

**Company Registration number: 01983393**

**SDS PIPE SYSTEMS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**SDS PIPE SYSTEMS LIMITED**  
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**SDS PIPE SYSTEMS LIMITED**  
**COMPANY INFORMATION**

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|--------------------------|--------------------------------------------------------------------------------------------------|
| <b>Director</b>          | P G Cullen                                                                                       |
| <b>Registered office</b> | 3 Filers Way<br>Weston Gateway Business Park<br>Weston-super-Mare<br>BS24 7JP                    |
| <b>Auditors</b>          | Albert Goodman LLP<br>Goodwood House<br>Blackbrook Park Avenue<br>Taunton<br>Somerset<br>TA1 2PX |

## **SDS PIPE SYSTEMS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The director presents his strategic report for the year ended 31 December 2021.

#### **Principal activity**

The principal activity of the company is the manufacture and distribution of large diameter plastic pipes and flood water tanks.

#### **Fair review of the business**

The company's immediate parent company is SDS Pipe Systems (Holdings) Limited. The ultimate controlling company is SDS Holdings Limited.

The company holds an exclusive licence, granted by Upinor Infra, to manufacture and sell Weholite, in modular and large diameter plastic pipe form, in the UK and Ireland. Weholite can be defined as spirally wound pipe or flat panel, manufactured from corrosion-resistant HDPE, to provide a light weight, engineered solution with superior loading capacity that is chemically inert and provides a projected 120-year design life.

Weholite is used in a variety of pipeline applications from simple road or rail culverts to more demanding inter-process pipework on sewerage treatment plants and for offsite build components. Weholite pipes can also be used for hydroelectric pipelines and intake structures, anaerobic digestion and air vent systems, and as storage, contact and inter-process pipework for drinking water applications.

The company has had another successful year particularly given the unprecedented circumstances regarding the pandemic and the conflict in Ukraine and the financial implications that have manifested themselves as a consequence.

The company has vigorously negotiated with suppliers to mitigate input cost inflation and then strategically increasing selling prices in line with other companies in the construction industry.

The current year has benefited from this approach over the two years since acquisition of focussing on customers and suppliers, demonstrated by the improvement in turnover from £7,929,000 to £10,044,000 and the gross profit has increase from £3,265,000 to £4,666,000. The gross profit percentage increased from 41% to 46%. Management intend to continue to increase turnover in the coming years and also maintain the profit margin, seeking efficiencies where possible.

Operational synergies gained through the wider SDS group together with a focus by management on administrative expenses has enabled the company to maintain these at a similar level to last year. These factors have enabled the company to generate an EBITDA of £2,288,000 for the year compared to £1,241,000 in 2020.

Management monitor the financial performance of the company based upon turnover, gross profit, gross profit percentage and EBITDA.

During the prior year the company, via a capital reduction, converted £2,957,999 of its capital reserves in distributable reserves. A dividend of £1,500,000 was subsequently paid. The dividend for the current year is £1,000,000.

At the year end the company had net current assets of £1,448,000 (2020 - £910,000) and net assets of £2,476,000 (2020 - £1,822,000).

## **SDS PIPE SYSTEMS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Future developments**

The director continues to monitor the technological changes within the industry, with an intent to ensure the company remains at the forefront of any advances within water management solutions. The director believes the proposition presented by the company and wider SDS group, together with ongoing research and development will enable the company and group to remain a key competitor within its market whilst enabling expansion into other areas of water management.

The company's key customers and suppliers are predominantly UK based. The company is currently managing the operating changes as a result of BREXIT. However, management continue to monitor the impact of BREXIT, seeking to ensure the company's productivity and profits are not adversely affected.

Management believe that the company's products will be an important element of future construction and are satisfied that the company will adapt effectively post-pandemic. The company is anticipating a cash generative profit in 2022 and has the support of the wider SDS group if required. The director has concluded that the company is a going concern.

#### **Principal risks and uncertainties**

The principal risks are detailed below:

##### **Financial risks**

The company holds financial instruments in order to finance its operations. In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

##### **Interest rate risk**

The company currently does not have any interest-bearing liabilities, with cash being the only potential interest generating asset. The director continues to monitor the need to manage this risk.

##### **Credit risk**

The company monitors credit risk closely and considers that its current policies, credit checks and specific credit insurance arrangements meet its objective of managing exposure to credit risk.

##### **Currency risk**

The company transacts in foreign currencies but manages the currency risk through the use of forward exchange contracts.

