

**Company Registration No. 05001590**

**ADEY INNOVATION LIMITED**  
**Report and Financial Statements**  
**31 December 2022**

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# **ADEY INNOVATION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

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# ADEY INNOVATION LIMITED

## STRATEGIC REPORT

The Directors present the Company's Strategic Report for the year ended 31 December 2022.

The principal activity of the Company is the sale, marketing, supply, development and design of specialist heating products in the heating, ventilating and air conditioning industry.

### Review of the business

The income statement for the year is set out on page 9. The Directors are satisfied with the results for the year and the future prospects of the Company.

Management monitors the performance of the business against budget and prior year results. The key performance indicators are turnover, gross profit and operating profit. The results against these measures are set out in the income statement.

The company's turnover for the year was £46.7m compared to £52.6m in the prior year. The decrease in turnover during 2022 was the result of market factors and upstream supply chain issues.

The Company's profit for the year before taxation was £11.0m compared to £11.9m in the prior year. The decrease in profit was driven by the decrease in sales and the previous year being impacted by one off costs and post-acquisition adjustments.

### Section 172 Statement

The Directors have acted in a way that they consider, 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 the Section 172 Statement on page 5.

### Principal risks and uncertainties

There are certain risks and uncertainties within the Company that may affect the Company's future performance as follows:

**Raw materials supply and pricing** - The Company 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.

**Macroeconomic and political conditions** - The Company 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.

**Business disruption** - The Company'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.

**Reliance on key customers** - The Company is dependent on key customers in highly competitive markets.

**Failure of information systems or cyber breach** - The Company 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.

**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.

**Recruitment and retention of key personnel** - The Company 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.

**Health, Safety & Environmental** - The Company 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.

**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.

**Liquidity and funding** - The risk that the Company will not be able to meet its short-term liquidity and long-term funding financial obligations as they fall due.

## ADEY INNOVATION LIMITED

### STRATEGIC REPORT (continued)

**Foreign currency risk** - 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 Company's risk relates primarily to its operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

Approved by the Board and signed on its behalf by:



E G Versluys  
Secretary  
28 September 2023

# ADEY INNOVATION LIMITED

## DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2022.

### Directors

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

|           |                              |
|-----------|------------------------------|
| P A James |                              |
| M K Payne | (resigned 28 February 2022)  |
| J M Vorih | (appointed 28 February 2022) |

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

### Proposed dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

### Stakeholder engagement statement

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

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

**Employees** – 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. We encourage fair negotiation with all suppliers, as well as certainty on payment. Protecting these relationships ensures positive impacts on the value chain and thus promotes sustainable success.

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

### Future developments and outlook

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

The Company is offsetting input cost inflation with necessary price increases and has taken a number of actions to address the lag impact of the price increases.

The Company continues to have strong momentum and is well positioned to make further progress in 2023.

### Employees

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

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

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

The Company wants to attract people from the widest possible talent pool in order to achieve its goals and objectives. This means that people of all ethnicities, genders, sexual orientations and backgrounds must see the Company as a place in which they can feel welcomed and can thrive. Where employees become disabled, the Company makes appropriate and reasonable adjustments to their work environment and/or duties, endeavouring to maintain their employment wherever possible and practicable.

### Environment and energy efficiency initiatives

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

### Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required. As the Company is reliant on the continued support of the Group, due to the way the intra-group funding structure is managed, the Directors have obtained a letter of support from the ultimate parent company, Genuit Group plc, stating that it is their intention to provide financial support for the going concern period up to 31 December 2024.

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 31 December 2024, 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

# ADEY INNOVATION LIMITED

## DIRECTORS' REPORT (continued)

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 they are not expected to have a significant impact on the Group's going concern.

At 30 June 2023, the Group had available £217.9m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, 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 to support the Company in operational existence for a period of at least up to 31 December 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Disclosure of information to the auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



E G Versluys  
Secretary  
28 September 2023

# ADEY INNOVATION LIMITED

## SECTION 172 STATEMENT

Engagement with our shareholders and wider stakeholder groups plays a vital role across the Genuit Group and its subsidiaries, including at Board level. One of the primary areas of focus for the Board at any time is the impact its decisions or actions may have on key stakeholder groups represented within the Board's duty under Section 172 of the Companies Act 2006. Further details of the Group's engagement with key stakeholders can be found in the Annual Report and Accounts of Genuit Group plc.

