams have provided further advice and guidance in reviewing operational behaviours and controls as the Group works to reduce musculoskeletal injuries

In 2021, the Group enlisted the services of a counsellor to provide private and confidential advice and support to colleagues across the Group. The feedback has been overwhelmingly positive and is a further commitment to ensure that individual health and wellbeing is a business priority.

The table below sets out the KPIs used by the Group to monitor accident performance:

	2021	2020	2019
Frequency per 100,000 hours worked			
– All accidents (excluding HSE reportable accidents*)	**4.63**	3.78	5.54
– HSE reportable accidents*	**0.43**	0.48	0.43

* HSE reportable accidents are based on specified injuries and the current seven-day absence from work reporting requirement in the UK and, although there is no direct equivalent in Mainland Europe and the Middle East, the same definition is applied.

As well as constantly improving our working environment, our teams are engaged in initiatives to improve the environment more broadly

Our employees are actively encouraged to participate in initiatives which help reduce the impact of climate change, working with each other, as well as within the communities in which we operate.

Operating sites across the Group are committed to eliminating the impact of plastic waste in the wider environment. The Group signed the British Plastics Federation 'Operation Clean Sweep', and sites continue to audit and improve the management and control of materials.

We continue to review and reduce our packaging waste, working with suppliers and customers to reduce waste in the supply chain; engaging with local schools and encouraging employees to bring their own plastic waste for recycling at our polymer processing plant.

The Group's focus on applying the waste hierarchy has resulted in a significant reduction in waste produced, as we aim for zero waste to landfill.

Engagement with our stakeholders

Effective engagement with stakeholders is an integral part of the process of decision-making for both the Board and our senior management teams and is crucial to the effective execution of the Group's long-term sustainable strategy.

Our purpose is to create sustainable, engineered water and climate management solutions for the built environment. We believe that by considering material stakeholders in our strategic decision-making, this will develop a culture and strategy that will ensure the long-term success of the Group, and we recognise that each stakeholder has a vital role to play in the Group's future viability and success.

To effectively engage with stakeholders, it is imperative we seek to understand their needs and the individual value each of them brings to the Group. By considering the viewpoints of each respectively, we can ensure that our customers are satisfied with our innovative products and benefit from our services; our employees operate in a safe, diverse and desirable working environment; our suppliers experience fair payment terms and continue to work alongside us in a collaborative fashion; our impact on the climate is minimised and we continue to engage with, and support, the local communities in which we operate.

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By considering the viewpoints of each stakeholder respectively, we can ensure decisions are made to promote the long-term sustainable success of the Group.

In considering the above, this approach to decision-making will, in turn, promote the success of the Company for the benefit of its members as a whole and create long-term sustainable growth and success for the Group. Engaging with and understanding the needs of our stakeholders therefore forms an integral part of decision-making for both the Board and our senior management team. The impact of Board decisions on the Company's stakeholders is regularly considered by the Board in the context of its key decisions, and the Company Secretary acts as a key driver in ensuring such engagement.

The pandemic continued throughout 2021 and we prioritised minimising the impact of it on our stakeholders through numerous methods. We ensured we kept in touch with customers and suppliers to inform them of changes in the environment that were beyond our control, as well as communicating the measures we would be putting in place to minimise such impact. Employees were frequently kept up to date with any developments, and as the regulations changed throughout the year, their safety and wellbeing was at the forefront of all Board decision-making. Our efforts in the community were not dampened and we continued to create value and make improvements to the communities within which we operate, which is evident from the strong ties each of our businesses has locally.

Key issues

Customers

- Differentiated product solutions
- Sustainability
- Innovation
- Relationship building and customer service

Shareholders

- Investor returns
- ESG and sustainability
- Innovation
- Risk management
- Strategy

Employees

- Communication
- Retention of staff and maintenance of culture
- Learning and development and future capabilities
- Health and wellbeing
- Long-term effects of pandemic

Suppliers

- Continuity of supplies and management of supply chain constraints
- Ensuring product quality meets agreed standards
- Accurate demand forecast
- Support and utilising local suppliers
- Sustainability
- Innovation

Community

- Education
- Sustainable operations and minimising environmental impact
- Charity
- Workforce of the future
- Sponsorship

How we engage	Outcomes	Value created
We work collaboratively on project planning and implementation. We initiate and engage through collaborative training, education and facilitate regular cross-community forums and events. We meet regularly with our customers to understand the obstacles they face and the solutions they require in relation to energy efficiency, waste reduction and traditional construction methods. Annual surveys are sent to customers to obtain feedback.	• Increased stability and certainty on project timeframes, reduced cost and increased customer loyalty • Deploy energy efficient components delivering innovative designs and solutions • Safer, higher quality and speedier installations and delivery of value engineered solutions • Establishment of long-term partnerships through collaborative working, enabling delivery of long-term sustainable solutions	• Revenue and profit growth • Improved efficiencies for the customer in terms of service, knowledge and sustainability • Close partnerships and business relationships • Creation of value for our customers by delivery of high quality, efficient and innovative products and solutions • Improved performance and reputation for our customers with the end users
We hold periodic Capital Markets Events inviting current and potential investors to attend. We hold roadshows and salesforce briefings after each results announcement and offer one-to-one meetings on request. We regularly attend broker and analyst conferences. Information for shareholders is available on our investor relations website and through our various publications. We also engage with shareholders via our Remuneration Committee Chair on key remuneration matters.	• Continued demand for the Company's shares (heightening shareholder returns) • Support for equity placings • Support for strategy including that pertaining to ESG • Support for investment decisions including M&A and capital expenditure • Acceptance of temporarily higher levels of debt	• Stable blue chip register • Reduced cost of capital • Stable and sustained share price • Potential for dividend payments
We circulate regular newsletters, videos and emails, use blogs, hold business update meetings and host employee forums. Regular social events are organised by divisional social committees. We have a dedicated Leadership & Development (L&D) resource and form partnerships with specialist training providers. Increased communication is maintained, with access to an online wellbeing hub, together with direct access to on-site health and wellbeing support. We regularly monitor culture and ensure our Group values are embedded throughout. We conduct staff surveys and regular appraisals to engage with employees.	• Investors in People – Silver Award • Communication of relevant and timely information and sharing of knowledge • Improved levels of engagement and employee satisfaction, maintaining a retention of diverse employees with improved skill set • Regular access to training at all levels, obtaining transferable skills • Prominent awareness and support for health and wellbeing issues, enhancing working conditions for all • Processes improved, initiatives developed, management buy-in at different levels	• Motivated, loyal and engaged workforce • Improved health and wellbeing resulting in reduced sickness absentees, employee dissatisfaction and improved working conditions • Knowledgeable and innovative workforce with transferable skills to future-proof the Group workforce strategy • Attract and retain high-quality employees • Fosters a culture of trust, honesty, positive morale and togetherness
We form and develop strong supplier relationships at all levels and across all disciplines, regularly engaging and partnering with key suppliers to develop initiatives for innovative solutions in a collaborative manner. We conduct regular reviews and audits, including virtual audits where required as a result of the pandemic and collaborate as appropriate on innovative product development. We communicate efficiently with our suppliers in relation to product quality and forward orders.	• New and improved products and processes • Multiple sourcing and stable and predictable production for suppliers • Fair payment terms and establishment of long-term partnerships • Reduction in waste from our production processes via internal recycling, or onward sales to a third party to reduce landfill • Development of bespoke reformulated material to enhance the performance of our current product range	• Reduced risk to the business and certainty of a secure supply of essential materials and services • Keeping our suppliers leading in their field yet remaining competitive • Innovation (continuous improvement) • Sustainable and ethical supply chains • Long-term partnerships
Regular engagement with local authorities and businesses, delivering educational and vocational initiatives, attending schools, providing mentoring and experience sharing and opportunities for site visits. Annual adopted charities, local sponsorships and charitable donations of products. Participation in initiatives to reduce environmental impact, monitoring and responding to voluntary and legislative requirements, including performance testing of our products prior to launch, group litter picking initiatives and including ways to reduce environmental impact in educational pieces.	• Donations made to local and national charities and participation in kickstart and tempus novo schemes • Support and development of local educational institutions, winning awards such as Business and Education partnership at *Doncaster Chamber Awards 2021* • Long-standing sponsorship of local sports clubs, regular charitable events and fundraising • Cleaner and friendlier areas for the local communities • Increasing awareness of plastic processing and recycling	• Development of employability and financial capability skills beyond the classroom, to increase employment opportunities for low socio-economic families • Commitment to the delivery of effective education to disadvantaged student populations in local areas • Driving diversity across STEM-related subjects • Reducing the impact of our overall activities on the environment and giving something back to the local communities within which we operate • Brand creation, development and awareness

Section 172 Statement

Our Section 172 statement for the year ended 31 December 2021 gives further insight into how our key stakeholders have influenced some of the strategic decisions taken by the Board during the 2021 financial year.

One of the primary areas of focus for the Board is the impact its decisions or actions may have on key stakeholder groups which fall under s172 of the Companies Act 2006. Board discussions therefore seek to appropriately consider the impact and views of these groups, whilst always ensuring the need to promote the success of the Company for the benefit of its members as a whole. In light of this, the Board confirms that during the year under review it has given due regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

This statement aims to help stakeholders better understand and to provide some examples of how the Directors have discharged their s172 duties.

Board and management decision-making

Our key stakeholders are integral to the Group's long-term strategy. Their needs form part of everyday decision-making and are considered by the Board throughout the financial year when making strategic decisions. Ultimately, Board decisions are taken against the backdrop of what it considers to be in the best interest of the long-term financial success of the Company and these key stakeholders, using the information provided to it about the impact of the decision in question on relevant stakeholders. Some examples of when this has taken place are set out overleaf.

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

As part of our strategy we are committed to developing the pool of talent of our employees across the Group, helping to develop their expertise and knowledge in their specific fields, fostering a culture which is diverse, recognising, as well as acknowledging, that our employees are a critical part of the Group's long-term sustainable success.

Suppliers

We value our suppliers and understand the benefit of maintaining long-standing relationships across the Group. 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.

Communities and the environment

The impact of our operations on the local communities and environments within which we operate are of paramount importance to the Group, 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.

Board decision-making

Key Board decisions in 2021	Stakeholders

Approval of appointments of Chief Executive Officer and Chief Operating Officer

In line with the requirements of the UK Corporate Governance Code, the Board approved the recommendations of the Nomination Committee in relation to the appointment of Matt Pullen as COO, following the announcement of Glen Sabin's retirement, and the appointment of Joe Vorih as CEO, following the announcement that Martin Payne would be stepping down from the Board during 2022. Having followed a formal, rigorous and transparent recruitment process for both roles, the Board considered that these appointments were in the best interests of all stakeholders and would ensure that the Board had the right composition, skills, experience and knowledge to continue to drive and deliver the Group's strategy.

Approval to proceed with the acquisition of Adey

In line with the Group's long-term strategy for growth and purpose, the Board gave approval to proceed with the acquisition of Adey during 2021, having prioritised and considered the long-term consequences of this acquisition on its stakeholders. As part of the decision-making process, the Board considered the potential synergies and financial benefits of the acquisition, as well as the environmental credentials of the target business and the benefit the acquisition would bring to shareholders and other stakeholders in terms of the long-term growth of the enlarged Group and potential returns.

Decision to carry out a non-pre-emptive placing of new ordinary shares of the Company in February 2021 to partially fund the acquisition of Adey, raising gross proceeds of approximately £96m

Following a scenario analysis exercise, the decision was made by the Board to fund the acquisition cost for Adey via a combination of existing debt facilities and the proceeds of an equity placing, representing c.8.2% of the Company's issued share capital at that time. The transaction was signed and completed on the same day, and following the successful completion of the placing, pro forma 2021 year end leverage will be below 1.5 times, thereby strengthening the Group's balance sheet and reducing overall debt. Funding this acquisition by a combination of debt and equity prevented further investment from being constrained and business decisions being influenced by a focus on leverage and covenant management, thereby protecting the Company's long-term prospects. Approving this placing also provided stability and strength to increase competitive positioning to help accelerate growth post-Covid-19, which is beneficial to all stakeholders.

Decision to rebrand to Genuit Group plc

As the Group has continued to grow via acquisition since its IPO in 2014, the Board made the decision to change its name from Polypipe Group plc to Genuit Group plc on 6 April 2021, as the view of the Board and the stakeholders it consulted was that the Polypipe brand was becoming less accurate as a descriptor for the Group as a whole. In considering all stakeholders, the decision was made to create a more inclusive name for the Group as it moves forwards; with the aim of more accurately reflecting the structure of the Group, whilst retaining all leading customer facing brands (including Polypipe) to ensure continuity of service with customers and suppliers.

Decision to pay a final 2020 and interim 2021 dividend

In light of the severity of the pandemic, the Board took the decision to cancel the final dividend for 2019 and the interim dividend in 2020. Having closely reviewed the performance of the Group through the pandemic, and having considered all stakeholders when making decisions in line with their s172 duty, the Board agreed to recommend a final dividend for 2020 to shareholders for approval and to approve the payment of an interim dividend in 2021, benefiting all shareholders, including our numerous employee shareholders.

Decision to relocate Group Head Office

In light of the increased size and geographic expansion of the Group and the increasing pressure on the office space at the Group's Broomhouse Lane site in Doncaster, following a detailed review of available options, the Board took the decision to relocate the Group Head Office to a new Corporate Headquarters in Leeds.

Section 172 Statement continued

How the Board complied with its s172 duty

The duties under s172 form an integral part of the activities and decision-making of the Board. The Board recognises that each decision it makes will have an impact in some form on all stakeholders, and thus integrates this into its culture. To ensure the Board is fully aware of these potential impacts and to promote those initiatives which are expected to have a positive outcome and minimise those which may have a negative outcome, it requires high-quality information to be provided prior to meetings in a timely manner. This allows for a detailed and thorough discussion at meetings, enabling a considered, informed and balanced approach to decision-making. Our 2021 internal Board evaluation results confirmed that this is achieved, with agendas and papers being sufficiently detailed and designed to ensure adequate time is allocated to each item as appropriate, as well as confirming that the dynamic of the Board allows for open discussion and encourages diversity of thought. You can read more about our 2021 internal Board evaluation on pages 72 to 73.

Minimising the impact of the Group's operations on the environment is core to our commercial strategy, and thus forms an integral part of the Board's strategic decision-making. You can read more about our sustainability approach and the impact of the Group's operations on the environment in our Strategic Report on pages 26 to 35.

Methods of engagement used by the Board

The Board uses varying methods of engagement depending on the stakeholder and the most appropriate method of engagement for the circumstances.

Engagement with stakeholders includes but is not limited to; press releases, announcements, surveys, one-to-one contact, newsletters, forums, emails and videos.

Louise Brooke-Smith is the designated Non-Executive Director responsible for employee engagement on the Board's behalf. More information about the Board's plans for improvements to the methods of engagement can be found on page 67.

Non-financial information statement

The following table details the non-financial information required by Section 414CB of the Companies Act 2006, and highlights where more information can be found elsewhere within the Annual Report.

Non-financial information reporting requirement	Development and actions	Our impact and any related principal risks	Page
Environmental matters • Advancing the circular economy • Tackling climate change	Providing solutions to the environmental challenges facing infrastructure, buildings and communities is at the heart of the Group's strategy and growth agenda, and as a result, the Group has set ambitious targets to achieve by 2025, including a reduction of CO_2 emissions as part of its Pledge to Net Zero, and an increase in its tonnage of recycled plastics.	Our Business Model	**12**
		Six Strategic Growth Drivers	**22**
		Sustainable Operations	**30**
		Sustainable Solutions	**26**
		Principal Risk 6 – Climate change	**54**
Employees • Investing in an engaged and diverse workforce • Education and work schemes • Personal development • Health and safety	As part of its efforts to consolidate and promote a healthy culture, the Group places focus on motivating and developing its employees so they feel valued and engaged in the strategic direction of the Group, and understand their contribution to its growth. Attracting and retaining a diverse workforce and investing in employees' future opportunities is of paramount importance to the Group, which can be seen from the appointment of a dedicated Chief People Officer, as well as initiatives such as the Graduate Scheme, our Apprentice programme and our membership of The 5% Club.	People	**36**
		Health, safety and wellbeing	**38**
		Stakeholder Engagement	**40**
		Culture	**65**
		Principal Risk 7 – Recruitment and retention of key personnel	**55**
		Principal Risk 8 – Health, safety and environmental	**55**
Social matters • Developing sustainable solutions	The Group is committed to carrying out its business responsibly, and ensuring we promote sustainable operations and minimise adverse environmental and social impacts. Employees are actively encouraged to participate in initiatives within their communities which reduce the impact of climate change and offer support and education to their local communities.	Stakeholder Engagement	**40**
		Culture	**65**
Human rights	Whilst the Group does not have a specific human rights policy, it does have an Anti-Slavery policy and Modern Slavery Act transparency statement which is available on the Company's website, within which we state our zero-tolerance approach of any modern slavery or human trafficking rights violations.		
Anti-corruption and anti-bribery	The Group seeks to prohibit all forms of bribery and corruption within its businesses and complies with the requirements of all applicable anti-bribery and corruption laws. The Group requires all relevant employees to confirm each year that they remain in compliance with the Group's Anti-Bribery policy.	Audit Committee Report	**85**
		Principal risk 9 – Breach of legislation including UK GDPR, Competition Law, the Bribery Act and Sanctions Compliance	**55**

Chief Financial Officer's Report

The Group experienced a strong performance in the year despite the pandemic and significant inflationary pressures.

Paul James
Chief Financial Officer

"

The Group achieved revenue growth of 49.1% and a 540 basis points improvement in underlying operating margin.

Revenue and operating margin

Group revenue for the year ended 31 December 2021 was £594.3m (2020: £398.6m), an increase of 49.1%. UK revenue increased by 50.6% following significant demand as the nation recovered from the Covid-19 pandemic. On a like-for-like basis, Group revenue increased by 29.5%. This was ahead of the overall UK construction market where the Construction Products Association (CPA) Winter Forecast suggested a year-on-year increase of 13.3%. Private housing new build and repair, maintenance and improvements (RMI) reached a historic high level of growth of 17.0%. Activity in the RMI sector slowed during last Summer as supply constraints reached a peak but sector demand returned to 'new normal' levels towards the end of the year. Infrastructure activity was again less affected by the pandemic than other sectors of the construction industry with growth estimated at 23.5% (source: CPA Winter Forecast/MHCLG).

Operating profit was £67.1m (2020: £30.4m), an increase of 120.7%. The Group underlying operating margin increased to 16.0% (2020: 10.6%) as volumes recovered following the pandemic. This is 140 basis points below 2019 as the Group continued to bear ongoing costs of managing the impact of the pandemic. Profit before tax was £62.9m (2020: £23.8m), an increase of 164.3%.

The Group continued to invest in product development and innovation throughout the pandemic. In 2021, underlying operating profit benefited from £2.0m of HMRC approved Research & Development Expenditure Credit, relating to the years ended 31 December 2020 and 2021.

Revenue and operating margin	2021 £m	2020 £m	Change
Revenue	**594.3**	398.6	49.1%
Underlying operating profit	**95.3**	42.2	125.8%
Underlying operating margin	**16.0%**	10.6%	540bps

Revenue by geographic destination	2021 £m	2020 £m	Change
UK	**534.1**	354.6	50.6%
Rest of Europe	**38.3**	27.6	38.8%
Rest of World	**21.9**	16.4	33.5%
Group	**594.3**	398.6	49.1%

Business review

Revenue	2021 £m	2020 £m	Change %	LFL Change %
Residential Systems	**372.9**	223.9	66.5	34.5
Commercial and Infrastructure Systems	**221.4**	174.7	26.7	23.1
	594.3	398.6	49.1	29.5

Underlying operating profit	2021 £m	ROS %	2020 £m	ROS %	Change %
Residential Systems	**73.1**	**19.6**	29.8	13.3	145.3
Commercial and Infrastructure Systems	**22.2**	**10.0**	12.4	7.1	79.0
	95.3	**16.0**	42.2	10.6	125.8

Chief Financial Officer's Report continued

Revenue 49.1% higher at

£594.3m

2020: £398.6m

Residential Systems

Revenue in our Residential Systems segment, which is almost exclusively derived from the UK market, was 66.5% above the prior year at £372.9m (2020: £223.9m) and 43.3% ahead of the same period in 2019 (£260.3m). On a like-for like-basis, revenue was 34.5% ahead of prior year and 15.7% above 2019.

The residential sector continued its fast-paced recovery, due to a combination of pent-up demand, and Government stimulus. The second quarter of 2020 was the most impacted by Covid-19, however, the strength of the housing recovery was highlighted by the first quarter of 2021 seeing private starts and completions at 36.0% and 21.0% higher than prior year, respectively (source: CPA Summer Forecast/MHCLG). These trends continued beyond the first quarter with private starts and completions forecasted at 30.0% and 19.0% higher respectively for full year 2021 (source: CPA Winter Forecast/MHCLG). The CPA full year 2021 estimation is that total housing output will be slightly below 2019, as the gradient of recovery begins to shallow out, partly reflecting possible constraining factors on the supply side, including some key construction materials as well as labour. These supply side constraints have driven cost inflation through the course of 2021, which was offset by our ability to pass on cost increases.

In the RMI sector, demand remained high for home renovation driven by the 'race for space' early in the year with activity slowing towards the end of the year, most likely affected by increases in the cost of living and constraints in supply of key raw materials and labour. The sector was estimated to have grown by 17.0% in the year (source: CPA Winter Forecast/MHCLG).

Our acquisitions, Adey and Nu-Heat, performed strongly and increased our mix toward RMI activity, which was generally less volatile than new housing, and more profitable. The growth drivers and regulatory framework around low carbon heating, which support both of these businesses, continue to provide confidence in their ability to deliver against their strategic plans.

Residential Systems delivered underlying operating profit of £73.1m (2020: £29.8m), a significant improvement on prior year and 36.9% ahead of the same period in 2019. Operating margin increased to 19.6% (2020: 13.3%).

Commercial and Infrastructure Systems

Revenue in our Commercial and Infrastructure Systems segment was 26.7% higher than the prior year at £221.4m (2020: £174.7m), 18.2% ahead of 2019. On a like-for like-basis, revenue was 23.1% ahead of prior year and 8.8% above 2019.

Sales of ventilation products were strong, benefiting from the increased focus on the importance of fresh air in the workspace, with suitability for retrofitting minimising the impact of the low level of new build activity. We saw strong demand for our water management systems with the expansion of larger housing development sites, which was necessary due to the rapid build out rates and completions which occurred in the second half of 2020. Plura performed in line with expectations and is well positioned to benefit from the near-term growth in infrastructure activity highlighted above.

Commercial and Infrastructure Systems showed some resilience during the pandemic, with the larger sites and open spaces making continued operation easier than the housing sector. However, differing trends have been developing as we emerge from the pandemic, as the impact from wider structural constraints starts to be seen.

The commercial sector was affected by the move toward home working during the pandemic, as well as online shopping. This trend was particularly evident in London, which accounted for over a third of commercial new build activity (source: CPA). Latest projections forecast growth in this sector of 5.4% in 2022 and 3.1% in 2023.

Infrastructure was the strongest performing sector with continued growth in the regulated sectors such as roads. Although some project delays have caused a slight movement of work from 2021 to 2022, the CPA estimate for 2021 remains 23.5% ahead of prior year, and 19.0% ahead of 2019.

Underlying operating profit 125.8% higher at

£95.3m

2020: £42.2m

Commercial and Infrastructure Systems delivered an underlying operating profit of £22.2m (2020: £12.4m) and operating margin increased to 10.0% (2020: 7.1%).

Acquisitions

On 2 February 2021, the Group acquired Nu-Heat, the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps and other renewable heating systems, for a consideration of £27.0m on a cash-free, debt-free basis. On 5 February 2021, the Group acquired 51% of the voting rights and shares of Plura Composites Limited (Plura) for an initial consideration of £1.25m. Plura provides a range of products for utility companies, road and rail operations, network builders and designers in the construction and maintenance of their networks. These acquisitions were both funded entirely from the Group's Revolving Credit Facility. Acquisition costs have been charged to non-underlying items.

On 10 February 2021, the Group acquired Adey for a consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance constraints in water-based heating systems and improve energy efficiency.

During February 2021, the Group successfully raised £96.3m through an equity placing of its shares, funds which were used along with a drawdown on its Revolving Credit Facility to acquire Adey.

Non-underlying items

Non-underlying items before taxation increased to £28.2m (2020: £11.9m) primarily relating to the acquisitions of Adey, Nu-Heat and Plura in February 2021. These consist of non-cash amortisation charges of £14.2m (2020: £7.8m) in respect of intangible assets arising from acquisitions since 2015, £6.6m (2020: £3.0m) of costs related to acquisitions and other M&A costs, a product liability claim of £2.6m, and restructuring costs of £1.1m (2020: £1.1m). There was also £3.7m of fair value adjustments associated with the Adey acquisition.

Non-underlying items comprised:

	2021 £m	2020 £m
Amortisation of intangible assets	**14.2**	7.8
Acquisition costs	**4.7**	0.6
Fair value adjustments on acquisitions	**3.7**	-
Contingent consideration on acquisitions	**1.9**	2.4
Product liability claim	**2.6**	-
Restructuring costs	**1.1**	1.1
Non-underlying items before taxation	**28.2**	11.9
Tax effect on non-underlying items	**(3.4)**	(1.0)
Impact of change in statutory tax rate	**9.3**	-
Non-underlying items after taxation	**34.1**	10.9

Exchange rates

The Group trades predominantly in Sterling but has some revenue and costs in other currencies, mainly the US Dollar and the Euro, and takes appropriate forward cover on these cash flows using forward currency derivative contracts in accordance with its hedging policy.

Finance costs

Underlying finance costs decreased to £4.2m (2020: £6.5m) due to lower interest rates and the prior year included costs related to the full draw down of the Group's Revolving Credit Facility (RCF), a £50m Covid-19 facility and a £100m Covid Corporate Financing Facility, which was repaid in full in September 2020. Interest cover was 31.3x for the year (2020: 7.8x).

Interest was payable on the RCF at LIBOR plus an interest rate margin ranging from 0.90% to 2.75%. The interest rate margin at 31 December 2021 was 1.40% (2020: 1.40%). With effect from 4 January 2022, LIBOR was replaced by the Standard Overnight Index Average (SONIA).

Chief Financial Officer's Report continued

Final dividend of

8.2pps

2020: 4.8pps

Taxation

Underlying taxation

The underlying tax charge in 2021 was £16.0m (2020: £6.3m) representing an effective tax rate of 17.6% (2020: 17.6%). This was below the UK standard tax rate of 19.0% (2020: 19.0%). Patent box relief contributes to a lowering of the underlying effective tax rate by some 1.8 percentage points.

Taxation on non-underlying items

The non-underlying net taxation charge of £5.9m (2020: £1.0m credit) represents an effective rate of 20.9% (2020: 8.4%). The charge includes £9.3m in respect of the restatement of the deferred income tax liability on intangible assets as a result of the change in the main UK corporation tax rate.

Earnings per share

	2021	2020
Pence per share:		
Basic	**16.7**	8.5
Underlying basic	**30.6**	13.5
Diluted	**16.5**	8.4
Underlying diluted	**30.2**	13.3

The Directors consider that the underlying basic earnings per share (EPS) measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

Underlying basic EPS increased by 126.7% in 2021 due to a significant increase in the underlying operating result after taxation following the Group's strong recovery from the impact of the Covid-19 pandemic.

Dividend

The final dividend of 8.2 pence (2020: 4.8 pence) per share is being recommended for payment on 25 May 2022 to shareholders on the register at the close of business on 22 April 2022. The ex-dividend date will be 21 April 2022.

Our dividend policy is normally to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results, respectively, with the interim dividend being approximately one half of the prior year's final dividend.

Balance sheet

The Group's balance sheet is summarised below:

	2021 £m	2020 £m
Property, plant and equipment	**151.7**	134.2
Right-of-use assets	**20.6**	12.9
Goodwill	**467.7**	345.4
Other intangible assets	**175.1**	48.4
Net working capital	**22.0**	2.0
Taxation	**(47.4)**	(10.2)
Other current and non-current assets and liabilities	**(6.3)**	(4.1)
Net debt (loans and borrowings, and lease liabilities, net of cash and cash equivalents)	**(165.7)**	(27.7)
Net assets	**617.7**	500.9

The net value of property, plant and equipment has increased by £17.5m following the acquisitions in the year and the Group's continued strategic investment in its businesses. The value of right-of-use assets has increased by £7.7m.

The acquisitions in the year had an impact on both goodwill and other intangible assets, with increases of £122.3m and £126.7m, respectively. Net working capital increased by £20.0m. Net debt is discussed on page 49.

Net capital expenditure of

£34.1m

2020: £24.5m

Pensions

The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £5.4m (2020: £4.2m) reflecting the inclusion of the acquisitions made in the year and an overall increase in the number of scheme participants.

Cash flow and net debt

The Group's cash flow statement is summarised below:

	2021 £m	2020 £m
Operating cash flows before movement in net working capital	111.4	60.0
Add back non-underlying cash items	6.9	2.3
Underlying operating cash flows before movement in net working capital	118.3	62.3
Movement in net working capital	(27.0)	1.5
Capital expenditure, net	(34.1)	(24.5)
Underlying cash generated from operations after net capital expenditure	57.2	39.3
Income tax paid	(9.5)	(8.2)
Interest paid	(2.9)	(5.4)
Non-underlying cash items	(6.9)	(2.3)
Settlement of deferred and contingent consideration	-	(1.8)
Acquisition of businesses	(236.4)	-
Issue of Euro-Commercial Paper	-	99.4
Buyback of Euro-Commercial Paper	-	(99.7)
Net proceeds from issue of share capital	93.5	116.4
Debt issue costs	-	(0.4)
Dividends paid	(21.7)	-
Proceeds from exercise of share options net of purchase of own shares	2.1	2.1
Other	(5.7)	(4.2)
Movement in net debt – excluding IFRS 16	(130.3)	135.2
Movement in IFRS 16	(7.7)	1.9
Movement in net debt – including IFRS 16	(138.0)	137.1

Delivery of good cash generation remains core to the Group's strategy. Underlying cash generated from operations after net capital expenditure at £57.2m (2020: £39.3m) represents a conversion rate of 60.0% (2020: 93.1%). The prior year included the benefit of £9.8m of HMRC approved VAT deferral from April and July 2020, which was paid in February 2021.

Working capital movement in the year was driven by a rebuilding of inventory to improve customer service performance following the recovery in demand after the pandemic, as well as the effects of cost inflation and the acquisitions.

Net capital expenditure investment increased to £34.1m (2020: £24.5m) as the Group continued to focus on investing in key, strategic and innovative projects. In 2022, we anticipate that capital expenditure will be approximately £45.0m.

Net debt of £165.7m comprised:

	2021 £m	2020 £m	Change £m
Bank loans	(198.0)	(60.0)	(138.0)
Cash and cash equivalents	52.3	44.1	8.2
Net debt (excluding unamortised debt issue costs)	(145.7)	(15.9)	(129.8)
Unamortised debt issue costs	0.6	1.1	(0.5)
IFRS 16	(20.6)	(12.9)	(7.7)
Net debt	(165.7)	(27.7)	(138.0)

Chief Financial Officer's Report continued

Underlying basic earnings per share increased to

30.6pence

2020: 13.5pence

Financing

The Group has an RCF committed through to November 2023 with two further uncommitted annual renewals through to November 2025. The facility limit is £300.0m with an uncommitted 'accordion' facility of up to £50.0m on top. At 31 December 2021, £198.0m of the RCF was drawn down.

The Group is subject to two financial covenants. At 31 December 2021, there was significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

Covenant	Covenant requirement	Position at 31 December 2021
Interest cover	>4.0:1	**31.3:1**
Leverage	<3.0:1	**1.2:1**

Going concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consist of a £300.0m RCF with an uncommitted 'accordion' facility of £50.0m. The extended committed Covid-19 facility of £50.0m expired in May 2021. £102.0m of the RCF was undrawn at 31 December 2021. At 31 December 2021, liquidity headroom (cash and undrawn committed banking facilities) was £154.3m (2020: £284.1m). Our focus will continue to be on deleveraging, and our net debt to EBITDA ratio stood at 1.2x times pro forma EBITDA at 31 December 2021 (2020: 0.3x), increasing to 1.4x (2020: 0.5x) times pro forma EBITDA including the effects of IFRS 16. This headroom means the Group is well-positioned with a strong balance sheet.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 15 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Forward-looking Statements

This report contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the Group's control, and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this report and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this report should be construed as a profit forecast.

Paul James
Chief Financial Officer

Principal Risks and Uncertainties

The Board seeks to mitigate the Group's exposure to strategic, financial and operational risk, both external and internal.

Framework for managing risk

The Board is responsible for ensuring that the Group maintains an effective risk management system, enabling it to deliver its strategic objectives. It determines the Group's culture and approach to risk management and is responsible for maintaining appropriate processes and controls. The Board sets the risk appetite and determines the policies and procedures to mitigate exposure to risk. The Board is central to the Group's risk review process, including the scenario planning and detailed stress testing associated with the Group's Viability Statement. The Board is assisted in this role and its responsibilities by the Risk Committee, a formal sub-committee of the Board, established during 2021.

Process

The Board continually assesses and monitors the key risks in the business and the Group has developed a risk management framework to identify, report, and manage its principal risks and uncertainties, and emerging risks. This process includes the recording of all principal risks and uncertainties on a Group Risk Register. Emerging risks are those that could significantly impact our industry and/or our business. These emerging risks are evolving and often new, and thus, their full potential impact is still uncertain. The Board regularly reviews these emerging risks and, where deemed appropriate, they are added to the Group's Risk Register. In that regard, the emerging risks from prior year of cyber, Covid-19, labour availability and climate change were assimilated into the Group's Risk Register and principal risks during the current year.

Principal and emerging risks are analysed, allocated owners, scored for both impact and probability, prioritised, assessed for what mitigation is required, and updated at least every six months.

External risks include macroeconomic conditions, the weather, Government action, policies and regulations, raw material supply and pricing, and information systems disruption. Internal risks include reliance on key customers, and recruitment and retention of key personnel. The Board seeks to mitigate the Group's exposure to both external and internal risks. The effectiveness of key mitigating controls is continually monitored and subjected to rotational testing by the internal auditors

The ongoing impact of the Covid-19 pandemic on the Group and the return process to business as usual are continually assessed. The growth in market demand and external challenges in the wider supply chain have increased the risks of raw material supply and pricing, recruitment and retention of key personnel, and a shortfall in haulage capacity. We are proactively managing these issues and maintaining our focus on cyber security risk.

Process

Top down
Identifying, assessing and mitigating risk at Group level

↓
↑

Bottom up
Identifying, assessing and mitigating risk at business operational level

The Board

The Board continually assesses and monitors the key risks in the business and the Group has developed a risk management framework to identify, report and manage its principal risks and uncertainties; and emerging risks.

This includes:

- The recording of all principal risks and uncertainties on a Group Risk Register, and an emerging risks register, which are updated at least every six months.
- Analysing risks and allocating owners.
- Scoring risks for impact and probability to determine the exposure to the business.
- Outlining which risks should be prioritised and what mitigation is required.

Internal audit

The effectiveness of key mitigating controls is continually monitored and subjected to rotational testing by the Group's internal auditors.

Operational level

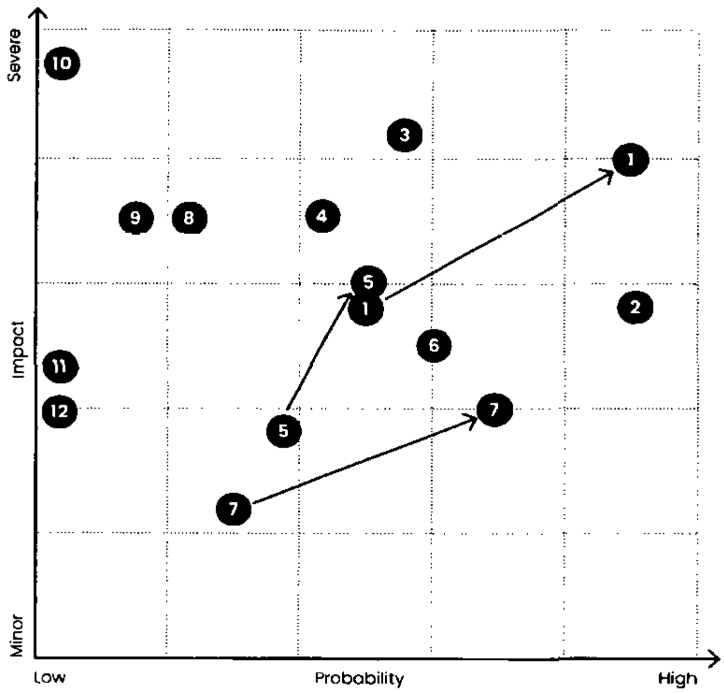
The risk management processes are embedded into the different operational areas within the Group.

Principal Risks and Uncertainties continued

The heat map opposite highlights the principal risks and uncertainties that could have a material impact on the Group's performance and prospects and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. These risks have all been considered by the Board when developing the Group's Viability Statement. The Board does recognise, however, that it will not always be possible to eliminate these risks entirely. In addition, the principal and emerging risks listed below do not comprise all of the risks that the Group may face.

Risk appetite

The Board determines the appropriate level of risk for operating the business and delivering its strategic objectives. A key focus of the Board is minimising exposure to operational; financial; regulatory and compliance; health, safety and the environment; and people risks.



1. Raw materials supply and pricing
2. Macroeconomic and political conditions
3. Business disruption
4. Reliance on key customers
5. Failure of information systems or cyber breach
6. Climate change
7. Recruitment and retention of key personnel
8. Health, Safety and Environmental
9. Breach of legislation including UK GDPR, Competition Law, the Bribery Act and Sanctions Compliance
10. Product failures
11. Liquidity and funding
12. Acquisitions do not perform as expected

Emerging risks

Industry

Recycling	As more manufacturers seek to use recycled material and demand for it more generally increases, existing supply may become constrained. The Group will: • diversify suppliers whilst maintaining good quality of supply, • continue to monitor price and market behaviour, along with recycling performance, to identify trends early, and • consider the strategic acquisition of recyclers
Counterfeiting	Copycat and/or counterfeit products could erode the Group's market share and/or product reputation. The Group will: • continue to carefully manage its trademarks, patents and licences over its products and challenge any infringements, and • enhance existing products with added benefits and patent protection whilst developing a new range of products.
Regulatory	The Group may be affected by changes in regulatory requirements which could potentially have an adverse impact on its reputation. The Group will: • closely monitor the ever-evolving regulatory environment, including, but not limited to, the Building Safety Bill, and • invest in its digital capabilities.