##### **Market risk**

Building regulations, flood and water management legislation and the exclusive UK and Ireland licence, granted by Upinor Infra, represent significant barriers to entry into the company's market for potential competitors, but are also closely monitored to ensure the company's compliance and ongoing development of an enhanced/advanced offering.

##### **Energy price risk**

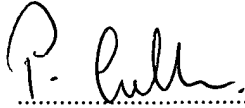
There is a substantial rise in the cost of energy which the company experienced in the latter part of the year and into 2022. Management have mitigated as far as possible this rise by taking steps at all locations in which it operates to save energy. Management are also in negotiations with its energy supplier regarding increases invoiced in 2021 and are hopeful of obtaining more favourable terms. These increases have been provided for in these accounts.

**SDS PIPE SYSTEMS LIMITED**

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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Approved by the Board on 28 September 2022 and signed on its behalf by:

  
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P G Cullen  
Director

## **SDS PIPE SYSTEMS LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The director presents his report and the financial statements for the year ended 31 December 2021.

#### **Director of the company**

The director who held office during the year was as follows:

P G Cullen

#### **Financial instruments**

##### Objectives and policies

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and amounts owed by/to group undertakings. The main purpose of these instruments is to manage funds to finance the company's operations.

##### Price risk, credit risk, liquidity risk and cash flow risk

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining an appropriate available balance. The company makes use of money market facilities where funds are available.

Required funding to meet payments will be provided by other companies within the SDS group if required. However, the director aims to restrict this through the management of the company's available cash.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

#### **Future Developments**

The future developments of the business are included within the strategic report.

#### **Disclosure of information to the auditors**

The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows the auditors are unaware.

#### **Reappointment of auditors**

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 28 September 2022 and signed on its behalf by:



P G Cullen  
Director

## **SDS PIPE SYSTEMS LIMITED**

### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

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The director acknowledges his responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.



## **SDS PIPE SYSTEMS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDS PIPE SYSTEMS LIMITED**

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#### **Opinion**

We have audited the financial statements of SDS Pipe Systems Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 twelve months from when the original financial statements were 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.

## **SDS PIPE SYSTEMS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDS PIPE SYSTEMS LIMITED**

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#### **Other information**

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Opinion on other matter 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's Report have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Director's Report.

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

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

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

#### **Responsibilities of the director**

As explained more fully in the Statement of Director's Responsibilities set out on page 6, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **SDS PIPE SYSTEMS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDS PIPE SYSTEMS LIMITED**

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#### **Auditor 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### **The extent to which the audit was considered capable of detecting irregularities including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with the director and other management, and from our commercial knowledge and experience of the manufacturing and supply sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

**SDS PIPE SYSTEMS LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDS PIPE SYSTEMS LIMITED**

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- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the director and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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.



.....  
Christopher Walford ACA (Senior Statutory Auditor)  
For and on behalf of Albert Goodman LLP, Statutory Auditor

Goodwood House  
Blackbrook Park Avenue  
Taunton  
Somerset  
TA1 2PX

Date: 28 September 2022

**SDS PIPE SYSTEMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

|                               | <b>Note</b> | <b>2021<br/>£ 000</b> | <b>2020<br/>£ 000</b> |
|-------------------------------|-------------|-----------------------|-----------------------|
| Turnover                      | 3           | 10,044                | 7,929                 |
| Cost of sales                 |             | <u>(5,379)</u>        | <u>(4,664)</u>        |
| Gross profit                  |             | 4,666                 | 3,265                 |
| Distribution costs            |             | (504)                 | (354)                 |
| Administrative expenses       |             | (2,295)               | (2,305)               |
| Other operating income        | 4           | <u>171</u>            | <u>401</u>            |
| Operating profit              | 5           | <u>2,037</u>          | <u>1,007</u>          |
| Profit before tax             |             | 2,037                 | 1,007                 |
| Taxation                      | 9           | <u>(383)</u>          | <u>(124)</u>          |
| Profit for the financial year |             | <u><u>1,654</u></u>   | <u><u>883</u></u>     |

The above results were derived from continuing operations.