The following stakeholder groups, in accordance with Section 172(1) of the Companies Act 2006, were identified as relevant for Genuit Group and its subsidiaries. Stakeholder engagement is approached on a Group-wide basis.

### Employees

Employees' skills, experience and commitment are key to delivering the business strategy, as well as sharing and embedding Group-wide safety, quality and integrity expectations. The Group engages with employees through formal and informal systems of communication and consultation including suggestion schemes and works council forums which are frequently visited by a nominated Non-Executive Director from the Group Board and the Chief People Officer to enable a direct communication link to the Executive Directors. The Group Board appreciates the importance of effective engagement with the wider workforce and has nominated a Non-Executive Director with responsibility for employee engagement.

### Customers

Engagement with customers drives alignment with their values, strategies and priorities and strategic partnerships help to ensure business sustainability and growth. Regular contact takes place with existing and potential customers and distributors including by means of individual developer conferences, technical seminars and individual merchant events in order to assist in meeting their needs and understand how decisions made in delivering the Group's strategy could impact them in the short and longer term.

### Suppliers

We value our suppliers and understand the benefit of maintaining long-standing relationships across the Group. Our suppliers are a critical link in the overall supply chain, providing a source of value, consistency of quality and service. Regular review meetings are held between relevant employees in each business unit and key suppliers on a monthly or three-monthly basis in order to build and maintain a robust working relationship with our supply base and understand the key features of the Group's operations that impact them.

### Community

Community engagement is recognised as important to employees and the communities in which we operate. Business units seek to recruit locally, retain a skilled local workforce, build relationships with local community organisations, support charitable initiatives, and ensure that any change in activity or operations which may have an impact on the local community is fully considered and assessed.

### Industry specific engagement

Engagement with industry specific bodies enables the Group to obtain up-to-date information, views, priorities and concerns within the industry and ensure that this knowledge supports the debates held by the Board in relation to matters such as capital expenditure projects, acquisitions, new product development initiatives, technical initiatives, market opportunities and new business proposals. Employees from across the business attend key events hosted by the Construction Products Association (CPA) and British Plastics Federation (BPF), which are also attended by other manufacturers as well as merchants. Other sector specific events are also attended.

### Other stakeholders

Regular updates to the Board on legal, regulatory, financial and HR matters ensure the Board is aware of current requirements and market practice and can therefore ensure its activities and decisions take account of these requirements and the potential impact on all its stakeholders. Updates from the Group's brokers and advisers ensure that the Board is kept abreast of key changes that may impact its decisions and ensure that the Board is mindful of its duty to all stakeholders when making key decisions. The Group has representatives on national and international trade associations, including the BPF, the BPF Pipes Group, TEPPFA (the European Plastic Pipe and Fittings Association) and the CPA, and is able to engage and influence in relation to standards, custom and practice, and other market related matters and ensure that where these may impact decisions made by the Board, the relevant information is made available.

### Principal decisions

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

Following the announcement that Martin Payne would be stepping down from the Board, Matt Pullen and Joe Vorih were appointed as Directors. Having followed a formal, rigorous and transparent recruitment process for both vacancies, the Directors 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 Company's strategy.

## ADEY INNOVATION LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Section 172 statement, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

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

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

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

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in UK GAAP FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Section 172 Statement and Directors' Report, 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.



# ADEY INNOVATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADEY INNOVATION LIMITED

### Opinion

We have audited the financial statements of Adey Innovation Limited (the 'Company') for the year ended 31 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 15 months from when the financial statements are authorised for issue.

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

### Other information

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

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### Matters on which we are required to report by exception

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

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

## ADEY INNOVATION LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADEY INNOVATION LIMITED (continued)

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

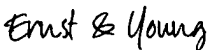
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not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

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

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

#### Use of our report

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

OS  


Chris Robson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds, UK  
29 September 2023