Customer

Customer perception	Customer perception – in the post-Grenfell environment there may well be the perception that the Group's, and its competitors', products contribute to an undermining of fire safety. The Group will: • continue to monitor the evolving regulatory environment and respond accordingly, and • continue to design and launch improved products that satisfy existing and future market needs.

Risk	Potential impact	Mitigations	Change in potential impact and/or probability
1. Raw materials supply and pricing			
The Group is exposed to security of raw material supply risks, and volatile raw material and haulage costs, due to fluctuations in the market price of crude oil and other petroleum feedstocks, supply-demand imbalances following post-pandemic demand surges, foreign currency exchange rate movements, and changes to suppliers' capacity.	The increased costs could reduce margins and the risk of market demand exceeding raw material supply and/or haulage capacity could lead to inefficient production and distribution which could adversely affect the Group's financial results	The Group benefits from the diversity of its business and end markets. The Group utilises sales pricing and purchasing policies, such as dual sourcing, to mitigate these risks. The Group focuses on supplier relationships, flexible contracts and the use of hedging instruments to mitigate supply and cost risks. The Group owns and manages a significant proportion of its required haulage capacity. Significant contracts are reviewed by the Group Legal Counsel and Company Secretary to avoid unfavourable and/or inflexible terms.	Increased
2. Macroeconomic and political conditions			
The Group is dependent on the level of activity in its end markets, especially the construction industry, and is therefore susceptible to any changes in its cyclical *economic conditions*, Government policy, interest rates, and any political and economic uncertainty.	Lower levels of activity within our end markets, especially the construction industry, could reduce sales and production volumes, thereby adversely affecting the *Group's financial results.*	The Group benefits from the diversity of its business and end markets; and the proactive development of its brands, products and services. The Group continues to target those end markets where profitable growth prospects are greatest. The Group closely monitors trends and lead indicators, invests in market research and is an active member of the Construction Products Association. The Group closely manages its demand forecasts and costs through weekly operational review meetings. The Group focuses on supplier relationships, flexible contracts and the use of hedging where desirable. The Group undertakes scenario planning to support business resilience.	No change
3. Business disruption			
The Group's manufacturing and distribution operations could be subjected to disruption due to incidents including, but not limited to, fire, failure of equipment, power outages, workforce strikes, pandemics, or unexpected or prolonged periods of severe weather.	Such incidents could result in the temporary cessation in activity, or disruption, at one of the Group's production facilities impeding the ability to deliver its products to its customers, thereby adversely affecting the Group's financial results.	The Group has established business continuity, crisis response, and disaster recovery plans. The Group performs regular maintenance to minimise the risk of equipment failure. Finished goods holdings across the operations act as a limited buffer in the event of an operational failure. The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems which, amongst other matters, facilitates remote *working.* The Group maintains sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Group maintains a significant amount of insurance to cover business interruption and damage to property from such incidents. Independent insurer inspections take place across all sites to identify and assess potential hazards and business interruption risks.	No change
4. Reliance on key customers			
Some of the Group's businesses are dependent on key customers in highly competitive markets.	Failure to manage relationships with key customers, whilst continuing to provide high-quality products delivered on time in full, and developing new innovative products, could lead to a loss of business, thereby adversely affecting the Group's financial results.	The Group's strategic objective is to broaden its customer base wherever possible. The Group focuses on delivering exceptional customer service, which is constantly monitored, and maintains strong relationships with major customers through direct engagement at all levels The Group continually seeks to innovate and develop its brands, products and services to better meet the needs of its customers. The Group closely manages its customer pricing, rebates and credit terms to ensure that they remain both competitive and commercial. These are negotiated and approved by experienced senior management and reviewed by the Group Legal Counsel and Company Secretary.	No change

Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	Change in potential impact and/or probability
5. Failure of Information systems or cyber breach			
The Group is increasingly dependent on the continued efficient operation of its information systems and is therefore vulnerable to potential failures due to power losses, telecommunication failures, or from a security breach including the increasing levels and evolving tactics of sophisticated cyber criminals targeting businesses.	Disruption or failure of the information systems could affect the Group's ability to conduct its ongoing operations and/or result in data loss, which could adversely affect the Group's financial results, reputation and compliance with data protection regulators.	Firewalls are in place to protect the perimeter of the Group's networks and any off-site access to the Group's servers and applications is through secure Virtual Private Network connections. Email and internet traffic filtering is in place to protect against potential viruses or malware entering the Group's networks. User and server computing devices have anti-virus software installed to protect from potential infection. The Group undertakes cyber security risk audits and penetration testing performed by internal and external specialists, including the expedient introduction of mitigation controls and other recommended procedure updates. The Group contracts with several third-party providers to supply off-site, business continuity arrangements for wholesale or partial recovery of the key servers and applications which are used within the various business units of the Group. These continuity arrangements are subject to validation and testing. The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems. All upgrades are carefully planned and actively managed by senior personnel to minimise potential business disruption. Employees are subject to continuous awareness training, including that of cyber risk.	Increased
6. Climate change			
The increase in frequency, intensity and impact of weather events such as flooding, drought and coastal erosion. The longer-term implications of climate change give rise to the transition risk to address the challenges expediently.	Adverse weather events could damage, disrupt or lead to temporary closure of the Group's production and/or office facilities. Prolonged periods of severe weather could result in a slowdown in site construction activity thus reducing demand for the Group's products. Growing stakeholder focus on corporate action to meet emissions reduction targets may result in increased reputational risk and reduced customer and/or employee loyalty, investor divestment and impacts to customer activity levels. All of the above potential impacts could adversely affect the Group's financial results.	Climate change risk analysis has been developed and associated actions are being undertaken where relevant. A clearly defined sustainability framework has been developed. A series of measures, action plans and targets have been introduced to accelerate the Group's progress over the next five years. Embedding its sustainability agenda across the workforce is a key focus for the Group in achieving its objectives. The Group's products and services portfolio is focused on addressing the causes and results of climate change including resilient drainage, climate management solutions for cleaner air, green urbanisation and low/zero carbon heating. In the event of flooding in the short-term, production of certain products can be transferred to other sites. In the longer-term, climate change impact is monitored and, where deemed appropriate, flood defence systems will be installed.	Increased

Risk	Potential impact	Mitigations	Change in potential impact and/or probability
7. Recruitment and retention of key personnel			
The Group is dependent on attracting and retaining people with the right skills, experience and capability as well as the continued wellbeing and mental health of our people.	Loss of any key personnel without adequate and timely replacement, and/or skills shortages, could disrupt business operations, increase salary inflation, and adversely impact the Group's ability to profitably implement and deliver its growth strategy.	Appointment of a Chief People Officer into a newly created Executive role. Newly created Board approved People Strategy; implementation of actions underway. Remuneration benchmarking of senior and critical roles undertaken leading to improved remuneration packages for critical roles. Engagement survey completed and associated action plan being developed. Monthly tracking of staff turnover and key people indicators. Succession planning in place for critical roles. Continued roll out of learning and development programmes across the business. Mental health policy and associated training in place, as well as Employee Assistance and Wellbeing Programmes.	Increased
8. Health, Safety and Environmental			
The Group is subject to the requirements of UK and European environmental and occupational safety and health laws and regulations, including obligations to take the correct measures to prevent fatalities or serious injury, and investigate and clean up environmental contamination on or from properties.	Lack of management focus, poor cultural attitude or failure of the Group to comply with health, safety and environmental regulations and other obligations relating to environmental matters could result in the Group being liable for fines, suffering reputational damage, requiring modification to operations, increasing manufacturing and delivery costs, and could result in the suspension or termination of necessary operational permits, thereby adversely affecting the Group's financial results.	The Group has a formal Health, Safety and Environmental policy, and procedures are in place to monitor compliance with the policy. There is a Group Health, Safety and Environmental Director (with a team throughout the Group) with clear accountability for health, safety and environment ('HSE'). HSE performance is regularly tracked, reported and reviewed by all levels of management including the Board. The Group performs internal HSE audits and is subject to external HSE audits. Investigations are performed to identify cause and key learnings. If employees have failed to adhere to HSE policies, then they may be subject to disciplinary action. Key messages are constantly reinforced throughout the Group.	No change
9. Breach of legislation including UK GDPR, Competition Law, the Bribery Act and Sanctions Compliance			
Failure to comply with elements of a significantly increased and still evolving governance, legislative and regulatory business environment including, but not limited to, the UK General Data Protection Regulation, Competition Law, the Bribery Act and Sanctions Compliance.	Significant increases in the penalty regime across all areas of business could lead to significant fines and financial penalties in the event of a breach, alongside damage to the Group's reputation and potential current and future business.	The Group's in-house legal department and other specialist functions, supported by specialist external advisers, are responsible for monitoring changes to laws and regulations that affect the business and ongoing monitoring and training. Specific polices are in place in respect of UK GDPR, Competition Law, a Code of Ethics (including the Bribery Act), Sanctions Compliance, etc. Regular declarations of compliance are undertaken in respect of Competition Law and the Bribery Act. All business in higher risk countries requires approval by the Group Legal Counsel and Company Secretary. An external agency (Refinitiv) is used to check sanctions against companies and/or individuals. Training is provided to all relevant new employees on Competition Law, including those changing roles. The independent third-party Safecall helpline is available to employees.	No change

Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	Change in potential impact and/or probability
10. Product failures			
The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. These products are often incorporated into the fabric of a building or dwelling or buried in the ground as part of an infrastructure system and in each case, it would be difficult to access, repair, recall or replace such products.	A product failure or recall could result in a liability claim for personal injury or other damage leading to substantial financial settlements, damage to the Group's brands, costs and expenses and diversion of key management's attention from the operation of the Group, which could all adversely affect the Group's financial results.	The Group operates comprehensive quality assurance systems and procedures at each site. Wherever required, the Group obtains certifications over its products to the relevant national and European standards including Kitemarks, BBAs, WRCs and WRACs. The Group maintains product liability insurance to cover third-party claims arising from potential product failures or recalls.	No change
11. Liquidity and funding			
The risk that the Group will not be able to meet its short-term liquidity and long-term funding financial obligations as they fall due.	Insufficient cash deposits and/or finance facilities could result in the Group not being able to fund its operations.	The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation This is achieved through suitable committed and uncommitted banking facilities with significant headroom, regular communication with the Group's investors and relationship banks (including visits to the Group's business units), regular review of its banking covenants and capital structure, ensuring its future cash flow is sustainable through detailed budgeting processes and reviews, robust forecasting and budgeting processes, and ensuring that credit risk arising from cash deposits with banks is mitigated by investments of surplus funds only being made with banks that have, as a minimum, a single A-credit rating.	No change
12. Acquisitions do not perform as expected			
The management of acquisitions activity and their integration play a part in delivering the Group's growth strategy and there is a risk that any acquisition may not perform as expected.	Ineffective management of acquisitions could lead to management distraction, a drain on financial resources, and impact on the Group's ability to successfully implement and deliver its growth strategy.	Formal Board level approvals are required in accordance with the Group's delegation of authority matrix for any acquisition activity. Full due diligence is performed before any acquisition is made. The Group seeks contractual assurances from the sellers to mitigate against any identified issues or risks. Where appropriate, the Group will pay deferred consideration linked to the ongoing performance of the acquisition. The progress of any integration is closely monitored at Board and senior management team level.	No change

Joe Vorih
Chief Executive Officer
15 March 2022

Governance

Chairman's Letter

Good governance provides the infrastructure to improve the quality of the Board's decisions and enables the more effective creation of long-term value.

Ron Marsh
Chairman

"

Sustainability is at the heart of our growth agenda.

2021 in review

I am pleased to present the Genuit 2021 Annual Report and Accounts following a strong and resilient performance by the Group, despite the ongoing challenges during the year as a result of the Covid-19 pandemic. The pandemic has continued to impact the UK and global economy, which has resulted in inflation, difficulties with raw material supply, and supply chain issues being seen across all industries and sectors. As a result, 2021 continued to bring economic and political uncertainty and difficult market conditions in UK construction as a whole, but our businesses performed well in the circumstances. This strong performance is down to the hard work of our colleagues around the Group who have risen to, and overcome, the challenges we faced in the aftermath of 2020 and throughout 2021. The Group also completed three acquisitions during the first quarter of 2021, welcoming new colleagues from Adey, Nu-Heat and Pluro, diversifying the product offering and culture of the Group as a result.

Board changes

We made a new appointment during the year, with Matt Pullen joining as Chief Operating Officer (COO) and a member of the Board on 1 November 2021 following Glen Sabin's retirement from the Board. Glen served as an Executive Director for four years and was an employee for 17 years, and I would like to thank Glen on behalf of the Board and the Group for his important contribution during this time, and wish him well for his future endeavours. Matt is a valuable new addition to the Executive team and I believe that we have a strong, diverse and multi-skilled Board in place with the necessary motivation and an appropriate balance of experience to continue to lead the Group during the next phase of its strategic development.

I am also pleased to welcome Joe Vorih to the Group, having been appointed as Chief Executive Officer (CEO) and a member of the Board on 28 February 2022 following a thorough recruitment process. Further detail on this process is outlined on page 77.

On behalf of the Board and the Group, I would like to thank the outgoing CEO, Martin Payne, for the significant contribution he has made to the Group during the last six years, including steering it successfully through the Covid-19 crisis and implementing a strategy that has seen the Group broaden in scope and size during his tenure. We wish Martin all the best for the future.

Dividend

The Board is pleased to report that business performance has recovered such that it is recommending a final dividend for 2021 of 8.2 pence per share, payable in May 2022.

Sustainability

Sustainability continues to be at the heart of our growth agenda. We will continue to invest in innovative solutions to capitalise on key environmental drivers, as well as drive growth through ongoing legacy material substitution and increasing our geographic reach. Our acquisitions during 2021 showcase our desire to be the leading, UK-focused, sustainable construction products group, offering our customers solutions for the environmental challenges facing infrastructure, buildings and communities. Our growth drivers will continue to drive performance in the years to come and sustainability will be at the heart of how we run our businesses, so they are fit for the future. We have been monitoring the progress towards achieving our 2025 sustainability targets, and have successfully incorporated these into our long-term incentive arrangements for the Executive Directors and senior management. We are committed to, and will continue to make changes to ensure that where possible, sustainability underpins everything we do.

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We seek to attract people of all ethnicities, disabilities, genders, sexual orientations and backgrounds so that they see Genuit Group as a place in which they can feel welcomed and capable of achieving their goals.

People

Following the appointment of Clare Taylor, our Chief People Officer (pictured above), in March 2021, the Board has received regular detailed updates on employee matters. We continue to be impressed by the knowledge, enthusiasm, loyalty and commitment of our employees across the Group. Diversity and inclusion remain a priority as we seek to attract people of all ethnicities, disabilities, genders, sexual orientations and backgrounds so that they see Genuit Group as a place in which they can feel welcomed and capable of achieving their goals.

Succession planning continues to be an area of focus on the Board's agenda, and further details on this can be found in the Nomination Committee Report. There is a preference for promoting and recruiting internal candidates, as we recognise the significant pool of talent across the Group and subsequently endeavour to create training and development opportunities for employees to enable them to progress. As part of our sustainability drivers, we have joined The 5% Club, as a commitment to ensuring our employees are actively involved in 'earn and learn' schemes, and for 2021 I am pleased to report that 3.2% of our employees are enrolled in qualifying 'earn and learn' schemes.

We have seen the benefits during 2021 of having a dedicated Chief People Officer driving the people agenda, and we look forward to continued progress in this area over the coming years.

Chairman's Letter continued

Section 172 Statement

In accordance with the 2018 UK Corporate Governance Code and the Companies Act 2006, the Board, in its decision-making process, considers what is most likely to promote the success of the Company for its shareholders in the long term, as well as considering the interests of the Group's employees and other stakeholders and understanding the importance of taking into account their views. The Board also considers, and takes seriously, the Group's impact on the local communities within which it operates, as well as reviewing actions being taken to mitigate any negative impacts our operations have on the environment. Considering this, the Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole The Board's activities and considerations in meeting this requirement are covered in detail in our s172 Statement.

Read more on pages 42 to 44

Culture

The Board continues to align the Company's purpose, values and strategy to the culture of the Group, to enable the delivery of long-term business and economic success. The Board is responsible for shaping, monitoring and overseeing that culture, and recognises that for the right culture to exist across all of our businesses, our core values must be embedded in the leadership, management and long-term strategic decisions of the Group. We delegate as much decision making as possible to those people who are closest to their respective customers and who are experts in their fields. As a result, the Board understands the importance of promoting a culture whereby employees understand the common Group purpose and strategy, but also feel empowered to act, and an open and transparent culture is encouraged across the Group which is responsive to stakeholder expectations and needs. You can read more about the culture of the Group and some examples of the way in which the Board encourages and engages within this Governance Report on pages 65 to 67.

There was regular interaction during the year between the Board and members of the senior management teams across the Group through presentations, Board and Committee meetings and the annual strategy day; as well as direct engagement with employees. Louise Brooke-Smith is our designated NED for workforce engagement, and has attended local employee forums across the Group to gain an insight into those issues of concern. This helps the Board ensure effective employee engagement on a regular basis, as well as providing a mechanism for a workforce voice at Board level.

Board evaluation

During the 2021 financial year we undertook an internal evaluation of the Board and its Committees, and the results of this evaluation were discussed by the Board at its meeting in December 2021. The evaluation followed the same structure as in 2020, focusing on four areas: Board Structure and Functionality; Board Meetings; Board Administration and Corporate Governance; and Personal Effectiveness and Overall Board Effectiveness. As noted in our 2020 Annual Report and Accounts, progress on areas identified for improvement in 2020 would be reviewed as part of the 2021 evaluation, and an additional section was therefore added to understand progress made. This method of evaluation allows Directors to have an opportunity to provide comments on those areas they feel still require improvement, as well as confirming those areas where the necessary improvements had been seen. We also introduced an additional evaluation for new Directors on the induction and onboarding process, to allow them to provide direct feedback on their experience since joining the Group and allow us to formally evaluate our induction process. The results of the evaluation concluded that the Board and its Committees continue to operate efficiently and effectively, and that Executive and Non-Executive Director views are generally aligned Further detail on the results of the evaluation is set out on page 72 of this Governance Report.

Looking at 2022 and beyond

During 2022, we will continue to address the challenges caused by climate change and urbanisation by developing and producing sustainable solutions, focusing on our environmental growth drivers, trends and opportunities. We will continue to foster a culture across our businesses that will result in the right decisions and actions to promote the success of the Group for the long term, and for the benefit of our members as a whole, whilst holding ourselves accountable against our sustainability targets, raising the bar for sustainability to promote the generation of smarter and more sustainable policies and practices across our industry. Working together, we will make the built environment more sustainable for generations to come, whilst maintaining a robust governance structure which continues to address and understand the needs of all our stakeholders.

Corporate Governance Report

I am also pleased to present the Company's Corporate Governance Report for the year ended 31 December 2021, on behalf of the Board.

The following pages of this Governance Report and the Directors' Remuneration Report set out in greater detail how the principles and provisions of the 2018 UK Corporate Governance Code (the Code) have been applied and how the Board and its Committees have fulfilled their responsibilities during the year to ensure high levels of governance are in place across the Group. Engaging with our stakeholders is a priority, and further detail on how we have done this during 2021 can be found on pages 40 to 41. As always, we welcome questions or comments from shareholders either via our website or, if appropriate, in person at the Annual General Meeting (AGM) scheduled to be held at the Leeds Marriott Hotel on 19 May 2022.

Ron Marsh
Chairman
15 March 2022

Board composition and diversity

The composition and size of the Board continues to be kept under review. We believe that our Board is well-balanced and diverse, with the right mix of skills, experience, independence and knowledge to allow it to discharge its duties and responsibilities effectively.

The Board is committed to and supports diversity in the widest sense, acknowledging the advantages that come from having diverse viewpoints across the Group's businesses and in the decision-making process at Board and senior management level. The Company currently has 33% women on its Board and is committed to working towards having 33% women in senior management positions.

Following the recruitment of a Chief People Officer who joined the Company in March 2021, the Company now has 26% female representation at senior management level, being the executive committee and its direct reports. The Company remains committed to achieving the 33% target but acknowledges that given the relatively small size of this Group and the limited turnover of those within it, there is limited scope for immediate change. Our Nomination Committee is continuing to further develop its strong succession plans for the Board and senior management in conjunction with the Chief People Officer. You can read more about the work of our Nomination Committee on pages 74 to 77.

Directors and Officers

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Committees

In addition to the Genuit Group plc Board, there are four Committees:

Audit Committee	A
Nomination Committee	N
Remuneration Committee	R
Risk Committee	Ri
Chairman of Committee	

Ron Marsh
Independent Non-Executive Chairman

Appointed: 27 May 2015
Ron Marsh was appointed to the Board on 28 March 2014 as the Senior Independent Director, and became Independent Non-Executive Chairman on 27 May 2015. Ron is currently a Non-Executive Director of R. Faerch Plast A/S, the Senior Independent Director of Walstead Group Limited and was, from 1989 until 2013, Chief Executive of RPC Group. He is also Chairman of the UK-based Packaging Federation and the Alliance for European Polymers which was established under the auspices of EuPC (European Plastic Converters) in 2015 Ron has a Bachelor of Arts in History from Oxford University and is Chair of the Nomination Committee.

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Mark Hammond
Senior Independent Director

Appointed: 16 April 2014
Mark Hammond's executive career spanned over 25 years in banking and private equity, most recently as Deputy Managing Partner of Caird Capital LLP at the time it led the IPO of Genuit (formerly Polypipe) in 2014. He has been a member of the Institute of Chartered Accountants of Scotland since 1991 and was previously a director of David Lloyd Leisure Limited and Tuffnell Parcels Express. Mark is currently a director of Chaffin Holdings Limited and serves as Chair of Governors of Beechwood Park School, Markyate, Hertfordshire. Mark was appointed Senior Independent Director on 22 June 2020.

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Louise Hardy
Non-Executive Director

Appointed: 25 June 2018
Louise has over 25 years' experience in the construction sector, including working for Laing O'Rourke as Infrastructure Director within CLM, the consortium delivery partner for the Olympic Delivery Authority for the London 2012 Olympics. She has also worked at Bechtel Limited, AECOM and London Underground Limited, and is a Non-Executive Director of Crest Nicholson plc, Severfield plc and Balfour Beatty plc. She has a Bachelor of Science from the University of Warwick and is a fellow of the Institution of Civil Engineers. Louise is Chair of the Remuneration Committee.

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Kevin Boyd
Non-Executive Director

Appointed: 22 September 2020
Kevin Boyd has extensive listed plc experience in the engineering and manufacturing sectors, bringing a strong combination of financial, strategic and multi-organisational expertise to the Board. He was previously the Chief Financial Officer of global engineering group Spirax-Sarco Engineering plc and, prior to that, Chief Financial Officer of Oxford Instruments plc and Radstone Technology plc. Kevin has a BEng from Queen's University Belfast, is a Chartered Engineer, a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales and the Institution of Engineering and Technology. He is currently a Non-Executive Director and the Audit Committee Chair of EMIS Group plc and a Non-Executive Director of Bodycote plc. Kevin is Chair of the Audit Committee.

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Joe Vorih
Chief Executive Officer

Appointed: 28 February 2022
Joe Vorih is our Chief Executive Officer. Joe joined Genuit from Spectris plc, a FTSE 250 company, where he was president of HBK, a standalone division and key platform business within the Group from January 2019, having joined Spectris in 2016. Prior to that, he worked for Clarcor Corporation, a NYSE listed business delivering filtration solutions and Danaher Corporation, also a US listed global business in industrial, test and medical equipment. He has a Bachelor of Science, a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology and an MBA from Rensselaer Polytechnic Institute.

Paul James
Chief Financial Officer

Appointed: 5 March 2018
Before joining Genuit, Paul James served as Group Financial Controller of Dixons Carphone plc, and prior to this role held the position of Group Financial Controller and Treasury Director of Inchcape plc following an international career at British American Tobacco plc, including markets in western Europe and Russia. He is a Fellow of the Institute of Chartered Accountants in England and Wales, has an MBA and a Bachelor of Science in Civil Engineering from Edinburgh University.

Matt Pullen
Chief Operating Officer

Appointed: 1 November 2021
Matt Pullen is our Chief Operating Officer and was appointed on 1 November 2021. Before joining the Group, Matt was Managing Director of British Gypsum, a part of the Saint-Gobain Group, based in the UK. Prior to that, he worked for AkzoNobel for eight years undertaking various commercial and leadership roles of increasing seniority in the UK, Ireland and Northern Europe with his last role as Managing Director, UK & Ireland. Prior to that Matt held various operational roles within the FMCG sector. He is a Trustee of the Construction Industry charity CRASH and an Industrial Cadets Ambassador.

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Lisa Scenna
Non-Executive Director

Appointed: 24 September 2019
Lisa Scenna has over 25 years' business experience working at executive director level in large private and publicly listed multinational corporations with a strong background in strategic and financial business change, with her most recent executive role being with the Morgan Sindall Group as Managing Director of MS Investments. Prior to this, she held executive roles with Laing O'Rourke, Stockland Group and Westfield Group in Australia. She is a Non-Executive Director of Harworth Group plc, as well as Cromwell Property Group, an Australian listed company. Lisa has a Bachelor of Commerce from the University of NSW, and is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia.

Louise Brooke-Smith
Non-Executive Director

Appointed: 24 September 2019
Louise Brooke-Smith has extensive expertise in the property, construction and infrastructure industries, being an experienced property and planning adviser, past Global President of the Royal Institution of Chartered Surveyors and member of the Royal Town Planning Institute. She was formerly a partner at Arcadis LLP and is currently Global Development and Strategic Planning Adviser and Director for Consilio Strategic Consultancy Limited. She is a Governing Board member of Birmingham City University, Chair of the Board of All We Can (International Relief & Development Agency), a regional Board member of the CBI, and a Board Trustee of The Land Trust and a Trustee of Birmingham Museum & Art Gallery. Louise holds a Bachelor of Science from Sheffield Hallam University and an honorary doctorate, and is a Freeman of the City of London. Louise is our nominated workforce engagement NED.

Emma Versluys
Group Legal Counsel and Company Secretary

Appointed: 28 June 2017
Emma Versluys is our Group Legal Counsel and Company Secretary and is Secretary to the Board and the Audit, Remuneration and Nomination Committees. Before joining Genuit, Emma was Deputy Company Secretary at Provident Financial plc, and has also held company secretarial roles at Serco plc and Alliance UniChem plc. She is an Associate of The Chartered Governance Institute and is also a solicitor.

Corporate Governance Statement

This statement outlines the processes the Company has undertaken throughout the year to apply the UK Corporate Governance Code and demonstrates compliance with each provision.

Compliance with the UK Corporate Governance Code (the Code)

This Report, which is also available on the Company's website, explains key features of the Company's governance structure and is designed to provide a greater understanding of how the principles of the Code, published in July 2018 by the Financial Reporting Council (FRC), have been applied and the areas of focus during the year. The Code can be found on the FRC's website at www.frc.org.uk.

In accordance with the Listing Rules of the Financial Conduct Authority, the Board confirms that throughout the year ended 31 December 2021 and as at the date of this Report, the Company has complied with the principles of the Code.

The Report also includes items required by the FCA's Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content of the Annual Report and Accounts and confirms that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Section 1: Board leadership and company purpose	pages 58 to 73
A Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	
B Purpose, values and strategy with alignment to culture	
C Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks	
D Effective engagement with shareholders and stakeholders	
E Consistency of workforce policies and practices to support long-term sustainable success	
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Risk framework	51
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F Leadership of board by chair	
G Board composition and responsibilities	
H Role of non-executive directors	
I Company secretary, policies, processes, information, time and resources	
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Section 3: Composition, succession and evaluation	pages 72 to 77
J Board appointments and succession plans for board and senior management and promotion of diversity	
K Skills, experience and knowledge of board and length of service of board as a whole	
L Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
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Succession planning	76 to 77

Section 4: Audit, risk and internal controls	pages 78 to 85
M Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	
N Fair, balanced and understandable assessment of the company's position and prospects	
O Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
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Risk management	78 to 80
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Section 5: Remuneration	pages 92 to 116
P Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and values	
Q Procedure for executive remuneration, director and senior management remuneration	
R Authorisation of remuneration outcomes	
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Board Leadership

The Board

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's shareholders for the Company's long-term success. The Board takes the lead in areas such as establishing the Company's purpose, values, strategy, financial policy and ensuring that a sound system of internal control is maintained, whilst continually seeking to represent the interests of all material stakeholders. By delegating authority to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within defined parameters.

The Board has established a formal schedule of matters reserved for its approval which are detailed later in this Report, and has delegated other specific responsibilities to its principal committees. the Audit, Nomination, Remuneration and Risk Committees. The Risk Committee was established during 2021, further detail of which can be found in the Risk Committee Report on page 78. Each Committee's responsibilities are clearly defined within their Terms of Reference, which are reviewed on an annual basis to ensure they remain appropriate and that the Committees continue to operate effectively.

The Board has also delegated to the Chief Executive Officer (CEO) the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group, supported by the Chief Financial Officer (CFO), the Chief Operating Officer (COO) and the senior management team. The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with and that the Board has full and timely access to relevant information. The Board may take independent professional advice in the furtherance of its duties, if necessary, at the Company's expense.

Board Committees

The Board has delegated specific responsibilities to its Committees to assist it in successfully performing its duties. The Committees discuss and propose matters to the Board to allow it to make reasoned decisions, and if required, take appropriate actions. Each Committee has reported on its contributions to the Board's decision-making during the year, details of which can be found later in this Report. Biographies of the Chairs of each of the Board Committees, as well as all other Directors, are set out on pages 62 and 63.

Culture

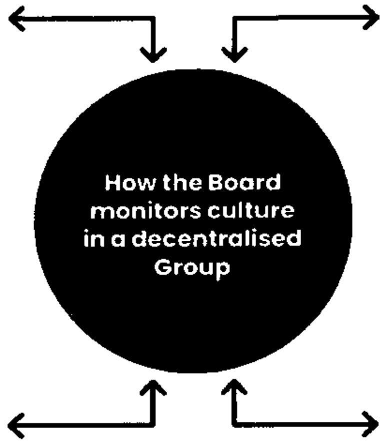
The Board is conscious of, and understands the importance of, aligning the Company's purpose, values and strategy to the culture of the Group to enable long-term business and economic success. This has been even more prevalent during 2021 with the rebranding of Polypipe Group to Genuit Group and the integration of the three acquisitions. It has been a priority for the Board to ensure that the culture of the Group is clear and understood in all of the Group's businesses as it continues to grow under its new brand.

Our culture is unique as we are a decentralised Group where day-to-day decision making and product expertise is close to our customers and our markets. As a result, the Board promotes a culture whereby employees understand the common Group purpose, strategy and decision-making hierarchy, but also feel empowered to act. We recognise that our employees are our greatest asset in helping us achieve our vision of being the leading UK-focused, provider of sustainable construction products. The Board is aware of the role it plays in shaping, monitoring and overseeing our culture, and recognises that for the right culture to exist across the Group, our core values must be embedded in its approach to leadership, management and long-term strategic decisions, setting and implementing culture using a top-down approach.

Reinforcing a healthy corporate culture

Empowered employee engagement
- Monitoring health and wellbeing
- Providing learning and development opportunities

Employee understanding
- Group purpose and strategy
- Core values of trust, support, experience and innovation
- Regular engagement through dedicated NED



Risk management
- Assisted by the Risk Committee
- Risk appetite reviewed regularly by the Board

Remuneration and culture
- Assisted by the Remuneration Committee
- Alignment of remuneration with strategy

Corporate Governance Statement continued

Roles and responsibilities

The Board

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's shareholders for the Company's long-term success

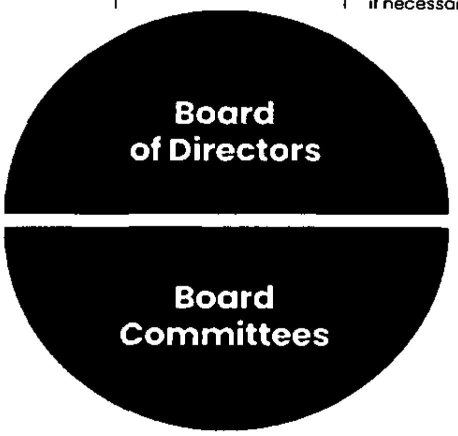
Chairman
- Provides overall leadership and governance
- Sets the Board agenda
- Promotes a culture of openness, challenge and constructive debate
- Ensures Directors understand the views of major shareholders and stakeholders

Chief Executive Officer
- Executive management of the Group's business
- Develops and implements Group strategy and commercial objectives
- Leads senior management team in effecting decisions of the Board
- Communicates with the Board, shareholders, employees and other stakeholders

Executive Directors
- The CFO implements, manages and controls the Group's financial-related activities, including the development of appropriate financial strategies and the management of investor relations
- The COO is responsible for the effective and efficient management of operations across the Group

Non-Executive Directors
- Scrutinise and constructively challenge the performance of Executive Directors and contribute to setting strategy, succession plans and remuneration strategy
- Senior Independent Director acts as a sounding board for Chairman, appraises his performance, leads the other NEDs, and is a direct contact for shareholders if necessary

Company Secretary
- Provides advice to the Board on all governance and legal-related matters, as well as advising Directors on their duties
- Assists with all Board and shareholder meetings and related paperwork
- Facilitates induction and training programmes for Directors



Board Committees

The Board has delegated specific responsibilities to its Committees to assist it in successfully performing its duties.

Audit Committee
- Overseeing financial reporting
- Internal control systems
- Internal and external audit functions

Nomination Committee
- Reviewing structure, size and composition of the Board and its Committees
- Board succession planning
- Determining the skills and characteristics needed in Board candidates to ensure a diverse skill set
- Considering stakeholder perspectives when deciding on recruitment processes and selection criteria

Remuneration Committee
- Setting remuneration policy for Executive Directors
- Operating the Company's share incentive arrangements
- Senior management remuneration
- Oversight of remuneration-related policies

Risk Committee
- Setting the risk appetite, risk tolerance and risk strategy of the Group
- Reviewing and reporting on risk management, principal risks and uncertainties and emerging risks
- Overseeing and implementing internal risk controls and risk management systems

Our core values of trust, support, experience and innovation underpin our culture. Our businesses therefore adopt these core values and articulate them in a way which suits them, their customers, their employees and the communities in which they operate. These nuances are what makes our culture unique, because despite these subtle adaptations across our businesses, our core values do not change and each business is working towards the same purpose.

The appointment of a dedicated employee engagement Non-Executive Director means there is a mechanism in place for employee views to be considered by the Board in its strategic decision-making process. The Executive Directors then communicate the agreed strategic direction, in terms of how we can fulfil our purpose through our values, to the senior management teams across the Group, ensuring there is a consistent approach at all levels.

Employee engagement is therefore one of the key methods to ensuring a unified culture exists across the Group. Our methods of engagement come in a variety of forms and from all levels. On a regular basis, emphasis is placed on the health and wellbeing of our employees to ensure they feel safe and supported. We provide regular opportunities for our employees to develop their skills through training and development, encouraging innovation, experience and career development, as well as ensuring at a local level that employees understand our goals and the role that they can play in achieving them. We are committed to carrying out our business responsibly and ensuring we promote sustainable operations and minimise adverse environmental and social impacts.

This is embedded in management and employee reward schemes, where health and safety matters remain one of the key performance parameters. In addition to regular engagement, additional engagement takes place when required. Further efforts will be made during 2022 to increase the exposure of everyday engagement with the dedicated Non-Executive Director, to ensure she is fully appraised of as wide a range of views as possible and can appropriately inform Board discussion and decision-making as a result.

Encouraging an open and transparent culture across the Group to promote our values, help achieve our purpose and vision, as well as fostering and maintaining a culture which is responsive to stakeholder expectations and the external environment will continue to be a priority for the Board. It will continue to work to ensure this remains successfully embedded in its operations and to promote a culture whereby our employees understand their value and contribution to the Group's overall success, motivating them and bringing them on our journey in addressing the challenges caused by climate change and urbanisation.

Board composition, qualification and experience

At the year end, the Board comprised the independent Non-Executive Chairman, three Executive Directors and five Non-Executive Directors. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board and actively contribute to discussions. During 2021, Matt Pullen was appointed as Chief Operating Officer, and in February 2022, Joe Vorih was appointed as Chief Executive Officer. More details about the recruitment and induction process for both Joe and Matt can be found later in this Report as well as in the Nomination Committee Report on pages 74 to 77. Biographical details of the individual Directors can be found on pages 62 and 63.

The Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors. The Board considered the Chairman and all the Non-Executive Directors to be independent throughout the period (or where applicable, from appointment). In accordance with Code Provision 18, all of the Directors are subject to annual re-election. Joe Vorih and Matt Pullen will offer themselves for election at the 2022 AGM and for re-election annually thereafter.

Separation of the roles of Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate and clearly defined, with a distinct division of responsibilities.

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness, challenge and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major shareholders. Supported by the Company Secretary, the Chairman keeps under review the adequacy of the training received by all Directors (particularly on stakeholder-related matters), the induction received by new Directors (especially those without previous Board experience), as well as determining how best to ensure that the Board's decision-making processes give sufficient consideration to material stakeholders.

The Chief Executive Officer is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the senior management team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group.

The Chief Executive Officer is also responsible for ensuring that the affairs of the Group are conducted with the highest standards of integrity, probity and corporate governance.

Whilst the roles of the Chairman and Chief Executive Officer are separate, the partnership between both is based on mutual trust and facilitated by regular contact between them. The separation of authority enhances the independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

Role of the Senior Independent Director

Mark Hammond was appointed Senior Independent Director (SID) of the Company in June 2020. He is available to shareholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to act as a sounding board for the Chairman and an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chairman and has authority to add items to the agenda of any regular or special meeting of the Board. The role of the SID is considered to be an important check and balance in the Group's governance structure.