**SDS PIPE SYSTEMS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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|                                         | <b>2021</b>         | <b>2020</b>       |
|-----------------------------------------|---------------------|-------------------|
|                                         | <b>£ 000</b>        | <b>£ 000</b>      |
| Profit for the year                     | <u>1,654</u>        | <u>883</u>        |
| Total comprehensive income for the year | <u><u>1,654</u></u> | <u><u>883</u></u> |

**SDS PIPE SYSTEMS LIMITED****(REGISTRATION NUMBER: 01983393)****BALANCE SHEET AS AT 31 DECEMBER 2021**

|                                                       | Note | 2021<br>£ 000 | 2020<br>£ 000 |
|-------------------------------------------------------|------|---------------|---------------|
| <b>Fixed assets</b>                                   |      |               |               |
| Tangible assets                                       | 10   | 1,111         | 1,009         |
| <b>Current assets</b>                                 |      |               |               |
| Stocks                                                | 11   | 1,259         | 794           |
| Debtors                                               | 12   | 5,403         | 2,872         |
| Cash at bank and in hand                              |      | 1,228         | 1,387         |
|                                                       |      | 7,890         | 5,053         |
| <b>Creditors: Amounts falling due within one year</b> | 14   | (6,442)       | (4,143)       |
| <b>Net current assets</b>                             |      | 1,448         | 910           |
| <b>Total assets less current liabilities</b>          |      | 2,559         | 1,919         |
| <b>Provisions for liabilities</b>                     | 15   | (83)          | (97)          |
| <b>Net assets</b>                                     |      | 2,476         | 1,822         |
| <b>Capital and reserves</b>                           |      |               |               |
| Called up share capital                               |      | -             | -             |
| Profit and loss account                               |      | 2,476         | 1,822         |
| <b>Shareholders' funds</b>                            |      | 2,476         | 1,822         |

Approved and authorised by the director on 28 September 2022P G Cullen  
Director

**SDS PIPE SYSTEMS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

|                             | <b>Ordinary<br/>share capital<br/>£ 000</b> | <b>Profit and<br/>loss reserve<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|-----------------------------|---------------------------------------------|----------------------------------------------|------------------------|
| At 1 January 2021           |                                             | 1,822                                        | 1,822                  |
| Movement in year:           |                                             |                                              |                        |
| Profit for the year         | -                                           | 1,654                                        | 1,654                  |
| Total comprehensive income  | -                                           | 1,654                                        | 1,654                  |
| Dividends                   | -                                           | (1,000)                                      | (1,000)                |
| Total movement for the year | -                                           | 654                                          | 654                    |
| At 31 December 2021         |                                             | 2,476                                        | 2,476                  |

|                               | <b>Ordinary<br/>share capital<br/>£ 000</b> | <b>Share<br/>premium<br/>£ 000</b> | <b>Profit and<br/>loss reserve<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|-------------------------------|---------------------------------------------|------------------------------------|----------------------------------------------|------------------------|
| At 1 January 2020             | 1,958                                       | 1,000                              | (519)                                        | 2,439                  |
| Movement in year:             |                                             |                                    |                                              |                        |
| Profit for the year           | -                                           | -                                  | 883                                          | 883                    |
| Total comprehensive income    | -                                           | -                                  | 883                                          | 883                    |
| Dividends                     | -                                           | -                                  | (1,500)                                      | (1,500)                |
| Purchase of own share capital | (1,958)                                     | (1,000)                            | 2,958                                        | -                      |
| Total movement for the year   | (1,958)                                     | (1,000)                            | 2,341                                        | (617)                  |
| At 31 December 2020           |                                             | -                                  | 1,822                                        | 1,822                  |



**SDS PIPE SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

3 Filers Way  
Weston Gateway Business Park  
Weston-super-Mare  
BS24 7JP

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

**Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

**Summary of disclosure exemptions**

The company has taken advantage of the following exemptions:

- 1) Exemption from preparing a Statement of Cash Flows as per Financial Reporting Standard 102 1.12.
- 2) Exemption in FRS102 1.12(c) from disclosing transactions with other members of the group.

**SDS PIPE SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period. If the revision affects both current and future periods, then it is recognised in both the current and future periods.

Stock and warranty provisions: Management assess the value assigned to stock at each period end and provide where they believe the value to be in excess of the recoverable amount. The company provides warranties to certain customers and having assessed this exposure based on historic knowledge and current expectations in order to establish an appropriate provision.

**Turnover recognition**

Turnover represents amounts receivable for the supply and installation of products net of VAT and trade discounts.

Turnover is recognised at the point stock items are despatched.

Installation sales are recognised on point of completion. Applications on account are included within trade debtors.

Retention income in relation to support and installation of the company's products is recognised when there is sufficient certainty over the company's entitlement to the income.