# ADEY INNOVATION LIMITED

## INCOME STATEMENT

For the year ended 31 December 2022

|   | Notes     | 2022<br>£'000 | 2021<br>£'000 |
|---|-----------|---------------|---------------|
| <b>Turnover</b>   | <b>5</b>  | <b>46,712</b> | 52,565        |
| Cost of sales   |           | (23,281)      | (28,934)      |
| <b>Gross profit</b>   |           | <b>23,431</b> | 23,631        |
| Distribution costs  |           | (2,018)       | (2,229)       |
| Administration expenses   |           | (10,245)      | (9,531)       |
| <b>Profit on ordinary activities before interest and taxation</b> | <b>6</b>  | <b>11,168</b> | 11,871        |
| Interest payable and similar charges                              | <b>9</b>  | (122)         | (85)          |
| Interest receivable and similar income                            | <b>9</b>  | -             | 124           |
| <b>Profit on ordinary activities before taxation</b>              |           | <b>11,046</b> | 11,910        |
| Tax on profit on ordinary activities                              | <b>10</b> | (1,340)       | (1,681)       |
| <b>Profit for the year</b>  | <b>20</b> | <b>9,706</b>  | 10,229        |

All results are derived from continuing operations. There was no other comprehensive income/expense during the year.

# ADEY INNOVATION LIMITED

## BALANCE SHEET At 31 December 2022

|  | Notes | 31 December<br>2022<br>£'000 | 31 December<br>2021<br>£'000 |
|--|-------|------------------------------|------------------------------|
| <b>Fixed assets</b>                                  |       |                              |                              |
| Tangible assets                                      | 11    | 3,949                        | 3,508                        |
| Right-of-use assets                                  | 12    | 3,450                        | 3,472                        |
| Intangible assets                                    | 13    | 4,857                        | 4,135                        |
| Investments  | 14    | 1,301                        | 1,301                        |
| Trade and other receivables                          | 16    | 69,190                       | -                            |
| <b>Total non-current assets</b>                      |       | <b>82,747</b>                | <b>12,416</b>                |
| <b>Current assets</b>                                |       |                              |                              |
| Inventories  | 15    | 14,114                       | 8,274                        |
| Trade and other receivables                          | 16    | 4,887                        | 72,837                       |
| Cash and cash equivalents                            |       | 5,251                        | 4,891                        |
|  |       | <b>24,252</b>                | <b>86,002</b>                |
| <b>Payables: amounts falling due within one year</b> | 17    | <b>(19,905)</b>              | <b>(21,725)</b>              |
| <b>Net current assets</b>                            |       | <b>4,347</b>                 | <b>64,277</b>                |
| <b>Total assets less current liabilities</b>         |       | <b>87,094</b>                | <b>76,693</b>                |
| <b>Payables: amounts falling due after one year</b>  | 18    | <b>(4,625)</b>               | <b>(3,930)</b>               |
| <b>Net assets</b>                                    |       | <b>82,469</b>                | <b>72,763</b>                |
| <b>Capital and reserves</b>                          |       |                              |                              |
| Equity share capital                                 | 19    | -                            | -                            |
| Retained earnings                                    | 20    | 82,469                       | 72,763                       |
| <b>Total equity</b>                                  |       | <b>82,469</b>                | <b>72,763</b>                |

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



P A James  
Director  
28 September 2023

Company Registration No. 05001590

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

# ADEY INNOVATION LIMITED

## STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2022

|  | Equity<br>share<br>capital | Retained<br>earnings | Total equity  |
|--|----------------------------|----------------------|---------------|
|  | £'000                      | £'000                | £'000         |
| <b>At 1 January 2021</b>                 | -                          | <b>62,534</b>        | <b>62,534</b> |
| Profit for the year                      | -                          | 10,229               | <b>10,229</b> |
| Total comprehensive income for the year  | -                          | 10,229               | <b>10,229</b> |
| <b>At 31 December 2021</b>               | -                          | <b>72,763</b>        | <b>72,763</b> |
| Profit for the year                      | -                          | 9,706                | 9,706         |
| Total comprehensive expense for the year | -                          | 9,706                | 9,706         |
| <b>At 31 December 2022</b>               | -                          | <b>82,469</b>        | <b>82,469</b> |

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

### 1. Authorisation of financial statements

The financial statements of Adey Innovation Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 27 September 2023 and the balance sheet was signed on the Board's behalf by P A James.

Adey Innovation Limited is a private company limited by shares incorporated and domiciled in England and Wales. The Registered Office of the Company is Unit 2 St Modwen Park, Haresfield, Stonehouse, GL10 3EZ.