Corporate Governance Statement continued

Appointment and tenure

The Non-Executive Directors serve on the basis of letters of appointment, which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to carry out their duties.

There is no fixed expiry date. The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for the Executive Directors is 12 months.

External appointments

As outlined in the Code, all Non-Executive Directors should have sufficient time to meet their Board responsibilities. To ensure this is monitored regularly, all external appointments, including those of the Chairman, are reviewed at every Board meeting. The Board has reviewed the nature of each appointment and the expected time commitment for each Director and concluded that none of these appointments compromise the effectiveness of the individual Director or the Board, and is satisfied that each Non-Executive Director has sufficient time to discharge their duties to the Company. Further details of our Non-Executive Directors' external appointments can be found in their biographies on pages 62 and 63.

Directors' induction and training/professional development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and the ongoing development of all Directors. Matt Pullen joined the Board during the year and received an induction which involved visits to all operational sites, product briefings and training, and individual meetings with the members of the Board, the executive team, members of senior management and the Company's brokers.

Joe Vorih joined the Board in February 2022 and is in the process of completing his induction.

As the internal and external business environment changes, it is important to ensure that Directors' skills and knowledge are refreshed and updated regularly. The Board was therefore given presentations during the year by the Company's financial advisers, brokers and lawyers, as well as several presentations by senior management, in addition to the annual strategy day. At Board meetings held during the year, the Company Secretary updated the Board on new legislation and regulations as well as changes to the current legislative and regulatory regimes to which the Company is subject.

Directors' conflicts of interest

Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in a conflicts of interest register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Directors' indemnity and insurance

The Company maintains Directors' and Officers' liability insurance to cover legal proceedings against Directors and Officers acting in that capacity. Details of the Directors' indemnity arrangements can be found on page 87 of the Directors' Report.

Internal controls and risk management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with the Code and confirms that:

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- the systems are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The effectiveness of these systems is also reviewed through the work of the Risk Committee described on pages 78 to 80. The key risks which the Board has focused on this year, together with their potential impact and mitigating actions are set out on pages 51 to 56.

The Company has a risk management framework which adopts a top-down and a bottom-up view of the key risks, which involves both the downward cascade and upward escalation of risks between the Group and the business units. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and business units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks. Given the increased size of the Group and the remit of the Audit Committee, a review was conducted of the risk management framework and reporting structure and a separate Risk Committee was established during 2021, with responsibility for risk management on behalf of the Board. Further information about the work and structure of the Risk Committee can be found in the Risk Committee Report on pages 78 to 80.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management, following a detailed review undertaken by the Risk Committee and the Audit Committee, as appropriate, and is satisfied that it complies with Provision 29 of the Code.

Board and Director Recruitment and Induction Process

In light of the active year with the recruitment of our new Chief Operating Officer and Chief Executive Officer, we have taken the opportunity to outline our approach to recruiting and onboarding Directors, ensuring a successful induction is provided following appointment. The recruitment process is designed to ensure the search for new Directors is thorough and inclusive, and ensures recruits not only have the necessary experience and skills to support the Company's strategic direction, but also showcase an understanding of the Group's culture and purpose. Their induction then provides an effective introduction to the boardroom and facilitates a comprehensive understanding of the diverse portfolio of businesses across the Group.

Search

The Chairman leads the Nomination Committee to develop a candidate specification. The candidate brief is then placed with an executive search agency who must be a signatory to the Voluntary Code of Conduct for Executive Search Firms in line with our Board Diversity Policy.

Review

The executive search agency reviews the specification and, following extensive desktop research, produces a long list of potential candidates from various backgrounds and industries.

Identify

The Chairman identifies a short list of candidates following discussion with the Senior Independent Director and other members of the Committee (or appointed sub-committee, as appropriate).

Assess

The candidates are interviewed and assessed against pre-determined criteria and in line with the specific candidate brief. This typically also includes meeting various Board members on a more informal basis to determine *interpersonal dynamics*.

Appoint

The successful candidate is then recommended for appointment to the Board, with the Company Secretary tasked with the formalities.

Induct

The Company provides the new Director with a comprehensive and tailored induction process, which includes visiting sites, meeting with Executive and Non-Executive Directors and the Chairman and having introductory meetings with senior management and external advisers where appropriate. If necessary, new Directors are provided with training to address their role and duties as a Director of a quoted public company.

In addition to meeting with key personnel and having access to training where required, the newly onboarded Director has immediate access to the following key documents:

- Historic Board and Committee meeting papers (as appropriate)
- Management accounts and divisional MD reports
- Budget and five-year plan
- Recent broker reports and analyst reports
- Information on our sustainability strategy and growth drivers, along with any targets where relevant
- The Group's risk appetite, risk register, principal risks and uncertainties and emerging risks
- Organisation charts, overview of all Committee membership and Non-Executive Director tenure
- Matters reserved for the Board and the Committees, including access to the Terms of Reference for each
- Board dates and scheduling

Corporate Governance Statement continued

Financial and business reporting process

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Company. In addition to the Annual Report and Accounts, the Company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports, which is set out in the Report of the Audit Committee on pages 81 to 85.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the Group's businesses);
- formal sign-off from appropriate business unit senior executives;
- comprehensive review and, where appropriate, challenge from appropriate Group senior management and Executive Directors;
- a transparent process to ensure full disclosure of information to the external auditor;
- oversight by the Audit Committee, involving (amongst other duties);
- a detailed review of key financial reporting judgements which have been discussed by management;
- review and, where appropriate, challenge on matters including:
  - the consistency of, and any changes to, significant accounting policies and practices during the year;
  - significant adjustments resulting from an external audit;
  - the viability statement assumptions; and
  - the going concern assumption.

In order to ensure our financial and business reporting is fair, balanced and understandable, the Company follows the process outlined below:

Fair

- Is the report fair?
- Is the whole story presented?
- Are the key messages in the narrative reflected in the financial reporting?

Balanced

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?

Understandable

- Is there a clear and understandable framework to the report?
- Are the important messages highlighted appropriately throughout the document?

This process provides comfort to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and following its review, the Board was of the opinion that the 2021 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview.

Board meetings

In total, there were 16 Board meetings held during the year, the majority of them virtually, to discuss and review progress on issues affecting the Group. A number of Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

As the table demonstrates, every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chairman and other Directors.

Senior management from across the Group as well as external advisers, attend some of the meetings for discussion of specific items in greater depth, and to provide training and updates.

Board and Committee attendance during 2021

Directors	Board Attendance	Audit Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance	Risk Committee Attendance+
Ron Marsh	16/16	-	5/5	6/6	-
Martin Payne	16/16	-	3/5	-	3/3
Mark Hammond	16/16	3/3	5/5	6/6	-
Paul James	15/16	-	-	-	3/3
Matt Pullen[1]	3/3	-	-	-	-
Glen Sabin*	13/13	-	-	-	3/3
Louise Hardy	16/16	3/3	4/5	6/6	-
Lisa Scenna	16/16	3/3	5/5	6/6	-
Louise Brooke-Smith	13/16	3/3	4/5	5/6	-
Kevin Boyd	16/16	3/3	2/5	6/6	-

1 Joined the Board on 1 November 2021
* Retired from the Board on 1 November 2021
+ The Strategy and Marketing Director, Chief People Officer and Company Secretary are also members of the Committee and attended all Risk Committee meetings held during the year.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board will usually visit the Group's business unit locations on a rolling basis each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and to assess management performance and potential. However, due to the restrictions in place during the year as a result of Covid-19, the Board was only able to visit the Polypipe Civils site in Loughborough and the Group's new Head Office in Leeds. The Board also held a Board dinner ahead of the scheduled Board meetings where possible to provide a more relaxed forum for the Board members to have additional discussions amongst themselves, as well as with the senior management team from that location. This improved the focus of the formal Board meeting and allowed for further employee engagement by the Board.

Every year the Board holds an annual strategy day, where it spends a full day with senior management to discuss current performance of the Group and the strategic plan. Members of senior management from across the Group present the updated strategy and proposed implementation of this strategy within each division. The strategy day during 2021 was held on 23 November, with engagement and challenge from the Board and senior management at a high level throughout the day, and an informal dinner thereafter to discuss and reflect on the discussions during the day in a more informal environment. During the year, the Chairman held regular (virtual) meetings with the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors held discussions without the Chairman being present to appraise the Chairman's performance, as discussed later in this Report.

Schedule of matters reserved for the Board

The schedule of matters reserved for the Board includes the consideration and approval of:

- strategy and overall management and leadership of the Group;
- financial items – including the Group's annual budget, dividend policy, annual and half-yearly accounts, accounting policies, and monetary limits;
- the risk management system and internal controls;
- contracts with third parties not in the ordinary course of business;
- legal, administration and pension arrangements;
- the Group's corporate governance arrangements;
- the operation of the Company's share option schemes as recommended by the Remuneration Committee;
- Directors' and Officers' insurance coverage and the commencement or settlement of any major litigation;
- setting and assessing the appropriateness and ongoing development of the Group's culture, and monitoring behaviour across the businesses to ensure culture is aligned with the Group's values,
- communications with shareholders and the issue of shareholder circulars;
- identifying those who they consider their key stakeholders to be and why, keeping this under regular review;
- Board and senior management appointments and arrangements; and
- conflicts of interest where permitted by the Company's Articles of Association.

Board Committees

The Board has appointed four Board Committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee. The role and responsibilities of each Committee are set out in formal Terms of Reference. These Terms of Reference have been reviewed during the year and adjusted as necessary to reflect legislative changes and best practice and to improve the individual and collective Committees' efficiency and effectiveness. The Terms of Reference for each Committee are available on the Company's website.

The Committees carry out their required duties and make recommendations to the Board for approval. Each Committee Chair provides an update to the Board on the key discussions and decisions made at the preceding Committee meeting.

Corporate Governance Statement continued

Board and committee evaluation cycle

Internal evaluation 2021

Board structure and functionality
The current size and composition of the Board is appropriate and makes for effective collective decision-making.

Board meetings
Board meetings are effective, well organised and discussions seek to appropriately consider the impact and views of key stakeholder groups.

Board administration and corporate governance
The Board gives adequate consideration to corporate governance and is adaptable in changing environments.

Personal effectiveness and overall Board effectiveness
Directors are frequently updated on legislative changes and best practice guidance and know where to go to fill in gaps in skills or knowledge. This enables effective decision-making and allows Directors to effectively contribute to Board discussions.

Quality and experience of the induction process
The induction process is designed to ensure Directors receive appropriate information to allow them to perform their role effectively, including ensuring they have access to advice on matters of a statutory or regulatory nature and are updated in a timely manner on new legislation and evolving best practice in relation to Board and Committee responsibilities.

Overall effectiveness of induction:

Areas targeted for improvement during 2022

Employee engagement
A more detailed structure for employee engagement to be agreed

Governance review
Review of the Risk Committee to be undertaken to confirm whether its function remains appropriate

Informal Board interactions
More informal engagement between Board members and senior management to be encouraged

Periodic monitoring
A matrix of items for review by the Board at the half year to be prepared

Board evaluation and effectiveness

In accordance with Code Provision 21, which outlines the requirement to conduct an external Board evaluation every three years, following the external evaluation in 2019 and internal evaluation during 2020, the Board conducted another internal evaluation during the financial year. This followed the same format as 2020 using an anonymous questionnaire, to allow all Directors to give honest feedback. The questionnaire focused on four different areas: Board Structure and Functionality, Board Meetings, Board Administration and Corporate Governance and Personal Effectiveness and Overall Board Effectiveness. In addition, it contained a section which specifically targeted those areas that had been focused on for improvement during 2021, to give the Board an indication of progress. Following this, the results were discussed between the Chairman and the Company Secretary in the first instance, and then shared with the Board at its December 2021 meeting.

The results showed that the Board remained collective in its opinion of its overall effectiveness, that it was operating efficiently and effectively, and Executive Directors' and Non-Executive Directors' views were largely aligned which was a positive outcome.

In addition to the full Board and Committee evaluations, a separate evaluation was conducted which assessed the quality and experience of the induction process for newly appointed Directors. Results of this evaluation showed the induction to be effective and the overall induction process was rated highly. The Chairman and Company Secretary continue to review the induction process and endeavour to make improvements wherever possible to ensure any newly onboarded Directors successfully integrate and prove effective at their role as quickly as possible. Further details on the structure of our board evaluation process are detailed below.

Board evaluation process

Stage 1. Evaluation design

Questionnaires for the Board and its Committees were developed by the Company Secretary in consultation with the Chairman. Questions were set having consideration for relevant recommendations from 2020, in addition to best practice and revised guidance such as the Code and the FRC Guidance on Board Effectiveness.

Stage 2. Evaluation process

Questionnaires were issued to Board members and responses were collated and draft reports which summarised the findings and included proposed recommendations for discussion, were prepared by the Company Secretary. These were then discussed with the Chairman.

Stage 3. Discussion and actions

The relevant report of anonymised findings was presented at the corresponding Board and Committee meetings between December and March. Through review and discussion, actions were agreed for implementation and monitoring as outlined opposite.

Annual General Meeting

The Company's Annual General Meeting (AGM) is scheduled to be held on 19 May 2022. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website.

The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chair of each of the Committees will be available to answer shareholders' questions at the AGM.

The notice of AGM will be sent out to shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via a Regulatory Information Service announcement and published on the Company's website.

Re-election of Directors

At the AGM, all Directors will retire and submit themselves for election or re-election. As a result of the Board evaluation exercise, as Chairman, I am satisfied that each Director continues to show the necessary level of commitment to their role and has sufficient time available to fulfil his or her duties, to justify their re-election. Joe Vorih and Matt Pullen will offer themselves for election at the 2022 AGM and for re-election annually thereafter.

Approved by the Board and signed on its behalf.

Ron Marsh
Chairman
15 March 2022

Nomination Committee Report

Letter from the Chair of the Nomination Committee

Ron Marsh
Chair of the Nomination Committee

2021 Key Achievements

Appointment of Joe Vorih as Chief Executive Officer

Appointment of Matt Pullen as Chief Operating Officer

Areas of Focus in 2022

Succession planning for Non-Executive Directors

Continuation of the development of succession plans, talent management and diversity in conjunction with the Chief People Officer

Dear Shareholder

I am delighted to present the Report of the Nomination Committee (the Committee) for 2021, reporting on the work of the Committee during the year, as well as its ongoing objectives and responsibilities.

The role of the Nomination Committee is to establish and maintain a process for appointing new Board members and to support the Board in fulfilling its overall duties. Given the numerous changes to the composition of the Board during 2021 and early 2022, it has been essential that the Committee has operated efficiently and effectively to enable the management of a successful recruitment and onboarding process; ensuring any appointed Executive Director not only has the necessary experience and skills to support the Company's strategic direction, but can also show an understanding of the Group's culture and purpose. With the implementation of the updated UK Corporate Governance Code (the Code) in 2018, the Committee's importance and prevalence in maintaining and promoting the culture of the Company has become more apparent, and this is one of the key ongoing considerations of the Committee as it implements its succession planning strategy.

During 2021, Martin Payne announced that he would be stepping down as Chief Executive Officer and from the Board after leading the Group for five years. As a result, and following a rigorous recruitment process, the Committee recommended to the Board that Joe Vorih be appointed as his successor and accordingly, Joe was appointed as Chief Executive Officer and a member of the Board on 28 February 2022. Martin Payne stepped down as Chief Executive Officer, following a period of handover with Mr Vorih. He remains an employee of the Company and is available to the Board in an advisory capacity until 20 May 2022.

During the year, the Committee also oversaw the successful recruitment of a new Chief Operating Officer (COO), Matt Pullen, who was appointed as COO and a member of the Board on 1 November 2021. This follows Glen Sabin's retirement from the Board and the Company on 1 November 2021. Glen remained available to the Board and Company until 31 December 2021 to facilitate an effective handover. Further details of the recruitment process for each of the new Board members are described in this Report.

The Committee is supported by a strong Secretariat function and has access to the Company Secretary at all times, ensuring it is kept up to date with all recommended guidance. The guidance issued by the Financial Reporting Council (FRC), as well as the Guidance on Board Effectiveness, Board Diversity and Effectiveness in FTSE 350 Companies, and the Code, recommend that Nomination Committees should look deeper into the Company to identify future leaders, adopting a wider outlook in identifying potential directors, as well as taking a more diversity-friendly approach to Board recruitment. The senior management succession plan was reviewed and updated at the Committee meeting in December 2021, ensuring developments and related guidance were incorporated into the future succession planning strategies of the Committee. In addition, the recruitment of the new executive role of Chief People Officer in 2021 has ensured an increased focus on recruitment processes and succession planning at a senior level and provided invaluable support to the Committee throughout these processes.

The Committee will continue to focus on ensuring that individual Directors and the Board as a whole have the necessary experience and skills to support the Company's strategic direction, as well as the Board's ability to successfully oversee its delivery of such strategy. Our considerations on these matters when making changes to the Board during the year are set out in more detail in this Report.

I will be available at the AGM to answer any questions about the work of the Committee.

Ron Marsh
Chair of the Nomination Committee
15 March 2022

Committee membership and meetings

The Committee comprises Ron Marsh (the Chairman), all the Non-Executive Directors, being Kevin Boyd, Mark Hammond, Louise Hardy, Lisa Scenna and Louise Brooke-Smith, and Joe Vorih (Chief Executive Officer). Clare Taylor (Chief People Officer), also attends the meetings by invitation. Accordingly, there are seven members. The Committee is chaired by the Board Chairman except when considering his own re-election.

In accordance with Code Provision 17, the majority of the Committee members were independent. The members of the Committee and details of their attendance at all Committee meetings are set out on page 70. Biographies of each member are shown on pages 62 and 63. Under the Committee's Terms of Reference, the Committee will normally meet not less than twice a year and at such other times as the Chairman shall require. The Committee held two scheduled formal meetings during the year under review and an additional three meetings to discuss and progress the appointment of the new Executive Directors. After each Committee meeting, the Chairman reports to the Board on the main items discussed, as well as reporting on the nature and content of its discussion, recommendations and action to be taken.

Role of the Committee

The Committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees; to give full consideration to succession planning of Directors and other senior executives; and to assist with the selection process for new Executive and Non-Executive Directors including the Chairman. The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in December 2021 to ensure they remain appropriate. The Terms of Reference can be found on the Company's website.

The Company Secretary acts as Secretary to the Committee. In accordance with its Terms of Reference, the Committee is required to:

- review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board;
- review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- identify the balance of skills, knowledge, diversity and experience on the Board;
- identify and nominate candidates to fill Board vacancies as and when they arise and recommend them for the approval of the Board;
- review the time commitment required from Non-Executive Directors;
- review the results of the Board performance evaluation process that relate to the composition of the Board and the Committee's own performance; and
- review and approve the Group's diversity policy and evaluate its effectiveness on a regular basis.

Governance

In accordance with Code Principle L, the Board and its Committees are required to be evaluated on an annual basis. Following an external evaluation in 2019, an internal evaluation of the performance of the Board and its Committees was conducted during 2021, focusing on how effectively members work together to achieve objectives. Appointments to the Board are subject to formal, rigorous and transparent procedures and include consideration, where appropriate, of comments and feedback from the annual evaluation of the Board. This was particularly relevant in the context of the recruitment of the two new Executive Directors during 2021.

At its meeting in December 2021, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to be operating effectively and efficiently, communicating as required with the Board in relation to matters within its remit, thereby assisting in the Board's decision making. Further details of the results of the Board evaluation can be found on page 72 of the Corporate Governance Report.

Diversity

Promoting diversity within the workplace continues to be a key item on the UK Corporate Governance agenda and the Committee welcomed the Hampton-Alexander Review which sought to improve Board and senior leadership diversity across FTSE 350 companies, as well as the FRC Board Diversity and Effectiveness in FTSE 350 Companies. The Company made good progress towards achieving the requirement of 33% women in its Executive Committee and direct reports thereto, having achieved the 33% requirement at Board level in 2019. The Company also has 26% female representation at senior management level, being the Executive Committee and its direct reports.

Gender Diversity* (%)

Board* (%)

Executive Committee and Direct Reports* (%)

*as reported in Hampton-Alexander

Nomination Committee Report continued

The Committee supports and encourages diversity in line with Principle J of the Code, acknowledging the advantages that come from having diverse viewpoints and the influence this can have on decision-making. It is the aim of the Committee to always consider the benefits that arise from a diverse Board when making Board appointments. The Company's recruitment and appointment strategy is based on the merits of the individual candidates, without bias towards age, gender, marital or family status, race, sexual orientation, religion or belief or any disability. Currently, three of the nine Directors are female, as well as the Company Secretary.

Diversity will continue to be a key consideration for the Committee into 2022 when assessing the composition of the Board and senior management, to ensure the continued development of a diverse pipeline for succession and to develop our policies and procedures to help integrate diversity into strategic decision-making. By continuing to embrace diversity, the Committee believes the Board and Group will better understand how differences in approach, background, mindset and experience amongst employees can benefit the Company and ultimately its stakeholders, in line with the Directors' s172 duties and commits to working towards the recommendations of the Parker Review to have at least one representation of ethnic minority on the Board by 2024. The Committee does not only consider board candidates from a top-down perspective, it also monitors the pipeline from the bottom up. This ensures diversity is on the hiring and promoting agenda at all levels of the organisation, to build board potential as well as building relationships externally with independent directors.

Whilst we continue to commit to making progress on diversity throughout the organisation, we recognise that further progress is still necessary in order to fulfil our overall diversity ambitions and as set out above, it is a priority for 2022 to achieve more in this area with our Chief People Officer.

Main activities during the year

During the year under review, the Committee carried out a process to recruit a new Chief Executive Officer. In addition, the Committee oversaw the recruitment process for Glen Sabin's successor, Matt Pullen, the newly appointed COO. The Committee also carried out its duties as listed above and has given particular focus to succession planning for both the Board members as well as senior executives.

As stated in the Corporate Governance Report, all of the Company's Directors will retire and each will offer themselves for election or re-election at the forthcoming AGM, in accordance with Code Provision 18.

The Chairman confirms that the Committee has considered the performance evaluation and the contribution and commitment of all Directors. The Chairman has confirmed to the Board that their performance and commitment is such that the Company should support their election or re-election, as appropriate. In addition, the Board evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time in order to discharge their responsibilities effectively, including attendance at Board and applicable Committee meetings as well as time needed to prepare for meetings, and other additional commitments that may arise during the usual course of business.

The Committee recognises the importance of the time commitment of each Director to shareholders, and this will therefore continue to be kept under review for all Directors during 2022. No Director was able to vote in respect of their own election/re-election when consideration was given to Director election/re-election at the AGM.

Information on the Directors' service agreements, shareholdings and share options is set out in the Directors' Remuneration Report on pages 105 to 116.

During the year, the Committee appointed Odgers Berndtson to assist in identifying potential candidates to succeed Martin Payne as Chief Executive Officer, and Russell Reynolds and Korn Ferry to assist in identifying potential candidates to succeed Glen Sabin as Chief Operating Officer. Odgers Berndtson and Russell Reynolds confirmed their independence on appointment and that they had no other connection with the Company or any individual Directors. Korn Ferry are the appointed advisers to the Remuneration Committee, but the work carried out in relation to the appointment of the COO was carried out by a team separate to the remuneration advisory team.

"

Diversity will continue to be a key consideration for the Committee into 2022.

Overall workforce who are female

25%

2020: 24%

Executive Director recruitment

The Committee conducted a robust recruitment process during the year for the recruitment of both the Chief Operating Officer, and Chief Executive Officer. Further detail on this process is outlined below.

Chief Operating Officer

In light of Glen Sabin's intended retirement from the Board in 2021, the Committee, following an arms length tender process, appointed Russell Reynolds to identify potential candidates for the Chief Operating Officer role.

Russell Reynolds undertook an extensive search process using the brief provided by the Committee, reviewed CVs and interviewed numerous internal and external candidates.

On the authority of the Committee, a sub-committee comprising Mr Payne, Ms Hardy and the Chairman were appointed to review the longlist of candidates. The merits of all candidates on the longlist were discussed in detail by Russell Reynolds and the sub-committee, including feedback from the interviews carried out by them.

Following this discussion, a shortlist of candidates was prepared by Russell Reynolds and these candidates, including two internal candidates, were interviewed by the sub-committee.

Following this process, the sub-committee recommended five candidates be interviewed by the Executive Directors and the other Committee members. The participants failed to reach a unanimous conclusion, and Korn Ferry was then appointed to start a second process.

A shortlist of four candidates was identified from the longlist compiled by Korn Ferry, who were interviewed by the members of the newly appointed sub-committee, comprising Mr Hammond, Ms Scenna and the Chairman. As a result, two preferred candidates were interviewed by the remaining Committee members and the Chief Financial Officer.

As a result, all Committee members agreed that Matt Pullen had the necessary attributes and skills that were being sought for the Chief Operating Officer role, and recommended his appointment to the Board.

Chief Executive Officer

In light of Martin Payne's intention to step down from the Board in 2022, the Committee, following an arms length tender process, appointed Odgers Berndtson to identify potential candidates for the Chief Executive Officer role.

Odgers Berndtson undertook an extensive search process using the brief provided by the Committee, reviewed CVs and interviewed numerous external candidates.

On the authority of the Committee, a sub-committee comprising the Chairman, Mr Hammond and Ms Scenna supported by the Chief People Officer, were appointed to review the longlist of candidates. The merits of all candidates on the longlist were discussed in detail by Odgers Berndtson and the sub-committee, including feedback from the interviews carried out by them.

Following this discussion, a shortlist of candidates was prepared by Odgers Berndtson and these five candidates were interviewed by the sub-committee and the Chief People Officer.

Following this process, the sub-committee recommended two candidates be interviewed by the Executive Directors, the other Committee members, the Chief Financial Officer and the Company Secretary.

As a result, all Committee members unanimously agreed that Joe Vorih had the necessary attributes and skills that were being sought for the Chief Executive Officer role and recommended his appointment to the Board.

Succession planning

A key activity of the Committee is to keep under review the Group's succession plans for members of the Board and senior managers across the Group over the short, medium and long term to ensure that the composition of the Board and senior management team remains appropriately balanced between new and innovative thinking and longer-term stability. Management training and development plans are provided to senior and middle management where appropriate in order to continue to develop a diverse pipeline of internal talent for the future.

In addition, the Committee considers emergency succession planning and is comfortable that a framework is in place should key management roles need to be covered on an interim basis. Board appointment criteria are considered automatically as part of the Committee's review of succession planning and matters of Director tenure are viewed on a case-by-case basis.

Tenure of Non-Executive Directors

Appointments to the Board are typically made for an initial term of three years and are ordinarily limited to three consecutive terms in office, subject to annual re-election by shareholders at the AGM.

By order of the Board.

Ron Marsh
Chair of the Nomination Committee
15 March 2022

Risk Committee Report

Letter from the Chair of the Risk Committee

Paul James
Chair of the Risk Committee

2021 Key Achievements

Creation and establishment of the Committee

Review and update of the Group's Risk Appetite

Further development of risk management reporting processes

Areas of Focus in 2022

Ongoing implementation of updated risk management processes

Continue to monitor and update principal risks and uncertainties and emerging risks where required

Continue to manage all Covid-19 related risks

Inclusion of TCFD disclosures in the context of climate-related risk

Dear Shareholder

I am pleased to present the first Report of the Risk Committee (the Committee) for the year ended 31 December 2021, which provides detail on the work of the Committee during the year, as well as its ongoing objectives and responsibilities.

As noted in the 2020 Annual Report and Accounts, following an Internal Audit conducted by Grant Thornton LLP (UK), changes were recommended to develop the risk reporting processes previously in place. Raising the profile of risk review and its management across the Group was one of these recommendations. It was therefore agreed by the Board that the creation of a dedicated Risk Committee would satisfy and improve the overall risk reporting culture of the Group, consolidating, standardising and cementing existing risk reporting processes.

The membership of the Committee comprises the Executive team, being the three Executive Directors, the Group Marketing and Strategy Director, the Chief People Officer and the Group Legal Counsel & Company Secretary. In accordance with its Terms of Reference, the Committee meets a minimum of twice a year. The Group Financial Controller is in attendance at all Committee meetings and divisional management and functional heads are invited to attend Committee meetings as and when required.

The requirement for the Audit Committee to review and monitor risk management systems no longer forms part of its duties and responsibilities, and the responsibility for monitoring and reviewing such systems has passed to the Risk Committee. The Committee has oversight of the Group risk profile and risk appetite as a whole and, unless required otherwise by regulation, carries out the duties below, reporting to the Board as appropriate:

- reviews, manages and agrees the risk appetite, tolerance and strategy of the Group;
- assists the Board in fulfilling its reporting responsibilities in the Annual Report for risk reporting, including:
  - the internal risk management and control systems in place,
  - principal risks and uncertainties,
  - emerging risks,
  - risk appetite and any respective stress testing; and
  - overseeing and implementing the Group's internal controls and risk management systems.

All proceedings of the Committee are reported formally to the Board by the Chair of the Committee, who reports on all matters within the Committee's remit, and recommendations are made to the Board where action or approval is required.

Despite the Committee being in its infancy, I am confident that its establishment further strengthens the Group's risk management structure, allowing more dedicated time and detailed consideration to be given to the various aspects of the risk management process and ensuring its continuing development across the Group. This will in turn enable specific areas of development to be targeted, further increasing the awareness across the Group of the importance of risk management.

Further detail of our considerations and the progress which has been made during the year on our risk management processes and structure are explained in more detail in this Report. Details of our principal risks and uncertainties as well as our emerging risks, can be found on pages 51 to 56.

I will be available at the AGM to answer any questions about the work of the Committee.

Paul James
Chair of the Risk Committee
15 March 2022

Committee membership and meetings

The Committee comprises Paul James, Joe Vorih, Matt Pullen, Martin Gisbourne (Strategy and Marketing Director), Clare Taylor (Chief People Officer) and Emma Versluys (Group Legal Counsel & Company Secretary). Key members of the Group Finance team are invited to attend all meetings, and Divisional Managing Directors and Finance Directors, as well as functional heads, are invited to attend and provide an update to the Committee on a rotational basis. Accordingly, there are six members.

Code Provision 25 requires risk management systems be either reviewed by the Audit Committee, a risk committee composed of independent Non-Executive Directors, or the Board. Although the Committee is comprised of Executive Directors and senior management rather than Non-Executive Directors, it reports on all its activities to the Board and the Board is required to approve any changes to the risk management structure across the Group. It was agreed that the Risk Committee composition would enable Committee meetings to be constructive and effective at reviewing and discussing the granular detail of risk across individual divisions and the Group as a whole, and that the appropriate oversight by the Board would be gained by the formal reporting process in place.

Under the Committee's Terms of Reference, it will normally meet not less than twice a year and at such other times as the Chairman shall require. The Committee held three scheduled meetings during the year under review. After each Committee meeting, the Chairman reported to the Board on the main items discussed, as well as reporting on the nature and content of its discussion, recommendations and action to be taken.

Role of the Committee

The Committee's main responsibilities are to ensure adequate and effective risk management systems and controls are in place across the Group on behalf of the Board, in accordance with Principle O, as well as ensuring that the Group is acting in accordance with its approved risk appetite. It advises the Board on its risk appetite, tolerance and strategy and provides recommendations to the Board on the effectiveness of the internal control environment. The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in January 2022 to ensure they remain appropriate. The Terms of Reference can be found on the Company's website.

The Assistant Company Secretary acts as Secretary to the Committee. In accordance with its Terms of Reference, the Committee is required to:

- monitor and review the effectiveness of the Company's risk management and internal control systems;
- review the Company's procedures to manage or mitigate principal risks and to identify emerging risks;
- assist in the Board's assessment of principal and emerging risks;
- review and assess the Company's risk appetite and associated stress testing;
- evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects;
- review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives; and
- advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

Governance

In accordance with the Code Principle L and Provision 21, the Board and its Committees are required to be evaluated on an annual basis. As the Committee was not established until partway through 2021, it was not included in the 2021 internal evaluation as it did not have sufficient history to allow a full assessment of its effectiveness and performance. The Committee will be included in the external evaluation to be carried out in 2022 and the results of this will be included in the 2022 Annual Report and Accounts.

Risk management process

The Board, with the support of the Committee, is responsible for ensuring that an effective risk management process is in place, that it is fit for purpose, and is effectively operated throughout the year. It is therefore imperative that the Committee ensures the Board has a clear view of the level of risk throughout the Group by taking both:

- a top-down view of the key risks: identifying, assessing and mitigating risk at a Group level which could prevent achievement of the Group strategy; and
- a bottom-up view of risks: identifying, assessing and mitigating risk at a business/operational level which may have an implication at business unit level but could also affect achievement of the Group strategy.

Each business unit applies a systematic risk management process in line with Group prescribed mandatory standards and is responsible for keeping and maintaining their own risk registers, whereby each risk is recorded and scored for both impact and probability, allowing the most significant risks to be identified/prioritised. Business units are required to formally review the risk register and risk profile (as a minimum by the business unit's Managing Director and Finance Director) at least twice a year.

Risk Committee Report continued

Risk management process continued

Board
- Overall responsibility for risk management and internal control
- Reviews and approves the risk appetite statement drafted by the Risk Committee
- Sets strategic objectives

Risk Committee
- Works alongside the Board to set the risk tolerance levels for the Group in drafting and maintaining the risk appetite statement
- Monitors and reviews the Group's risk register
- Identifies and evaluates Principal Risks and Uncertainties and emerging risks, and presents these to the Board for approval and inclusion in the Annual Report and Accounts, as well as ensuring they are appropriately managed

Audit Committee
- Monitors assurance and internal financial control arrangements
- Manages the external audit process and reviews the auditors' reports

Senior Management
- Maintain the Group's risk registers and implement the bottom-up approach review of risks
- Manage the Group's risk management procedures
- Monitor the operation and effectiveness of key controls, and report to the Risk Committee on a rotational basis
- Provide guidance and advice to employees in identifying risk and implementing mitigation plans

Risk registers must be submitted to Group Finance at least twice a year so that the Group risk register can be updated every six months. The Group risk register is the consolidation of all risks considered to be significant at Group Level. It is maintained by the Group Financial Controller and is reviewed and updated annually by the Committee.

Emerging risks are included as part of the reporting and monitoring process described above.

A robust assessment of the principal risks facing the Group is performed by Group Finance following the collation of the Group risk registers. This process identifies those risks that could threaten future performance and solvency or liquidity, as well as the Group's strategic objectives over the coming 12 months. The principal risks are then presented to the Committee and are reviewed, discussed and approved by its members prior to submission to the Board for final approval and inclusion in the Annual Report and Accounts. Principal risks are documented to include comprehensive overview of the key controls in place to mitigate the risk and the potential impact on strategic objectives and KPIs. Changes to those principal risks which are disclosed annually can only be made with approval from the Committee and the Board. Principal risks are presented to the Committee at least twice a year to ensure they are monitored on an ongoing basis. More detail on those risks which have been determined as the Group's principal risks and uncertainties can be found on pages 51 to 56.

As part of the above process, the Group also identifies, collates and assesses emerging risks, being those that could impact the business in the medium to long term. Emerging risks are discussed by the Committee at each meeting and are included in the annual submitting to the Board along with the principal risks and uncertainties for inclusion in the Annual Report and Accounts.

Following the Committee's reviews, the Committee confirms that it is satisfied that the Group's internal risk control and management procedures:

- operated effectively throughout the period; and
- are in accordance with the guidance contained within the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Key matters considered by the Committee during the year

Risk appetite, tolerance and strategy
- Submission of an updated Group risk appetite statement to the Board for review and approval
- Defined accepted tolerance levels for individual risk in accordance with the updated risk appetite statement
- Reviewed risks in the context of the overall strategic direction of the Group
- Reviewed and monitored updates from Divisional management about their principal and emerging risks, their approach to risk management, monitoring and mitigation to ensure each was aligned with the Group risk reporting structure

Internal risk controls and management systems
- Reviewed and approved principal risks and uncertainties, emerging risks and made any changes required, prior to submission to the Board
- Updated processes, forms and templates to implement consistent reporting processes across the Group
- Reviewed the Group's risk information and reporting procedures

Governance
- Establishment of the Committee and its reporting responsibilities to the Board
- Reviewed the alignment of any identified risks to Group strategy and remuneration policy
- Reviewed Terms of Reference and appropriate scheduling for 2022 meetings

By order of the Board.

Paul James
Chair of the Risk Committee
15 March 2022

Audit Committee Report

Letter from the Chair of the Audit Committee

Kevin Boyd
Chair of the Audit Committee

2021 Key Achievements

- Oversight of full year and interim audits
- Review of the draft 2020 Annual Report and Accounts and oversight of the external audit
- Review of the interim results
- Review and the recommendation of final dividend and reserves
- Review of the acquisitions and financial process onboarding of Adey, Nu-Heat and Plura

Areas of Focus in 2022

Planning for the external audit tender scheduled for 2023

Dear Shareholder

I am pleased to present the Report of the Audit Committee (the Committee) for 2021. Having served as Committee Chair since September 2020, this is my first full year as Committee Chair

The role of the Committee is to support the Board in fulfilling its governance responsibilities, ensuring that the interests of our stakeholders are *properly protected* (*particularly our* shareholders and customers) in relation to financial reporting. Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee, from its Non-Executive Directors, in accordance with the 2018 UK Corporate Governance Code (the Code) requirements and other FRC-related guidance.

The roles and responsibilities of the Committee have been reviewed and updated during the 2021 financial year following the creation of a standalone Risk Committee, and thus the assessment, monitoring and management of risk are discussed in the Risk Committee Report on pages 78 to 80 This change in governance structure results in the Audit Committee now focusing on the integrity of the Group's financial reporting practices, *internal controls*, and the quality of the internal and external audit processes, providing challenge to the decisions and judgements made by management. This separation of responsibilities has proved to be effective and we hope our shareholders recognise and are assured by this positive change in our governance structure. We will continue to keep our activities under review to ensure we comply with all applicable regulations and that we remain confident that the Company continues *to operate in a controlled and managed* way. The main responsibilities and activities of the Committee are detailed further in this Report.