**Government grants**

Government grants are recognised under the accruals model resulting in income being recognised on a systematic basis over the period in which the related costs are incurred for which the grant is compensating. The income from the scheme is recognised as other income in the profit and loss and timing differences presented as other debtors or deferred income within the balance sheet.

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

**Tax**

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

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

**SDS PIPE SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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Deferred tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax liabilities are presented within provisions for liabilities on the balance sheet.

**Tangible assets**

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| <b>Asset class</b>     | <b>Depreciation method and rate</b> |
|------------------------|-------------------------------------|
| Plant and machinery    | Straight line over 4 to 10 years    |
| Leasehold improvements | Straight line over 10 years         |

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

**SDS PIPE SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**Reserves**

Called up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account includes all current and prior period profits and losses.

**Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

**Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

**Defined contribution pension obligation**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**3 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

|               | <b>2021</b>   | <b>2020</b>  |
|---------------|---------------|--------------|
|               | <b>£ 000</b>  | <b>£ 000</b> |
| Sale of goods | <u>10,044</u> | <u>7,929</u> |

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**4 Other operating income**

The analysis of the company's other operating income for the year is as follows:

|                   | <b>2021</b>  | <b>2020</b>  |
|-------------------|--------------|--------------|
|                   | <b>£ 000</b> | <b>£ 000</b> |
| Government grants | <u>171</u>   | <u>401</u>   |

**5 Operating profit**

Arrived at after charging/(crediting):

|                                               | <b>2021</b>  | <b>2020</b>  |
|-----------------------------------------------|--------------|--------------|
|                                               | <b>£ 000</b> | <b>£ 000</b> |
| Depreciation expense                          | 251          | 234          |
| Operating lease expense - plant and machinery | <u>78</u>    | <u>147</u>   |

**6 Government grants**

During the year other income of £5,000 (2020 - £401,000) was received from the government through coronavirus support schemes. The company also received a grant of £166,000 from the Welsh Government department for Economy and Infrastructure.

**7 Staff costs**

The aggregate payroll costs (including director's remuneration) were as follows:

|                                            | <b>2021</b>  | <b>2020</b>  |
|--------------------------------------------|--------------|--------------|
|                                            | <b>£ 000</b> | <b>£ 000</b> |
| Wages and salaries                         | 1,446        | 1,759        |
| Social security costs                      | 145          | 163          |
| Other short-term employee benefits         | 3            | 5            |
| Pension costs, defined contribution scheme | 45           | 50           |
| Other employee expense                     | <u>-</u>     | <u>2</u>     |
|                                            | <u>1,639</u> | <u>1,979</u> |

The average number of persons employed by the company (including the director) during the year, analysed by category was as follows:

|                            | <b>2021</b> | <b>2020</b> |
|----------------------------|-------------|-------------|
|                            | <b>No.</b>  | <b>No.</b>  |
| Production                 | 34          | 42          |
| Administration and support | <u>15</u>   | <u>15</u>   |
|                            | <u>49</u>   | <u>57</u>   |

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**8 Auditors' remuneration**

|                                   | <b>2021</b><br><b>£ 000</b> | <b>2020</b><br><b>£ 000</b> |
|-----------------------------------|-----------------------------|-----------------------------|
| Audit of the financial statements | <u>14</u>                   | <u>12</u>                   |

**9 Taxation**

Tax charged/(credited) in the profit and loss account:

|                                                             | <b>2021</b><br><b>£ 000</b> | <b>2020</b><br><b>£ 000</b> |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Current taxation</b>                                     |                             |                             |
| UK corporation tax                                          | 397                         | 120                         |
| <b>Deferred taxation</b>                                    |                             |                             |
| Arising from origination and reversal of timing differences | <u>(14)</u>                 | <u>4</u>                    |
| Tax expense in the profit and loss account                  | <u>383</u>                  | <u>124</u>                  |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

|                                                                           | <b>2021</b><br><b>£ 000</b> | <b>2020</b><br><b>£ 000</b> |
|---------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Profit before tax                                                         | <u>2,037</u>                | <u>1,007</u>                |
| Corporation tax at standard rate                                          | 387                         | 191                         |
| UK deferred tax (credit)/expense relating to changes in tax rates or laws | (4)                         | 23                          |
| Decrease from tax losses for which no deferred tax asset was recognised   | <u>-</u>                    | <u>(90)</u>                 |
| Total tax charge                                                          | <u>383</u>                  | <u>124</u>                  |

