Company Registration Number: 486100

Etex (Exteriors) UK Limited (formerly Marley Eternit Limited)

Report and Financial Statements

31 December 2018

Company Information

On 3 January 2019 the company changed its name from Marley Eternit Limited to Etex (Exteriors) UK Limited

Directors
J Arkell
M S Hansen
X G R Janin

Independent Auditors
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered Office
Wellington Road
Burton upon Trent
Staffordshire
DE14 2AP

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Principal activities and review of the business

The principal activity of Etex (Exteriors) UK Limited (formerly Marley Eternit Limited) ("the Company") is the manufacture and sale of concrete, clay and timber roofing products and fibre cement sheeting products. The Company also sells and distributes fibre cement roofing products and a wide range of decorative cladding panels and fixing systems.

The Company made an operating profit of £1.5 million (2017 – £36.8 million). Current year profit was adversely affected by £39.1 million of exceptional reorganisation and pension costs (see below). Although turnover reduced by 2% compared to the previous year, improvements in price performance enabled gross profit to be increased by 5% year-on-year. The Company's key performance indicators during the year were as follows:

	2018	*2017*	*Change*
	£m	*£m*	
Turnover	205.7	210.3	- 2%
Gross profit	80.2	76.5	+ 5%
Total equity	197.9	196.7	+ 1%
Trade debtor days	2 days	6 days	- 4 days

The Company continues to benefit from a non-recourse factoring arrangement with a consortium of banks. The proportion of the trade debtor subject to factoring increased in the current year and this, together with improved cash collection, resulted in a reduction of 4 debtor days.

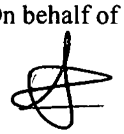
On 18 December 2018, the Company signed an agreement to sell, as a going concern, the business and assets relating to the clay and concrete tiles and fittings and roofing components of the Company to Marley Limited (formerly Marley UK Holding Limited), a wholly owned subsidiary of the Company, with effect from 1 January 2019. The sale consideration of £58.8 million to be at net book value and satisfied by an allotment of shares. Reorganisation costs relating to the splitting of the business of £2.1 million (2017 – £nil) were incurred as well as a contribution of £37.0 million (2017 – £nil) to the ML Pension Scheme (formerly the Marley 1986 Pension Scheme), of which the Company is a sponsoring employer. The IAS 19 reporting of the ML Pension scheme is recorded in the financial statements of ML UK Holding Limited, a fellow UK pension sponsor.

Since 2013 the Company has been engaged in a UK intergroup cash pooling arrangement. As a result, the majority of its cash generated during the year has been converted into an intercompany loan with a fellow group undertaking.

Principal risks and uncertainties

The Company's business is affected by fluctuations in the UK housing and construction markets. The business is also affected by fluctuations in the price of raw materials and energy costs, although purchasing policies and practices seek to mitigate, where practicable, such risks. The Company makes purchases from international markets and it is therefore exposed to currency movements. Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with internal treasury policies. The uncertainty resulting from the decision to leave the EU continues to be of concern and the Company is taking appropriate measures to ensure continuity of supply of imported products.

On behalf of the Board



J Arkell
Director

14 June 2019

Registered No. 486100

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation amounted to £1.4 million (2017 – £30.1 million). The directors do not recommend a final dividend (2017 – £nil).

Post Balance Sheet Events

As referred to in the Strategic report, the Company signed an agreement on 18 December 2018 to sell as a going concern the business and assets relating to the clay and concrete tiles and fittings and roofing components of the Company to Marley Limited (formerly Marley UK Holding Limited), a wholly owned subsidiary of the Company, with effect from 1 January 2019. The sale consideration of £58.8 million equates to the net book value and was satisfied by an allotment of shares.

On 3 January 2019 the Company changed its name from Marley Eternit Limited to Etex (Exteriors) UK Limited.

Future developments

Splitting the business will enable management to concentrate on their respective products offerings and ensure the Company can focus its activities on adding value to customers and grow the businesses through manufacturing, product and service innovations. The Company has successfully launched new products in 2018 and this is set to continue in 2019. The outlook for 2019 is for a similar performance as 2018, subject to exchange risks and inflation. A more certain outcome on Brexit would also result in greater confidence in the construction industry and the Company is ideally placed to take advantage of any increased activity.