Changes during 2021

2021 has continued to be a year of ongoing challenges and, as a result, the Committee was required to regularly consider such challenges and the financial and operational implications they presented. This Report outlines some of these considerations in more detail. Areas of focus included the impact of the supply chain constraints, raw material inflation and the resulting implications for the interim and full year financial statements as well as integration of the three acquisitions, *and the Group's financial reporting* processes. Despite such unprecedented events, the Committee and Board have faced these with resilience and dedication, reacting quickly and appropriately. The creation of the Risk Committee and therefore the change in the remit of the Audit Committee as a result, has been a key change in the governance structure of the Group. Further information in this regard is set out in the Risk Committee Report.

Annual Report 2021

As part of its responsibilities under its Terms of Reference, the Committee is required, on behalf of the Board to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. The judgements and factors the Committee considered when reviewing the 2021 Annual Report are outlined on page 84, as well as its conclusions in this regard.

Performance of the Committee

As a result of its work undertaken during the year and taking into account the feedback from the annual internal Board and Committee evaluation (further details are set out on page 73), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and *internal auditors. This Report outlines* some of the main activities of the Committee during the financial year.

I would like to thank my Committee colleagues for their work and support during the year, and I look forward to the future years ahead in this role as the Group continues to grow as the newly branded, 'Genuit Group'.

I will be available at the AGM to answer any questions about the work of the Committee.

Kevin Boyd
Chair of the Audit Committee
15 March 2022

Audit Committee Report continued

Agenda planning

Adequate planning for the content of the agenda for the Committee is imperative for its success and compliance. With the change in the Committee Terms of Reference during the financial year to remove the responsibility for managing and assessing risk, an updated review of the Committee agenda planning was conducted. Part of the usual agenda planning process is to analyse the Terms of Reference, breaking down the specific responsibilities and requirements of the Committee during the year and cross-referencing these with the events in the financial calendar of the Group. This offers assurance to the Board that the Committee is compliant with its Terms of Reference, but also that it discusses specific financial events at timely points during the financial year. The process is completed by the Secretary and any required updates to the Committee agendas implemented as required, and approved by the Committee Chair. A review is undertaken annually as part of the Terms of Reference review, to ensure that any changes made to the Terms are reflected in the same Committee agenda planning review.

Committee membership and meetings

The Committee comprises five Non-Executive Directors, being Kevin Boyd, Mark Hammond, Louise Hardy, Lisa Scenna and Louise Brooke-Smith. All Committee members are considered to be independent in accordance with the UK Corporate Governance Code.

In accordance with the requirements of Provision 24 of the Code, Kevin Boyd is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements.

The Committee as a whole has competence relevant to the sector in which the Group operates. The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings include the Committee members as well as, by invitation, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Group Financial Controller, the external auditor, Ernst & Young LLP and Grant Thornton UK LLP who provide internal audit services to the Group. The Company Secretary is also Secretary to the Committee.

The Committee held three formal meetings during the year. In accordance with best practice, the Committee met with the Ernst & Young LLP lead audit partner without executive management being present. The Committee also met with Grant Thornton UK LLP without executive management being present.

Role of the Committee

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website. The Terms of Reference have been reviewed during the year to reflect the creation of the Risk Committee and to ensure they remain appropriate and any relevant updates made accordingly.

The key responsibilities of the Committee are to:

- assist the Board with the discharge of its responsibilities in relation to internal and external audits;
- monitor and review the effectiveness of the Group's internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing significant financial reporting issues and judgements;
- where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- oversee the relationship with the external auditor including their appointment, reappointment and/or removal; approval of the scope of the annual audit, their remuneration and the terms of engagement; monitor and review their independence and objectivity, the effectiveness of the audit process and the extent of non-audit services performed; and
- report to the Board on how it has discharged its responsibilities.

Governance

In accordance with best practice, the effectiveness of the Committee was evaluated this year as part of the internal Board and Committee evaluation. This took the same format as the 2020 internal evaluation, as an anonymous questionnaire to encourage open feedback, ensuring the evaluation provided a valuable feedback mechanism for identifying concerns, improving effectiveness and highlighting areas for further improvement. An external evaluation was conducted in 2019, thus an externally facilitated evaluation is not due until 2022 in accordance with the Code.

At its meeting in March 2022, the Committee considered the results of the internal evaluation and concluded that it had found the Committee to be continuing to operate efficiently and effectively. All responses to the questionnaire showed that the Committee was unanimous in its view of the effectiveness of all functions of the Committee, which is particularly reassuring given the changeover in leadership of the Committee at the end of the 2020 financial year. This provides the Board with a high level of assurance that key issues are being dealt with appropriately.

Main activities during the year

As part of the process of working with the Board to carry out its responsibilities and to maximise its effectiveness, meetings of the Committee normally take place prior to the Board meetings, at which the Chair of the Committee provides an update to the Board.

Details of the areas focused on by the Committee are set out in the remainder of this Report.

Financial reporting

During the year, Committee meetings were held prior to the Board meetings to approve the Group's interim and final results announcements and to consider the financial reporting judgements made by management. These considerations are made through a review of the accounting papers and financial reports prepared by management and reports prepared by the Group's external auditor.

Fair, balanced and understandable

A key requirement of the financial statements is that they are fair, balanced and understandable. In reaching a judgement as to whether this is the case, the Annual Report and Accounts is reviewed and assessed by the Committee to ensure that the information being presented to shareholders is in such a way that allows them to accurately review and determine the position of the Group.

As part of this assessment, the Committee considers and reviews the disclosures and the processes and controls underlying its production and ensures that it correctly reflects the Company's performance in the reporting year in a clear and concise manner, as well as being consistent throughout. Further details on this process can be found in the Corporate Governance Report on page 70.

Following this assessment, the Committee concluded that in its opinion, the Annual Report and Accounts were appropriate and consistent and therefore enabled the Committee to report to the Board that it had determined that the Annual Report and Accounts is fair, balanced and understandable.

Viability statement

The viability statement is a longer-term view of the sustainability of the Company's proposed strategy and business model, considering wider economic and market developments as well as giving a clearer and broader view of solvency, liquidity and risk management. The Committee considered the current viability statement during the year and the current three-year period and remained of the opinion that this continued to be appropriate, taking into account the risk scenarios presented, the sensitivities for the impact of the combined risks, the reverse stress testing, and the available headroom after applying the sensitivities. The full statement can be found in the Directors' Report on page 86, which contains further detail on the process, assumptions and testing which underpin it.

Going concern

In determining whether the Group can continue to adopt the going concern basis, the Committee considers and reviews the Group's overall resources for the foreseeable future covering a period of at least 15 months. Following this review, the Committee agreed that the forecasts presented were reasonable, and therefore the Annual Report and Accounts have been prepared on a going concern basis. Our going concern statement for the Group can be found in the Directors' Report on page 86.

Audit Committee Report continued

Significant financial reporting risk, judgement and estimates

The significant financial reporting risk reviewed by the Committee in respect of the year under review was as follows:

- Revenue recognition and customer rebates – the Committee considered the operating effectiveness of controls surrounding revenue recognition and management's subjective assessment and recognition of customer rebate liabilities at the half year and year end.

The significant estimates reviewed by the Committee in respect of the year under review were as follows:

- Impairment of non-financial assets – the Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill, other intangible assets or property, plant and equipment required impairment for any of the business units. This included a review of the discount rate and growth factors used to calculate the discounted projected future cash flows, the sensitivity analysis applied, and the discounted projected future cash flows used to support the carrying amount of the goodwill.
- Contingent consideration – the Committee considered various reports prepared by management which assess the likelihood that targets will be achieved which trigger a liability to the previous owners of Plura, quantify the possible range of that liability, and how that liability should be calculated and disclosed in the consolidated financial statements.
- Detailed review of the Group's Cash Generating Units (CGUs) – it was agreed to consolidate these down to four Divisional CGUs, plus four further separate CGUs.
- Business combinations – the Committee considered whether amounts contingently payable to previous owners of the businesses acquired should be recognised as a remuneration cost in the income statement, or within total consideration that is allocated to the fair value of assets and liabilities included in the balance sheet.

Internal control and internal audit

Internal audit performs an integral role in the Group's governance structure and the Committee has reviewed and approved the scope of the rolling internal audit programme in relation to the Group's internal controls and procedures at each of the meetings held during the year. The Committee reviews and challenges the results and reports from Grant Thornton UK LLP, who carry out the internal audit work, and the adequacy of management's responses and proposed resolutions.

As reported in our 2020 Audit Committee Report, given the increased size of the Group and the extensive remit of the Committee, a separate risk committee was to be established during 2021 with responsibility for risk management on behalf of the Board. Details of how risk is assessed, managed and controlled as well as an outline of its purpose in the governance structure of the Group can be found in the Risk Committee Report on page 80. Details of the Group's principal risks and uncertainties and emerging risks can be found in the Strategic Report on page 51.

Other activities

Other activities undertaken by the Committee during the year included the following:

- consideration of the external audit plan and approval of the audit fee;
- consideration of the internal audit plan, internal audit reports and action tracker;
- consideration of the impact of new financial reporting standards and legislative requirements on the Group;
- received regular cyber security updates from the Group IS Director;
- approved the implementation of an external third-party whistleblowing hotline;
- review of the Committee's performance, effectiveness and constitution;
- review of the Group's tax strategy; and
- recommending the Report of the Audit Committee for approval by the Board.

External audit appointment

The Committee carefully considers the reappointment of the external auditor each year prior to making its recommendation to the Board. As part of this process, the Committee considers the independence of the external auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. Having reviewed the performance of Ernst & Young LLP in 2021, the Committee has decided to recommend to the Board that Ernst & Young LLP should be reappointed for the 2022 audit.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tender process. The lead audit partner was rotated in 2017 and the current lead audit partner will be rotated in 2022. In addition, the senior audit manager was rotated in 2019 following completion of the 2018 full-year audit. In accordance with the Code, the Competition and Markets Authority (CMA) Order and the EU Audit Directive, it is the Company's intention to put the audit out to tender at least every ten years from when the Company became subject to the rotation requirements. Accordingly, the Company plans to run a competitive tender process during 2023.

Effectiveness of the external audit process

The Committee operated a formal process for reviewing the effectiveness of Ernst & Young LLP during the year under review. This included:

1. An assessment of the lead audit partner and the audit team
2. A review of the audit approach, scope, determination of significant risk areas and materiality
3. The execution of the audit
4. Interaction with management and the Committee
5. The quality of any recommendation points
6. A review of independence, objectivity and scepticism

Ernst and Young LLP confirmed its independence in November 2021 and March 2022 as it presented to the Committee on its determination of independence, to enable the Committee to fully, and appropriately, assess its independence.

Following this review, the Committee concluded that the external auditor remained independent. As a result, and after considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that Ernst & Young LLP be reappointed as external auditor to the Group and a resolution to this effect will be proposed at the 2022 AGM.

Non-audit services

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the FRC. All non-audit services proposed to be performed by the external auditor must be pre-approved and sponsored by a senior executive with a detailed written recommendation including the nature and scope of the proposed service, the supplier selection process and criteria, the chosen supplier and selection rationale, the relationship of the individual within the external auditor to perform the proposed service with those undertaking the audit work, a fee estimate and the category of non-audit service, if relevant. In addition, the external auditor must provide a written statement of independence approved by the lead audit partner. All non-audit services proposed to be performed by the external auditor with a fee estimate in excess of £10,000 must also be pre-approved by the Committee. This policy and approach further enhances auditor objectivity and independence, and was reviewed by the Committee at its meeting in November 2021. There were no exceptions to this policy during 2021.

Fraud, whistleblowing and the UK Bribery Act

The Committee recognises the importance of effective whistleblowing policies as being an additional tool to strengthen governance, by ensuring a reliable system is in place to identify and correct any unlawful or unethical conduct. The Committee monitors any reported incidents under its whistleblowing policy, and the Company has implemented a third-party reporting provider to support the internal processes and to give employees the confidence to freely report concerns.

This policy is included in the Employee Handbook as well as being accessible as a standalone policy, and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- something that could be unlawful;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- damage to the environment; and
- improper conduct.

There were no incidents during the year which were required to be brought to the attention of the Committee.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation, and policies are in place across the Group to which all employees must adhere and are aimed at reducing the risk of fraud occurring. The Group is committed to a zero-tolerance position with regard to bribery. Those employees whom the Group considers are more likely to be exposed to potential breaches of the Group's anti-bribery policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group will continue to maintain a record of all employees who have received this guidance and request annual confirmations from each relevant individual stating that they have complied with the Group's policy.

By order of the Board

Kevin Boyd
Chair of the Audit Committee
15 March 2022

Implementation of the Whistleblowing Policy and reporting process

Committed to maintaining the highest standards of honesty, openness and accountability, activity was undertaken during 2021 to source a reputable, independent and confidential reporting service to enhance whistleblowing procedures. Following the appointment of Safecall, the Group undertook a full review of its policy and procedures and organised a roll out procedure with Safecall's experienced input; jointly designing the reporting landing page and strong messaging. It was important the independent service supported the diversity of our workforce by providing a reporting tool in various languages and availability across different time zones. Paramount to a successful roll out was the clarity around messaging and accessibility to supporting materials. The launch consisted of a full poster campaign in prominent places around all our businesses to connect with contractors, employees and workers, updates to our policy and individual wallet cards and FAQs being issued to each employee. Messaging was reinforced through works committees and toolbox talks. Now in our third and final phase, to continue to reinforce our commitment to education and understanding around the importance of Whistleblowing, the Group's e-learning module has been updated to align to the new policy design, with a mandatory completion target applied and monitored by the Committee.

Directors' Report

Statutory and other information

Introduction

The Directors present their Annual Report and Accounts for the year ended 31 December 2021. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the Reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and with the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 6 to 56) as the Board considers them to be of strategic importance.

The Company

Genuit Group plc is a public company limited by shares, incorporated in England and Wales, with registered number 06059130. Since 16 April 2014, the Company has been listed on the premium segment of the London Stock Exchange. While the Group operates predominantly in the UK, it does have operations in Ireland, Italy, the Netherlands and the Middle East.

Strategic Report

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 6 to 56. The principal activities of the Group are described in the Strategic Report on pages 12 to 39

Financial risk management

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 28 to the Group's consolidated financial statements on pages 157 to 159.

Viability statement

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than the 15 months required by the 'going concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period.

During 2021, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

In their assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties, including a combined scenario which reflects the impact of multiple risks, detailed on pages 51 to 56 of the Strategic Report. The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook In making this assessment, the Board has assumed that the Revolving Credit Facility (RCF) expiring in November 2023 will be extended or replaced with an equivalent facility.

Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2024, being the period considered under the Group's current three-year strategic plan.

Going concern statement

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 18 months ending 30 June 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 Group's going concern

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 are available until at least November 2023, subject to covenant headroom. 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 Group has adequate financial resources to continue in operational existence for a period of at least the next 15 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Directors

The current Directors' biographies are set out on pages 62 and 63. In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company. Joe Vorih joined the Board on 28 February 2022 and Matt Pullen joined the Board on 1 November 2021, so both will offer themselves for election at the 2022 AGM, and for re-election annually thereafter.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the Articles). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at the first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board will seek re-election annually in accordance with the Code.

Details of the Non-Executive Directors' letters of appointment are given on page 68 under 'Appointment and tenure'. The Executive Directors have service contracts under which 12 months' notice is required by both the Company and the Executive Director.

Powers of Directors

The general powers of the Directors set out in Article 104 of the Articles provide that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles. The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on page 103.

Directors' indemnity arrangements

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate Company, to the extent the law allows. In this regard, the Company is required to disclose that, under Article 224 of the Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity has been in place since the Company's listing in 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

Share capital

As at 31 December 2021, the share capital of the Company was 248,170,247 ordinary shares of £0.001 each, of which 965 ordinary shares were held in treasury. Details of the Company's share capital are disclosed in Note 23 to the Group's consolidated financial statements on pages 152 and 153. As at 15 March 2022, the share capital of the Company was 248,170,247 ordinary shares of £0.001 each, of which 965 ordinary shares were held in treasury.

Authority of the Directors to allot shares

The Company passed a resolution at the AGM held on 20 May 2021 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £164,779.51 (representing approximately two-thirds of the ordinary share capital). On 4 May 2021, the Company allotted 500,000 shares and on 19 October 2021 allotted a further 500,000 shares pursuant to this authority in connection with the Company's employee share schemes. This authority will expire at the Company's 2022 AGM and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

Issue of shares

A special resolution was passed at the AGM held on 20 May 2021 granting the Directors the authority to issue shares on a non-pre-emptive basis up to an aggregate nominal amount of £12,358.46 (representing 12,358,460 ordinary shares or approximately 5% of the ordinary share capital). A special resolution was also passed granting the Directors the authority to issue shares on a non-pre-emptive basis in respect of an additional 5% of the ordinary share capital in connection with an acquisition or specified capital investment.

These authorities will expire at the Company's 2022 AGM and the Directors will be seeking a new authority to issue shares for cash on a non-pre-emptive basis up to £165,446.19. In addition to this, the Directors will seek authority to issue non-pre-emptively for cash shares up to £12,408.46 (representing 12,408,464 ordinary shares or approximately 5% of the ordinary share capital) for use only in connection with an acquisition or specified capital investment, in accordance with the Pre-Emption Group Statement of Principles as updated in March 2015.

Directors' Report continued

Purchase of own shares by the Company

A special resolution was passed at the AGM held on 20 May 2021 granting the Directors the authority to make market purchases of up to 37,050,675 ordinary shares with a total nominal value of £37,050.67, representing approximately 14.99% of the Company's issued ordinary share capital. The authority to make market purchases will expire at the Company's 2022 AGM and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. Further details are set out in the explanatory notes of the notice convening the AGM.

Rights attaching to shares

The rights attaching to the ordinary shares are summarised as:

- the ordinary shares rank equally for voting purposes;
- on a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- each ordinary share ranks equally for any dividend declared;
- each ordinary share ranks equally for any distributions made on a winding-up of the Company;
- each ordinary share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves;
- the ordinary shares are freely transferable; and
- no ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

Amendment to the Company's Articles

The Company may alter its Articles by special resolution passed at a general meeting of the Company. A resolution to amend the Articles was voted on and passed by shareholders at the 2020 AGM.

Political donations

The Group made no political donations during the year.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Strategic Report on pages 31 to 32 and forms part of this Report by reference.

Future developments within the Group

The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 142.

Overseas operations

As explained in the Strategic Report, the Group operates in the UK, Ireland, Italy, the Netherlands and the Middle East.

Post balance sheet events

There have been no significant post balance sheet events to report.

Principal risks and uncertainties

The Board has carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 51 to 56.

Results and dividends

An interim dividend of 4.0 pence per share was paid on 24 September 2021. The Board recommends a final 2021 dividend of 8.2 pence per share. Shareholders will be asked to approve the final dividend at the AGM, for payment on 25 May 2022 to shareholders whose names appear on the register on 22 April 2022.

Total ordinary dividends paid and proposed for the year amount to 12.2 pence per share or a total return to shareholders of £30.2m.

Employees

The Group is committed to employment principles which not only follow best practice, but are based on equal opportunities for all colleagues, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group encourages and supports the continued employment and training, career development and promotion of disabled persons employed by the Group; including making reasonable adjustments where required. If any employee becomes disabled, every effort is made by the Group to support and ensure their continued employment, either in the same or an alternative position, with appropriate retraining given if necessary.

Substantial shareholders

As at 31 December 2021 and 9 March 2022, the Company was aware of the interests in voting rights representing 3% or more of the issued ordinary share capital of the Company set out below. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

	As at 31 December 2021		As at 9 March 2022	
Name of shareholder	Ordinary shares	% Voting rights	**Ordinary shares**	**% Voting rights**
Standard Life Aberdeen	20,934,963	8.44	**20,588,069**	**8.30**
Impax Asset Mgt	16,297,219	6.57	**16,297,219**	**6.57**
Lansdowne Partners	11,547,297	4.65	**11,424,402**	**4.60**
Franklin Templeton	8,891,699	3.58	**9,697,699**	**3.91**
Vanguard Group	7,513,798	3.03	**7,728,462**	**3.11**

Auditor

A resolution to reappoint Ernst & Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2022 AGM.

Directors' statement of disclosure of information to auditor

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.

Requirements of the Listing Rules

Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3.R, which is disclosed in the Directors' Remuneration Report on pages 105 to 116, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

Annual General Meeting

The 2022 AGM is scheduled to be held on 19 May 2022. A full description of the business to be conducted at the meeting is set out in the separate notice of AGM.

By order of the Board.

EVersluys

Emma Versluys
Company Secretary
15 March 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable 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 Group's consolidated financial statements in accordance with UK-Adopted International Accounting Standards (IFRSs).

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

In preparing the Group's consolidated financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether IFRSs have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements; and
- prepare the Group's consolidated financial statements on the going concern basis unless it is appropriate to presume that the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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 Strategic Report, Directors' Report, Remuneration Report and Corporate Governance Statement that comply 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.

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- the Group's consolidated financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and undertakings included in the consolidation taken as a whole;
- the Annual Report and Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

By order of the Board

Joe Vorih
Chief Executive Officer

Paul James
Chief Financial Officer
15 March 2022

Remuneration

Letter from the Chair of the Remuneration Committee

Louise Hardy
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

The report is split into two sections in line with legislative reporting regulations:

- The Remuneration Policy (the Policy) contains details of the various components of the Policy, which was approved by shareholders at our 2021 Annual General Meeting (AGM) and had effect from that date
- The Annual Report on Remuneration contains details of remuneration received by Directors in 2021 and also contains full details of how we intend to implement the updated Remuneration Policy during 2022. The Annual Report on Remuneration will be subject to an advisory vote at the 2022 AGM. Further details are set out on pages 97 to 104.

This Directors' Remuneration Report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the UK Listing Authority Listing Rules and the Companies Act 2006 and has been prepared on a 'comply or explain' basis with regard to the remuneration provisions included in the UK Corporate Governance Code 2018 (the Code).

Aligning remuneration with Company strategy

The Policy is designed to encourage achievement of our strategic goals and priorities, details of which are set out on pages 12 to 39, by rewarding in line with underlying Company performance while encouraging leadership behaviour which carries an appropriate level of risk. This is achieved by an annual bonus arrangement, which is linked to achieving profit targets, working capital targets and non-financial targets, as well as a long-term incentive plan, which only rewards for shareholder value creation and delivery of long-term earnings growth.

Executive remuneration in 2021

The Company has delivered a resilient performance and returns for its shareholders in tough market conditions, as set out in the Chairman/ Chief Executive Officer (CEO) and Chief Financial Officer (CFO) reviews on pages 6 and 45 in more detail, and we achieved an underlying operating profit of £95.3m and an underlying diluted earnings per share of 30.2 pence per share.

In relation to the Annual Bonus Plan for Executive Directors, performance was above the challenging financial targets set at the start of the financial year. As a result, the Committee determined that, in respect of 2021 performance, the CEO during the year, Martin Payne, earned a bonus of 93% of the maximum, with Paul James, Glen Sabin (Chief Operating Officer (COO) until 1 November 2021) and Matt Pullen (for the period from his appointment as COO on 1 November 2021) each also earning a bonus of 93% of the maximum potential annual bonus. In accordance with the approved Policy, two thirds of this bonus will be deferred into shares. The same approach was used to determine the bonus outcome across the Group. The Committee is comfortable that the formulaic outcome of the bonus reflects the wider performance of the business, and given the Company did not receive any Government support in connection with Covid-19 during the year, no adjustments to the payouts are required.

With regards to performance over the longer term, the 2019 LTIP Awards will vest to the extent that EPS growth and Total Shareholder Return (TSR) performance targets were met over the three years ended 31 December 2021. As a result of delivering on upper quartile total shareholder return compared against our FTSE 250 industrials comparator group, but the annualised growth in EPS not reaching the threshold level, the award will vest in April 2022 at 25% of maximum.

The Committee believes that the vesting of the 2019 LTIP Award is appropriate on the basis of the sustained performance delivered over the three-year performance period. No adjustments were made to the performance conditions in light of Covid-19 with the Company delivering a three-year TSR of 85.56% versus the upper quartile TSR generated by the companies comprising the FTSE 250 Industrials segment which was 75.59%. In light of the level of TSR created over the three-year period, the Committee was comfortable with the vesting result and considers the level of reward to be proportionate, having had regard to the Company's broad range of stakeholders.

The Committee believes that the Policy has operated as intended and that remuneration within the year was proportionate and appropriate.

2021 LTIP Awards

In May 2021, the Committee approved the grant of LTIP awards to the Executive Directors and other senior management. Award levels were 150% of annual salary for Martin Payne, and 125% of annual salary for Paul James and Glen Sabin. These award levels are significantly below the maximum of 200% of annual salary permitted under the current Policy.

The Committee considered a number of possible performance measures, and concluded that it was appropriate that a combination of stretching earnings per share (EPS) growth targets, a relative Total Shareholder Return (TSR) measure, and for the first time, sustainability targets aligned with the key elements of Genuit Group's sustainability strategy, provided an appropriate basis for rewarding the successful delivery of longer-term strategic priorities, Company growth and shareholder value.

Board changes

There were a number of changes to the Board announced during 2021. The Board reached an agreement with Martin Payne that he would step down from the Board and his role as CEO following the appointment of a successor. In the context of his departure having been mutually agreed, he will continue to receive his contractual entitlements through to his cessation of employment on 20 May 2022 and will be treated as a good leaver in connection with his incentives. In addition, Glen Sabin retired from his position on the Board as COO on 1 November 2021 with his employment ceasing on 31 December 2021. In the context of his retirement from the Board, he will be treated as a good leaver in connection with his incentives. Both departing Directors will remain subject to the Company's post-cessation of employment share ownership guidelines. Page 113 provides further details of the terms of their cessation of employment.

Joe Vorih was appointed as CEO with effect from 28 February 2022. He was recruited on a base salary of £560,000. When setting his salary, the Committee considered a number of factors which included: (i) his previous package at Spectris; (ii) our discussions during our 2021 Remuneration Policy review about repositioning the CEO's salary to better reflect the current size and complexity of the Company, which has increased substantially relative to remuneration levels since our IPO in 2014; and (iii) the current market rate for the role. Setting his salary at £560,000 ensured that, allowing for a cost of living related increase in line with the typical rate of increase across the Group for FY 2022, he was broadly kept whole on a post-tax income basis given that his salary was set to reflect his international status at Spectris (being a US National working in the UK).

Setting the salary at £560,000 was marginally higher than the increase in salary discussed with our institutional investors as part of the repositioning of our previous CEO's remuneration during our 2021 Remuneration Policy review process. Our original intent, as outlined in our 2021 Remuneration Report, had been to increase the salary for the role of CEO by circa 10% (prior to any adjustment for increases to the wider workforce for FY 2022), however the Committee was comfortable setting the salary at £560,000 on the basis that, allowing for a cost of living related increase in line with the typical rate of increase across the Group for FY 2022, this kept Joe whole from a net salary position, and £560,000 was within the market range for the role based on an updated market analysis considered by the Committee. Noting the salary is at market, the Committee intends to limit salary increases to the workforce rate during the current Policy period. Further details, including setting his pension in line with the workforce rate and limiting compensation for forfeit awards in Spectris to the value he would have received in remaining in employment with them, are set out on page 109. All other elements of remuneration are in line with our standard Policy.

The Board also announced the appointment of Matt Pullen as COO with effect from 1 November 2021. Matt Pullen's salary was set at £330,000 on appointment. This is a c.9% increase in salary compared to the former COO's base salary, which mirrors the rate of increase indicated for the role of COO during our discussions with investors during our 2021 Remuneration Policy review work. He received a 3% increase for FY 2022 in line with the typical workforce increase. Further details, including setting his pension in line with the workforce rate, and limiting compensation to that forfeited on leaving Saint Gobain to the value he would have received in remaining in employment with them, are set out on page 109. All other elements of remuneration are in line with our standard Policy. In 2021, Matt Pullen was eligible to receive a performance-related bonus prorated for the period of his employment. The performance was calculated in line with the other Executive Directors and, as a result, Matt received a bonus of £63,975.

Letter from the Chair of the Remuneration Committee continued

Key remuneration decisions for 2022

The implementation of the Policy for our Executive Directors for 2022 is outlined on pages 106 to 109. Key decisions made by the Committee in relation to 2022 include:

- The award of a 3% salary increase for Martin Payne and Matt Pullen, with effect from 1 January 2022, which is consistent with the average increase awarded to the Group's UK workforce for 2022.
- From 1 January 2022, the CFO's base salary increased by 10.56% from £307,509 to £340,000. This increase is consistent with the rate of increase detailed to institutional investors during the Policy review process and noted in the 2021 Remuneration Report. The increase repositions his fixed remuneration to take account of the growth in size and complexity of Genuit and reflects the Committee's view of an appropriate base salary for the role.
- Whilst market data was considered, the increase was set to reflect the Committee's view of how much more complex the role has become as a result of the growth of the Company, at the same time as ensuring appropriate relativities are achieved internally.
- Maximum bonus potential and the LTIP award level in 2022 will be 150% of salary for Joe Vorih, consistent with the incentive opportunity for the previous CEO during 2021. Maximum bonus potential for the other Executive Directors will remain at 125% of salary, whilst the maximum LTIP award level will increase to 150% (from 125%). This increase is the second and final step of the phased increases outlined in our 2021 Remuneration Policy, reflecting the growth in size and complexity of Genuit over the period since IPO in 2014.
- The performance measures to be used to assess Company annual performance in 2022 will include Group underlying EBIT, Group EBIT margin and working capital measures which determine 90% of the annual bonus. Structured health and safety and customer service targets will operate for the remaining 10%.
- In line with the weightings and measures for the 2021 LTIP, the proportion of the LTIP subject to underlying diluted EPS will be set at 50% of the 2022 awards, with TSR determining 25% of the vesting of the awards and the remaining 25% subject to defined and measurable long-term sustainability targets.
- The Committee intends to undertake a final review of the range of targets to apply to the 2022 LTIP awards prior to grant to ensure that any changes to the external environment can be taken into account. The current intention is that the underlying diluted EPS targets will require EPS to be at least 31.5 pence for FY 2024 for threshold vesting to take place, with maximum vesting requiring EPS to be at least 37.3 pence. The TSR targets will require our performance to be between median and upper quartile versus our FTSE 250 Industrial comparator companies for threshold to maximum vesting to take place.
- The sustainability targets are set to be similarly challenging to the EPS and TSR targets and include increasing the amount of recycled plastics in our products, reducing our emissions intensity and achieving membership of The 5% Club which supports employees with acquiring the right skills to achieve future success.
- The sustainability targets directly align with the 2025 targets first set out to the market at our Capital Markets Event in November 2020. Overall, the targets were set after having regard to the proposed quantum of award and both internal planning and external market expectations for our future performance so as to strike an appropriate balance between being realistic and meaningful for participants at the lower end of the range and providing a stretch at the top end of the range.

The Committee believes that this combination of short-term and longer-term metrics and targets will provide a fair and rounded assessment of Company performance.

> **"The sustainability targets within our LTIP directly align with the 2025 targets first set out at the Capital Markets Event in November 2020.**

Shareholder engagement

Prior to determining the implementation of the Policy for 2022, we engaged with our shareholders. This was deemed appropriate as, during the year we have announced a number of changes to our executive leadership team, with the appointment of both a new CEO and COO. We asked shareholders to provide feedback on the increase in salary for the CFO, the joining arrangements for Matt Pullen and Joe Vorih and the leaving arrangements for the departing Executives, as well as the broader application of the Policy in 2022. Further explanation and context regarding the remuneration terms for the new and departing Executive Directors was provided to a small number of investors that requested further information, and as at the date of this report, we are pleased to report that those shareholders that have responded were generally supportive, with limited concerns being raised.

Context of Director pay within the Company

During the year, the Committee reviewed the analysis of the overall gender pay gap and equity of role-based pay within the Company. The Board and the Committee were satisfied appropriate actions were being taken and will continue to monitor the situation going forward.

As required by legislation we have included pay ratios between the CEO and our wider workforce using remuneration earned in 2021. As part of its discussions on this issue, the Committee noted that the ratio was consistent with the scope and responsibilities of the different roles undertaken by the individuals included in the analysis and that the ratios were within the range disclosed by other FTSE 250 companies to date.

Louise Brooke-Smith is the Company's appointed Non-Executive Director with responsibility for employee engagement which includes, where appropriate, engagement with employees on how executive remuneration aligns with wider Company pay policy. Given that the remuneration structures were not raised as a material issue during the engagement with employees, it was not considered necessary to make any changes to the current remuneration structures. Reference to the wider disclosures of this role is set out in the Governance section of this Annual Report on page 67. We have set out our compliance with Provision 40 of the Code in more detail on page 97.

I will be available to answer questions on the Policy and the Annual Report on Remuneration at the AGM.

I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolution relating to remuneration at the AGM.

Louise Hardy
Chair of the Remuneration Committee
15 March 2022

Remuneration at a Glance

Total Remuneration

Full details are disclosed on page 110

Incentive Performance Snapshot 2021

Long-Term Incentive Plan Performance

Performance	Achievement (% of max)
72.79p three-year cumulative underlying diluted EPS	0%
Above upper quartile TSR performance relative to comparator group	100%

Annual bonus

Performance	Achievement (% of max)
Underlying EBIT and working capital targets achieved in full H&S target partly achieved Customer service target not achieved	93%

Incentive Timelines

Annual General Meeting

The Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM scheduled to be held on 19 May 2022

Implementation for 2022

Fixed pay

Base salary
Increases for all Executive Directors (effective from 1 January):
Joe Vorih – £560,000 (from 28 February 2022)
Martin Payne – +3% to £496,582
Paul James – +10.56% to £340,000
Matt Pullen – +3% to £339,900

Benefits
No change

Pension
- 15% of salary for Martin Payne and Paul James
- 5% of salary for Joe Vorih and Matt Pullen

Variable pay

Bonus
Joe Vorih* – 150% of salary
Martin Payne* – 150% of salary
Paul James – 125% of salary
Matt Pullen – 125% of salary

* pro-rated for the period of employment

- Subject to underlying EBIT, EBIT margin, working capital, H&S and customer service targets
- 33% deferred into shares. Half the shares vest two years from grant and half three years from grant

LTIP
Joe Vorih – 150% of salary
Paul James – 150% of salary
Matt Pullen – 150% of salary
- Awards subject to underlying diluted EPS, relative TSR and sustainability performance measures
- Two year post-vesting holding period applies

Share Ownership
- 200% of salary in employment share ownership guideline and a post-employment requirement to retain the lower of the shares held at cessation of employment and 200% of salary for two years

Remuneration Policy

This part of the Report sets out the Directors' Remuneration Policy (the Policy).

Genuit Group's current Policy was approved by shareholders at the 2021 AGM following consultation with shareholders and the shareholder advisory bodies. This part of the Report sets out the Policy. Details of the changes to the previous policy can be found in the 2020 Annual Report and Accounts. This Policy applied from the date of approval and it is intended that it will apply for three years from approval. The information provided in this section of the Directors' Remuneration Report is not subject to audit.

Our Policy and practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to Company purpose and values, especially with the introduction of greater emphasis on health and safety, customer service and sustainability in the application of Policy from 2021, and our overall Policy is clearly linked to the successful delivery of the Company's long-term strategy.

Corporate Governance Code Requirements

In line with the UK Corporate Governance Code, the Policy has been tested against the six factors listed in Provision 40 of the Code as follows:

Clarity

The Policy is clearly disclosed on pages 97 to 104 and the implementation of the Policy is set out on pages 106 to 109. The Report is set out in a clear and straightforward manner.

Simplicity

Remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to Group performance and strategy.

Risk

The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile. In addition, the Policy has been shaped to discourage inappropriate risk taking through a weighting of incentive pay towards long-term incentives, the balance between financial and non-financial measures in the annual bonus and bonus deferral, recovery provisions, and shareholding requirements. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.

Predictability

Elements of the Policy are subject to caps and dilution limits. Examples of how remuneration varies depending on performance is set out in the scenario charts. Any incentive payout is ultimately at the discretion of the Committee.

Proportionality

There is an equal balance between short-term and long-term incentives and performance conditions include both financial and non-financial performance linked to strategy. Incentive targets are set to be stretching and incentivising.

Alignment to culture

The Policy rewards for supporting the Company's growth focused culture, in a way that focuses on health and safety, customers and sustainability.

Remuneration Policy continued

Executive Directors

Fixed Pay	
Base Salary	
Purpose and link to strategy	To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.

Operation	Generally reviewed annually with any increase normally taking effect from 1 January, although the Committee may award increases at other times of the year if it considers it appropriate.
	• The review takes into consideration a number of factors, including (but not limited to):
	  • The individual Director's role, experience and performance.
	  • Business performance.
	  • Market data for comparable roles in appropriate pay comparators.
	  • Pay and conditions elsewhere in the Group.