### 2. Accounting policies

The basis of preparation and accounting policies used in preparing the Company's financial statements for the year ended 31 December 2022 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 FRS 101

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

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

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

The Company has taken advantage of Section 400 of the Companies Act 2006 and not prepared group financial statements as the Company is a wholly owned subsidiary of Adey Holdings (2008) Limited, which is ultimately owned by Genuit Group plc. These financial statements present information about the Company as an individual undertaking and not about its group. The results of Adey Holdings (2008) Limited are included in the consolidated financial statements of Genuit Group plc. Copies of their financial statements can be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Cardiff, CF14 3UZ.

#### 2.2 Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required. As the Company is reliant on the continued support of the Group, due to the way the intra-group funding structure is managed, the Directors have obtained a letter of support from the ultimate parent company, Genuit Group plc, stating that it is their intention to provide financial support for the going concern period up to 31 December 2024.

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 31 December 2024, 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 they are not expected to have a significant impact on the Group's going concern.

At 30 June 2023, the Group had available £217.9m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, 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 to support the Company in operational existence for a period of at least up to 31 December 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## ADEY INNOVATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

#### 2. Accounting policies (continued)

##### 2.3 Foreign currency translation

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

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

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

##### 2.4 Revenue from contracts with customers and interest income

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

###### 2.4.1 Sale of goods

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

###### 2.4.2 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.

##### 2.5 Income taxes

###### *Current income tax*

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

###### *Deferred income tax*

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- 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 Company to make a single net payment.

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

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

##### 2.6 Tangible fixed assets and depreciation

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

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.6 Tangible fixed assets and depreciation (continued)

Depreciation is provided on the cost less residual value of tangible fixed assets, and is on a straight-line basis over its expected useful life as follows:

|                                    |  |
|------------------------------------|--|
| Short leasehold land and buildings | Over expected economic life not exceeding 50 years |
| Plant and equipment                | 4 to 10 years                                      |

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

Tangible fixed assets 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.

#### 2.7 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 period 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:

|                   |                                   |
|-------------------|-----------------------------------|
| Development costs | 10 years on a straight-line basis |
|-------------------|-----------------------------------|

#### 2.8 Investments

Fixed asset investments are held at historical cost less any applicable provision for impairment.

#### 2.9 Leasing

##### *Right of use assets*

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

##### *Lease liabilities*

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

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

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

##### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of 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 (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### *Determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases, to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors



# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.9 Leasing (continued)

that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

#### 2.10 Financial instruments – initial recognition and subsequent measurement

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

##### i) Financial assets

###### Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade 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 Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and cash equivalents, trade receivables and amounts owed by group undertakings.

###### Subsequent measurement

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

###### *Financial assets at amortised cost*

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

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

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

The Company's financial assets at amortised cost include cash and cash equivalents, trade receivables and amounts owed by group 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 Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

###### Impairment

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2022**

**2. Accounting policies (continued)**

**2.10 Financial instruments – initial recognition and subsequent measurement (continued)**

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment

**ii) Financial liabilities**

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

*Financial liabilities at fair value through profit or loss*

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

**Derecognition**

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

**iii) Offsetting of financial instruments**

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

**2.11 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.

**2.12 Pensions**

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

**3. Judgements and key sources of estimation uncertainty**

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

In the process of applying to Company's accounting policies, management has made the following estimates in the years ended 31 December 2022 and 2021:

**i) Inventory provisioning**

The Directors make estimates based on experience regarding the level of provisioning required against slow moving and obsolete items to state inventories at the lower of cost and net realisable value.

**ii) Capitalisation of development costs**

The Directors apply their judgement to determine the technical, commercial, and financial viability of development projects in order to assess whether the costs of such projects should be capitalised.

The Company makes estimates of the useful economic life of the capitalised development costs. This estimate takes into consideration historical experience of speed of change in the market and the longevity of benefits that arose historically from previous developments.

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 3. Judgements and key sources of estimation uncertainty (continued)

#### ii) Recoverability of intercompany balances

Management periodically assess the future performance of entities with which Adey Innovation Limited has an intercompany debtor balance to ascertain the recoverability of the debtor. Estimates are involved in the assessment of future performance.

The recoverable amount is determined through consideration of the net assets of debtor companies and the value in use which requires the determination of appropriate assumptions (which are sources of estimation).