Financial Risk Management

The Company faces credit, liquidity and cash flow risks.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate history and satisfy credit worthiness procedures. Credit risks, or the risk of counterparties defaulting is constantly monitored. The Company has credit insurance policies in place to mitigate any losses.

Liquidity and cash flow risk – in order to maintain liquidity, the Company's funding requirements are under constant review. The Company is part of a group cash pooling arrangement and as such its cash is internally managed to ensure the Company will not encounter difficulties in meeting obligations associated with financial liabilities. The Company also has access to committed bank facilities to meet day to day working capital requirements. The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Company.

The Company is not exposed to interest-bearing debt and has no significant exposure to interest rate risk.

The Company makes purchases from international markets and is therefore exposed to currency movements. Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with internal treasury policies. The disclosure of principal risks and uncertainties has been included in the Strategic report.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' report (continued)

Directors

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

J Arkell (appointed: 2 January 2019)
M S Hansen (appointed: 2 January 2019)
X G R Janin (appointed: 2 January 2019)
M L Klein (resigned: 2 January 2019)
A S McKnight (resigned: 2 January 2019)
P G Reed (resigned: 2 January 2019)
D Speakman (resigned: 2 January 2019)
B J P M A Stainier (resigned: 2 January 2019)

No directors benefited from qualifying third party indemnity provisions during the financial year and up to the date of approval of these financial statements.

Employees

The Company is committed to maintaining employment policies that both encourage and reward the skills and commitment of its employees. Its policy of non-discrimination is designed to give full and fair consideration to all on an equal basis. This undertaking extends to the employment of disabled persons and to the support of those who become disabled during their service with the Company.

The Company values the involvement of its employees and has continued its previous practice of keeping them regularly informed on all matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and a company intranet.

Charitable donations and political contributions

Charitable donations during the year amounted to £1,325 (2017 – £1,531). The Company made no political contributions during the year (2017 – £nil).

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

Ernst & Young LLP resigned as auditors of the Company on 25 October 2018 and PricewaterhouseCoopers LLP were appointed as auditors on 28 November 2018.

PricewaterhouseCoopers LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board

J Arkell
Director

14 June 2019

Directors' responsibilities statement

for the year ended 31 December 2018

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', 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 the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Independent auditors' report to the members of Etex (Exteriors) UK Limited (formerly Marley Eternit Limited)

Report on the audit of the financial statements

Opinion

In our opinion, Etex (Exteriors) UK Limited's (formerly Marley Eternit Limited's) financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the Statement of financial position as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Etex (Exteriors) UK Limited (formerly Marley Eternit Limited) (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Etex (Exteriors) UK Limited (formerly Marley Eternit Limited) (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

21 June 2019

Income statement

for the year ended 31 December 2018

	Note	*Continuing operations 2018 £m*	*Discontinued operations 2018 £m*	*Total 2018 £m*	*Continuing operations 2017 £m*	*Discontinued operations 2017 £m*	*Total 2017 £m*
Turnover	3	68.8	136.9	205.7	64.7	145.6	210.3
Cost of sales		(37.4)	(88.1)	(125.5)	(35.6)	(98.2)	(133.8)
Gross profit		31.4	48.8	80.2	29.1	47.4	76.5
Distribution costs		(9.8)	(19.9)	(29.7)	(8.8)	(20.3)	(29.1)
Administrative expenses excluding exceptional costs		*(4.1)*	*(5.8)*	*(9.9)*	*(4.0)*	*(6.6)*	*(10.6)*
Exceptional reorganisation costs	5	*(0.9)*	*(1.2)*	*(2.1)*	–	–	–
Exceptional pension costs		*(37.0)*	–	*(37.0)*	–	–	–
Administrative expenses		(42.0)	(7.0)	(49.0)	(4.0)	(6.6)	(10.6)
Operating profit	4	(20.4)	21.9	1.5	16.3	20.5	36.8
Interest receivable and similar income	9	0.8	0.1	0.9	0.6	0.1	0.7
Interest payable and similar expenses	10	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Profit before taxation		(19.6)	21.9	2.3	16.9	20.5	37.4
Tax on profit/(loss)	11	3.7	(4.6)	(0.9)	(3.3)	(4.0)	(7.3)
Profit for the financial year		(15.9)	17.3	1.4	13.6	16.5	30.1