Maximum opportunity	No absolute maximum has been set for Executive Director base salaries. Current Executive Director salaries are set out in the Annual Report on Remuneration section of this Remuneration Report. Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles: • Salaries would typically be increased at a rate consistent with the average salary increase for UK employees. • Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group). • Larger increases may also be considered appropriate if a Director has been initially appointed to their position on the Board at a lower than typical salary.
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply.
Benefits	
Purpose and link to strategy	To provide market-competitive benefits.
Operation	Benefits currently include company car (or car allowance), income protection insurance, private family medical insurance, permanent health insurance and life assurance of four times annual salary. The Committee has discretion to add to or remove benefits provided to Executive Directors Executive Directors are entitled to reimbursement of reasonable expenses. Executive Directors also have the benefit of a qualifying third-party indemnity from the Company as well as Directors' and Officers' liability insurance.
Maximum opportunity	There is no overall maximum as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role.
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply.
Pension	
Purpose and link to strategy	To provide market-competitive retirement benefits.
Operation	Current policy is for the Company to contribute to the Group Pension Plan, a personal pension scheme and/or provide a cash allowance in lieu of pension.
Maximum opportunity	New joiners will receive a pension-related contribution in line with the wider workforce (currently 5% of salary). Incumbent Executive Directors will receive a pension-related contribution of 15% of salary, reducing to the level of the wider workforce with effect from 31 December 2022 (5% of salary).
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply

Variable Pay	
Annual Bonus[2][3]	
Purpose and link to strategy	To link reward to key financial and operational targets for the forthcoming year. Additional alignment with shareholders' interests through the operation of bonus deferral.
Operation	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure that bonus opportunity, performance measures and targets are appropriate and supportive of the business plan. No more than two thirds of an Executive Director's annual bonus is delivered in cash following the release of audited results and the remaining amount is deferred into an award over Company shares under the Deferred Share Bonus Plan. • Deferred awards are usually granted in the form of conditional share awards or nil-cost options (and may also be settled in cash). • Deferred awards usually vest in two equal tranches two and three years after award although may vest early on leaving employment or on a change of control (see later sections). • An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).
Maximum opportunity	The maximum award that can be made to an Executive Director under the annual bonus plan is 150% of salary for the Chief Executive Officer and 125% of salary for other Executive Directors.
Performance conditions and provisions for recovery of sums paid[1]	The bonus is based on performance assessed over one year using appropriate financial, operational and individual performance measures. The majority of the bonus will be determined by measures of Group financial performance. A sliding scale of targets is set for each Group financial measure with payout at no more than 25% for threshold financial performance increasing to 100% for maximum performance. The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Executive Director. Details of the bonus measures operating each year will be included in the relevant Annual Report on Remuneration. The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan. Any bonus payout is ultimately at the discretion of the Committee. The cash bonus will be subject to recovery and/or deferred shares will be subject to withholding at the Committee's discretion in exceptional circumstances where, within three years of the bonus determination or before the vesting of each tranche of deferred shares, a material misstatement or miscalculation comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.
Long-Term Incentive Plan (LTIP)[3][4]	
Purpose and link to strategy	To link reward to key strategic and business targets for the longer term and to align Executive Directors' interests with shareholders' interests.
Operation	Awards are usually granted annually under the LTIP to selected senior executives. Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Committee. Awards may be granted as conditional awards of shares, nil-cost options or, if appropriate, as cash-settled equivalents. Awards normally vest or become exercisable at the end of a period of at least three years following grant although may vest early on leaving employment or on a change of control (see later sections). Awards to Executive Directors that vest are subject to a two-year holding period (other than in exceptional circumstances such as death) An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).
Maximum opportunity	The maximum annual award permitted under the LTIP is shares with a market value (as determined by the Committee) of 200% of salary. Under the 2021 Remuneration Policy, for incumbent Directors, awards will be limited to 150% of salary. Each year the Committee determines the actual award level for individual senior executives within this limit.
Performance conditions and provisions for recovery of sums paid[1]	All LTIP awards granted to Executive Directors must be subject to a performance condition. Vesting of Executive Directors' LTIP awards would be dependent on measures which could include Group earnings, return on capital employed, total shareholder return and sustainability, with the precise measures and weighting of the measures determined by the Committee ahead of each award. Performance will usually be measured over a performance period of at least three years. For achieving a 'threshold' level of performance against a performance measure, no more than 25% of the portion of the LTIP award determined by that measure will vest. Vesting then increases on a sliding scale to 100% for achieving a maximum performance target. The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP. LTIP awards may be subject to withholding or recovery at the Committee's discretion in exceptional circumstances where, before the later of the vesting of an award and the second anniversary of the end of the performance period, a material misstatement or miscalculation comes to light, or evidence comes to light that during that performance period there was material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.

Remuneration Policy continued

Executive Directors continued

Variable Pay	
Sharesave Plan[4]	
Purpose and link to strategy	To create staff alignment with the Group and promote a sense of ownership
Operation	UK tax-approved monthly savings scheme facilitating the purchase of shares through share options at a discounted exercise price by all eligible employees. Executive Directors are eligible to participate on the same basis as other UK employees
Maximum opportunity	Monthly savings limit of £500 (or such other limit as may be approved from time to time by HMRC) under all savings contracts held by an individual
Performance conditions and provisions for recovery of sums paid	The Sharesave Plan is structured in accordance with HMRC requirements so has no performance conditions but requires participants to make regular contributions into a savings contract Malus and clawback provisions do not apply
Share Ownership Guidelines	
Purpose and link to strategy	To create alignment between the long-term interests of Executive Directors and shareholders
Operation	Executive Directors have been required to build and maintain a shareholding as a percentage of salary in the form of shares in the Company since Admission. Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement
Maximum opportunity	Any Executive Director in employment is expected to achieve a shareholding with a value of 200% of salary. Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years.
Performance conditions and provisions for recovery of sums paid	Not applicable.

Notes to table:

1. The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may also adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Directors' Remuneration Report
2. Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Committee based on a range of relevant reference points, including, for Group financial targets, the Group's business plan and are designed to be appropriately stretching.
3. The Committee may: (a) in the event of a variation of the Company's share capital, demerger, special dividend or dividend in specie or any other corporate event which it reasonably determines justifies such an adjustment, adjust; and (b) amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. Share awards may be settled by the issue of new shares or by the transfer of existing shares. In line with prevailing best practice at the time this Remuneration Policy was approved, any issuance of new shares is limited to 5% of share capital over a rolling ten-year period in relation to discretionary employee share schemes and 10% of share capital over a rolling ten-year period in relation to all-employee share schemes
4. Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Use of earnings and return on capital employed measures would reward management for delivery of key financial measures of Company success that should result in sustainable value creation. Use of a total shareholder return measure would align management's interests with the interests of our shareholders. Use of sustainability measures will align management with the Company's long-term commitment to building a sustainable operating business. Targets are considered ahead of each grant of LTIP awards by the Committee, taking into account relevant external and internal reference points and are designed to be appropriately stretching.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the 2015 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder approved Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
6. The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Non-Executive Directors

Non-Executive Director (NED) fees	
Purpose and link to strategy	To appropriately recognise responsibilities, skills and experience by ensuring fees are market competitive.
Operation	NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as: • Senior Independent Director • Chair of Audit Committee • Chair of Remuneration Committee • Employee engagement The Chairman of the Board receives an all-inclusive fee. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive the grossed-up costs of travel as a benefit. NEDs are entitled to reimbursement of reasonable expenses. Fees are reviewed annually. NEDs also have the benefit of a qualifying third-party indemnity from the Company and Directors' and Officers' liability insurance.
Maximum opportunity	Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles. No absolute maximum has been set for individual NED fees. Current fee levels are set out in the Annual Report on Remuneration section of this Remuneration Report. The Company's Articles of Association provide that the total aggregate fees paid to the Chairman and NEDs will not exceed £2,000,000 per annum.

Illustrations of application of the Policy

The 'Implementation of Remuneration Policy in 2022' section of the Annual Report on Remuneration details how the Committee intends to implement the Policy during 2022.

The charts to the right illustrate, in three assumed performance scenarios, the total value of the remuneration package potentially receivable by Joe Vorih, Paul James and Matt Pullen in relation to 2022. This comprises salary and benefits plus an annual bonus of up to a maximum of 150% of salary for Joe Vorih, and 125% of salary for Matt Pullen and Paul James, and an LTIP award of 150% of salary for Joe Vorih, Paul James and Matt Pullen.

The charts are for illustrative purposes only and actual outcomes may differ from that shown. LTIP awards have been shown at face value and also allowing for a 50% increase in share price under the maximum performance scenario. All-employee share plans have been excluded. The totals shown in the charts relate to the potential value receivable by the current Executive Directors in relation to 2022.

Potential remuneration outcomes for the Executive Directors

Assumed performance	Assumptions used
All performance scenarios (Fixed pay) Consists of total fixed pay, including base salary, benefits and pension	• Base salary – salary effective for 2022 • Benefits[1,2] – the value of benefits received in 2021 have been included • Pension – 5% to 15% of salary
Minimum performance (Variable pay)	• No payout under the annual bonus • No vesting under the LTIP
Performance in line with expectations (Variable pay)	• 50% of the maximum payout under the annual bonus • 50% vesting under the LTIP
Maximum performance (Variable pay)	• 100% of the maximum payout under the annual bonus • 100% vesting under the LTIP

1. The benefits for Matt Pullen have been pro-rated.
2. The benefits for Joe Vorih have been estimated based on the expected benefits in FY 2022.

Remuneration Policy continued

Approach to recruitment remuneration

Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Committee will apply the following principles:

- The Committee will take into consideration all relevant factors, including the experience of the individual, market data and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of both the Company and our shareholders, without paying more than is necessary.
- Typically, the new appointment will have (or be transitioned onto) the same remuneration structure as the other Executive Directors, in line with the Policy.
- Upon appointment, the Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Committee may consider it appropriate to 'buy out' terms or remuneration arrangements forfeited on leaving a previous employer (discussed below).
- The Committee may provide costs and support if the recruitment requires relocation of the individual.
- Where an Executive Director is an internal promotion, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

Components and approach

The remuneration package offered to new appointments may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders, subject to the limits on variable pay set out above in the Policy.

In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) market practice, existing arrangements for other Executive Directors and internal relativities. If appropriate, different measures and targets may be applied to a new appointee's annual bonus in their year of joining

The Committee would seek to structure buyout and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, however, if necessary, the Committee may also grant such awards outside of that framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the award, time frame, performance conditions and leaver provisions) would vary depending upon the specific commercial circumstances.

Maximum level of variable pay

The maximum level of variable remuneration which may be granted to new Executive Directors in respect of recruitment shall be limited to the maximum permitted under the Policy, namely 350% of their annual salary. This limit excludes any payments or awards that may be made to buy out the Executive Director for terms, awards or other compensation forfeited from their previous employer (discussed below).

Buyouts

To facilitate recruitment, the Committee may make a one-off award to buy out compensation arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any buyout award should be of comparable commercial value to the compensation which has been forfeited. However, such buyout awards would only be considered where there is a strong commercial rationale to do so.

Recruitment of Non-Executive Directors

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the Policy for Non-Executive Directors. However, the Committee (or the Board as appropriate) may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders. In particular, if the Chairman or a Non-Executive Director takes on an executive function on a short-term basis, they would be able to receive any of the standard elements of Executive Director pay.

Service contracts and letters of appointment

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Report.

Provision	Policy
Notice period	Executive Directors – 12 months' notice by either the Company or the Executive Director.
	Non-Executive Directors – at the Company's discretion. Non-Executive Directors may have a notice period of up to three months.
Termination payment	Following the serving of notice by either party, the Company may terminate employment of an Executive Director with immediate effect by paying a sum equal to salary. Executive Directors are not contractually entitled to any bonus for the period of service in the year in which their employment ends
	Non-Executive Directors are only entitled to receive any fee accruing in respect of the period up to termination.
Expiry date	Executive Directors have rolling 12-month notice periods so have no fixed expiry date.
	Non-Executive Directors' letters of appointment have no fixed expiry date.

In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at 4 Victoria Place, Holbeck, Leeds LS11 5AE.

Policy on payment for loss of office

In relation to payments under non-contractual incentive schemes, the Committee would take the following factors into account:

- The Committee may determine that the Executive Director is eligible to receive a bonus in respect of the financial year in which they cease employment. This bonus would usually be time apportioned and may be settled wholly in cash. In determining the level of bonus to be paid, the Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Committee.
- The treatment of outstanding share awards is governed by the relevant share plan rules as summarised below.

Deferred Share Bonus Plan

- On cessation of employment, unvested shares will vest in full unless the Committee determines otherwise.
- On a change of control, unvested shares will vest in full.
- If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested shares should vest.

LTIP

- On cessation of employment, unvested awards will lapse unless cessation is as a result of death, ill health, injury, disability, transfer of employing company or business to which an individual's employment relates out of the Group or any other scenario in which the Committee determines at its discretion that good leaver treatment is appropriate (other than circumstances justifying summary dismissal). In these scenarios, unvested awards will usually continue until the normal vesting date unless the Committee determines that the award should vest earlier and will vest to an extent that takes into account the performance condition assessed at the date of vesting and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and cessation of employment.
- On a change of control, unvested LTIP awards will vest immediately to an extent that takes into account the performance condition assessed at the change of control and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the change of control. If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested LTIP awards should vest. If they do vest, they will vest immediately to an extent that takes into account the performance condition assessed at the date of the event and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the date of the event.

Sharesave Plan

- Options become exercisable immediately on death, ceasing employment due to injury, disability, retirement, redundancy, sale of the employing company or business to which an individual's employment relates out of the Group or on a change of control/voluntary winding-up of the Company.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.

Remuneration Policy continued

Consideration of employment conditions elsewhere in the Group

The Committee appreciates the importance of effective engagement with the wider workforce and so has a nominated Non-Executive Director responsible for employee engagement. Louise Brooke-Smith has held this role since June 2020 and Louise has engaged with employees during the course of the year through the employee forums across the Group. This engagement covered a wide variety of topics and Louise reported to the Committee that there were no concerns raised regarding the alignment between executive remuneration and wider workforce pay.

The Committee reviews workforce remuneration and related policies, and is conscious of the importance of ensuring that its pay decisions for Executive Directors and the senior management team are regarded as fair and reasonable within the business

As outlined in the Policy table, pay and conditions across the Group are one of the specific considerations taken into account when the Committee is considering changes in salaries for the Executive Directors and the senior management team.

Differences in policy from broader employee population

A greater proportion of Executive Directors' potential wealth is 'at risk', either through their existing shareholding or through LTIP awards than for our employees generally and a greater proportion is determined by performance than for our employees generally. However, common principles underlie the pay policy throughout the Company, including for the Executive Directors. In particular, we place great emphasis throughout the Company on reward being linked to performance (either Group performance or performance of an individual's business unit) and on encouraging share ownership (through participation in the LTIP or an all-employee share scheme).

Consideration of shareholders' views

The Company is mindful of general investor views on certain aspects of remuneration, and continues to take these views into account, where appropriate, when setting Executive Director remuneration. The Committee Chair is available to meet with any shareholders who wish to discuss any aspect of the Policy in more detail.

During 2020 and 2021, a formal consultation with the Company's top 20 shareholders and the shareholder advisory bodies was carried out in relation to the updated Policy that was approved by shareholders at the 2021 AGM. The Chair of the Committee and the Company Secretary met with those shareholders who requested a meeting to discuss the proposed Policy in more detail and to answer specific queries. The feedback received from these meetings and the written responses was generally supportive and was discussed in detail by the Committee before finalising the Policy proposals.

Annual Report on Remuneration

Remuneration Committee Report

2021 Key Achievements

Review and update of Remuneration Policy in consultation with shareholders and shareholder advisory bodies

Extensive updated benchmarking carried out for senior management roles in conjunction with the Chief People Officer and the Committee's advisers

Discussion and approval of remuneration arrangements for incoming CEO and COO, and outgoing CEO and COO

Review of remuneration structure and targets for short and long-term incentives in light of the ongoing pandemic

Areas of Focus in 2022

Remuneration Policy
Implementation of updated Remuneration Policy and follow on review of Group-wide remuneration arrangements for senior management

Review of targets
Performance against the targets set will be reviewed regularly throughout the year

Wider workforce
More formalised and improved process for wider workforce engagement in relation to remuneration, in conjunction with the Chief People Officer and designated NED

The Annual Report on Remuneration describes how the Directors' Remuneration Policy, approved by shareholders at the Annual General Meeting in May 2021, has been applied in the financial year ended 31 December 2021. This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2022 AGM.

Role of the Committee

The role of the Committee is to determine all aspects of Executive Director pay, ensuring that the remuneration framework both attracts and retains leaders who are appropriately incentivised to deliver the Group's strategy, aligning with the interests of members and promoting the long-term success of the Group for the benefit of its stakeholders as a whole. The Committee also reviews workforce remuneration and related policies and ensures alignment of its rewards with culture. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans.

Details about the role of the Committee are set out in its Terms of Reference which are reviewed annually and were last updated in November 2021. These can be found on the Company's website.

Committee membership and meetings

The Committee comprises all of the Non-Executive Directors, all of whom are considered to be independent, and their attendance at meetings during the year is set out in the table *on page 70*. The previous CEO, Martin Payne, was also present at those meetings during 2021 by invitation, albeit he was not involved in any discussions in relation to his own remuneration.

The Committee typically meets at least three times a year and thereafter as required, and in 2021, the Committee met six times.

External advisers

Korn Ferry were appointed by the Committee with effect from 1 January 2020, after a competitive tender process to provide advice on executive remuneration matters. During the year, the Committee received advice from Korn Ferry on market practice, updates and benchmarking. Korn Ferry provided other human capital-related services to the Group during the year, but these services were carried out by a team separate to the remuneration advisory team with an effective separation between the Committee advisory team and the wider Korn Ferry teams. As a result, the Committee was satisfied that the advice provided by Korn Ferry was objective and independent, having also noted their commitment to the Code of Conduct. During the year, the fees (charged on a time plus expenses basis) paid to Korn Ferry were £71,318 (2020: £99,350). Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Annual Report on Remuneration continued

Unaudited information

Implementation of Remuneration Policy in 2022

This section provides an overview of how the Committee is proposing to implement the Policy in 2022 for the Executive Directors, with the increase to the LTIP award levels for the CFO and COO as detailed in the 2021 Remuneration Policy.

Base annual salary

As described in the Annual Statement from the Chair of the Remuneration Committee, salaries have been adjusted with effect from 1 January 2022 (or appointment if later) as a result of the changes to executive personnel and to reflect the growth in size and complexity of Genuit versus market, given the limited adjustments made to remuneration at Genuit since its IPO in 2014. The increases to base remuneration, with the exception of Joe Vorih, were as positioned during the 2021 Policy review discussions with institutional investors and the leading proxy advisers. The increases were deferred from the 2021 Policy review process so that they timed with the return to salary increases awarded across the Group following Covid-19. The rates of increase reflect the wider changes to the Policy as detailed in the 2021 Remuneration Report, namely ensuring that remuneration is set at a rate that is appropriate for the current size and complexity of the Group. With regard to Joe Vorih, his salary was set at a modest premium to the salary positioned to the role of CEO at Genuit during the 2021 Policy review process,, with his salary set to keep him broadly neutral on a net of tax basis versus his previous employment terms (noting his international status as a US National at Spectris), but allowing for a cost of living related increase in line with the typical rate of increase at Genuit for FY 2022.

	Salary 1 January 2022	Salary 1 April 2021	% increase
Joe Vorih (CEO)*	**£560,000**	N/A	N/A
Martin Payne (CEO from 1 January to 28 February 2022)	**£496,582**	£482,118	3.00%
Paul James (CFO)	**£340,000**	£307,509	10.56%
Matt Pullen (COO)	**£339,900**	£330,000**	3.00%

*Joe Vorih was appointed on 28 February 2022. The salary for Joe Vorih represents his base salary on appointment.
** Salary for 2021 is the salary on appointment for Matt Pullen, who was appointed on 1 November 2021.

Pension

In line with the Policy, Joe Vorih and Matt Pullen will receive a pension contribution in line with the wider workforce (5% of salary). Paul James will receive a company contribution of 15% of salary until 31 December 2022 when the contribution will reduce to the wider workforce rate Martin Payne will receive a company pension contribution of 15% of salary until his cessation of employment on 20 May 2022.

Other benefits

In 2022, the Executive Directors will receive a standard package of other benefits consistent with those received in 2021.

Annual bonus

The annual bonus plan for 2022 will be operated in accordance with the 2021 approved Policy. Key features of the plan for 2022 are:

- There will be a maximum bonus opportunity of 150% of annual salary for Joe Vorih and 125% of annual salary for Paul James and Matt Pullen. Martin Payne will be entitled to 150% of salary prorated for his period of employment during 2022.
- 33% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). Half of these shares will vest two years post grant and the remaining half will vest three years post grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual, or if evidence comes to light of a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold the value of shares granted under the DSBP and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan.

With regard to the performance measures for FY 2022, these have been updated from those that operated in FY 2021, being underlying EBIT (70%), working capital (20%), health and safety (5%) and customer service (5%). Following a review by the Committee, it is clear that whilst underlying EBIT remains important, recovering inflation-related cost increases and driving margin are key priorities given the ongoing challenges in the market. As a result, Executive Director bonuses for FY 2022 will be subject to challenging underlying EBIT (37.5%), an underlying EBIT margin percentage target (37.5%) (subject to a threshold level of underlying EBIT being achieved for this element to pay out), a net working capital target (15%) and structured strategic targets using the same metrics as in FY 2021 (10%). It is intended that this structure will then cascade down through the senior management team. This will help to drive the right behaviours across the Group to recover inflation and margin and ensure that the Executive Directors and senior management teams have incentives that are aligned. These targets will then be reviewed for ongoing suitability at the end of 2022.

The targets for these performance measures in relation to the 2022 financial year are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Directors' Remuneration Report to the extent that they do not remain commercially sensitive at that time.

LTIP

- It is expected that the Executive Directors will receive awards under the LTIP during 2022. As at the time of preparing this Remuneration Report the Committee's intention is to grant the awards on the basis described below. Should there be any change to the approach set out below, this would be detailed in the Stock Exchange announcement made at the time of granting the awards and detailed in next year's Remuneration Report.
- Joe Vorih, Paul James and Matt Pullen will receive an award over shares worth 150% of annual salary at grant.
- Awards will become exercisable three years after grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which results in too high a level of vesting under the LTIP, or if evidence comes to light of material misconduct by an individual, or if evidence comes to light of a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold or recover the value of shares granted under the LTIP.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP.
- Awards will be subject to a two-year post-vesting holding requirement.
- Awards will be subject to a combination of underlying diluted EPS, relative TSR performance measures and sustainability targets assessed over a three-year period as detailed below.

Underlying diluted earnings per share target	50.00%
Relative total shareholder return target	25.00%
Sustainability targets (carbon reduction)	8.33%
Sustainability targets (use of recycled plastics)	8.33%
Sustainability targets (The 5% Club)	8.33%
Total award	100.00%

Underlying Diluted Earnings per share (EPS) (50% of the award)

The EPS targets are a range around FY 2024 EPS. Setting the targets with reference to the final year of the three-year performance period mirrors standard market practice and reduces the impact on the condition of the near term uncertainties caused by external factors (e.g. Covid-19). The targets have been set with reference to both internal and external expectations for the Company's performance allowing for current market conditions and expected changes to the Group's tax rate. The range of targets to apply is as follows:

FY 2024 Underlying Diluted EPS	Vesting (% total award)
Below 31.5p	0%
31.5p	25%
37.3p	100%

Straight-line vesting between performance points.

Relative Total Shareholder Return Targets (25% of the award)

The relative TSR targets remain unchanged from those operated in prior years, with our performance compared against those companies included in the FTSE 250 Index that are classified as 'Industrials' (circa 40 comparator companies). This group remains the most appropriate set of comparator companies as it includes those companies that are the most similar in terms of size and business type to Genuit, and so it is likely to be management actions that drive out-performance as opposed to external market factors. Vesting takes place as follows:

Relative TSR versus FTSE 250 Industrials	Vesting (% total award)
Below median	0%
Median	25%
Upper quartile (or better)	100%

Straight-line vesting between performance points.

Annual Report on Remuneration continued

Sustainability Targets (25% of the award)

Sustainability targets align with the key elements of Genuit's sustainability strategy and require delivery in line with the Company's published 2025 targets. The 25% of the award subject to sustainability targets is split into three equal components as follows:

Carbon Reduction Targets (8.33% of the total award)

The range of targets is set based on our emissions intensity which is defined as Scope 1 and Scope 2 tonnes of CO_2e per tonne of output.

FY 2024 Emissions Intensity	Vesting (% total award)
Above 0.108	0%
0.108	25%
0.086	100%

Straight-line vesting between performance points.

The 2021 baseline from which the above targets were set is 0.141 and so the above targets are considered stretching and in line with our 2025 targeted reductions.

Use of Recycled Plastics (8.33% of the total award)

The range of targets relates to the proportion of our products that are manufactured from recycled products.

FY 2024 % Recycled Materials Used	Vesting (% total award)
Below 54.4%	0%
54.4%	25%
62.0%	100%

Straight-line vesting between performance points

The 2021 baseline from which the above targets were set is 49.4% and so the above targets are considered stretching and in line with our 2025 targeted reductions.

The 5% Club (8.33% of the total award)

The first two sustainability targets directly align with Genuit's focus on improvements in the way we work with the third target, aligning with creating a sustainable business culture through our commitment to The 5% Club. This initiative, to which we fully subscribe, focuses on the development of greater skills and training through 'earn and learn' job opportunities. Our 2025 objective is to achieve 5% of our workforce in 'earn and learn' positions with our FY2024 target set out below:

Progress towards The 5% Club	Vesting (% total award)
Below 4.2%	0%
4.2%	25%
5%	100%

Straight-line vesting between performance points.

The 2021 baseline from which the above targets were set is 3.2% and so the above targets are considered stretching.

The targets were set after having regard to the proposed quantum of award and both internal planning and external market expectations for future performance so as to strike an appropriate balance between being realistic and meaningful for participants at the lower end of the range, and providing a stretch at the top end of the range. Overall, the targets are considered at least as challenging as those set in prior years noting the increased size and complexity of the Group following the acquisitions noted above.

The Committee retains discretion to adjust vesting outcomes (e.g. if TSR vesting is not considered aligned with the underlying financial performance of the Company or EPS vesting outcomes are impacted by relevant events such as material acquisitions or divestments or material changes in corporate tax rates). Any such discretion would be used to ensure that the performance targets fulfil their original intent and were not more or less challenging than intended when set but for the relevant events in the performance period. Furthermore, as set out in the Policy, awards granted are subject to malus and clawback provisions.

Buy-out awards

With regards to Joe Vorih, he is eligible to receive replacement share awards for both his 2020 and 2021 Spectris LTIP awards, which lapsed in connection with joining Genuit.

With regards to the 2020 Spectris LTIP award, he will be granted an award over 175,081 shares (calculated based on the maximum number of Spectris shares eligible to vest converted to Genuit shares using the 28 February 2022 share prices, *being the day he commenced employment with Genuit). The number of shares eligible to vest will be determined by the* proportion of the 2020 Spectris LTIP that vests. The structure of this award mirrors what was forfeited on leaving Spectris, albeit the conversion into Genuit shares on joining provides alignment with Genuit shareholders.

With regard to the 2021 Spectris LTIP, he will be granted an award over 124,683 Genuit shares (calculated based on the *maximum number of Spectris shares eligible to vest converted to Genuit shares using the 28 February 2022 share prices).* These shares will be eligible to vest based on the performance condition applicable to the 2021 Genuit LTIP award (as detailed on page 112). This approach recognises that only a relatively short proportion of the performance period has run its course and so provides clear alignment with wider Genuit employees and shareholders.

The vesting dates for each award mirror those in place at Spectris and there is an expectation that to the extent that the above awards vest that a minimum proportion is retained towards satisfying the Company's share ownership guidelines.

Further details are included in the table below:

	Type of award	Number of shares	Expected Vesting date+
Joe Vorih	Deferred shares	175,081	25 March 2023
	Deferred shares	124,683	17 March 2024

+ Vesting will take place at the later of the above date and the date of determining the extent to which the performance conditions have been met.

With regards to Matt Pullen, he is eligible to receive compensation for the 2021 bonus of £82,230 that he forfeited on leaving employment with Saint-Gobain to join Genuit. Accordingly, he will be granted an award over 12,347 Genuit shares which will vest immediately. The number of Genuit shares was calculated using the Genuit share price on the day he commenced employment on 1 November 2021.

In addition, he is also to receive a replacement share award over 30,640 Genuit shares in connection with the share awards he had earned but were forfeited in connection with joining Genuit. The shares forfeited will be replaced by an equivalent value of Genuit shares (calculated based on the maximum number of Saint-Gobain shares converted to Genuit shares *using the 1 November 2021 share price, being the day he commenced employment with Genuit). The quantum of this award* has been structured to replicate the Saint-Gobain awards forfeited, and can be adjusted by the Committee to ensure that in the event there would be any performance related clawback, then this can be replicated in what ultimately vests.

	Type of award	Number of shares	Expected Vesting date+
Matt Pullen	Buy-out award	12,347	On the award date
	Buy-out award	30,640	On the first anniversary of grant

Full details of the buy-out awards granted to both Joe Vorih and Matt Pullen will be included in next year's Remuneration Report.

Sharesave Plan

Invitations to UK employees (including Executive Directors) to participate in the Sharesave Plan have been issued annually over the past three years and were issued to all Group employees in 2021. The Board is proposing to continue to issue invitations to join the Plan on an annual basis, and all eligible employees will therefore be invited to join the Plan in 2022.

Non-Executive Director remuneration

During the year, Non-Executive Director fees were reviewed, following which it was agreed to increase the Non-Executive Director base fee by 5.0% and the Chairman's fee by 3.0%. The increases to the fees took into consideration the expected future time commitment of the roles and the typical rate of salary increase awarded across the wider workforce. The table below shows the fee structure for Non-Executive Directors with effect from 1 January 2022. Non-Executive Director fees are determined by the full Board except for the fee for the Chairman of the Board, which is determined by the Committee.

	2022 Fees	2021 Fees
Chairman of the Board all-inclusive fee	**£158,699**	£154,077
Basic Non-Executive Director fee	**£52,000**	£49,525
Senior Independent Director additional fee	**£10,000**	£10,000
Chair of Audit Committee additional fee	**£10,000**	£8,000
Chair of Remuneration Committee additional fee	**£10,000**	£8,000
Employee engagement NED fee	***£8,000***	*£8,000*

Annual Report on Remuneration continued

Audited information

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 115 is subject to audit

Single total figure of remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2021 with comparative figures for 2020.

2021 All figures shown in £'000	Salary and fees[1]	Benefits[2]	Pension[3]	Total Fixed	Annual bonus[4]	LTIP[5]	Total Variable	Other[6]	Total remuneration[12]
Executive Directors									
Martin Payne	480	17	72	569	669	211	880	–	1,449
Paul James	306	13	46	365	356	108	464	40	869
Glen Sabin[7]	301	13	45	359	350	106	456	–	815
Matt Pullen[8]	55	2	3	60	64	–	64	–	124
Non-Executive Directors									
Ron Marsh	153	–	–	–	–	–	–	–	153
Mark Hammond[9]	59	–	–	–	–	–	–	–	59
Louise Hardy	57	–	–	–	–	–	–	–	57
Lisa Scenna	49	–	–	–	–	–	–	–	49
Louise Brooke-Smith[10]	57	–	–	–	–	–	–	–	57
Kevin Boyd[11]	57	–	–	–	–	–	–	–	57

2020 All figures shown in £'000	Salary and fees[1]	Benefits[2]	Pension[3]	Total Fixed	Annual bonus[4]	LTIP[5]	Total Variable	Other[6]	Total remuneration
Executive Directors									
Martin Payne	432	17	65	514	–	203	203	–	717
Paul James	276	13	41	330	–	100	100	71	501
Glen Sabin[7]	271	13	41	325	–	104	104	–	429
Non-Executive Directors									
Ron Marsh	138	–	–	–	–	–	–	–	138
Mark Hammond[9]	53	–	–	–	–	–	–	–	53
Louise Hardy	52	–	–	–	–	–	–	–	52
Lisa Scenna	44	–	–	–	–	–	–	–	44
Louise Brooke-Smith[10]	49	–	–	–	–	–	–	–	49
Kevin Boyd[11]	17	–	–	–	–	–	–	–	17

Notes to the table – methodology

1. Salary and fees – as disclosed in the 2020 Annual Report, Executive Directors' salaries were increased by 2.2% with effect from 1 April 2021, consistent with the average increases awarded to the Company's UK workforce. In 2021, the Non-Executive Director base fee and the Chairman's fee were also increased by 2.2% with effect from 1 April 2021. As disclosed in the 2020 Annual Report, due to Covid-19, Executive and Non-Executive Directors waived salaries and fees by 20% during the months of April through to August 2020.
2. Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, private family medical insurance and life assurance of four times annual salary.
3. Pension – the pension provision, in the form of a cash allowance, for Mr Payne, Mr Sabin and Mr James is 15% of salary. The pension provision for Mr Pullen is 5% of salary.
4. Annual bonus – from 2021, the bonus is paid 66.67% in cash and 33.33% deferred into shares under the DSBP. As a result of the Covid-19 pandemic, the annual bonus was not operated for Executive Directors in 2020.
5. LTIP – for 2021, this relates to the estimated value of the 2019 LTIP award which was subject to an EPS and TSR performance target over the three-year period ended on 31 December 2021. Further details can be found on page 111. The value of the 2019 award has been calculated using the Company's average share price for Q4 2021 (£6.294). The estimated amount of the 2019 award that is attributable to share price appreciation is £68,252 for Martin Payne, £34,826 for Paul James and £34,275 for Glen Sabin. The Committee did not apply any discretion as a result of the share price appreciation.
   LTIP – for 2020, this relates to the estimated value of the 2018 LTIP award which was subject to an EPS and TSR performance target over the three-year period ended on 31 December 2020. Further details can be found on page 91 of the 2020 Annual Report. The value of the 2018 award has been calculated using the Company's share price on the vesting date (£5.65). The estimated amount of the 2018 award that is attributable to share price appreciation is £65,871 for Martin Payne, £32,340 for Paul James and £33,701 for Glen Sabin. The Committee did not apply any discretion as a result of the share price appreciation.
6. Other – for 2020, this column comprises £70,742, being the value of 16,300 shares acquired by Paul James on 16 September 2020 which, as previously disclosed, were awarded in partial compensation for long-term incentive awards forfeited when he left his previous employer Dixons Carphone plc. The shares have been valued at the share price when the award was exercised of £4.34.
   Other – for 2021, this column comprises £40,266, being the value of 6,040 SAYE shares which vested on 1 November 2021. This option has not yet been exercised and the shares have therefore been valued at the share price when the award matured of £6.66. The estimated amount of the 2018 award that is attributable to share price appreciation is £65,871.
7. Glen Sabin stepped down from the Board on 1 November 2021 and retired from the Company on 31 December 2021.
8. Matt Pullen joined the Board on 1 November 2021.
9. Mark Hammond ceased to be employee engagement NED on 22 June 2020 and was appointed as the Senior Independent Director on 22 June 2020.
10. Louise Brooke-Smith was appointed as the employee engagement NED on 22 June 2020.
11. Kevin Boyd was appointed to the Board as NED and Chair of the Audit Committee on 22 September 2020.
12. Total remuneration paid to Directors in respect of 2021 is £3,689,000 (2020: £1,993,000).

Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2021 was as follows:

- 150% of annual salary for Martin Payne.
- 125% of annual salary for Paul James and Glen Sabin. Matt Pullen was eligible to receive an annual bonus of 125% of salary pro-rated for the period of his employment.

For all Executive Directors, two thirds of the bonus earned will be paid in cash and one third will be deferred into shares under the DSBP. Half of these shares will vest two years post-grant and half after three years post-grant. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors. The performance measures and targets that applied to the 2021 annual bonus are set out below. This reflects the same approach used to determine the bonus outcome for the senior management team:

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Group Underlying EBIT	70%	£80.17m 17.5% of total bonus payable	£86.67m 35% of total bonus payable	£95.34m 70% of total bonus payable	£95.34m	70%
Working Capital	20%	Net working capital position assessed at the end of each month relative to target. Maximum performance requires the monthly target to be met at the end of all 12 months.			Target achieved in 12 of 12 months	20%
Health & Safety targets	5%	82.5%		92.5%	88.2%	3%
Customer service targets	5%	2% improvement		5% improvement	Less than 2% improvement	0%

The total bonus payable to each Executive Director based on the assessment of performance against the targets set out above, is shown below:

	Total bonus payable % of maximum	Total bonus payable £'000 and % of salary
Martin Payne	93%	£669,404 (139% of salary earned)
Paul James	93%	£355,766 (116% of salary earned)
Glen Sabin[1]	93%	£350,137 (116% of salary earned)
Matt Pullen[2]	93%	£63,984 (116% of salary earned)

1. Retired on 31 December 2021.
2. Appointed on 1 November 2021. The bonus outcome has therefore been pro-rated for the period of employment.

The Committee has confirmed that it is comfortable with the payments made in relation to the non-financial elements of the annual bonus scheme in light of the Company's financial performance in the wider macroeconomic environment.

LTIP vesting

The LTIP award granted in April 2019 vests in April 2022 based 25% on relative TSR performance and 75% on EPS growth over the three financial years ended on 31 December 2021. The vested value of the award is therefore required to be included in the 2021 single figure table.

Performance measure	Threshold	Maximum	Actual performance	% of total award vesting	Vested shares	Estimated value of vested shares*
Three-year cumulative underlying diluted EPS	91.2 pence per share 18.75% of award vests	102.3 pence per share 75% of award vests	72.79 pence	0%	Martin Payne – 0	Martin Payne – 0
					Paul James – 0	Paul James – 0
					Glen Sabin** – 0	Glen Sabin – 0
TSR performance relative to comparator group	Below median 0% of award vests	Upper quartile 25% of award vests	Above upper quartile	25%	Martin Payne – 33,605	Martin Payne – £211,510
					Paul James – 17,147	Paul James – £107,923
					Glen Sabin** – 16,876	Glen Sabin – £106,218

* Estimated value based on average share price in Q4 of 2021 of £6.294.
** Glen Sabin stepped down from the Board on 1 November 2021 and retired from the Company on 31 December 2021.

The Committee is comfortable that the formulaic outcome of the LTIP reflects wider business performance. Awards must be held for two years post-vesting.

Annual Report on Remuneration continued

Scheme interests awarded during the financial year

LTIP awards

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in May 2021. This award is subject to the performance conditions described below and will become exercisable in May 2024.

	Type of award	Date of grant	Maximum number of shares	Face value (£)*	Threshold Vesting (% of award)	End of performance period
Martin Payne	Nil cost option**	20 May 2021	127,996	£723,177	25% of award	31 December 2023
Paul James		20 May 2021	68,032	£384,381		
Glen Sabin		20 May 2021	66,958	£378,313		

* The maximum number of shares that could be awarded has been calculated using the share price of £5.65 (average closing share price for 17 to 19 May 2021) and is stated before the impact of reinvestment of the dividends paid since grant.

** In line with the 2020 awards, awards were granted as nil-cost options with an exercise date of three years from the grant date. Therefore, there has been no change in exercise price or date.

Vesting of the awards is subject to satisfaction of the following performance conditions measured over a three-year performance period. Vesting is calculated on a straight-line basis.