### 4. New and amended accounting standards and interpretations

#### Accounting standards or interpretations which have been adopted in the year

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

#### Accounting standards or interpretations issued but not yet effective

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

### 5. Segmental information

|               | 2022<br>£'000 | 2021<br>£'000 |
|---------------|---------------|---------------|
| UK            | 43,255        | 52,234        |
| Rest of World | 3,457         | 331           |
|               | <u>46,712</u> | <u>52,565</u> |

### 6. Profit on ordinary activities before interest and taxation

This is stated after charging:

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| Depreciation of plant and equipment (owned)  | 751           | 1,340         |
| Depreciation of right-of-use assets          | 338           | 400           |
| Amortisation of intangible assets            | 528           | 421           |
| Research and development costs expensed      | 394           | 439           |
| Profit on disposal of tangible fixed assets  | 159           | 118           |
| Cost of inventories recognised as an expense | 21,388        | 17,675        |

### 7. Auditor's remuneration

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

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| Audit of the Company's annual financial statements | 74            | 27            |

The Company has taken the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated financial statements of its ultimate parent Genuit Group plc.

### 8. Staff costs and Directors' remuneration

Staff costs for the year were:

|                       | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 7,021         | 5,033         |
| Social security costs | 652           | 592           |
| Other pension costs   | 157           | 133           |
|                       | <u>7,830</u>  | <u>5,758</u>  |

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 8. Staff costs and Directors' remuneration (continued)

The average monthly number of persons employed by the Company during the year, by category was as follows:

|                               | 2022<br>No. | 2021<br>No. |
|-------------------------------|-------------|-------------|
| Warehousing and packaging     | 78          | 93          |
| Selling and distribution      | 37          | 21          |
| Administration and management | 59          | 70          |
|                               | <u>174</u>  | <u>184</u>  |

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

### 9. Interest receivable, payable and similar charges

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| Interest receivable                         | -             | (124)         |
| <b>Interest Payable and similar charges</b> |               |               |
| Bank interest payable                       | 48            | 13            |
| Unwind of discount on lease liabilities     | 74            | 72            |
|   | <u>122</u>    | <u>85</u>     |

### 10. Income tax

#### (a) Tax expense reported in the income statement

|                                      | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------------|---------------|---------------|
| <i>Current income tax:</i>           |               |               |
| UK income tax                        | 1,254         | 1,491         |
| Adjustment in respect of prior years | (147)         | 511           |
| <b>Total current income tax</b>      | <u>1,107</u>  | <u>2,002</u>  |

#### (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 2022 and 2021 is as follows:

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| Accounting profit before tax  | <u>11,046</u> | <u>11,910</u> |
| Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2021: 19.0%) | 2,099         | 2,263         |
| Effects of patent box   | (754)         | -             |
| Research and development enhanced relief  | -             | (754)         |
| Super-deduction   | (62)          | -             |
| Expenses not deductible for income tax  | 77            | 148           |
| Short-term timing difference  | -             | 118           |
| Non-taxable income  | -             | (8)           |
| Effects of group relief   | -             | (1,148)       |
| Impact of tax rate changes  | 33            | -             |
| Adjustment in respect of prior years  | (53)          | 1,062         |
| <b>Total tax expense reported in the income statement</b>                                 | <u>1,340</u>  | <u>1,681</u>  |

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 10. Income tax (continued)

#### (c) Deferred income tax

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

|  | 31 December<br>2022<br>£000's | 31 December<br>2021<br>£000's |
|--|-------------------------------|-------------------------------|
| <b>Deferred income tax liabilities</b> |                               |                               |
| Provision at the start of the period   | 495                           | 69                            |
| Adjustment in respect to prior years   | 94                            | 550                           |
| Deferred tax charge in year            | 139                           | (124)                         |
|  | <b>728</b>                    | <b>495</b>                    |

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

#### 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%.

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. Deferred income tax on the balance sheet at 31 December 2022 was therefore measured at 19% or 25% depending on when the deferred income tax asset or liability is expected to reverse.

### 11. Tangible assets

|                            | Short<br>Leasehold land<br>and buildings<br>£000's | Plant and other<br>equipment<br>£000's | Total<br>£000's |
|----------------------------|--|--|-----------------|
| <b>Cost</b>                |  |  |                 |
| At 1 January 2022          | 2,420  | 4,807                                  | 7,227           |
| Additions                  | 215  | 1,186                                  | 1,401           |
| Disposals                  | -  | (721)                                  | (721)           |
| <b>At 31 December 2022</b> | <b>2,635</b>                                       | <b>5,272</b>                           | <b>7,907</b>    |
| <b>Depreciation</b>        |  |  |                 |
| At 1 January 2022          | 176  | 3,543                                  | 3,719           |
| Provided during the year   | 184  | 567                                    | 751             |
| Disposals                  | -  | (512)                                  | (512)           |
| Transfers                  | (41)   | 41                                     | -               |
| <b>At 31 December 2022</b> | <b>319</b>   | <b>3,639</b>                           | <b>3,958</b>    |
| <b>Net book value:</b>     |  |  |                 |
| At 31 December 2022        | <b>2,316</b>                                       | <b>1,633</b>                           | <b>3,949</b>    |
| At 1 January 2022          | <b>2,244</b>                                       | <b>1,264</b>                           | <b>3,508</b>    |