The notes on pages 13 to 32 form part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £m	2017 £m
Profit for the financial year		1.4	30.1
Other comprehensive expense *Items that can be reclassified to profit or loss:*			
Movement on forward currency derivative contracts subject to deferred tax		(0.3)	(0.9)
Movement on deferred tax relating to forward currency derivative contracts	11(b)	0.1	0.2
Other comprehensive expense for the financial year, net of tax		(0.2)	(0.7)
Total comprehensive income for the financial year		1.2	29.4

The notes on pages 13 to 32 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £m	*Other reserves £m*	*Retained earnings £m*	*Total equity £m*
At 1 January 2017	72.1	1.1	94.1	167.3
Profit for the financial year	–	–	30.1	30.1
Other comprehensive expense for the year:				
Movement on forward currency derivative contracts subject to deferred tax	–	(0.9)	–	(0.9)
Movement on deferred tax relating to forward currency derivative contracts	–	0.2	–	0.2
Total comprehensive income for the year	–	(0.7)	30.1	29.4
At 31 December 2017	72.1	0.4	124.2	196.7
At 1 January 2018	72.1	0.4	124.2	196.7
Profit for the financial year	–	–	1.4	1.4
Other comprehensive expense for the year:				
Movement on forward currency derivative contracts subject to deferred tax	–	(0.3)	–	(0.3)
Movement on deferred tax relating to forward currency derivative contracts	–	0.1	–	0.1
Total comprehensive income for the year	–	(0.2)	1.4	1.2
Payment to Etex N.V. for share based payments	–	–	(0.1)	(0.1)
Credit to equity for share based payments	–	–	0.1	0.1
Total transactions with owners, recognised directly in equity	–	–	–	–
At 31 December 2018	72.1	0.2	125.6	197.9

The notes on pages 13 to 32 form part of these financial statements.

Registered No. 486100

Statement of financial position

as at 31 December 2018

	Note	2018 £m	2017 £m
Fixed assets			
Intangible assets	12	25.6	25.6
Tangible assets	13	48.9	48.0
Investments	14	8.9	8.9
		83.4	82.5
Current assets			
Stocks	15	27.2	25.6
Debtors	16	134.8	148.1
Cash at bank and in hand		6.7	1.1
		168.7	174.8
Creditors: amounts falling due within one year	18	(44.2)	(48.8)
Net current assets		124.5	126.0
Total assets less current liabilities		207.9	208.5
Creditors: amounts falling due after more than one year	18	(8.9)	(8.9)
Provisions for liabilities	19	(1.1)	(2.9)
Net assets		197.9	196.7
Capital and reserves			
Called up share capital	20	72.1	72.1
Other reserves	20	0.2	0.4
Retained earnings		125.6	124.2
Total equity		197.9	196.7

The notes on pages 13 to 32 form part of these financial statements.

These financial statements on pages 9 to 32 were approved and authorised for issue by the board of directors on 14 June 2019 and signed on its behalf by:

J Arkell

Director

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

General information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Wellington Road, Burton upon Trent, Staffordshire, England DE14 2AP.

Basis of preparation

The Company's financial statements are presented in Sterling and all values are rounded to the nearest tenth of a million pounds (£m), except where otherwise indicated. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Etex N.V., which prepares consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and are in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for derivative financial instruments that have been measured at fair value; and in accordance with the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions as permitted by FRS 101:

(a) the requirement of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment';
(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 'Business Combinations';
(c) the requirements of paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations';
(d) the requirements of IFRS 7 'Financial Instruments: Disclosures';
(e) the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
(f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 'Property, Plant and Equipment', paragraph 118(e) of IAS 38 'Intangible Assets' and paragraph 76 and 79(d) of IAS 40 'Investment Property';
(g) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D ,111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
(h) the requirements of IAS 7 'Statement of Cash Flows';
(i) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
(j) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
(k) 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; and
(l) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Disclosure exemptions (a), (b) and (e) above have been adopted as the consolidated financial statements of Etex N.V. include the equivalent disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the financial statements

for year ended 31 December 2018

1. Accounting policies (continued)

New standards, amendments and IFRIC interpretations

The Company has adopted IFRS 9 'Financial Instruments' on the required effective date of 1 January 2018 and did not have a significant impact on its profit, balance sheet or equity.