Underlying Diluted Earnings per share (EPS) (50% of the award)

The EPS targets are a range around FY 2023 EPS. Setting the targets with reference to the final year of the three-year performance period mirrors standard market practice and reduces the impact on the condition of the near term uncertainties caused by matters such as Covid-19 The range of targets to apply is as follows:

FY 2023 Underlying Diluted EPS	Vesting (% total award)
Below 26.4p	0%
26.4p	25%
31.3p	100%

Straight-line vesting between performance points.

Relative Total Shareholder Return Targets (25% of the award)

The relative TSR targets remain unchanged from those operated in prior years with our performance compared against those companies included in the FTSE 250 Index that are classified as 'Industrials' (circa 40 comparator companies). This group remains the most appropriate set of comparator companies as it includes those companies that are the most similar in terms of size and business type to Genuit, and so it is likely to be management actions that drive out-performance as opposed to external market factors. Vesting takes place as follows:

Relative TSR versus FTSE 250 Industrials	Vesting (% total award)
Below median	0%
Median	25%
Upper quartile (or better)	100%

Straight-line vesting between performance points.

Sustainability Targets (25% of the award)

Sustainability targets align with the key elements of Genuit's sustainability strategy and require delivery in line with the Company's published 2025 targets. The 25% of the award subject to sustainability targets is split into three equal components as follows:

Carbon Reduction Targets (8.33% of the total award)

The range of targets is set based on our emissions intensity which is defined as Scope 1 and Scope 2 tonnes of CO_2e per tonne of output.

FY 2023 Emissions Intensity	Vesting (% total award)
Above 0.167	0%
0.167	25%
0.141	100%

Straight-line vesting between performance points.

The 2020 baseline from which the above targets were set is 0.252 and so the above targets are considered stretching and in line with our 2025 targeted reductions.

Use of Recycled Plastics (8.33% of the total award)
The range of targets relates to the proportion of our products that are manufactured from recycled products.

FY 2023 % Recycled Materials Used	Vesting (% total award)
Below 51.4%	0%
51.4%	25%
61.2%	100%

Straight-line vesting between performance points.

The 2020 baseline from which the above targets were set is 45.9% and so the above targets are considered stretching and in line with our 2025 targeted reductions.

The 5% Club (8.33% of the total award)

The first two sustainability targets directly align with Genuit's focus on improvements in the way we work with the third target, aligning with creating a sustainable business culture through our commitment to The 5% Club. This initiative, to which we fully subscribe, focuses on the development of greater skills and training through 'earn and learn' job opportunities. Our 2025 objective is to achieve 5% of our workforce in 'earn and learn' positions with our FY 2023 target set out below:

Progress towards The 5% Club	Vesting (% total award)
Below 4.2%	0%
4.2%	25%
5%	100%

Straight-line vesting between performance points.

The 2020 baseline from which the above targets were set is 3.8% and so the above targets are considered stretching.

Deferred Share Bonus Plan awards

No bonuses were awarded in respect of 2020 and therefore no shares were awarded under the Deferred Share Bonus Plan in 2021.

Sharesave Plan

No Sharesave Plan awards were granted to Executive Directors during the year.

Payments to past Directors

There were no payments to past Directors during the year

Payments for loss of office

In connection with Martin Payne stepping down from the Board, he will be eligible to receive salary, pension and benefits during the period of his employment. As set out in the Chair's statement, as a result of leaving employment by mutual agreement, and in accordance with the discretions included in the relevant plan rules, he will be treated as a good leaver for incentive plan purposes. He is therefore eligible to receive a part-year performance related bonus for FY 2022 for the period of his employment. He will not be eligible for an LTIP award in FY 2022. As a good leaver, Martin Payne will remain eligible to receive deferred share bonus awards earned in relation to prior years' bonuses. With regards to outstanding LTIP awards, these will remain eligible to vest in line with their normal vesting dates subject to a pro-rata reduction for the period of time in employment and following the application of the relevant performance targets. For completeness, Martin Payne will not receive payments in lieu of notice.

Glen Sabin stepped down from the Board with effect from 1 November 2021 and ceased employment on 31 December 2021. He will not receive any loss of office payments. As a result of his retirement, and in accordance with the discretions included in the relevant plan rules, he was treated as a good leaver for incentive purposes. As a result, he remained entitled to receive an annual bonus in respect of FY 2021, which was subject to the achievement of the performance conditions detailed above on page 111. His bonus was payable on the normal payment date in 2022 and is subject to malus and clawback provisions. With regard to his outstanding share awards, granted under the Long Term Incentive Plan (LTIP), he was granted options over 67,507 ordinary shares on 30 April 2019, 66,622 ordinary shares on 22 June 2020 and 66,958 ordinary shares on 20 May 2021. These will remain eligible to vest on the normal vesting date, subject to the achievement of the relevant performance criteria and will be time pro-rated for his service during the performance period. His awards granted under the Deferred Share Bonus Plan (DSBP) on 30 April 2019 and 22 June 2020 over 4,026 and 4,420 shares respectively, will vest on 30 April 2022, 22 June 2022 and 22 June 2023. In accordance with the DSBP rules, he will also receive the value of dividends paid in respect of the vested shares between grant and vesting. The DSBP awards are exercisable for a period of six months from the date of retirement.

All payments that have or will be received will be made within the terms of the termination policy as set out in the Policy.

Martin and Glen will retain shares to the value of 200% of salary for two years post-employment in line with the Company's policy.

Annual Report on Remuneration continued

Statement of Directors' shareholdings and share interests

Executive Directors are expected to achieve the shareholding requirement of 200% of salary within five years of an individual becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year. Matt Pullen commenced employment with the Company during 2021 and will build up his shareholding in line with the aforementioned five-year timescale. Both Martin Payne and Glen Sabin met this requirement as 31 December 2021. Martin and Glen will be expected to retain shares to the value of 200% of salary for two years post-employment in line with the Company's policy.

The number of shares held by Directors is set out in the table below:

	Number of shares at 31 December 2021			
Director	**Shares owned outright**	**Interests in share incentive schemes, subject to performance conditions**	**Interests in share incentive schemes, awarded without performance conditions**	
		LTIP[1]	DSBP[2]	Sharesave Plan[3]
Martin Payne[4][7][9]	265,481 (322% of salary)	395,077	15,866	5,901
Paul James[7]	23,858 (45% of salary)	221,947	11,256	6,040
Matt Pullen[5]	–	–	–	–
Glen Sabin[6][7][8]	596,574 (1,155% of salary)	201,087	8,446	–
Ron Marsh	308,707	–	–	–
Mark Hammond	17,247	–	–	–
Louise Hardy	–	–	–	–
Lisa Scenna	10,112	–	–	–
Louise Brooke-Smith	–	–	–	–
Kevin Boyd	10,325	–	–	–

Notes to the table

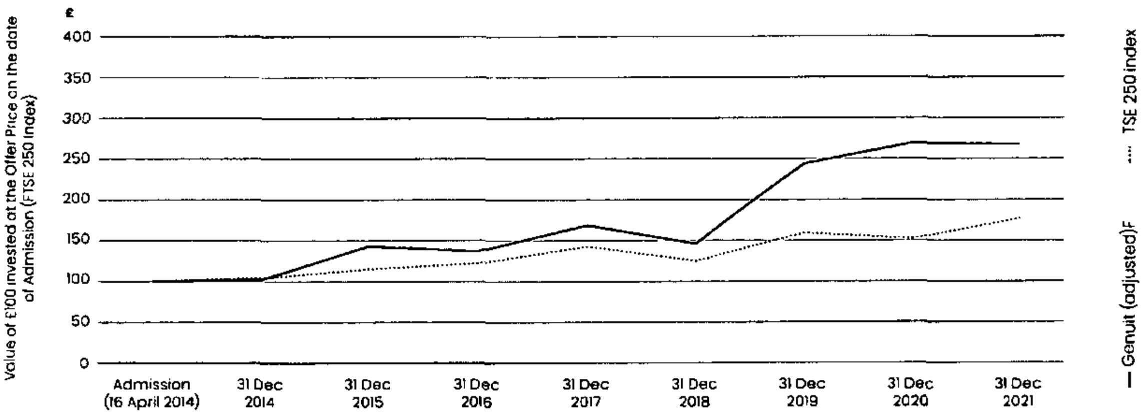
1. This relates to shares awarded under the LTIP.
2. This relates to shares awarded under the DSBP.
3. This relates to share options granted under the Sharesave Plan.
4. During the year, Martin Payne had: (a) 35,917 LTIP shares vest, retained net of shares sold to pay personal tax liability; and (b) 15,609 DSBP shares (inclusive of 521 dividend shares) vest, retained net of shares sold to pay personal tax liability All of these are included in the 'Shares Owned Outright' column.
5. Matt Pullen joined the Board on 1 November 2021.
6. During the year, Glen Sabin had: (a) 18,376 LTIP shares vest and retained net of shares sold to pay personal tax liability; and (b) 5,509 DSBP shares (inclusive of 169 dividend shares) vest, and retained net of shares sold to pay personal tax liability. All of these are included in the 'Shares Owned Outright' column.
7. For the purposes of determining the value of Executive Director shareholdings, the individual's current annual salary and the share price as at 31 December 2021 has been used (£5.86 per share).
8. Glen Sabin stepped down from the Board on 1 November 2021 and retired from the Company on 31 December 2021.
9. The aggregate gain for Martin Payne in the year from the exercise of awards granted under the LTIP was £65,871, based on the respective share price on the date of vesting of £5.65 per share. The aggregate gain for Glen Sabin in the year from the exercise of awards granted under the LTIP was £33,701, based on the respective share price on the date of vesting of £5.65.

Unaudited information

The information provided in this section of the Directors' Remuneration Report is not subject to audit.

Performance graph and CEO remuneration table

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2021 to the performance of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £2.45 per share. The table below summarises the CEO single figure for total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



The table below summarises the CEO single figure total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.

	2014	2015	2016	2017[1]	2017[2]	2018[3]	2019[3]	2020[3]	2021[3]
CEO single figure of remuneration £'000	955	919	948	717	218	1,014	944	717	**£1,449**
Annual bonus payout (as a % of maximum opportunity)	88.7%	68.2%	69.4%	66.8%	66.8%	48.9%	24.8%	n/a	**93%**
LTIP vesting out-turn (as a % of maximum opportunity)	n/a (no award vested in 2014)	n/a (no award vested in 2015)	n/a (no award vested in 2016)	n/a (no award vested in 2017)	n/a (no award vested in 2017)	87.8%	54.5%	25%	**25%**

1. This reflects the remuneration received by David Hall, CEO for the period from 1 January 2017 to 1 October 2017
2. This reflects the remuneration received by Martin Payne who was appointed as CEO on 2 October 2017 following the retirement of David Hall.
3. The LTIP vesting out-turn percentages show the payout as a percentage of maximum of the LTIP award for which the three financial years over which performance is measured ends on 31 December of the year being reported on. Therefore the 2021 figure shows the payout for the 2019 LTIP award.

Percentage change in the remuneration of the Directors (audited)

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for all the Directors compared with the average percentage change for employees.

	Average percentage change 2020/21			Average percentage change 2019/20		
	Salary/fees	Taxable benefits	Annual Bonus**	Salary/fees	Taxable benefits	Annual Bonus**
Executive Directors						
Martin Payne	+2.2%*	0%	+100%	+3.0%*	0%	−100%
Paul James	+2.2%*	0%	+100%	+3.0%*	0%	−100%
Glen Sabin	+2.2%*	0%	+100%	+3.0%*	0%	−100%
Matt Pullen	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors						
Ron Marsh	+2.2%*	n/a	n/a	+3.0%*	n/a	n/a
Mark Hammond	+2.2%*	n/a	n/a	+3.0%*	n/a	n/a
Louise Hardy	+2.2%*	n/a	n/a	+3.0%*	n/a	n/a
Lisa Scenna	+2.2%*	n/a	n/a	+3.0%*	n/a	n/a
Louise Brooke-Smith	+2.2%*	n/a	n/a	+3.0%*	n/a	n/a
Kevin Boyd	+2.2%*	n/a	n/a	n/a	n/a	n/a
Employee average	+2.2%*	0%	+100%	+3.0%*	0%	+24%

* The 2.2% increase reflects the salary increase following the decrease after the response to the Covid-19 pandemic. The 3.0% figure in 2019/2020 excludes the impact of the voluntary salary reduction during the year

** The Annual Bonus Plan for Executive Directors was not operated during 2020.

Annual Report on Remuneration continued

CEO pay ratio
The table below illustrates the ratio between CEO pay for 2021 (as shown in the single figure table on page 110) and the indicative full-time equivalent total remuneration for employees ranked at the lower quartile, median and upper quartile.

CEO pay ratio	2019	2020	2021
Method	A	B	**B**
Upper quartile	28:1	19:1	**40:1**
Median	37:1	24:1	**54:1**
Lower quartile	44:1	29:1	**65:1**

In line with the relevant legislation, the analysis has been completed using Option B (i.e. using the Company's most recent gender pay gap information) with the actual FTE remuneration for these employees calculated for the 2021 full year. The same methodology used for calculating the single total figure of remuneration for the CEO has been used for calculating the pay and benefits of these UK employees. The Company believes that this methodology is appropriate and that the employees included in the analysis are suitably representative for the CEO pay ratio comparison. The employees used in the calculations were identified using the most recent gender pay gap data for 2021 on 15 March 2022, following the end of the financial year. Included in the data are 2,916 UK employees from across all of our businesses. Option B was used as it was deemed the most appropriate in the circumstances. In FY 2020, the CEO voluntarily waived 20% of salary during the months between April and August due to the impact of the pandemic. In addition, the Committee made the decision not to operate the annual bonus plan for the Executive Directors in 2020. This resulted in a drop in the CEO pay ratio. As the CEO received his full salary in FY 2021 and the bonus was reinstated, this has resulted in a subsequent increase in the CEO pay ratio. The ratio is considered within the expected range for the Company and is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

The salary and total pay for the individuals identified at the Lower quartile, Median and Upper quartile positions in 2021 are set out below:

	Salary	Total Pay
CEO single figure	£480,000	£1,449,000
Upper quartile	£33,599	£36,011
Median	£25,210	£26,828
Lower quartile	£21,052	£22,449

Relative importance of the spend on pay
The chart below illustrates the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders.

Shareholder voting on remuneration resolutions

Employee remuneration Costs

Dividends

Details of the votes cast in relation to our remuneration resolutions in 2021 are summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Remuneration Policy – 2021 AGM	198,146,521 (96.32%)	7,576,774 (3.68%)	5,526
Approval of the Annual Report on Remuneration – 2021 AGM	203,218,615 (98.78%)	2,509,681 (1.22%)	525

External board appointments
Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. With Board approval, Martin Payne was appointed as a Non-Executive Director of Stelrad Group plc in October 2021 and retains the fee from that appointment. During 2021, the fee amounted to £10,000.

Annual General Meeting
This Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM scheduled to be held on 19 May 2022.

By order of the Board.

Louise Hardy
Chair of the Remuneration Committee
15 March 2022

Financial Statements

Independent Auditor's Report

to the Members of Genuit Group plc

Opinion

In our opinion:

- Genuit Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-Adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-Adopted International Accounting Standards as applied in accordance with Section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Genuit Group plc (the 'Parent Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent Company
Group Income Statement for the year ended 31 December 2021	Company Balance Sheet at 31 December 2021
Group Statement of Comprehensive Income for the year ended 31 December 2021	Company Statement of Changes in Equity for the year ended 31 December 2021
Group Balance Sheet at 31 December 2021	Company Cash Flow Statement for the year ended 31 December 2021
Group Statement of Changes in Equity for the year ended 31 December 2021	Related Notes 1 to 9 to the Company Financial Statements, including a summary of significant accounting policies
Group Cash Flow Statement for the year ended 31 December 2021	
Related Notes 1 to 28 to the Group Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK-Adopted International Accounting Standards and as regards the Parent Company financial statements, as applied in accordance with Section 408 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

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 Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors we identified were considered in their assessment;
- Obtaining management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period which covers the 15 month period to 30 June 2023, then performing procedures to confirm the clerical accuracy and appropriateness of the underlying model;
- Obtaining the Group's revolving credit facility and agreeing the level of facilities available, the applicable covenants, and the renewal date of November 2023 to management's assessment;
- Assessing the Group's base case scenario for consistency with budgets and cash flow forecasts approved by the Board of Directors and those used by the Group in other accounting estimates such as the goodwill impairment assessment;
- Challenging the appropriateness of the base case assumptions relating to future levels of demand, raw material availability and cost, and future energy prices. Our procedures included analysis of external market data to consider any contradictory sector forecasts including consideration of the ongoing risks associated with Covid-19 and the political and economic instability created by recent events in Ukraine;
- Reviewing and reperforming management's stress test of their cash flow forecasts and covenant calculations in order to quantify and then consider the plausibility of the downside scenarios required to exhaust the Group's forecast liquidity and breach the Group's covenant ratios. We specifically considered the quantum of revenue reduction and unrecovered cost inflation required to exhaust liquidity and breach the Group's covenant ratios;
- Considering the impact and feasibility of potential mitigating activities that are within control of management, such as reducing capital expenditure and dividend payments; and
- Reviewing the Group's going concern disclosures included in the Annual Report and Accounts in order to assess their completeness and conformity with the reporting standards.

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 Group and Parent Company's ability to continue as a going concern for a period of 15 months from when the financial statements are authorised for issue to 30 June 2023.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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 Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of 8 components and review scope procedures for a further 38 components.
	The components where we performed full scope audit procedures accounted for 86% of Profit Before Tax, 85% of Revenue and 89% of Total Assets.
Key audit matters	Risk of inappropriate revenue recognition.
	Risk of inaccurate recognition of customer rebates
	Risk of inaccurate accounting for acquisitions.
Materiality	Overall Group materiality of £3.9m (2020: £2.5m) which represents 5% of Profit Before Tax adjusted for non-recurring items.

Independent Auditor's Report continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile including the nature of accounting estimates recorded within each component, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 46 reporting components of the Group, we selected 8 components covering entities within the UK, which represent the principal business units within the Group.

Of the 8 components selected, we performed an audit of the complete financial information of each of these components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 38 components we performed other procedures as set out below.

The full scope reporting components where we performed audit procedures accounted for 86% (2020: 99%) of the Group's Profit Before Tax, 85% (2020: 98%) of the Group's Revenue and 89% (2020: 98%) of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 38 components that together represent 14% of the Group's Profit Before Tax, none are individually greater than 5% of the Group's Profit Before Tax. For these components, we performed other procedures, including data analytics procedures in respect of revenue transactions and manual accounting entries to identify unusual transactions, testing of a sample of significant transactions including fixed asset expenditure where significant, attendance at stock counts where inventory balances are significant, external confirmation of cash balances, and inquiries of management to respond to the risk of material misstatement to the Group financial statements.

Changes from the prior year

Historically all reporting components of the Group with trading revenue in excess of Group materiality have been subject to full scope audit procedures regardless of risk or relative size to the Group. In 2021, following the expansion of the Group through the acquisitions of the Adey, Nu-Heat and Plura groups of companies, we agreed a revised approach to the scoping of the Group audit with the Audit Committee. Our revised approach is in line with EY's audit methodology and International Standards on Auditing (UK).

As a result of the change in our approach to audit scoping the number of components subject to full scope audit procedures has reduced from 17 to 8. The 8 full scope components include Adey Innovation which is the significant trading component of the acquired Adey group. Whilst the Nu-Heat and Plura groups of companies have not been identified as full scope due to their size relative to the Group, the acquired balance sheets have been subject to audit procedures as set out below in our key audit matter relating to the risk of inaccurate accounting for acquisitions. In addition, all newly acquired reporting components of the Group have been subject to other procedures as outlined in the preceding section.

	2021				2020			
Reporting components	Number	% Group PBT	% Group revenue	% Group total assets	Number	% Group PBT	% Group revenue	% Group total assets
Full scope	8	86%	85%	89%	17	99%	98%	98%
Remaining components	38	14%	15%	11%	9	1%	2%	2%
Total reporting components	46	100%	100%	100%	26	100%	100%	100%

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Following the revision of our scoping approach, no overseas reporting components were identified as being full scope. Therefore, all audit procedures supporting the current year group audit opinion have been performed by the primary audit engagement team led by the Senior Statutory Auditor.

The audit engagement team including the Senior Statutory Auditor continued to follow a programme of planned visits. During the current year's audit cycle, visits were undertaken by the audit engagement team to the main locations of the full scope reporting components including Leeds, Doncaster, Aylesford, Ripley, Loughborough, Horncastle, Gloucester, Caerphilly, and Ulster. These visits included meeting with local management, performing detailed audit procedures, physical verification of fixed assets, and inventory counting procedures. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Genuit Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from transitioning to a lower-carbon economy (transition risk) and the physical risk resulting from climate change, whether event driven or longer-term shifts in climate patterns (physical risk). These are explained on *pages 33 to 35 in the required Task* Force on Climate-related Financial Disclosures and on pages 51 to 56 in the Principal Risks and Uncertainties, which form part of the 'Other information,' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-Adopted International Accounting Standards.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 34 and 54 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being primarily relevant to the annual goodwill impairment assessment. We have not identified any additional key audit matters as a result of the impact of applicable climate risks on the Group's key judgements and estimates. We also challenged the Directors' considerations of climate change in their assessment of going *concern and viability and associated* disclosures.

Whilst the Group have stated their commitment to the aspirations of the UK's Pledge to Net-Zero Campaign, the Group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition		
Refer to the Report of the Audit Committee (page 81); Summary of Significant Accounting Policies (page 134); and Note 3.3 to the consolidated financial statements (page 140). The Group has reported revenue of £594.3m (2020: £398.6m). Revenue is stated net of rebates payable which are considered in the subsequent key audit matter. The timing of revenue recognition is relevant to the reported performance of the Group as a whole and also to the completeness of the rebate expense and related year end liabilities. Through manual adjustments, there is the opportunity to misstate revenue between periods in order to influence reported results. We consider the significant risk to be primarily associated with those components contributing more than 5% of the Group's revenue as any potential error could result in a material misstatement of the Group financial statements. For the remaining components whilst we consider there to be a risk of management override of controls to misstatement revenue, we do not consider any individual component to represent a significant risk of material misstatement. There has been no change in our assessment of this risk when compared to the prior year.	Procedures to respond to this risk were performed by the primary audit engagement team. Of the 8 full scope components, 7 components recorded revenue that was material to the Group and are specifically impacted by the identified fraud risk. For 6 of the 7 full scope components with significant revenue, representing 81% of the Group's revenue, we performed data analytics procedures over the correlation of sales and cash receipts to test the existence of revenue recorded in the general ledger throughout the year. For the remaining full scope component covering 5% of revenue we performed tests of detail over revenue recognised in the year by agreeing a representative sample of sales to supporting documentation including proof of delivery and testing related cash receipts throughout the year. We also performed procedures to identify and assess the appropriateness of manual adjustments. For all full scope components, we tested the accuracy of revenue cut-off at the balance sheet date. Our work comprised the agreement of a sample of sales transactions, including those recognised through manual journals, either side of the year end by assessing contract terms and reviewing proof of the timing of the transactions and identifying then testing manual adjustments We have also analysed sales credit notes raised in January 2022 and tested a sample to supporting information. For those reporting components reporting revenue but not identified as full scope, including the newly acquired Nu-Heat and Plura components, we have performed data analytics procedures to identify unusual trends in revenue recognition and any significant unusual transaction flows	Through our procedures performed we have not identified any unsupported manual adjustments to revenue, or any unexplained anomalies from our revenue analytics. The current year was the first year we performed detailed audit procedures in relation to the Adey component following its acquisition in February 2021. No significant manual adjustments or unusual accounting entries were identified through our testing. We concluded that revenue recognised in the year is appropriate and found no evidence of management bias.
Risk of inaccurate recognition of customer rebates		
Refer to the Report of the Audit Committee (page 81); Summary of Significant Accounting Policies (page 134); and Note 3.3 to the consolidated financial statements (page 140). The total value of customer rebates recognised in the year and accrued for at the balance sheet date is material. The Group's pricing structure includes rebate arrangements with customers. Many of these arrangements are relatively straightforward, being based on agreed percentages of sales made to direct customers during the period. A proportion of the Group's rebate agreements are with indirect customers and estimation is required when determining the rebate accrual at the balance sheet date. This is particularly the case for indirect rebates within the Residential Systems operating segment where the Group is reliant on sales volume information from customers which may not be available, or may not have been verified, at the time the liabilities are recognised. In these instances, management is required to estimate third party sales volumes and the associated rebate liability at the reporting date. There has been no change in our assessment of this risk when compared to the prior year.	Procedures to respond to this risk were performed by the primary audit engagement team. We walked through management's process for estimating rebate expenses and settling these liabilities as well as management's controls over this process. We assessed the impact of the Covid-19 pandemic on the availability of customer forecasts and the frequency of claims in order to understand the level of estimation at the balance sheet date. We compared a sample of indirect rebate settlements made in the year to amounts provided at 31 December 2020 to assess the accuracy of management's previous estimates. We assessed the accuracy of management's estimates made during 2021 by comparing initial estimates to subsequent claim amounts and final settlements. We have then used this historic track record to assess the reasonableness of the accrual estimates at the year end. For a sample of indirect customers, we have developed our own expectation of the full year rebate charge and year end accrual using the Group's trading performance, the signed rebate agreements, third party data including National Housebuilders Association information, and market communications made by indirect customers in order to identify and then consider any contradictory evidence. We assessed completeness of the year end accrual by reviewing post year end claims and payments, comparing historic claim activity to the accrued customers, and holding discussions with the commercial team to understand the process for identifying new agreements.	We found no material difference between the prior year rebate accrual and the actual rebates incurred. This provides assurance over management's historical ability to accurately estimate the rebate liability. We concluded that management's judgements were materially consistent with our expectations and recalculations based on external sources, post year end claim activity and historic settlement rates. We concluded that the rebates expense recognised during the year and the liability at the period end is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inaccurate accounting for acquisitions		
Refer to the Report of the Audit Committee (page 81); Summary of Significant Accounting Policies (page 135); and Note 3.1 to the consolidated financial statements (page 140). During 2021, the Group concluded the acquisition of the Adey, Nu-Heat, and Plura groups of companies for initial considerations of £210m, £27m and £1.25m respectively As part of the Plura sale purchase agreement there is a contingent consideration structure which will be settled in 2024. In conjunction with a specialist, management identified and valued the acquired intangible assets and recognised a number of fair value adjustments As the identification and valuation of intangible assets is an inherently complex activity there exists a risk that either the intangible assets identification or valuation of the identified assets are inaccurate. For other acquired assets and liabilities, this process can require significant judgement by management and there is a risk that the resulting valuation of the acquired assets and liabilities is inaccurate. Furthermore, the financial statement disclosure requirements associated with acquisitions are extensive and there is a risk that the disclosure within the financial statements does not comply with the IFRS requirements. This risk has been identified as a key audit matter for the first time this year due to the significance of the acquisitions to the Group.	Procedures to respond to this risk were performed by the primary audit engagement team. We have reviewed each of the sale and purchase agreements with a focus on terms relating to initial consideration, deferred and/or contingent consideration, and other terms that could indicate an acquired asset or liability such as warranties/indemnities. We vouched the flow of funds associated with each transaction including the repayment of any loan balances held by the acquired companies at acquisition. We assessed the allocation of the Plura contingent consideration between purchase consideration and remuneration and the basis of the estimation of the contingent amount. We performed procedures to validate the existence and completeness of the acquired assets and liabilities including inventory, fixed assets, and cash balances. We reviewed management's specialist reports along with our valuation specialists to assess the appropriateness of both the valuation methodology applied and the identified intangible assets. This included challenging the underlying assumptions driving the valuation, and challenging the useful economic life assigned to each class of assets and any potential impact of risks associated with climate change. We assessed management's treatment of deferred tax in respect of acquired intangible assets, fair value adjustments, and any previously unrecognised deferred tax assets. We challenged the appropriateness of any fair value adjustments to other assets and liabilities made by management, and performed procedures to assess the completeness of fair value adjustments recorded by management. Where intangible assets have been recognised, including the strategic partnership customer relationships within Adey, we have made inquiries of non-finance personnel to understand the usage of brands, Intellectual Property, and the latest status of customer relationships. We have reviewed the acquisitions accounting disclosures and assessed these for compliance with the reporting requirements.	We concluded that the consideration utilised within the acquisition accounting for each acquisition is materially correct. Specifically, we have concluded that the allocation of the Plura contingent consideration between purchase consideration and remuneration is appropriate based on the terms of the Plura sale purchase agreement. We concluded that the recognition and valuation of intangible assets is appropriate. We have also communicated to the Audit Committee that the useful economic life of the acquired intangible assets are reasonable. We concluded that other fair value adjustments recognised as part of the acquisition accounting are materially correct.

In the prior year, our auditor's report included a key audit matter in relation to the risk of an unrecognised impairment of goodwill. In the current year, the risk associated with an unrecognised impairment of goodwill has decreased as the Group's trading performance and outlook have recovered from the negative economic impact of the Covid-19 pandemic. As a result, the headroom within management's annual impairment assessment has returned to levels seen prior to the Covid-19 pandemic.

Independent Auditor's Report continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Starting basis

- Group Profit Before Tax of £62.9m

Adjustments

- Adjusted for non-underlying items excluding amortisation of £14.0m

Materiality

- Totals £76.9m
- Materiality of £3.9m (5% of Group Profit Before Tax adjusted for non-recurring items)

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.9m (2020: £2.5m), which is 5% of Group Profit Before Tax adjusted for non-recurring items. We believe that Group Profit Before Tax adjusted for non-recurring items provides us with a consistent basis for calculating materiality as it excludes the impact of one-off items that are not related to the underlying operations of the Group. In the prior year, we calculated materiality based on 5% of normalised Profit Before Tax adjusted for non-recurring items given the impact of the Covid-19 pandemic on the Group's 2020 trading result.

We determined materiality for the Parent Company to be £3.9m (2020: £3.1m), which is 1% (2020: 1%) of total equity. As the Parent Company is a non-trading holding company we consider equity to be the most appropriate basis for calculating materiality. Any balances in the Parent Company financial statements that were relevant to our audit of the Group financial statements were audited using an allocation of Group's performance materiality.

During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment being to reflect the actual reported performance of the Group in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £2.9m (2020: £1.9m). We have set performance materiality at this percentage due to our assessment of the control environment and assessment that there is a lower likelihood of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.6m to £1.8m (2020: £0.4m to £1.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2020: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The threshold used for reporting uncorrected audit differences has increased year-on-year as a result of the increase in overall materiality.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts on pages 1 to 116, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

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, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management *systems in relation to financial* reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their *committees complies with rules 7.2.2,* 7.2.3 and 7.2.7 of the FCA Rules.

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 or the Directors' Report; or
- *the information about internal* control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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 and the part of the Directors' Remuneration Report to be audited 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; or*
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 86;
- Directors' explanation as to its assessment of the Group and the Parent Company's prospects, the period this assessment covers and why the period is appropriate set out on page 86;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 86;
- Directors' statement on fair, balanced and understandable set out on page 90;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 51 to 56;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 68; and
- The section describing the work of the Audit Committee set out on pages 81 to 85.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statements set out on pages 90 and 160, 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 and 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.

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.

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 Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-Adopted International Accounting Standards for the Group financial statements, and as regards the Parent Company financial statements, as applied in accordance with Section 408 of the Companies Act 2006, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how Genuit Group plc is complying with those frameworks by initially making inquiries of Group and component management, as well as those charged with governance. We have further understood the Group's compliance with those frameworks through review of minutes of the Board and key committees. Finally, through our detailed audit procedures we have considered whether any evidence has been identified that indicates non-compliance with the relevant laws and regulations has occurred.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by: understanding the Group's performance against market expectations; understanding the Group's performance against internal key performance indicators used when calculating management's variable remuneration; identifying key judgements and estimates including rebate accounting that can materially impact the financial statements; and understanding the controls and processes in place for the prevention and detection of fraudulent activity and financial reporting.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included those outlined in the revenue and rebate key audit matters above, as well as testing manual journals recorded at the component and consolidation level, understanding unusual and one-off transactions, and where relevant corroborating the basis of accounting judgements and estimates with employees and specialists outside of the finance functions such as the Company Secretary, the Group IT function, the Group Health and Safety team, and commercial management.

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.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company in 2012 to audit the Group's financial statements for the year ending 31 December 2012 and subsequent financial periods. In 2014, upon the Group's listing on the London Stock Exchange, the Group became subject to the rotation requirements under the UK Corporate Governance Code, Competition and Markets Authority and the EU Audit Directive. The period of total uninterrupted engagement since the Group was subject to these rotation requirements is 8 years. In total the period of uninterrupted engagement including previous renewals and reappointments is 10 years, covering the years ending 31 December 2012 to 31 December 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

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
15 March 2022

Notes:

1. The maintenance and integrity of the Genuit Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Income Statement

For the year ended 31 December 2021

	Notes	2021 Underlying £m	2021 Non-underlying† £m	2021 Total £m	2020 Underlying £m	2020 Non-underlying† £m	2020 Total £m
Revenue	5	**594.3**	**–**	**594.3**	398.6	–	398.6
Cost of sales	6, 8	**(348.8)**	**(6.5)**	**(355.3)**	(242.5)	–	(242.5)
Gross profit		**245.5**	**(6.5)**	**239.0**	156.1	–	156.1
Selling and distribution costs		**(81.8)**	**–**	**(81.8)**	(65.0)	–	(65.0)
Administration expenses	8	**(68.3)**	**(7.5)**	**(75.8)**	(48.9)	(4.0)	(52.9)
Trading profit		**95.4**	**(14.0)**	**81.4**	42.2	(4.0)	38.2
Amortisation of intangible assets	8	**(0.1)**	**(14.2)**	**(14.3)**	–	(7.8)	(7.8)
Operating profit	5, 6	**95.3**	**(28.2)**	**67.1**	42.2	(11.8)	30.4
Finance costs	8, 11	**(4.2)**	**–**	**(4.2)**	(6.5)	(0.1)	(6.6)
Profit before tax	5	**91.1**	**(28.2)**	**62.9**	35.7	(11.9)	23.8
Income tax	8, 12	**(16.0)**	**(5.9)**	**(21.9)**	(6.3)	1.0	(5.3)
Profit for the year attributable to the owners of the parent company		**75.1**	**(34.1)**	**41.0**	29.4	(10.9)	18.5
Basic earnings per share (pence)	13			**16.7**			8.5
Diluted earnings per share (pence)	13			**16.5**			8.4
Dividend per share (pence) – interim	14			**4.0**			–
Dividend per share (pence) – final	14			**8.2**			4.8
	14			**12.2**			4.8

† Non-underlying items are presented separately. The definition of non-underlying items is included in the Group Accounting Policies on page 139. Non-underlying items are detailed in Note 8 to the consolidated financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 £m	2020 £m
Profit for the year attributable to the owners of the parent company	**41.0**	18.5
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(0.4)**	0.3
Effective portion of changes in fair value of interest rate swaps	**–**	0.5
Effective portion of changes in fair value of forward foreign currency derivatives	**(0.1)**	–
Tax relating to items which may be reclassified subsequently to the income statement	**–**	(0.1)
Other comprehensive income for the year net of tax	**(0.5)**	0.7
Total comprehensive income for the year attributable to the owners of the parent company	**40.5**	19.2

Group Balance Sheet

At 31 December 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Property, plant and equipment	15	**151.7**	134.2
Right-of-use assets	16	**20.6**	12.9
Intangible assets	17	**642.8**	393.8
Total non-current assets		**815.1**	540.9
Current assets			
Inventories	20	**80.8**	52.6
Trade and other receivables	21	**76.7**	61.6
Income tax receivable		**1.1**	0.6
Cash and cash equivalents	22	**52.3**	44.1
Total current assets		**210.9**	158.9
Total assets	5	**1,026.0**	699.8
Current liabilities			
Trade and other payables	25	**(135.5)**	(112.2)
Lease liabilities	16, 26	**(4.5)**	(3.5)
Deferred and contingent consideration	18	**(0.5)**	(3.4)
Derivative financial instruments	26	**(0.1)**	–
Total current liabilities		**(140.6)**	(119.1)
Non-current liabilities			
Loans and borrowings	26	**(197.4)**	(58.9)
Lease liabilities	16, 26	**(16.1)**	(9.4)
Deferred and contingent consideration	18	**(4.3)**	–
Other liabilities	26	**(1.4)**	(0.7)
Deferred income tax liabilities	12	**(48.5)**	(10.8)
Total non-current liabilities		**(267.7)**	(79.8)
Total liabilities	5	**(408.3)**	(198.9)
Net assets	5	**617.7**	500.9
Capital and reserves			
Equity share capital	23	**0.2**	0.2
Share premium	23	**93.6**	–
Capital redemption reserve	23	**1.1**	1.1
Own shares	23	**–**	–
Hedging reserve	23	**(0.1)**	–
Foreign currency retranslation reserve	23	**–**	0.4
Other reserves	23	**116.5**	116.5
Retained earnings		**406.4**	382.7
Total equity		**617.7**	500.9

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

Joe Vorih
Director
15 March 2022

Paul James
Director
15 March 2022

Company Registration No. 06059130

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2019	0.2	–	1.1	–	(0.4)	0.1	–	360.4	361.4
Profit for the year	–	–	–	–	–	–	–	18.5	18.5
Other comprehensive income	–	–	–	–	0.4	0.3	–	–	0.7
Total comprehensive income for the year	–	–	–	–	0.4	0.3	–	18.5	19.2
Issue of share capital (See Note 23)	–	–	–	–	–	–	120.0	–	120.0
Transaction costs on issue of share capital	–	–	–	–	–	–	(3.5)	–	(3.5)
Share-based payments charge	–	–	–	–	–	–	–	1.4	1.4
Share-based payments settled	–	–	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	–	–	0.3	0.3
At 31 December 2020	0.2	–	1.1	–	–	0.4	116.5	382.7	500.9
Profit for the year	–	–	–	–	–	–	–	41.0	41.0
Other comprehensive income	–	–	–	–	(0.1)	(0.4)	–	–	(0.5)
Total comprehensive income for the year	–	–	–	–	(0.1)	(0.4)	–	41.0	40.5
Dividends paid	–	–	–	–	–	–	–	(21.7)	(21.7)
Issue of share capital (See Note 23)	–	96.3	–	–	–	–	–	–	96.3
Transaction costs on issue of share capital	–	(2.7)	–	–	–	–	–	–	(2.7)
Share-based payments charge	–	–	–	–	–	–	–	2.2	2.2
Share-based payments settled	–	–	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	–	–	0.1	0.1
At 31 December 2021	0.2	93.6	1.1	–	(0.1)	–	116.5	406.4	617.7

Group Cash Flow Statement

For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Operating activities			
Profit before tax		**62.9**	23.8
Finance costs	11	**4.2**	6.6
Operating profit		**67.1**	30.4
Non-cash items:			
Profit on disposal of property, plant and equipment	6	**(0.2)**	(0.2)
Transaction costs on issue of share capital		**0.1**	0.1
Research and development expenditure credit	6	**(2.0)**	(1.0)
Non-underlying items:			
– amortisation of intangible assets arising on business combinations	8,17	**14.2**	7.8
– provision for acquisition costs	8	**6.6**	2.9
– unwind of inventory fair value adjustment	8	**3.7**	–
– provision for restructuring costs	8	**1.1**	1.1
– provision for product liability claim	8	**2.6**	–
Depreciation of property, plant and equipment	5, 15	**18.4**	16.3
Depreciation of right-of-use assets	5, 16	**4.4**	3.5
Amortisation of internally generated intangible assets	17	**0.1**	–
Share-based payments	24	**2.2**	1.4
Cash items:			
– settlement of acquisition costs	18	**(6.9)**	(1.2)
– settlement of restructuring costs		**–**	(1.1)
Operating cash flows before movement in working capital		**111.4**	60.0
Movement in working capital:			
Receivables		**(0.9)**	(21.3)
Payables		**(6.2)**	15.6
Inventories		**(19.9)**	7.2
Cash generated from operations		**84.4**	61.5
Income tax paid		**(9.5)**	(8.2)
Net cash flows from operating activities		**74.9**	53.3
Investing activities			
Settlement of deferred and contingent consideration	18	**–**	(1.8)
Acquisition of businesses net of cash at acquisition	18	**(236.4)**	–
Proceeds from disposal of property, plant and equipment		**0.5**	0.6
Purchase of property, plant and equipment		**(33.1)**	(25.1)
Patent and development costs expenditure		**(1.5)**	–
Net cash flows from investing activities		**(270.5)**	(26.3)
Financing activities			
Issue of share capital	23	**96.3**	120.0
Transaction costs on issue of share capital	23	**(2.8)**	(3.6)
Debt issue costs		**–**	(0.4)
Issue of Euro-Commercial Paper		**–**	99.4
Buyback of Euro-Commercial Paper		**–**	(99.7)
Drawdown of bank loan		**148.0**	150.6
Repayment of bank loan		**(10.0)**	(289.6)
Interest paid		**(2.9)**	(5.4)
Dividends paid	14	**(21.7)**	–
Proceeds from exercise of share options		**2.1**	2.1
Settlement of lease liabilities	16	**(5.1)**	(4.0)
Net cash flows from financing activities		**203.9**	(30.6)
Net change in cash and cash equivalents		**8.3**	(3.6)
Cash and cash equivalents at 1 January	22	**44.1**	47.7
Net foreign exchange difference		**(0.1)**	–
Cash and cash equivalents at 31 December	22	**52.3**	44.1

Notes to the Group Financial Statements

For the year ended 31 December 2021

1. Authorisation of financial statements

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 15 March 2022 and the balance sheet was signed on the Board's behalf by Joe Vorih and Paul James.