At 31 December 2022, the Company had commitments of £nil (2021: £154,000) relating to plant and equipment purchases.

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 12. Right-of-use assets and lease liabilities

|  | Leasehold<br>Land and<br>buildings<br>£'000 | Plant and<br>other<br>equipment<br>£'000 | Motor<br>Vehicles<br>£'000 | Right of use<br>Asset<br>Total<br>£'000 | Lease<br>liabilities<br><br>Total<br>£'000 |
|--|---|--|----------------------------|---|--|
| At 31 December 2021                        | 2,816                                       | 656                                      | -                          | 3,472                                   | (3,837)                                    |
| Additions                                  | -   | -  | 316                        | 316                                     | (566)                                      |
| Depreciation of right-of-use<br>assets     | (253)                                       | (31)                                     | (54)                       | (338)                                   | -  |
| Unwind of discount on lease<br>liabilities | -   | -  | -                          | -                                       | 74   |
| Settlement of lease liabilities            | -   | -  | -                          | -                                       | 415  |
| <b>At 31 December 2022</b>                 | <b>2,563</b>                                | <b>625</b>                               | <b>262</b>                 | <b>3,450</b>                            | <b>3,914</b>                               |

### 13. Intangible assets

|                            | Development<br>costs<br>£'000 |
|----------------------------|-------------------------------|
| <b>Cost or valuation</b>   |                               |
| At 1 January 2022          | 5,295                         |
| Additions                  | 1,250                         |
| <b>At 31 December 2022</b> | <b>6,545</b>                  |
| <b>Amortisation</b>        |                               |
| At 1 January 2022          | 1,160                         |
| Provided during the year   | 528                           |
| <b>At 31 December 2022</b> | <b>1,688</b>                  |
| <b>Net book value</b>      |                               |
| <b>At 31 December 2022</b> | <b>4,857</b>                  |
| At 1 January 2022          | 4,135                         |

### 14. Investments

|  | Shares in<br>group<br>undertakings<br>£'000 |
|--|---|
| <b>Cost and net book value</b>           |   |
| At 31 December 2021 and 31 December 2022 | 1,301                                       |

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 14. Investments (continued)

The companies in which the Company had an interest at 31 December 2022 are shown below:

| Name of company  | Country of incorporation | Principal activity            | Class and proportion of voting rights and shares held |
|--|--------------------------|-------------------------------|---|
| Adey Commercial Limited <sup>1</sup>                                       | England & Wales          | Plumbing and heating supplies | Ordinary 100%   |
| Adey Innovation LLC <sup>2</sup>   | United States of America | Plumbing and heating supplies | Ordinary 100%   |
| Adey Innovation SAS <sup>3</sup>   | France                   | Plumbing and heating supplies | Ordinary 100%   |
| Adey Innovation (Shanghai) Water Treatment Technology Co. Ltd <sup>4</sup> | China                    | Plumbing and heating supplies | Ordinary 100%   |
| Alpha Scientific Ltd <sup>1</sup>  | England & Wales          | Plumbing and heating supplies | Ordinary 100%   |

Registered offices of subsidiaries:

- Unit 2 St Modwen Park, Haresfield, Stonehouse, Gloucestershire, GL10 3EZ.
- c/o CT Corporation, 1209 Orange Street, Wilmington, Newcastle 19801, Delaware, United States of America.
- 119B Rue de Colombes, 92600 Asnières Sur Seine, France.
- Room 308-18, No. 998, South Shen Bin Road, Min Hang District, Shanghai, China.