(a) Classification and measurement

The Company did not have a significant impact on its profit, balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It continues to measure at fair value all financial assets held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company continues to measure these at amortised cost under IFRS 9. Following the assessment of the contractual cash flow characteristics of its debt instruments the Company concluded that the loans and trade receivables can be classified at amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company has applied the simplified approach and records lifetime expected losses on all trade receivables. The application of the expected credit loss did not have a significant impact on equity due to the secured nature of its loans and receivables.

(c) Hedge accounting

All existing hedge relationships that are currently designated in effective hedging relationships still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company did not have a significant impact as a result of applying IFRS 9.

IFRS 15 'Revenue from Contracts with Customers', also became effective 1 January 2018. IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has adopted the new standard on the required effective date using the full retrospective method. The standard did not have a significant impact on revenues, and no restatement of comparative periods have been performed. There is no change in timing (Point in Time or Over Time) of the revenues. See accounting policy on revenue recognition below for further information.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the Company.

Revenue recognition

Revenue arising from contracts with customers is recognised applying the five-step model. Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Sales of goods

Contracts with customers to sell goods has only one performance obligation. Revenue recognition (net of sales tax and discounts) occurs at a point in time, when control of the asset is transferred to the customer.

Project - Construction contracts

A limited number of activities of the Company (representing less than 5% of total revenues) are construction contract driven. Consequently, contract revenue and contract costs are recognised in the income statement on the percentage-of-completion method, with the stage of completion being measured by reference to actual work performed to date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses that are recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged to the income statement.

Notes to the financial statements

for year ended 31 December 2018

1. Accounting policies (continued)

Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

Dividends

Dividends are recognised when the Company's right to receive payment is established.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are expensed in the income statement on a straight line basis over the lease term.

Exceptional items

Where items are of a one-off nature and so material that separate presentation is relevant to financial performance, then such items are presented as exceptional items on the face of the income statement.

Intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are held at cost less amortisation and impairment. Amortisation is charged on a straight line basis. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Computer software costs recognised as assets are amortised over their estimated useful lives which are assessed to be 10 years for ERP software and not exceeding 5 years for other software.

Goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment in accordance with IAS 36. The recoverable amount of the goodwill is determined on a value-in-use basis using discounted cash flow projections based on financial budgets approved by the board covering a five-year period.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the income statement on a straight line basis. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	–	10 to 40 years
Plant, vehicles and equipment	–	3 to 20 years

No depreciation is provided on freehold land. Additions to plant and machinery are depreciated from the date the asset comes into productive use. Assets in the course of construction are not depreciated.

The carrying value of fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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.

Notes to the financial statements

for year ended 31 December 2018

1. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. The carrying values of fixed asset investments are reviewed annually for impairment or when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in first out basis is used. For work in progress and finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade and other receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The Company applies IFRS 9 simplified approach to measuring credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised. Assets held for sale are included within the balance sheet in their normal classifications. The additional disclosures on assets/liabilities for sale are shown in the respective notes to the financial statements.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense if material.

Notes to the financial statements

for year ended 31 December 2018

1. Accounting policies (continued)

Derivative financial instruments

The Company uses derivative financial instruments in the form of forward currency exchange contracts to hedge its risks associated with foreign currency fluctuations arising from the Company's operations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Gains or losses on re-measurement to fair value are recognised immediately in the income statement unless the derivative qualifies for hedge accounting whereby recognition is dependent on the nature of the item being hedged.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve (other reserves) within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/losses. When forward contracts are used to hedge forecast transactions, the Company designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised within equity. The change in the forward element of the contract that relate to the hedged element is recognised in OCI within equity.