Genuit Group plc (previously known as Polypipe Group plc) is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Group is the provision of sustainable water and climate management solutions for the built environment.

2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the consolidated historical financial information 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.

2.1 Basis of preparation and statement of compliance with IFRSs

The Group's consolidated financial statements have been prepared in accordance with UK-Adopted International Accounting Standards ('UK-Adopted IAS'). In preparing the Group's consolidated financial statements the Directors have considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. This included an assessment of goodwill and other intangible assets and how they could be impacted by measures taken to address global warming. No issues were identified that would impact the carrying values of such assets or have any other impact on the consolidated financial statements.

The accounting policies which follow set out those policies which apply in preparing the consolidated financial statements for the year ended 31 December 2021.

The Group's consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and deferred and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated.

2.2 Going concern

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 18 months ending 30 June 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 Group's going concern.

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 are available until at least November 2023, subject to covenant headroom. 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 Group has adequate financial resources to continue in operational existence for a period of at least the next 15 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Notes to the Group Financial Statements continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All inter-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group holds 100% of the equity and controls 100% of the voting rights in all subsidiaries, with the exception of Plura Composites Limited, Polydeck Limited, Equaflow Ltd, Sustainable Water and Drainage Systems BV, Sustainable Water and Drainage Systems Limited and Water Management Solutions LLC (which has not traded since incorporation in Qatar in 2015). The treatment of non-controlling interests or any other non-voting right factors in respect of control is not material to the consolidated financial statements.

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the total of the consideration transferred, measured at acquisition fair value. Acquisition costs incurred are expensed and included in administration expenses in the income statement.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

2.5 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses (see Note 2.12).

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the profit or loss on disposal of the unit, or of an operation within it.

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recognised by the Group entities 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 at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

2.7 Revenue from contracts with customers and interest income

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods. The disclosure of significant accounting judgements and estimates relating to revenue from contracts with customers is provided in Note 3.

2.7.1 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.

i) Performance obligations

The Group considers whether there are other undertakings in the sales contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

ii) Variable consideration

If the consideration in a sales contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some sales contracts provide customers with sales volume rebates. The sales volume rebates give rise to variable consideration.

iii) Sales volume rebates

The Group provides retrospective sales volume rebates to certain customers once, amongst other matters, the quantity of goods purchased during a predetermined period exceeds thresholds specified in the sales contract. To estimate the variable consideration for these expected future rebates, the Group applies the most likely amount method for sales contracts with a single-volume threshold and the expected value method for sales contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the sales contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. Sales volume rebate liabilities, both estimated and actual, are netted off against the associated trade receivables to the extent of the individual customer trade receivable balance. Any remaining credit balances are included in trade and other payables.

2.7.2 Interest income

Interest income is recognised as interest accrues on cash balances using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2.8 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 consolidated 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;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; 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.

For deductible temporary differences associated with investments in subsidiaries it must additionally be probable that the temporary differences will reverse in the foreseeable future.

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 offset 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 Group 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.

2.9 Property, plant and equipment

Property, plant and equipment is 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 property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected useful life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying amounts of property, plant and equipment 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.

An item of property, plant and equipment 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.

2.10 Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their expected useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents and brand names	10 to 20 years
Customer relationships and customer order book	5 to 20 years
Licences	10 years
Development costs	4 to 10 years

Research and development costs

Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Notes to the Group Financial Statements continued

2.11 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.

2.12 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there are any indicators that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value-in-use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and industry forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and industry forecast calculations are generally covering a period of four years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Goodwill

Goodwill has specific characteristics for impairment and is tested annually (at 31 December) or when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. For the purpose of impairment testing, goodwill is allocated to the related CGUs. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Impairment losses related to goodwill are not reversed in future periods.

2.13 Leasing

Right-of-use assets

The Group 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 Group 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.

Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 Group applies the short-term lease recognition exemption to its short-term leases of machinery 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 Group 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 Group has the option, under some of its leases, to lease the assets for additional terms. The Group 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 Group 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).

2.14 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade receivables 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 Group'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 Group's financial assets include cash and cash equivalents and trade and other receivables.

Subsequent measurement

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

Financial assets at amortised cost

The Group 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 Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables and amounts owed by associated undertakings.

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment

The Group 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 Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date. The Group 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, lease liabilities 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.

Notes to the Group Financial Statements continued

The Group's financial liabilities include trade and other payables, lease liabilities, deferred and contingent consideration, loans and borrowings including bank overdrafts, and derivative financial instruments.

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. The only financial liability at FVTPL that is not designated as an effective hedging instrument is the deferred and contingent consideration (see Note 18).

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Profits and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in finance revenues and finance costs, respectively.

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.

2.15 Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward foreign currency exchange contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Cash flow hedge
Cash flow hedging matches the cash flows of hedged items against the corresponding cash flows of the derivative. The effective part of any profit or loss on the derivative is recognised directly in other comprehensive income and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any profit or loss is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative profit or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative profit or loss recognised in equity is transferred to the income statement for the period.

The Group does not currently have any designated fair value hedges or net investment hedges.

Note 28 sets out the details of the fair values of the derivative financial instruments used for hedging purposes.

2.16 Fair values
The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of financial instruments that are traded in active markets at the balance sheet date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

2.17 Inventories
Inventories 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.

2.18 Cash and short-term deposits
Cash and short-term deposits consist of cash at bank and in hand.

2.19 Pensions
The Group operates defined contribution pension plans. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group 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.

2.20 Non-underlying items
The Group presents amortisation of intangible assets arising on business combinations, the unwind of inventory fair value adjustments resulting from acquisitions, significant profit on disposal of property, plant and equipment, restructuring costs, non-recurring operating costs, finance costs and tax in respect of acquisitions as non-underlying items on the face of the income statement. These are items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, the Directors consider merit separate presentation to provide a better and more consistent indication of the Group's underlying financial performance and a more meaningful comparison with prior and future periods to assess trends in financial performance. The tax effect of the above is also included.

2.21 Share-based payments
In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.22 Cash dividend
The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. A corresponding amount is then recognised directly inequity.

2.23 Own shares
The Group operates an employee benefit trust (EBT). The Group, and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares, and they are ignored for the purposes of calculating the Group's earnings per share.

2.24 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features

Notes to the Group Financial Statements continued

3. Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgement(s), in the consolidated financial statements in the years ended 31 December 2021 and 2020:

3.1 Business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification of which intangible assets meet the recognition criteria as set out in IAS 38, the fair values attributable to those intangible assets, and the useful lives of individual intangible assets. The Group has applied judgement in determining whether amounts contingently payable to previous owners of the businesses we have acquired should be recognised as a remuneration cost in the income statement, or within total consideration that is allocated to the fair value of assets and liabilities included in the balance sheet.

3.2 Determination of Cash Generating Units

Under IAS 36, Impairment of Assets, the Group is required to determine its Cash Generating Units (CGUs) by identifying the lowest aggregation of assets that generate largely independent cash inflows; and perform impairment assessments at a chosen annual date (the Group has historically chosen 31 December) or when a triggering event in accordance with IAS 38 (Intangible Assets) occurs. When the Group first adopted IFRS (effective 1 January 2013) it determined its CGUs and then allocated the consolidated goodwill at that time to each of those CGUs.

Subsequently, separately identifiable goodwill arose on the acquisitions of Surestop (January 2015), Nuaire (August 2015), Permavoid (August 2018), Manthorpe (October 2018), Alderburgh (October 2019) and the February 2021 acquisitions of Adey, Nu-Heat and Plura.

During 2021, following the acquisition of Adey, Nu-Heat and Plura, the Group revised its CGU structure to more accurately reflect the lowest aggregation of assets that generate largely independent cash inflows. This revision has resulted in the number of CGUs consolidating to seven, from 17 previously, but did not necessitate goodwill to be reallocated between the revised CGUs. Accordingly, the Group did not need to perform an impairment review immediately prior to the revision of the CGU structure.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.3 Revenue recognition and customer rebates

The Group's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and involve estimation in determining the required level of provision for rebate liabilities, particularly where the Group is reliant on information from customers which may not be available at the time the liabilities are assessed.

3.4 Impairment of non-financial assets

Non-financial assets include goodwill, other intangible assets, property, plant and equipment, and inventories. In accordance with IFRS, the Group considers whether there are any indicators of impairment of these assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (at 31 December) and when circumstances indicate that the carrying amount may be impaired.

The Group's impairment test for goodwill is based on a value-in-use calculation. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budgets and forecasts for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the cash-generating unit (CGU) being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 17.

3.5 Contingent consideration

The Directors assess the likelihood that financial targets will be achieved in order to trigger the contingent consideration to the previous owners of the businesses we have acquired, to quantify the possible range of that contingent consideration, and to how that contingent consideration should be calculated and disclosed in the consolidated financial statements. Due to the inherent uncertainty in this process, actual liabilities may be different from those originally estimated.

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 consolidated financial statements that the Group reasonably expects to have an impact on disclosures, financial position or performance.

5. Segment information

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Board of Directors, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group has two reporting segments – Residential Systems and Commercial and Infrastructure Systems. The reporting segments sell products which are unique to that segment, and products which are common to both segments. They are however organised and distinguished as separate reporting segments based on the nature of the end markets served. There are no significant judgements in aggregating operating segments to arrive at the reporting segments. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. During the period, two acquired businesses were added to the Residential Systems segment and one to the Commercial and Infrastructure Systems segment (see Note 18).

	2021			2020		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**378.0**	**231.8**	**609.8**	228.4	183.0	411.4
Inter-segment revenue	**(5.1)**	**(10.4)**	**(15.5)**	(4.5)	(8.3)	(12.8)
Revenue	**372.9**	**221.4**	**594.3**	223.9	174.7	398.6
Underlying operating profit*	**73.1**	**22.2**	**95.3**	29.8	12.4	42.2
Non-underlying items – segmental	**(18.5)**	**(8.8)**	**(27.3)**	(4.4)	(7.4)	(11.8)
Segmental operating profit	**54.6**	**13.4**	**68.0**	25.4	5.0	30.4
Non-underlying items – Group			**(0.9)**			–
Operating profit			**67.1**			30.4
Non-underlying items – finance costs			–			(0.1)
Finance costs			**(4.2)**			(6.5)
Profit before tax			**62.9**			23.8

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 139 and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £28.2m (2020: £11.9m) are set out below at Non-underlying items before tax.

Balance sheet

	31 December 2021		31 December 2020	
	Total assets £m	**Total liabilities £m**	Total assets £m	Total liabilities £m
Residential Systems	**665.0**	**(101.9)**	369.5	(81.3)
Commercial and Infrastructure Systems	**307.6**	**(60.5)**	285.6	(47.9)
Total segment assets/(liabilities)	**972.6**	**(162.4)**	655.1	(129.2)
Current and deferred income taxes	**1.1**	**(48.5)**	0.6	(10.8)
Net debt excluding lease liabilities	**52.3**	**(197.4)**	44.1	(58.9)
Total – Group	**1,026.0**	**(408.3)**	699.8	(198.9)
Net assets		**617.7**		500.9

Capital additions

	2021 £m	2020 £m
Residential Systems	**20.2**	13.6
Commercial and Infrastructure Systems	**12.6**	11.2
Total – Group	**32.8**	24.8

Right-of-use asset additions

	2021 £m	2020 £m
Residential Systems	**2.7**	0.9
Commercial and Infrastructure Systems	**2.7**	0.6
Total – Group	**5.4**	1.5

Depreciation of property, plant and equipment

	2021 £m	2020 £m
Residential Systems	**9.9**	7.9
Commercial and Infrastructure Systems	**8.5**	8.4
Total – Group	**18.4**	16.3

Depreciation of right-of-use assets

	2021 £m	2020 £m
Residential Systems	**2.2**	1.6
Commercial and Infrastructure Systems	**2.2**	1.9
Total – Group	**4.4**	3.5

Notes to the Group Financial Statements continued

Non-underlying items before tax

	2021 £m	2020 £m
Residential Systems – amortisation of intangible assets	10.4	3.4
Residential Systems – acquisition costs	3.3	0.6
Residential Systems – restructuring costs	1.1	0.4
Residential Systems – unwind of inventory fair value adjustment	3.7	–
Commercial and Infrastructure Systems – amortisation of intangible assets	3.8	4.4
Commercial and Infrastructure Systems – acquisition costs	2.4	2.3
Commercial and Infrastructure Systems – restructuring costs	–	0.7
Commercial and Infrastructure Systems – product liability claim	2.6	–
UK operations	**27.3**	11.8
Group – unwind of discount on contingent consideration	–	0.1
Group – acquisition costs	0.9	–
Total – Group	**28.2**	11.9

Geographical analysis

Revenue by destination	2021 £m	2020 £m
UK	534.1	354.6
Rest of Europe	38.3	27.6
Rest of World	21.9	16.4
Total – Group	**594.3**	398.6

Non-current assets	2021 £m	2020 £m
UK	809.4	535.3
Rest of Europe	5.7	5.4
Rest of World	–	0.2
Total – Group	**815.1**	540.9

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

The Group has two customers (2020: two) which individually accounted for more than 10% of the Group's total revenue during 2021. These customers accounted for 13.0% and 10. 4%, respectively (2020: 14.0% and 10.9%, respectively) and are included in both reporting segments.

6. Operating profit

	2021 £m	2020 £m
Income statement charges		
Depreciation of property, plant and equipment (owned)	18.4	16.3
Depreciation of right-of-use assets	4.4	3.5
Cost of inventories recognised as an expense	290.4	189.8
Research and development costs expensed	8.8	8.8
Income statement credits		
Research and development expenditure credit	2.0	1.0
Profit on disposal of property, plant and equipment	0.2	0.2

7. Auditor's remuneration

The Group paid the following amounts to the Company's auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Auditor's remuneration for audit services:

	2021 £m	2020 £m
Audit of the Company's annual financial statements	–	–
Audit of the Company's subsidiaries	0.7	0.5
Total audit fees	**0.7**	0.5

The Group paid the Company's auditor £0.1m for audit related assurance services (2020: £0.1m).

8. Non-underlying items

Non-underlying items comprised:

	2021 Gross £m	2021 Tax £m	2021 Net £m	2020 Gross £m	2020 Tax £m	2020 Net £m
Cost of sales: Unwind of inventory fair value adjustment	**3.7**	**–**	**3.7**	–	–	–
Cost of sales: Restructuring costs	**0.2**	**–**	**0.2**	–	–	–
Cost of sales: Product liability claim	**2.6**	**(0.5)**	**2.1**	–	–	–
Administration expenses: Acquisition costs – acquisition and other M&A activity	**6.6**	**–**	**6.6**	2.9	(0.4)	2.5
Administration expenses: Restructuring costs	**0.9**	**(0.2)**	**0.7**	1.1	(0.2)	0.9
Amortisation of intangible assets	**14.2**	**6.6**	**20.8**	7.8	(0.4)	7.4
Finance costs: Unwind of discount on contingent consideration	**–**	**–**	**–**	0.1	–	0.1
Total non-underlying items	**28.2**	**5.9**	**34.1**	11.9	(1.0)	10.9

The unwind of the inventory fair value adjustment relates to the fair value uplift of the inventory acquired as part of the Adey acquisition that has subsequently been sold.

Restructuring costs in 2021 relate to the rationalisation of the number of operating business units.

The product liability claim is associated with a historic acquisition.

Acquisition costs in 2021 relate to the acquisitions of Nu-Heat, Plura and Adey as well as costs associated with other merger and acquisition activity and contingent consideration treated as remuneration in respect of the acquisition of Plura as detailed in see Note 18.

The non-underlying tax charge includes £9.3m in respect of restating the deferred income tax liability on intangible assets as a result of the change in the main UK corporation tax rate (see Note 12).

Acquisition costs in 2020 relate to the contingent consideration treated as remuneration in respect of the acquisition of Permavoid, as detailed in Note 18, and costs associated with the acquisitions of Nu-Heat, Plura and Adey.

Restructuring costs in 2020 are in relation to actions taken to mitigate the impact of Covid-19, including 104 redundancies

9. Staff costs

Staff costs (including Directors) comprised:

	2021 £m	2020 £m
Wages and salaries	**125.9**	94.0
Social security costs	**14.3**	10.1
Other pension costs	**5.4**	4.2
	145.6	108.3

Staff costs in 2020 include a net credit of £7.0m received under the UK Government's Coronavirus Job Retention Scheme (CJRS). The Group withdrew from the CJRS on 31 August 2020.

The average monthly number of persons employed by the Group by segment was as follows:

	2021	2020
Residential Systems	**2,204**	1,723
Commercial and Infrastructure Systems	**1,454**	1,373
Total – Group	**3,658**	3,096

10. Directors' remuneration

Details of the Directors' remuneration are set out below:

	2021 £m	2020 £m
Fees	**0.4**	0.4
Emoluments	**3.3**	1.4
	3.7	1.8

Further details of Directors' remuneration are provided in the Annual Report on Remuneration. The aggregate amount of gains made by the Directors on the exercise of share options during the year was £0.4m (2020: £0.6m).

Notes to the Group Financial Statements continued

11. Finance costs

	2021 £m	2020 £m
Interest on bank loan	2.5	4.2
Debt issue cost amortisation	0.5	0.6
Unwind of discount on lease liabilities	0.7	0.5
Other finance costs	0.5	1.2
Unwind of discount on contingent consideration	–	0.1
	4.2	6.6

12. Income tax

(a) Tax expense reported in the income statement

	2021 £m	2020 £m
Current income tax:		
UK income tax	9.5	5.0
Overseas income tax	0.5	0.1
Current income tax	10.0	5.1
Adjustment in respect of prior years	0.4	(0.3)
Total current income tax	10.4	4.8
Deferred income tax:		
Origination and reversal of temporary differences	(1.3)	(1.1)
Effects of changes in income tax rates	11.7	1.4
Deferred income tax	10.4	0.3
Adjustment in respect of prior years	1.1	0.2
Total deferred income tax	11.5	0.5
Total tax expense reported in the income statement	21.9	5.3

Details of the non-underlying tax charge of £5.9m (2020: £1.0m credit) are set out in Note 8.

(b) Reconciliation of the total tax expense

A reconciliation between the tax 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 £m	2020 £m
Accounting profit before tax	62.9	23.8
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2020: 19.0%)	12.0	4.5
Expenses not deductible for income tax	1.8	0.2
Non-taxable income	(1.0)	(0.2)
Adjustment in respect of prior years	1.5	(0.1)
Effects of patent box	(1.6)	(0.4)
Effects of changes in income tax rates	11.4	1.2
Effects of tax losses	(1.1)	–
Effects of super deduction	(0.6)	–
Effects of other tax rates/credits	(0.5)	0.1
Total tax expense reported in the income statement	21.9	5.3

The effective rate for the full year was 34.8% (2020: 22.3%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 17.6% (2020: 17.6%).

(c) Deferred income tax

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

	2021 £m	2020 £m
Deferred income tax liabilities/(assets)		
Short-term timing differences	41.3	8.8
Capital allowances in excess of depreciation	11.1	4.3
Share-based payments	(2.3)	(1.8)
Tax losses	(1.6)	(0.5)
	48.5	10.8

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to offset 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 deferred income tax liability on short-term timing differences has increased by £32.2m as a result of the intangible assets arising on the acquisitions of Nu-Heat, Plura and Adey.

A reconciliation of deferred income taxes for the years ended 31 December 2021 and 2020 is as follows:

	2021 £m	2020 £m
Deferred income tax reported in the income statement	**11.5**	0.5
Deferred income tax reported in other comprehensive income	**–**	0.1
Share-based payments excess tax benefit	**(0.1)**	(0.3)
Deferred income tax acquired	**26.3**	–
	37.7	0.3

(d) Change in corporation tax rate
The Finance (No.2) Act 2015 reduced the main UK corporation tax rate to 19%, effective from 1 April 2017. A further reduction in the main UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the rate, thereby maintaining the current rate of 19%. Deferred income tax on the balance sheet at 31 December 2020 was therefore measured at 19%.

The Finance Act 2021 (enacted on 10 June 2021) included an increase to the main UK corporation tax rate to 25%, effective from 1 April 2023. Deferred income tax on the balance sheet at 31 December 2021 was therefore measured at 19% or 25% depending on when the deferred income tax asset or liability is expected to reverse.

(e) Unrecognised tax losses
No deferred income tax has been recognised on non-trading losses and other timing differences of £1.4m (2020: £0.7m) as the Directors do not consider that they will be utilised in the foreseeable future.

13. Earnings per share
Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of potential ordinary shares that would be issued on the conversion of all the dilutive share options into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	**245,097,578**	218,122,445
Effect of dilutive potential ordinary shares	**3,168,838**	2,545,315
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**248,266,416**	220,667,760

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £34.1m (2020: £10.9m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2021	2020
Underlying profit for the year attributable to the owners of the parent company (£m)	**75.1**	29.4
Underlying basic earnings per share (pence)	**30.6**	13.5
Underlying diluted earnings per share (pence)	**30.2**	13.3

14. Dividend per share

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 4.8p per share (2019: nil)	**11.8**	–
Interim dividend for the year ended 31 December 2021 of 4.0p per share (2020: nil)	**9.9**	–
	21.7	–
Proposed final dividend for the year ended 31 December 2021 of 8.2p per share (2020: 4.8p)	**20.3**	11.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

Notes to the Group Financial Statements continued

15. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2020	52.1	189.0	241.1
Additions	3.4	21.4	24.8
Disposals	(1.2)	(50.5)	(51.7)
Acquisition of businesses	–	0.2	0.2
Exchange adjustment	–	0.3	0.3
At 31 December 2020	54.3	160.4	214.7
Additions	3.9	28.9	32.8
Disposals	(1.0)	(7.7)	(8.7)
Transfer to intangible assets	–	(0.8)	(0.8)
Acquisition of businesses	1.2	3.0	4.2
Exchange adjustment	–	(0.3)	(0.3)
At 31 December 2021	**58.4**	**183.5**	**241.9**
Depreciation and impairment losses			
At 1 January 2020	7.7	107.6	115.3
Provided during the year	2.0	14.3	16.3
Disposals	(1.2)	(50.1)	(51.3)
Exchange adjustment	–	0.2	0.2
At 31 December 2020	8.5	72.0	80.5
Provided during the year	1.6	16.8	18.4
Disposals	(1.0)	(7.4)	(8.4)
Transfer to intangible assets	–	(0.1)	(0.1)
Exchange adjustment	–	(0.2)	(0.2)
At 31 December 2021	**9.1**	**81.1**	**90.2**
Net book value			
At 31 December 2021	**49.3**	**102.4**	**151.7**
At 31 December 2020	45.8	88.4	134.2

Included in freehold land and buildings is non-depreciable land of £17.7m (2020: £17.4m).

During 2020, the Group carried out a review of its plant and other equipment register and removed assets with a gross cost of £48.8m and associated accumulated depreciation of £48.7m. These assets were no longer in use and/or fully depreciated.

Capital commitments

At 31 December 2021, the Group had commitments of £5.4m (2020: £1.2m) relating to plant and equipment purchases.

16. Right-of-use assets and lease liabilities

	Right-of-use assets				Lease liabilities
	Freehold land and buildings £m	Plant and other equipment £m	Motor vehicles £m	Total £m	£m
At 1 January 2020	7.1	7.5	0.2	14.8	(14.8)
Additions	0.2	1.3	–	1.5	(1.5)
Depreciation	(1.5)	(1.9)	(0.1)	(3.5)	–
Unwind of discount	–	–	–	–	(0.5)
Settlements	–	–	–	–	4.0
Exchange adjustment	0.1	–	–	0.1	(0.1)
At 31 December 2020	5.9	6.9	0.1	12.9	(12.9)
Additions	2.9	2.5	–	5.4	(5.4)
Acquisition of businesses	6.0	0.8	–	6.8	(6.8)
Depreciation	(2.1)	(2.3)	–	(4.4)	–
Unwind of discount	–	–	–	–	(0.7)
Settlements	–	–	–	–	5.1
Exchange adjustment	–	(0.1)	–	(0.1)	0.1
At 31 December 2021	**12.7**	**7.8**	**0.1**	**20.6**	**(20.6)**

17. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £m	Customer order book £m	Development costs £m	Total £m
Cost								
At 1 January 2020	345.6	34.4	30.3	17.4	0.8	–	–	428.5
Acquisition of businesses	(0.2)	–	–	–	–	–	–	(0.2)
At 31 December 2020	345.4	34.4	30.3	17.4	0.8	–	–	428.3
Additions	–	0.3	–	–	–	–	1.2	1.5
Transfer from tangible assets	–	–	–	–	–	–	0.8	0.8
Acquisition of businesses	122.3	4.8	36.2	96.9	–	0.9	–	261.1
At 31 December 2021	**467.7**	**39.5**	**66.5**	**114.3**	**0.8**	**0.9**	**2.0**	**691.7**
Amortisation and impairment losses								
At 1 January 2020	–	9.1	11.5	6.0	0.1	–	–	26.7
Charge for the year	–	3.0	2.8	1.9	0.1	–	–	7.8
At 31 December 2020	–	12.1	14.3	7.9	0.2	–	–	34.5
Charge for the year	–	3.3	4.9	5.5	0.1	0.4	0.1	14.3
Transfer from tangible assets	–	–	–	–	–	–	0.1	0.1
At 31 December 2021	**–**	**15.4**	**19.2**	**13.4**	**0.3**	**0.4**	**0.2**	**48.9**
Net book value								
At 31 December 2021	**467.7**	**24.1**	**47.3**	**100.9**	**0.5**	**0.5**	**1.8**	**642.8**
At 31 December 2020	345.4	22.3	16.0	9.5	0.6	–	–	393.8

Goodwill arising on the acquisition of businesses was increased by £122.3m following the acquisition of Nu-Heat (Holdings) Limited, *Plura Composites Limited, London Topco Limited (Adey) and Tree Ground Solutions Limited* as detailed in Note 18.

During 2020, goodwill arising on the acquisition of businesses was reduced by £0.2m, following finalisation of the calculation of the fair value of assets and liabilities acquired in October 2019, in respect of the Alderburgh group of companies.

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing. Goodwill has been allocated for impairment testing purposes to a number of cash-generating units (CGUs) which represent the lowest level in the Group at which goodwill is monitored for internal management purposes. The carrying amount of goodwill allocated to each of the CGUs is as follows:

CGU	31 December 2021 £m	31 December 2020 £m
Building Services & International	33.6	33.6
Infrastructure & Landscape	40.7	40.5
Residential Systems	169.6	169.6
Ventilation & Climate	93.7	93.7
Adey	104.8	–
Nu-Heat	17.3	–
Others (comprising Surestop and Ulster)	8.0	8.0
	467.7	345.4

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2.74% to 2.80% thereafter (2020: 2.68% to 2.80%).

A pre-tax discount rate of 10.4% (2020: 10.0%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill.

Notes to the Group Financial Statements continued

18. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	31 December 2021 £m	31 December 2020 £m
Deferred and contingent consideration on Pluro acquisition	4.3	–
Contingent consideration on Permavoid acquisition	0.5	3.4
	4.8	3.4

Acquisition-related cash flows comprised:

	2021 £m	2020 £m
Operating cash flows – settlement of acquisition costs		
Nu-Heat	0.6	–
Pluro	0.7	–
Adey	3.1	–
Permavoid	2.5	–
Other – aborted acquisition costs	–	1.2
	6.9	1.2

	2021 £m	2020 £m
Investing cash flows – settlement of deferred and contingent consideration		
Alderburgh	–	0.3
Permavoid	–	1.5
	–	1.8

	2021 £m	2020 £m
Investing cash flows – acquisition of businesses net of cash at acquisition		
Nu-Heat	25.8	–
Pluro	1.8	–
Adey	208.6	–
Tree Ground Solutions	0.2	–
	236.4	–

Nu-Heat

On 2 February 2021, the Group acquired 100% of the voting rights and shares of Nu-Heat (Holdings) Limited (Nu-Heat), the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems, for a consideration of £27.0m on a cash-free, debt-free basis. The total cash consideration of £24.8m included a payment of £5.7m for net cash on completion and was net of loans and borrowings at acquisition of £6.7m. Additional debt and debt-like items amounted to £1.2m.

Details of the acquisition, including fair value adjustments, were as follows:

	Fair value £m
Property, plant and equipment	0.5
Right-of-use assets	0.3
Intangible assets	11.7
Inventories	1.4
Trade and other receivables	0.7
Cash and cash equivalents	5.7
Trade and other payables	(3.3)
Loans and borrowings	(6.7)
Lease liabilities	(0.3)
Income tax payable	(0.2)
Deferred income tax liabilities	(2.3)
Net identifiable assets	**7.5**
Goodwill on acquisition	17.3
Total cash consideration	**24.8**

The 'Nu-Heat' brand, order book and customer relationships have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

The fair value of trade and other receivables was £0.7m. The gross amount of trade and other receivables was £0.8m and it is expected that the full contractual amounts can be collected.

Post-acquisition Nu-Heat contributed £15.5m revenue and £2.4m underlying operating profit which were included in the Group income statement. If Nu-Heat had been acquired on 1 January 2021, the Group's results for the twelve months ended 31 December 2021 would have shown revenue of £595.5m and underlying operating profit of £95.2m.

Acquisition costs of £0.4m were expensed and are included in non-underlying items in administration expenses. Acquisition costs of £0.6m were fully cash settled in the year, including £0.2m that was included in trade and other payables at 31 December 2020.

Plura

On 5 February 2021, the Group acquired 51% of the voting rights and shares of Plura Composites Ltd (Plura) for an initial cash consideration of £1.25m, and a further payment in respect of the option to acquire the remaining 49% of between £6.0m and £16.4m depending on the EBITDA performance of Plura in the 12-month period ending no earlier than 5 February 2024 and no later than 31 July 2024. Under the contractual arrangements, the Group's approval is required for all major operational decisions. Based on this, the Group has concluded that Plura Composites Ltd is a wholly owned subsidiary, and the Group controls it with no non-controlling interests.

Plura provides a range of products for utility companies, road and rail operators, network builders and designers in the construction and maintenance of their networks. Plura's manufacturing expertise lies in pultrusion, compression moulding, injection moulding and fabrications.

Details of the acquisition, including fair value adjustments, were as follows:

	Fair value £m
Property, plant and equipment	0.7
Right-of-use assets	1.7
Intangible assets	3.2
Inventories	0.9
Trade and other receivables	1.8
Cash and cash equivalents	0.2
Trade and other payables	(2.4)
Loans and borrowings	(0.7)
Lease liabilities	(1.7)
Deferred income tax liabilities	(0.5)
Net identifiable assets	**3.2**
Less: estimated contingent consideration	(1.9)
Initial cash consideration	**1.3**

Customer relationships is the only material intangible asset that has been recognised as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition is immaterial.

The fair value of trade and other receivables was £1.8m. The gross amount of trade and other receivables was £1.8m and it is expected that the full contractual amounts can be collected.

Post-acquisition Plura contributed £5.9m revenue and £0.1m underlying operating profit which were included in the Group income statement. If Plura had been acquired on 1 January 2021, the Group's results for the twelve months ended 31 December 2021 would have shown revenue of £594.7m and underlying operating profit of £95.2m.

Acquisition costs of £0.4m were expensed and are included in non-underlying items in administration expenses. Acquisition costs of £0.7m were fully cash settled in the year, including £0.3m that was included in trade and other payables at 31 December 2020.

Contingent consideration of £4.3m has been recognised at 31 December 2021. Of this, £1.9m is contingent on EBITDA performance in the third year of trading following acquisition and has been included in the purchase consideration. The balance of £2.4m has been included in non-underlying items in administration expenses and is contingent on EBITDA performance in the third year of trading following acquisition as well as the continued employment of key personnel. This second payment is being accrued over the three-year period.

Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. There is no material difference between the estimated cash consideration and the fair value. The estimated cash consideration is derived from the budgets and forecasts for Plura.

Notes to the Group Financial Statements continued

Adey

On 10 February 2021, the Group acquired 100% of the voting rights and shares of London Topco Limited (Adey) for a consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance constraints in water-based heating systems and improve energy efficiency, operating in predominantly residential end markets. The cash consideration of £86.6m included a payment of £7.3m for net cash on completion and was net of loans and borrowings at acquisition of £129.3m. Additional debt and debt-like items amounted to £1.4m.

Details of the acquisition, including fair value adjustments, were as follows:

	Fair value £m
Property, plant and equipment	3.0
Right-of-use assets	4.8
Intangible assets	123.9
Inventories	10.0
Trade and other receivables	11.5
Cash and cash equivalents	7.3
Trade and other payables	(19.1)
Loans and borrowings	(129.3)
Lease liabilities	(4.8)
Derivative financial instruments	(0.8)
Other liabilities	(0.7)
Income tax payable	(0.5)
Deferred income tax liabilities	(23.5)
Net identifiable liabilities	**(18.2)**
Goodwill on acquisition	104.8
Total cash consideration	**86.6**

Customer relationships (£90.5m), the 'Adey' brand (£28.6m) and patents (£4.8m) have been recognised as specific intangible assets as a result of this acquisition. The customer relationships have been recognised with useful economic lives of between 10 to 20 years due to the strength of Adey's relationships with key customers. Fair value adjustments principally relate to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

The fair value of trade and other receivables was £11.5m. The gross amount of trade and other receivables was £11.8m and it is expected that the full contractual amounts can be collected.

Post-acquisition Adey contributed £56.1m revenue and £18.1m underlying operating profit which were included in the Group income statement. If Adey had been acquired on 1 January 2021, the Group's results for the twelve months ended 31 December 2021 would have shown revenue of £605.7m and underlying operating profit of £97.2m.

Acquisition costs of £2.9m were expensed and are included in non-underlying items in administration expenses. Of the £2.9m acquisition costs, £2.7m were fully cash settled in the year in addition to £0.4m that were included in trade and other payables at 31 December 2020. A further £0.2m is included in trade and other payables at 31 December 2021.

Tree Ground Solutions

On 3 May 2021, the Group acquired the remaining 50% of the share capital of Tree Ground Solutions BV (TGS), taking the total shareholding to 100%, for a cash consideration of £0.2m (€0.25m). The cash consideration of £0.2m included an immaterial payment for net cash on completion.

Details of the acquisition were as follows:

	Fair value £m
Inventories	0.1
Trade and other receivables	0.4
Trade and other payables	(0.4)
Net identifiable assets	**0.1**
Less: initial investment	(0.1)
Goodwill on acquisition	0.2
Total cash consideration	**0.2**

There have been no fair value adjustments following the acquisition. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

The fair value of trade and other receivables was £0.4m. The gross amount of trade and other receivables was £0.4m and it is expected that the full contractual amounts will be collected.

Post-acquisition TGS contributed £1.1m revenue and £0.1m of underlying operating profit which were included in the Group income statement. If TGS had been acquired on 1 January 2021, the Group's results for the twelve months ended 31 December 2021 would have shown revenue of £594.9m and underlying operating profit of £95.3m.

Acquisition costs were negligible and have been expensed and included in non-underlying items in administration expenses.