### 15. Inventories

|                | 31 December<br>2022<br>£'000 | 31 December<br>2021<br>£'000 |
|----------------|------------------------------|------------------------------|
| Finished goods | 14,114                       | 8,274                        |
|                | <u>14,114</u>                | <u>8,274</u>                 |

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. The provision at 31 December 2022 was £1,142,000 (2021: £1,836,000). This increase is a result of Adey Innovation Limited being acquired by the Genuit Group plc and aligning their inventory provisioning policy with the Group wide accounting policy.

### 16. Trade and other receivables

|   | 31 December<br>2022<br>£'000 | 31 December<br>2021<br>£'000 |
|---|------------------------------|------------------------------|
| Trade receivables                       | 4,436                        | 6,489                        |
| Prepayments                             | 451                          | 276                          |
| Amounts owed by group undertakings      | -                            | 66,072                       |
|   | <u>4,887</u>                 | <u>72,837</u>                |
| Receivables: Amounts due after one year |                              |                              |
| Amounts owed by group undertakings      | 69,190                       | -                            |
|   | <u>69,190</u>                | <u>-</u>                     |

Trade receivables are non-interest bearing and are generally settled on 30 days' credit. Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. No material allowance for expected credit losses is deemed necessary in respect of trade receivables or amounts owed by group undertakings. These have been reclassified as long-term receivables for the current year as there is no intent to settle within 12 months of the balance sheet date.

# ADEY INNOVATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

### 17. Payables: amounts falling due within one year

|                                       | 31 December<br>2022<br>£'000 | 31 December<br>2021<br>£'000 |
|---------------------------------------|------------------------------|------------------------------|
| Trade payables                        | 5,476                        | 5,296                        |
| Other taxes and social security costs | 1,435                        | 897                          |
| Accruals                              | 2,713                        | 3,451                        |
| Amounts owed to group undertakings    | 8,634                        | 9,830                        |
| Financial instruments                 | -                            | 46                           |
| Corporation tax                       | 1,101                        | 1,274                        |
| Deferred tax                          | -                            | 495                          |
| Lease liabilities                     | 546                          | 436                          |
|                                       | <u>19,905</u>                | <u>21,725</u>                |

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

### 18. Payables: amounts falling due after one year

|                      | 31 December<br>2022<br>£'000 | 31 December<br>2021<br>£'000 |
|----------------------|------------------------------|------------------------------|
| Lease liabilities    | 3,368                        | 3,401                        |
| Deferred taxation    | 728                          | -                            |
| Office dilapidations | 529                          | 529                          |
|                      | <u>4,625</u>                 | <u>3,930</u>                 |

### 19. Equity share capital

#### Authorised share capital:

|                               | 31 December 2022 |       | 31 December 2021 |       |
|-------------------------------|------------------|-------|------------------|-------|
|                               | Number           | £     | Number           | £     |
| Ordinary shares of £1.00 each | 1,000            | 1,000 | 1,000            | 1,000 |

#### Allotted, called up and fully paid:

|                              | 31 December 2022 |          | 31 December 2021 |          |
|------------------------------|------------------|----------|------------------|----------|
|                              | Number           | £        | Number           | £        |
| Ordinary share of £1.00 each | <u>2</u>         | <u>2</u> | <u>2</u>         | <u>2</u> |

All shares carry equal rights and obligations.

### 20. Reserves

|                     | Retained<br>earnings<br>£'000 |
|---------------------|-------------------------------|
| At 1 January 2022   | 72,763                        |
| Profit for the year | 9,706                         |
| At 31 December 2022 | <u>82,469</u>                 |



## ADEY INNOVATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

#### 21. Contingent liabilities

On 19 November 2018, the Genuit 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).

On 10th August 2022 the Group renewed its banking facilities and entered a Sustainability Linked Loan revolving credit facility agreement for £350.0m with a £50.0m uncommitted accordion facility expiring in August 2027 and a separate agreement for private placement loan notes of £25.0m with an uncommitted £125.0m shelf facility repayable August 2029.

The Company is a subsidiary guarantor in respect of the secured bank facility held by Pipe Holdings plc.

Interest is payable on the bank loan at SONIA 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 2022 was 1.60% (2021: 1.40%).

Interest is payable semi-annually on the loan notes and is fixed at 4.44% per annum for the period of the loan term.

#### 22. Parent company and ultimate parent company

The Company's immediate parent company is Adey Holdings (2008) Limited, a company incorporated in England and Wales. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Genuit Group plc. Copies of Genuit Group plc's consolidated financial statements can be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Cardiff, CF14 3UZ.