Derivatives and hedging activities

Amounts accumulated in equity are reclassified in the period when the hedged items affect profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses of the option contracts are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the profit or loss, since the hedged item affects profit or loss (for example, through cost of sales). When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reposted in equity are immediately reclassified to profit or loss.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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

- 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.

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

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 enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

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 credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Notes to the financial statements

for year ended 31 December 2018

1. Accounting policies (continued)

Transactions in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities in a foreign currency are translated using the exchange rate at the date of the transaction.

Share based payments

Certain employees of the Company are granted share options in the ultimate parent undertaking, Etex N.V. Each option gives the beneficiary the right to buy one Etex N.V. share at an exercise price determined at grant date and is vested on an annual basis over 4 years. Each beneficiary of an option is also granted a put option whereby the shares acquired under the stock option plan can be sold back to the Group at a price determined at each put exercise period, which is similar to the stock option plan exercise period. To the extent that the Company is recharged the cost of the option by the parent company, the recharge is recorded as a debit within equity.

Pensions

The Company participates in closed UK-wide multi-employer defined benefit pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reliable basis and therefore any deficits in the schemes are recognised in the financial statements of ML UK Holding Limited (formerly Marley Limited) and Eternit UK Limited. Thus, the Company treats the schemes as if they were defined contribution schemes. As a result, the amount charged to the income statement represents the contributions payable to the schemes in respect of the accounting period. The Company also operates a defined contribution pension scheme, the assets of which are held separately from those of the Company. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. Further details are given in note 21.

2. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the period end date and the amounts reported for revenues and expenses during the year. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-current assets

The Company tests goodwill, intangible assets and tangible fixed assets annually for impairment, or more frequently if there are indications that an impairment may be required. The Company performs goodwill impairment reviews by comparing the investments book value to the underlying net assets or forecasting cash flows based upon budgets and projections over a period of five years and discounting back to present value by applying an appropriate discount rate. The impairment reviews performed during the year indicated that the carrying value of the goodwill was considered recoverable. See notes 12 and 13 for further details.

Critical judgements in applying the entity's accounting policies

Pensions

Certain employees participate in multi-employer defined benefit pension schemes with other companies in the UK group. In the judgement of the directors, the Company does not have sufficient information on the schemes' assets and liabilities to be able to reliably account for its share of the defined benefit obligation and scheme assets. Therefore, the schemes are accounted for as defined contribution schemes, see note 21 for further details.

Notes to the financial statements

for year ended 31 December 2018

3. Turnover

All of the Company's sales arose from the Company's principal activity, as defined in the Strategic report.

An analysis of turnover by geographical market is given below:

	Continuing operations 2018	*Discontinued operations 2018*	*Total 2018*	*Continuing operations 2017*	*Discontinued operations 2017*	*Total 2017*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
United Kingdom	66.7	136.2	202.9	62.8	145.1	207.9
Europe (excluding UK)	2.1	0.7	2.8	1.9	0.5	2.4
	68.8	136.9	205.7	64.7	145.6	210.3

An analysis of turnover by category is given below:

	Continuing operations 2018	*Discontinued operations 2018*	*Total 2018*	*Continuing operations 2017*	*Discontinued operations 2017*	*Total 2017*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Sale of goods	68.8	126.8	195.6	64.7	132.1	196.8
Supply and installation of goods	–	10.1	10.1	–	13.5	13.5
	68.8	136.9	205.7	64.7	145.6	210.3

There are no assets or liabilities in relation to contracts with customers at the end of the year (2017 – nil).

Notes to the financial statements

for year ended 31 December 2018

4. Operating profit

This is stated after charging/(crediting):