Permavoid

On 31 August 2018, the Group acquired 100% of the share capital of Permavoid Limited (Permavoid), a specialist designer and supplier of surface water management solutions in commercial, residential, and sports pitch applications, for an initial cash consideration of £4.3m on a cash and debt-free, normalised working capital basis, and further contingent consideration depending on the EBITDA performance of Permavoid in the two years to 30 September 2020.

During the year a payment of £2.5m was made that was contingent on EBITDA performance in the second year of trading following acquisition and the continued employment of key personnel. Contingent consideration at fair value of £3.4m was held on the balance sheet at 31 December 2020 and was accrued over the two-year period. A balance of £0.5m contingent consideration is held on the balance sheet at 31 December 2021 with £0.4m having been released non-underlying items in administration expenses in the income statement. A further agreement has been made whereby up to £0.5m is payable contingent on EBIT performance for the year ending 31 December 2021. Accordingly, the aggregate consideration is expected to be approximately £8.8m.

19. Investments

Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2021 are set out in Note 4 to the parent company financial statements.

20. Inventories

	31 December 2021 £m	31 December 2020 £m
Raw materials	**23.9**	16.3
Work in progress	**10.3**	7.6
Finished goods	**46.6**	28.7
	80.8	52.6

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. The provision at 31 December 2021 was £12.0m (2020: £6.8m).

21. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Trade receivables	**69.7**	51.6
Amounts owed by associated undertakings	**–**	0.5
Prepayments	**7.0**	9.5
	76.7	61.6

Trade receivables are non-interest bearing and are generally settled on 30 days' credit.

Notes to the Group Financial Statements continued

Expected credit losses

The Group maintains a substantial level of credit insurance covering a significant proportion of its trade receivables which mitigates against expected credit losses. Therefore, such credit losses are not significant.

The ageing of trade receivables at the balance sheet date was as follows:

	31 December 2021			31 December 2020		
	Gross £m	Allowance for expected credit losses £m	Total £m	Gross £m	Allowance for expected credit losses £m	Total £m
Not past due	41.7	(0.2)	41.5	40.2	(0.1)	40.1
Past due 1 to 30 days	22.8	(0.2)	22.6	9.7	(0.1)	9.6
Past due 31 to 90 days	5.5	(0.2)	5.3	0.8	(0.1)	0.7
Past due more than 90 days	1.1	(0.8)	0.3	2.0	(0.8)	1.2
	71.1	(1.4)	69.7	52.7	(1.1)	51.6

The movements in the allowance for expected credit losses of trade receivables comprised:

	£m
At 31 December 2019	0.9
Charged to the income statement during the year	0.7
Utilised during the year	(0.5)
At 31 December 2020	1.1
Acquisition of businesses	0.4
Credited to the income statement during the year	(0.1)
At 31 December 2021	**1.4**

22. Cash and cash equivalents

Cash and cash equivalents comprised:

	31 December 2021 £m	31 December 2020 £m
Cash at bank and in hand	52.3	44.1

Cash at bank earns interest at variable rates based on daily bank deposit rates. The Group only deposits cash surpluses with banks that have as a minimum a single A credit rating.

23. Share capital and reserves

Share capital

	31 December 2021		31 December 2020	
	Number*	£	Number*	£
Authorised share capital:				
Ordinary shares of £0.001 each	248	248,170	228	228,466
Allotted, called up and fully paid:				
Ordinary shares of £0.001 each	248	248,170	228	228,466

* Millions of shares.

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Share premium

On 11 February 2021, the Group conducted a non-pre-emptive placing of 18,704,085 new ordinary shares at £5.15 per share generating gross proceeds of £96.3m with issue costs of £2.7m. Net proceeds in excess of the nominal value of £93.6m have been credited to the share premium account. A further £0.1m of listing fees have been incurred and charged to the income statement in 2021.

Capital redemption reserve

Following the consolidation and subdivision of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital, a transfer was made from retained earnings to a capital redemption reserve at that time.

Own shares

Own shares represent the cost of Genuit Group plc shares purchased in the market and held by the Company, and/or the employee benefit trust (EBT), to satisfy the future exercise of options under the Group's share option schemes.

During the year the Group issued 1,000,000 shares (2020: 500,000 shares) to the EBT at the nominal value of £0.001.

At 31 December 2021, the Group held 965 (2020: 965) of its own shares at an average cost of 420p (2020: 420p) per share. The market value of these shares at 31 December 2021 was less than £0.1m (2020: less than £0.1m). The nominal value of each share is £0.001.

The EBT held 353,585 shares at 31 December 2021 (2020: 205,907) at an average cost of 0.1p (2020: 0.1p) per share. The market value of these shares at 31 December 2021 was £2.1m (2020: £1.2m). The nominal value of each share is £0.001.

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group in respect of interest rate swaps and forward foreign currency derivatives as discussed in Note 28.

Foreign currency retranslation reserve

The foreign currency retranslation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves

On 7 May 2020, the Group conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4 45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Group was able to take relief under Section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisers' fees of £3.5m have been netted off against the gross proceeds. A further £0.1m of listing fees have been incurred and charged to the income statement in 2020.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital. The Group's net debt is defined as cash and cash equivalents, loans and borrowings, and lease liabilities. At 31 December 2021, the Group had bank debt of £198.0m (2020: £60.0m), an undrawn committed revolving credit facility of £102.0m (2020: £240.0m), cash of £52.3m (2020: £44.1m), an uncommitted accordion facility of £50.0m (2020: nil) and lease liabilities of £20.6m (2020: £12.9m). A key objective of the Group is to maintain sufficient liquidity (cash and committed bank facilities) in order to meet its cash commitments including interest payments due on that debt. No changes were made to the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

24. Share-based payments

Share options were granted by the Company under its various share option schemes as detailed in the table below:

	Exercise price £	31 December 2020 Number	Granted Number	Dividend Accrual	Exercised Number	Lapsed/ forfeited Number	31 December 2021 Number	Date first exercisable	Expiry date
2014 Sharesave (granted 2017)	3.10	130,462	–	–	(124,531)[1]	(5,931)	–	1 Nov 2020	30 April 2021
2014 Sharesave (granted 2018)	2.98	689,553	–	–	(553,283)[2]	(19,327)	**116,943**	1 Nov 2021	30 April 2022
2014 Sharesave (granted 2019)	3.05	1,114,739	–	–	(15,030)[3]	(65,685)	**1,034,024**	1 Nov 2022	30 April 2023
2014 Sharesave (granted 2020)	3.45	1,611,095	–	–	(1,858)[4]	(146,802)	**1,462,435**	1 Dec 2023	31 May 2024
2014 Sharesave (granted 2021)	5.78	–	1,005,123	–	–	(6,847)	**998,276**	1 Dec 2024	31 May 2025
2014 LTIP (granted 10 May 2016)	Nil	142,102	–	–	(37,937)[5]	–	**104,165**	10 May 2019	10 May 2026
2014 LTIP (granted 2 May 2017)	Nil	42,943	–	–	(13,654)[6]	–	**29,289**	2 May 2020	2 May 2027
2014 LTIP (granted 22 May 2017)	Nil	5,973	–	–	–	–	**5,973**	22 May 2020	22 May 2027
2014 LTIP (granted 2 May 2018)	Nil	484,591	–	–	(87,124)[7]	(364,820)	**32,647**	2 May 2021	2 May 2028
2014 LTIP (granted 30 April 2019)	Nil	526,151	–	–	–	–	**526,151**	30 April 2022	30 April 2029
2014 LTIP (granted 22 Nov 2019)	Nil	23,531	–	–	–	–	**23,531**	22 Nov 2022	22 Nov 2029
2014 LTIP (granted 22 June 2020)	Nil	633,899	–	–	–	–	**633,899**	22 June 2023	22 June 2030
2014 LTIP (granted 20 May 2021)	Nil	–	676,916	–	–	–	**676,916**	20 May 2024	20 May 2031
DSBP (granted 2 May 2018)	Nil	9,578	–	(5)	(9,573)[8]	–	–	2 May 2021	2 May 2028
DSBP (granted 30 April 2019)	Nil	31,430	–	242	(12,235)[9]	–	**19,437**	30 April 2021	30 April 2029
DSBP (granted 22 June 2020)	Nil	16,906	–	214	–	–	**17,120**	22 June 2022	22 June 2030
		5,462,953	1,682,039	451	(855,225)	(609,412)	**5,680,806**		

1. The weighted average share price at the date of exercise of these options was £5.64.
2. The weighted average share price at the date of exercise of these options was £6.40.
3. The weighted average share price at the date of exercise of these options was £5.78.
4. The weighted average share price at the date of exercise of these options was £5.59.
5. The weighted average share price at the date of exercise of these options was £6.15.
6. The weighted average share price at the date of exercise of these options was £6.96.
7. The weighted average share price at the date of exercise of these options was £5.81.
8. The weighted average share price at the date of exercise of these options was £5.59.
9. The weighted average share price at the date of exercise of these options was £5.59.

At 31 December 2021, 292,541 (2020: 321,480) share options were exercisable at a weighted average exercise price of £1.19 (2020: £1.26) per share.

Notes to the Group Financial Statements continued

Sharesave Plan

Sharesave Plan options were granted to eligible employees on 21 October 2021 at an exercise price of £5.78 per share, a 20% discount to the average share price over the three business days preceding the offer. Participating employees can exercise their options to purchase the shares acquired through their savings plans at the option price after three years. These options have an exercise date of 2024 to 2025.

Long-Term Incentive Plan (LTIP)

LTIP options were awarded to a number of senior executives on 20 May 2021. These options have an exercise date of 2024 to 2031. The vesting of each award is subject to the satisfaction of certain performance criteria, of which 25% is based on total shareholder return (the TSR element), 25% is based on sustainability performance (the sustainability element) and 50% is based on earnings per share (the EPS element). Further details of the scheme are provided in the Annual Report on Remuneration.

Deferred Share Bonus Plan (DSBP)

There were no awards made under the DSBP in 2021.

All these equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled, share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimates of shares that will eventually vest, with a corresponding adjustment to equity. Fair value for the Sharesave Plan options is measured by use of a Black-Scholes model. Fair value of the LTIP options is measured by use of a Monte Carlo model. The expected life used in the models has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The assumptions used for each share-based payment were as follows:

	2014 LTIP options granted 20 May 2021	**2014 Sharesave options granted 2021**
Share price at the date of grant	£6.03	£6.96
Exercise price	Nil	£5.78
Shares under option	676,916	1,005,123
Vesting period (years)	3.00	3.25
Expected volatility	35.4%	37.8%
Median volatility of the comparator group	38.2%	n/a
Expected life (years)	3.00	3.25
Risk free rate	0.14%	0.69%
Dividend yield	2.5%	2.5%
TSR performance of the Company at the date of grant	1.9%	n/a
Median TSR performance of the comparator group at the date of grant	38.2%	n/a
Correlation (median)	33.3%	n/a
Fair value per option	£4.91	£2.02

	2014 LTIP options granted 22 June 2020	2014 Sharesave options granted 2020
Share price at the date of grant	£4.40	£4.54
Exercise price	Nil	£3.45
Shares under option	633,899	1,618,815
Vesting period (years)	3.00	3.25
Expected volatility	33.9%	33.4%
Median volatility of the comparator group	38.2%	n/a
Expected life (years)	3.00	3.25
Risk free rate	(0.05)%	(0.11)%
Dividend yield	2.5%	2.5%
TSR performance of the Company at the date of grant	(18.5)%	n/a
Median TSR performance of the comparator group at the date of grant	(24.4)%	n/a
Correlation (median)	33.3%	n/a
Fair value per option	£2.71	£1.18

The expected volatility is based on historical share price movements. The Directors anticipate it is possible the performance criteria in relation to the LTIP options may not be met.

	2021 £m	2020 £m
Share-based payments charge for the year	2.2	1.4

25. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade payables	94.1	75.1
Other taxes and social security costs	11.2	18.6
Accruals	30.2	18.5
	135.5	112.2

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

26. Financial liabilities

	31 December 2021 £m	31 December 2020 £m
Non-current loans and borrowings:		
Bank loan		
– principal	198.0	60.0
– unamortised debt issue costs	(0.6)	(1.1)
Total non-current loans and borrowings	197.4	58.9
Cash at bank and in hand	(52.3)	(44.1)
Net debt excluding lease liabilities	145.1	14.8

	31 December 2021 £m	31 December 2020 £m
Other financial liabilities:		
Trade and other payables	135.5	112.2
Lease liabilities	20.6	12.9
Other liabilities	1.4	0.7
Deferred and contingent consideration	4.8	3.4
Derivative financial instruments	0.1	–
	162.4	129.2

Bank loan

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders in respect of the Group's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprised a £300.0m revolving credit facility and £50.0m uncommitted accordion facility, was secured and would have matured in November 2023 (with two further uncommitted annual renewals through to November 2025 possible). The Group incurred £1.7m of debt issue costs in respect of entering into the Amendment and Restatement Agreement dated 19 November 2018 which were capitalised and are being amortised to the income statement over the term of the facility to November 2023.

On 4 May 2020, the Group entered into a revised Amendment and Restatement Agreement with its banking group to provide the additional £50.0m Covid-19 facility for a period of 12 months, leaving the Group with £350.0m of total revolving credit facilities for the next 12 months. The Group also secured agreement from its banking group to temporarily waive certain requirements within the Group's revolving credit facility and suspend the June 2020 quarterly leverage covenant test. The Group incurred £0.3m of debt issue costs in respect of entering into the revised Amendment and Restatement Agreement which were capitalised and amortised to the income statement over the 12-month term of the facility. The facility expired in May 2021

Interest was payable on the bank loan at LIBOR plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's leverage (net debt excluding lease liabilities as a multiple of pro forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2021 was 1.40% (2020: 1.40%). With effect from 4 January 2022, LIBOR was replaced by the Standard Overnight Index Average (SONIA). Pro forma EBITDA for the year was £117.9m (2020: £59.6m), and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the balance sheet date adjusted where relevant to include a full year of EBITDA from acquisitions made during those 12 months.

Notes to the Group Financial Statements continued

	2021 £m	2020 £m
Pro forma EBITDA (12 months preceding the balance sheet)		
Underlying operating profit	**95.3**	42.2
Depreciation of property, plant and equipment	**18.4**	16.3
Amortisation of internally generated intangible assets	**0.1**	–
Unwind of discount on lease liabilities	**(0.7)**	(0.5)
Share-based payments charge	**2.5**	1.6
	115.6	59.6
EBITDA from acquisitions	**2.3**	–
	117.9	59.6

At 31 December 2021, the Group had available, subject to covenant headroom, £102.0m (2020: £240.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt, excluding lease liabilities, as a multiple of pro forma EBITDA and interest cover. At 31 December 2021, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant requirement	Position at 31 December 2021
Interest cover (Underlying operating profit : Finance costs excluding debt issue cost amortisation)	>4.0:1	**31.3:1**
Leverage (Net debt excluding lease liabilities : pro forma EBITDA)	<3.0:1	**1.2:1**

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1, respectively, throughout the remaining term of the revolving credit facility to November 2023, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.

Euro-Commercial Paper

On 1 May 2020, the Group entered into a £100.0m Euro-Commercial Paper Programme with Citibank N.A. (acting as Issuing and Paying Agent) under the UK Government's joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF). On 14 May 2020, the Company drew down £99.463m under the CCFF and issued £100.0m of Euro-Commercial Paper to the Bank of England at a coupon rate of 0.65% per annum maturing on 12 March 2021. On 8 September 2020, the Euro-Commercial Paper was bought back for £99.710m inclusive of accrued coupon. The Company incurred minimal costs in respect of entering into the CCFF, which have been charged to the income statement in 2020.

27. Related party transactions

Compensation of key management personnel (including Directors):

	2021 £m	2020 £m
Short-term employee benefits	**4.8**	2.3
Share-based payments	**0.7**	0.4
	5.5	2.7

Key management personnel comprise the Executive Directors and other key managers in the Group.

28. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, deferred and contingent consideration, lease liabilities, derivative financial instruments and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to interest rate cash flow, foreign currency exchange, credit and liquidity risk.

The Group's senior management oversees the mitigation of these risks which are summarised as follows:

Interest rate cash flow risk

The interest rate on the Group's £300m revolving credit facility is variable, being payable at LIBOR plus a margin. With effect from 4 January 2022, LIBOR was replaced by the Standard Overnight Index Average (SONIA).

In order to reduce the Group's exposure to potential future increases in interest rates, the Group previously entered into interest rate swaps which expired in August 2020, with interest payable at a fixed rate return of 1.735% (excluding margin).

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The Group enters into forward foreign currency exchange contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates, primarily in respect of US Dollar and Euro receipts and payments.

Foreign currency exchange sensitivity

The table below demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and profit after tax of the Group. The Group's exposure to foreign currency exchange rate changes for all other currencies is not material.

Change in exchange rate	Effect on net assets £m	Effect on profit after tax £m
2021		
10% strengthening of Pounds Sterling: against Euro	**(0.8)**	**(0.1)**
10% weakening of Pounds Sterling: against Euro	**1.0**	**0.1**
2020		
10% strengthening of Pounds Sterling: against Euro	(0.5)	(0.1)
10% weakening of Pounds Sterling: against Euro	0.6	0.1

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks.

Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each balance sheet date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the balance sheet date is the carrying amount of each class of financial assets as disclosed in Note 21 which is adjusted for forward-looking information.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2021, 39% (2020: 39%) of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

Notes to the Group Financial Statements continued

Financial instruments and cash deposits

The Group maintains strong liquidity through cash balances and deposits (£52.3m at 31 December 2021) and its undrawn committed revolving credit facility (£102.0m at 31 December 2021) which matures in November 2023 (with two further uncommitted annual renewals through to November 2025 possible).

Credit risk arising from cash deposits with banks is managed in accordance with the Group's established treasury policy, procedures and controls. Deposits of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2021 and 31 December 2020 is the carrying amounts as illustrated in Note 22.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group had cash and cash equivalents of £52.3m and undrawn and committed credit facilities of £102.0m at 31 December 2021, and no debt maturities within 12 months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2021	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Bank loan – principal	–	–	198.0	–	198.0
Other financial liabilities:					
Trade and other payables	135.5	–	–	–	135.5
Deferred and contingent consideration	0.5	–	4.3	–	4.8
Forward foreign currency derivatives	6.0	–	–	–	6.0
Lease liabilities	0.9	3.6	11.1	8.3	23.9
Other liabilities	–	0.5	–	0.9	1.4
	142.9	4.1	213.4	9.2	369.6

31 December 2020	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Bank loan – principal	–	–	60.0	–	60.0
Other financial liabilities:					
Trade and other payables	112.2	–	–	–	112.2
Deferred and contingent consideration	3.4	–	–	–	3.4
Forward foreign currency derivatives	5.6	–	–	–	5.6
Lease liabilities	0.8	2.7	9.4	–	12.9
Other liabilities	–	–	0.7	–	0.7
	122.0	2.7	70.1	–	194.8

Fair values of financial assets and financial liabilities
The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

The table below sets out the Group's accounting classification of its other financial liabilities and their carrying amounts and fair values:

	Carrying value £m	Fair value £m
Forward foreign currency derivatives (designated as hedging instruments)	0.1	0.1
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	197.4	197.4
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	4.8	4.8
Lease liabilities (designated as financial liabilities measured at amortised cost)	20.6	20.6
Total at 31 December 2021	**222.9**	**222.9**

	Carrying value £m	Fair value £m
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	58.9	58.9
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	3.4	3.4
Lease liabilities (designated as financial liabilities measured at amortised cost)	12.9	12.9
Total at 31 December 2020	75.2	75.2

The fair values were determined as follows by reference to:

- Forward foreign currency derivatives: quoted exchange rates.
- Deferred and contingent consideration: Directors' assessment of the likelihood that financial targets will be achieved (see Note 18).
- Lease liabilities: present value of lease payments to be made over the lease terms.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recognised fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recognised fair value that are not based on observable market data.

The fair values disclosed above, with the exception of deferred and contingent consideration which is categorised as Level 3, all relate to items categorised as Level 2.

There have been no transfers in any direction between Levels 1, 2 or 3 in the years ended 31 December 2021 and 2020.

Directors' Responsibilities Statement

In relation to the parent company financial statements

The Directors are responsible for preparing the Annual 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-Adopted International Accounting Standards (IFRSs).

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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;
- state whether IFRSs 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 appropriate to presume that the Company will not 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.

Company Balance Sheet

At 31 December 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Investments	4	**245.5**	243.8
Current assets			
Amounts owed by subsidiary undertakings and other receivables	5	**190.9**	190.6
Total assets		**436.4**	434.4
Current liabilities			
Amounts owed to subsidiary undertakings and other payables	6	**(51.4)**	(120.0)
Net assets		**385.0**	314.4
Capital and reserves			
Equity share capital	7	**0.2**	0.2
Share premium	7	**93.6**	–
Capital redemption reserve	7	**1.1**	1.1
Own shares	7	**–**	–
Other reserves	7	**116.5**	116.5
Retained earnings		**173.6**	196.6
Total equity		**385.0**	314.4

Included in retained earnings is a loss for the year of £5.5m (2020: £3.5m loss).

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

Joe Vorih
Director
15 March 2022

Paul James
Director
15 March 2022

Company Registration No. 06059130

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2019	0.2	–	1.1	–	–	196.5	197.8
Loss for the year	–	–	–	–	–	(3.5)	(3.5)
Total comprehensive income for the year	–	–	–	–	–	(3.5)	(3.5)
Issue of share capital	–	–	–	–	120.0	–	120.0
Transaction costs on issue of share capital	–	–	–	–	(3.5)	–	(3.5)
Share-based payments charge	–	–	–	–	–	1.4	1.4
Share-based payments settled	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	0.1	0.1
At 31 December 2020	0.2	–	1.1	–	116.5	196.6	314.4
Loss for the year	–	–	–	–	–	(5.5)	(5.5)
Total comprehensive income for the year	–	–	–	–	–	(5.5)	(5.5)
Dividends paid	–	–	–	–	–	(21.7)	(21.7)
Issue of share capital	–	96.3	–	–	–	–	96.3
Transaction costs on issue of share capital	–	(2.7)	–	–	–	–	(2.7)
Share-based payments charge	–	–	–	–	–	2.2	2.2
Share-based payments settled	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	(0.1)	(0.1)
At 31 December 2021	0.2	93.6	1.1	–	116.5	173.6	385.0

Company Cash Flow Statement

For the year ended 31 December 2021

	31 December 2021 £m	31 December 2020 £m
Operating activities		
Loss before tax	**(5.7)**	(3.5)
Net finance cost	**–**	0.3
Operating loss	**(5.7)**	(3.2)
Transaction costs on issue of share capital	**0.1**	0.1
Non-cash items: Share-based payments	**0.5**	0.3
Operating cash flows before movement in working capital	**(5.1)**	(2.8)
Movement in working capital:		
Receivables	**(0.2)**	(0.1)
Payables	**0.4**	(1.0)
Inter-group balances	**(69.0)**	(114.3)
Net cash flows from operating activities	**(73.9)**	(118.2)
Financing activities		
Issue of share capital	**96.3**	120.0
Transaction costs on issue of share capital	**(2.8)**	(3.6)
Issue of Euro-Commercial Paper	**–**	99.4
Buyback of Euro-Commercial Paper	**–**	(99.7)
Dividends paid	**(21.7)**	–
Proceeds from exercise of share options	**2.1**	2.1
Net cash flows from financing activities	**73.9**	118.2
Net change in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

Notes to the Company Financial Statements

For the year ended 31 December 2021

1. Authorisation of financial statements

The parent company financial statements of Genuit Group plc (formerly Polypipe Group plc) (the 'Company') for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 15 March 2022 and the balance sheet was signed on the Board's behalf by Joe Vorih and Paul James.

Genuit Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Company is that of a holding company.

2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the historical financial information 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.

2.1 Basis of preparation and statement of compliance with IFRSs

The Company's financial statements have been prepared in accordance with UK-Adopted International Accounting Standards ('UK-Adopted IAS'). In preparing the Company's financial statements the Directors have considered the impact of climate change. This included an assessment of investments and how they could be impacted by measures taken to address global warming. No issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Company's financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Genuit Group plc are included in the consolidated financial statements of Genuit Group plc.

2.2 Going concern

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 18 months ending 30 June 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 Group's going concern

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 are available until at least November 2023, subject to covenant headroom. 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 15 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Investments

Investments in subsidiary undertakings are held at historical cost less any applicable provision for impairment.

2.4 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements. In particular, the Company records an increase in its investment in subsidiaries with a corresponding adjustment to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

2.5 Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. Under UK company law a distribution is authorised when it is approved by the shareholders. A corresponding amount is then recognised directly in equity.

2.6 Own shares

The Company operates an employee benefit trust (EBT). The Company, and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares.

2.7 Financial instruments

The Company policy for accounting for financial instruments is consistent with the Group policy detailed in Note 2.14 of the Group's consolidated financial statements. 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. The Company's only financial assets are amounts owed by subsidiary undertakings (see Note 5).

3. Dividend per share

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 4.8p per share (2019: nil)	**11.8**	–
Interim dividend for the year ended 31 December 2021 of 4.0p per share (2020: nil)	**9.9**	–
	21.7	–
Proposed final dividend for the year ended 31 December 2021 of 8.2p per share (2020: 4.8p)	**20.3**	11.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

4. Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2020	242.7
Additions – share-based payments	1.1
At 31 December 2020	243.8
Additions – share-based payments	1.7
At 31 December 2021	**245.5**
Net book value	
At 31 December 2021	**245.5**
At 31 December 2020	243.8
At 1 January 2020	242.7

In 2021, an adjustment in respect of share-based payments of £1.7m (2020: £1.1m) was made to shares in subsidiary undertakings, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date was £6.3m (2020: £4.6m).

Notes to the Company Financial Statements continued

The companies in which the Company had an interest at 31 December 2021 are shown below:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
AAA Holdings Limited[1†]	England & Wales	Ordinary £1	100%*
Adey Commercial Limited[2]	England & Wales	Ordinary £1	100%*
Adey Holdings (2008) Limited[2†]	England & Wales	Ordinary £1	100%*
Adey Innovation Limited[2]	England & Wales	Ordinary £1	100%*
Adey Innovation LLC[3]	United States of America	n/a	100%*
Adey Innovation SAS[4]	France	Ordinary €1	100%*
Adey Innovation (Shanghai) Water Treatment Technology Co. Ltd[5]	China	n/a	100%*
Alderburgh Limited[1]	England & Wales	Ordinary £1	100%*
Alderburgh Ireland Limited[6]	Republic of Ireland	Ordinary €1	100%*
Alpha Scientific Ltd[2]	England & Wales	Ordinary £0.01	100%*
Drain Products Europe BV[7]	The Netherlands	Ordinary €100	100%*
Environmental Sustainable Solutions Ltd[1]	England & Wales	Ordinary £1	100%*
Equaflow Ltd[1†]	England & Wales	Ordinary £1	50%*
Ferrob Ventilation Ltd[1]	England & Wales	Ordinary £1	100%*
Genuit Limited[1]	England & Wales	Ordinary £1	100%*
Hayes Pipes (Ulster) Limited[8]	Northern Ireland	Ordinary £1	100%*
Home Ventilation (Ireland) Limited[9]	Northern Ireland	Ordinary £1	100%*
Infra Green Limited[1†]	England & Wales	Ordinary £1	100%*
Insulated Damp-Proof Course Limited[1]	England & Wales	Ordinary £1	100%*
London Bidco Limited[2†]	England & Wales	Ordinary £1	100%*
London Finco Limited[2†]	England & Wales	Ordinary £1	100%*
London Topco Limited[2†]	England & Wales	Ordinary £0.01 – £1	100%*
Manthorpe Building Products Limited[1]	England & Wales	Ordinary £1	100%*
Manthorpe Building Products Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Mason Pinder (Toolmakers) Limited[1]	England & Wales	Ordinary £1	100%*
Nuaire Limited[1]	England & Wales	Ordinary £1	100%*
Nu-Heat (Holdings) Limited[1†]	England & Wales	Ordinary £0.01	100%*
Nu-Heat UK Limited[1]	England & Wales	Ordinary £1	100%*
Nuhold Limited[1]	England & Wales	Ordinary £0.1	100%*
Nu-Oval Acquisitions 1 Limited[1†]	England & Wales	Ordinary £0.94 – £1	100%*
Nu-Oval Acquisitions 2 Limited[1†]	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 3 Limited[1]	England & Wales	Ordinary £1	100%*
Oracstar Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) LLC[10]	United States of America	Ordinary $1	100%*
Pipe Holdings plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 1 plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited[1†]	England & Wales	Ordinary £1	100%*
Pipe Luxembourg Sarl[11]	Luxembourg	Ordinary £1	100%
Plumbexpress Limited[1]	England & Wales	Ordinary £1	100%*
Plura Composites Ltd[12]	England & Wales	Ordinary £1	51%*
Polydeck Limited[13]	England & Wales	Ordinary £1	51%*
Polypipe Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe Building Products Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Civils Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Commercial Building Systems Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Group 1 Limited (formerly Genuit Group Limited)[1]	England & Wales	Ordinary £0.01	100%*
Polypipe (Ireland) Ltd[8]	Northern Ireland	Ordinary £1	100%*
Polypipe Italia SRL[14]	Italy	Ordinary €0.52	100%*
Polypipe Middle East FZE[15]	United Arab Emirates	Ordinary 1m UAE Dirhams	100%*
Polypipe T.D.I. Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Terrain Limited[1]	England & Wales	Ordinary £1	100%*

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Polypipe Terrain Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Trading Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe (Ulster) Limited[8]	Northern Ireland	Ordinary £1	100%*
Polypipe Ventilation Limited[1]	England & Wales	Ordinary £1	100%*
Robimatic Limited[1]	England & Wales	Ordinary £1	100%*
Solutek Environmental Limited[1]	England & Wales	Ordinary £1	100%*
Surestop Limited[1]	England & Wales	Ordinary £1	100%*
Sustainable Water and Drainage Systems BV[7]	The Netherlands	Ordinary €1	50%*
Sustainable Water and Drainage Systems Limited[11]	England & Wales	Ordinary £1	50%*
Tree Ground Solutions BV[7]	The Netherlands	Ordinary €10	100%*
Water Management Solutions LLC[16]	Qatar	Ordinary 1,000 Qatari Riyals	49%*

All the companies operate principally in their country of registration and in the same class of business as the Group.

* The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.
† We report that these companies are excluded from the obligation to carry out the audit required under Section 479A of the Companies Act 2006 because data in the accounts of these companies shall be guaranteed by Genuit Group plc under Section 479C of the Companies Act 2006.

Registered offices of subsidiaries:

1. 4 Victoria Place, Holbeck, Leeds, LS11 5AE.
2. Unit 2 St Modwen Park, Haresfield, Stonehouse, Gloucestershire, GL10 3EZ.
3. PO Box 38664, Pittsburgh, PA, 15328, United States of America
4. 1198 Rue de Colombes, 92600 Asnieres Sur Seine, France.
5. Room 308-18, No. 998, South Shen Bin Road, Min Hang District, Shanghai, China.
6. Ballybrack, Kilmacthomas, Co. Waterford.
7. Kattenburgerstraat 5, 1018, JA, Amsterdam, The Netherlands.
8. Dromore Road, Lurgan, Co. Armagh, BT66 7HL.
9. 19 Bedford Street, Belfast, BT2 7EJ.
10. 251 Little Falls Drive, Wilmington, Delaware, 19808-1674, United States of America.
11. 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg.
12. Unit 5 Johnsons Estate, Tarran Way South, Tarran Industrial Estate, Moreton, Wirral, Merseyside, CH46 4TP.
13. Unit 14 Burnett Industrial Estate, Cox's Green, Wrington, Bristol, Somerset, BS40 5QP.
14. Localita Pianmercato 5C-D-H, 16044 Cicagna, Genova, Italy.
15. PO Box 18679, Showroom A2 SR 07, First Al Khail Street, Jebel Ali Free Zone, Dubai, United Arab Emirates.
16. Level 15, Commercial Bank Plaza, West Bay, Doha, Qatar.

5. Amounts owed by subsidiary undertakings and other receivables

	31 December 2021 £m	31 December 2020 £m
Amounts owed by subsidiary undertakings	**189.9**	189.9
Deferred income tax assets	**0.7**	0.6
Prepayments	**0.3**	0.1
	190.9	190.6

No material allowance for expected credit losses is deemed necessary in respect of amounts owed by subsidiary undertakings.

6. Amounts owed to subsidiary undertakings and other payables

	31 December 2021 £m	31 December 2020 £m
Amounts owed to subsidiary undertakings	**50.2**	119.2
Other payables	**1.2**	0.8
	51.4	120.0

7. Share capital and reserves

Share capital

	31 December 2021		31 December 2020	
	Number**	**£**	Number**	£
Authorised share capital:				
Ordinary shares of £0.001 each	**248**	**248,170**	228	228,466
Allotted, called up and fully paid:				
Ordinary shares of £0.001 each	**248**	**248,170**	228	228,466

** Millions of shares.

Notes to the Company Financial Statements continued

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up. Details of share options in issue on the Company's share capital and share-based payments are set out in Note 24 to the Group's consolidated financial statements.

Share premium
On 11 February 2021, the Company conducted a non-pre-emptive placing of 18,704,085 new ordinary shares at £5.15 per share generating gross proceeds of £96.3m with issue costs of £2.7m. Net proceeds in excess of the nominal value of £93.6m have been credited to the share premium account. A further £0.1m of listing fees have been incurred and charged to the income statement in 2021.

Capital redemption reserve
Following the consolidation and subdivision of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve at that time.

Own shares
Own shares represent the cost of Genuit Group plc shares purchased in the market and held by the Company, and/or the employee benefit trust (EBT), to satisfy the future exercise of options under the Group's share option schemes. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares.

During the year the Group issued 1,000,000 shares (2020: 500,000 shares) to the EBT at the nominal value of £0.001.

Other reserves
On 7 May 2020, the Company conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Company was able to take relief under Section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisers' fees of £3.5m have been netted off against the gross proceeds. A further £0.1m of listing fees have been incurred and charged to the income statement in 2020.

8. Profit for the financial year
Genuit Group plc has not presented its own income statement as permitted by Section 408 of the Companies Act 2006. The loss for the year dealt with in the financial statements of the Company was £5.5m (2020: £3.5m loss for the year).

The only employees remunerated by the Company were the Directors of the Company. Remuneration paid to the Directors is disclosed in Note 10 to the Group's consolidated financial statements.

Amounts paid to the Company's auditor in respect of the audit of the financial statements of the Company are disclosed in Note 7 to the Group's consolidated financial statements.

Fees paid to the auditor for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Group's consolidated financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in Note 7 to the Group's consolidated financial statements.

9. Related party transactions
The following table provides the analysis of transactions that have been entered into with related parties:

	31 December 2021		31 December 2020	
	Recharges (to)/from related parties £m	**Amounts owed to related parties £m**	Recharges from related parties £m	Amounts owed to related parties £m
Polypipe Limited	**(69.0)**	**50.2**	14.9	119.2

	Loan advanced £m	**Amounts owed by related parties £m**	Loan advanced £m	Amounts owed by related parties £m
Pipe Holdings 1 plc:				
Eurobonds	**–**	**64.9**	–	64.9
Preference shares	**–**	**18.3**	–	18.3
Other	**–**	**0.9**	–	0.9
Pipe Holdings 2 Limited	**–**	**6.4**	–	6.4
Pipe Holdings plc	**–**	**99.4**	99.4	99.4
	–	**189.9**	99.4	189.9

Other related party transactions are disclosed in Note 27 to the Group's consolidated financial statements.

Shareholder Information

Financial calendar

Preliminary Announcement of Results for the year ended 31 December 2021	15 March 2022
Annual General Meeting	19 May 2022
Final dividend for the year ended 31 December 2021	
– Ex-dividend date	21 April 2022
– Record date	22 April 2022
– Payment date	25 May 2022
Half yearly results for the six months ending 30 June 2022	16 August 2022
Half yearly dividend for the six months ending 30 June 2022	
– Ex-dividend date	1 September 2022
– Record date	2 September 2022
– Payment date	28 September 2022

Registrar services

Our shareholder register is managed and administered by Link Group. Link Group should be able to help you with most questions you have in relation to your holding in Genuit Group plc shares.

Link Group can be contacted at:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

www.linkgroup.eu

Shareholder helpline for information relating to your shares call:
+44 (0)371 664 0300

Website helpline for information on using this website call:
+44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

e-mail: enquiries@linkgroup.co.uk

In addition, Link offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Link Market Services.

Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

www.linksharedeal.com – online dealing
0371 664 0445 – telephone dealing

email: info@linksharedeal.com

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Principal Group businesses

UK

Polypipe Building Products
Broomhouse Lane
Edlington
Doncaster
South Yorkshire
DN12 1ES

Neale Road
Doncaster
South Yorkshire
DN2 4PG

Polypipe Ulster
Dromore Road
Lurgan
Co. Armagh
BT66 7HL

Polypipe Civils and Green Urbanisation
Charnwood Business Park
North Road
Loughborough
LE11 1LE

Holmes Way
Horncastle
LN9 6JW

Polypipe Building Services
New Hythe Business Park
College Road
Aylesford
Kent
ME20 7PJ

Nuaire
Western Industrial Estate
Caerphilly
CF83 1NA

Domus Ventilation
Cambria House
Caerphilly Business Park
Van Road
Caerphilly
CF83 3ED

Manthorpe Building Products
Brittain Drive
Codnor Gate Business Park
Ripley
DE5 3ND

Alderburgh
Solutions House
Dane Street
Rochdale
OL11 4EZ

Nu-Heat
Heathpark House
Devonshire Road
Heathpark Industrial Estate
Honiton
Devon
EX14 1SD

Adey Innovation
Unit 2
St Modwen Park
Haresfield
Stonehouse
Gloucestershire
GL10 3EZ

Plura Composites
Unit 5 Johnsons Estate
Tarran Way South
Tarran Way Industrial Estate
Moreton
Wirral
CH46 4TP

Polydeck
Unit 14
Burnett Industrial Estate
Cox's Green
Wrington
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BS40 5QP

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RBS
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Registrar and transfer office

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Stockbrokers

Deutsche Bank AG
Numis Securities Limited

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