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**10 Tangible assets**

|                          | <b>Land and<br/>buildings<br/>£ 000</b> | <b>Plant and<br/>machinery<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|--------------------------|-----------------------------------------|------------------------------------------|------------------------|
| <b>Cost or valuation</b> |                                         |                                          |                        |
| At 1 January 2021        | -                                       | 4,352                                    | 4,352                  |
| Additions                | 206                                     | 147                                      | 353                    |
| At 31 December 2021      | 206                                     | 4,500                                    | 4,705                  |
| <b>Depreciation</b>      |                                         |                                          |                        |
| At 1 January 2021        | -                                       | 3,343                                    | 3,343                  |
| Charge for the year      | 14                                      | 237                                      | 251                    |
| At 31 December 2021      | 14                                      | 3,580                                    | 3,594                  |
| <b>Carrying amount</b>   |                                         |                                          |                        |
| At 31 December 2021      | 192                                     | 919                                      | 1,111                  |
| At 31 December 2020      | -                                       | 1,009                                    | 1,009                  |

Included within the net book value of land and buildings above is £191,666 (2020 - £Nil) in respect of short leasehold land and buildings.

**11 Stocks**

|                                     | <b>2021<br/>£ 000</b> | <b>2020<br/>£ 000</b> |
|-------------------------------------|-----------------------|-----------------------|
| Finished goods and goods for resale | 1,259                 | 794                   |

**12 Debtors**

|                                       | <b>2021<br/>£ 000</b> | <b>2020<br/>£ 000</b> |
|---------------------------------------|-----------------------|-----------------------|
| Trade debtors                         | 2,530                 | 1,901                 |
| Amounts owed by group undertakings    | 2,750                 | 750                   |
| Prepayments                           | 123                   | 219                   |
| Total current trade and other debtors | 5,403                 | 2,870                 |

**13 Cash and cash equivalents**

|              | <b>2021<br/>£ 000</b> | <b>2020<br/>£ 000</b> |
|--------------|-----------------------|-----------------------|
| Cash at bank | 1,228                 | 1,387                 |

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**14 Creditors**

|                                                | <b>Note</b> | <b>2021<br/>£ 000</b> | <b>2020<br/>£ 000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Due within one year</b>                     |             |                       |                       |
| Trade creditors                                |             | 1,830                 | 1,137                 |
| Amounts owed to group undertakings             |             | 3,114                 | 1,965                 |
| Social security and other taxes                |             | 212                   | 392                   |
| Outstanding defined contribution pension costs |             | 1                     | 9                     |
| Other creditors                                |             | 20                    | 7                     |
| Accrued expenses                               |             | 748                   | 513                   |
| Corporation tax                                | 9           | 517                   | 120                   |
|                                                |             | <u>6,442</u>          | <u>4,143</u>          |

**15 Provisions for liabilities**

|                       | <b>Deferred tax<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|-----------------------|-------------------------------|------------------------|
| At 1 January 2021     | 97                            | 97                     |
| Additional provisions | <u>(14)</u>                   | <u>(14)</u>            |
| At 31 December 2021   | <u>83</u>                     | <u>83</u>              |

**Deferred tax**

Deferred tax assets and liabilities:

|                              | <b>Liability<br/>£ 000</b> |
|------------------------------|----------------------------|
| <b>2021</b>                  |                            |
| Accelerated tax depreciation | <u>107</u>                 |
| <b>2020</b>                  |                            |
| Accelerated tax depreciation | <u>97</u>                  |



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**16 Obligations under leases and hire purchase contracts**

**Operating leases**

The total of future minimum lease payments is as follows:

|                                                   | <b>2021</b>  | <b>2020</b>  |
|---------------------------------------------------|--------------|--------------|
|                                                   | <b>£ 000</b> | <b>£ 000</b> |
| Not later than one year                           | 244          | 244          |
| Later than one year and not later than five years | 811          | 1,060        |
|                                                   | <u>1,055</u> | <u>1,304</u> |

**17 Dividends**

|                  | <b>2021</b>  | <b>2020</b>  |
|------------------|--------------|--------------|
|                  | <b>£ 000</b> | <b>£ 000</b> |
| Interim dividend | <u>1,000</u> | <u>1,500</u> |

**18 Parent and ultimate parent undertaking**

The company's immediate parent is SDS Pipe Systems (Holdings) Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is SDS Holdings Limited. These financial statements are available upon request from Companies House

The ultimate controlling party is P Cullen.

**19 Pension and other schemes**

**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £45,443 (2020 - £49,711).

Contributions totalling £675 (2020 - £8,563) were payable to the scheme at the end of the year and are included in creditors.