	Continuing operations 2018 £m	*Discontinued operations 2018 £m*	*Total 2018 £m*	*Continuing operations 2017 £m*	*Discontinued operations 2017 £m*	*Total 2017 £m*
Exceptional reorganisation costs (note 5)	0.9	1.2	2.1	–	–	–
Auditors' remuneration:						
Audit of the financial statements	0.1	–	0.1	0.1	–	0.1
Depreciation of tangible fixed assets	0.4	4.1	4.5	0.4	4.1	4.5
Gain on disposal of tangible fixed assets	–	(0.1)	(0.1)	–	–	–
Impairment of trade receivables	–	–	–	0.5	–	0.5
Reversal of impairment of trade receivables *	(0.3)	–	(0.3)	–	–	–
Cost of stocks recognised as an expense (included in cost of sales)	24.5	59.2	83.7	23.4	66.4	89.9
Write-down of stocks to net realisable value	–	0.4	0.4	0.4	0.2	0.6
Reversals of impairments in stocks**	(0.2)	(0.4)	(0.6)	(0.1)	(0.1)	(0.2)
Operating lease expenses	0.2	0.9	1.1	0.2	0.9	1.1
Gain on foreign exchange	(0.1)	–	(0.1)	(1.6)	(0.5)	(2.1)

* The reversal of impairment of trade receivables arose as a result of the issuance of credit notes and a review of the recoverability of the underlying debts.

** The reversals of impairments in stocks arose as a result of the write-off of the underlying stock items.

In 2017, the Auditor of the Company in that year also provided taxation services to the Company during the year. The remuneration paid to the prior-year Auditor in respect of these services amounted to £12,000. In 2018, the auditor provided no other services.

Notes to the financial statements

for year ended 31 December 2018

5. Exceptional reorganisation costs

Following a review of the business, the Company decided to split its operations and sell the business and assets relating to the clay and concrete tiles and fittings and roofing components of the Company to Marley Limited, a wholly owned subsidiary of the Company, with effect from 1 January 2019.

An analysis of the reorganisation costs is given below:

	Continuing operations 2018	*Discontinued operations 2018*	*Total 2018*	*Continuing operations 2017*	*Discontinued operations 2017*	*Total 2017*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Redundancy costs	–	0.1	0.1	–	–	–
Stock write-offs	0.2	0.3	0.5	–	–	–
Office restructuring and moving costs	0.5	0.3	0.8	–	–	–
Other reorganisation costs	0.2	0.5	0.7	–	–	–
	0.9	1.2	2.1	–	–	–

The tax impact of the reorganisations costs is £0.4 million.

6. Directors' remuneration

The directors' aggregate remuneration was £807,000 (2017 – £655,000). The remuneration of the highest paid director amounted to £430,000 (2017 – £348,000).

Some of the directors of the Company are also directors of other companies in the Etex group. The directors consider that the amount of their remuneration in total that relates to qualifying services provided to other group companies for the year was £320,000 (2017 – £150,000).

Two (2017 – two) of the serving directors during the year were members of a defined benefit pension scheme, closed for future accrual. The highest paid director had an accrued pension of £nil (2017 – £nil).

Three (2017 – four) of the serving directors during the year were members of a defined contribution pension scheme.

During the year, the highest paid director and one other director (2017 – the highest paid director) exercised share options. There are no other long-term incentive plans for directors.

7. Staff costs

	2018	*2017*
	£m	*£m*
Wages and salaries	29.3	29.5
Social security costs	3.1	3.1
Other pension costs (note 21)	40.2	4.2
	72.6	36.8

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Production	546	564
Sales	231	223
Administration	68	74
	845	861

Notes to the financial statements

for year ended 31 December 2018

7. Staff costs (continued)

Certain staff costs amounting to £0.4 million (2017 – £0.4 million) are recharged to a fellow group undertaking.

Wages and salaries include redundancy costs of £0.5 million (2017 – £0.3 million), £0.1 million (2017 – £nil) due to the reorganisation (see note 5) and £0.4 million (2017 – £0.3 million) in the normal course of business.

The other pension costs include additional employer contributions of £0.8 million (2017 – £1.9 million) and exceptional pension costs of £37.0 million (2017 – £nil).

8. Share based payments

	2018 £m	2017 £m
Share based payment expense	0.1	–

27,000 (2017 – 12,000) share options were exercised during the year. The weighted average share price at the date of exercise for those share options exercised during the year ended 31 December 2018 was €26.19 (2017 – €21.32).

The range of exercise prices for the share options outstanding at 31 December 2018 was €18.45 to €33.65 (2017 – €17.32 to €33.23).

The weighted average remaining contractual life of share options outstanding at 31 December 2018 is 4.4 years (at 31 December 2017 – 4 years).

9. Interest receivable and similar income

	2018 £m	2017 £m
On guarantees provided to group undertakings	0.1	0.1
On amounts due from group undertakings	0.8	0.6
	0.9	0.7

10. Interest payable and similar expenses

	2018 £m	2017 £m
Amounts paid to Factors (invoice financing)	0.1	0.1

Notes to the financial statements

for year ended 31 December 2018

11. Tax on profit

(a) Tax charged in the income statement

	2018 £m	2017 £m
Current tax:		
UK corporation tax on the profit for the year	0.9	7.5
Total current tax	0.9	7.5
Deferred tax:		
Origination of timing differences	–	(0.1)
Adjustments in respect of prior periods	–	(0.1)
Total deferred tax (note 19)	–	(0.2)
Tax expense in the income statement (note 11(c))	0.9	7.3

(b) Tax relating to items charged to other comprehensive income

	2018 £m	2017 £m
Deferred tax:		
On net loss on forward currency contract derivatives	(0.1)	(0.2)
Total deferred tax (note 19)	(0.1)	(0.2)
Tax credit in the statement of other comprehensive income	(0.1)	(0.2)

(c) Reconciliation of the total tax charge

From 1 April 2017, the standard rate of corporation tax in the United Kingdom decreased from 20% to 19%. As a result, the rate for the year to 31 December 2018 is 19% (2017 – 19.25%). The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are reconciled below:

	2018 £m	2017 £m
Profit before taxation	2.3	37.4
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	0.4	7.2
Effects of:		
Expenses not deductible for tax purposes	0.5	0.3
Profit relieved by capital losses	–	(0.1)
Adjustments in respect of prior periods	–	(0.1)
Total tax expense reported in the income statement (note 11(a))	0.9	7.3

(d) Change in Corporation Tax rate

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at a rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. The reduction to 17% was enacted in 2016. Deferred tax at 31 December 2018 has been calculated based on rates of 17% to 19% depending on the year in which the balance is likely to reverse.

Notes to the financial statements

for year ended 31 December 2018

11. Tax on profit (continued)

(e) Deferred tax

The deferred tax included in the Statement of financial position is as follows:

	2018	*2017*
	£m	*£m*
Deferred tax liability		
Accelerated capital allowances	1.2	1.2
Forward currency derivative contracts	–	0.1
Other	(0.2)	(0.2)
Total deferred tax (note 19)	1.0	1.1

12. Intangible assets

	Computer software	*Goodwill*	*Total*
	£m	*£m*	*£m*
Cost:			
At 1 January 2018 and 31 December 2018	5.3	46.8	52.1
Accumulated amortisation:			
At 1 January 2018 and 31 December 2018	5.3	21.2	26.5
Net book value:			
At 31 December 2018	–	25.6	25.6
At 31 December 2017	–	25.6	25.6

The following intangible fixed assets were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and are therefore considered to be assets held for sale:

	Computer software	*Goodwill*	*Total*
	£m	*£m*	*£m*
Cost:			
At 31 December 2018	–	4.0	4.0
Net book value:			
At 31 December 2018 (see note 17)	–	4.0	4.0

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the entity amortised goodwill, a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £2.3 million lower had goodwill been amortised in the year.

Notes to the financial statements

for year ended 31 December 2018

13. Tangible assets

	Freehold land and buildings £m	*Plant, vehicles and equipment £m*	*Assets in the course of construction £m*	*Total £m*
Cost:				
At 1 January 2018	33.4	66.4	3.3	103.1
Additions	0.3	1.4	3.9	5.6
Disposals	–	(1.0)	–	(1.0)
Transfers	0.7	2.4	(3.1)	–
At 31 December 2018	34.4	69.2	4.1	107.7
Accumulate depreciation:				
At 1 January 2018	11.1	44.0	–	55.1
Charge for year	0.7	3.8	–	4.5
On disposals	–	(0.8)	–	(0.8)
At 31 December 2018	11.8	47.0	–	58.8
Net book value:				
At 31 December 2018	22.6	22.2	4.1	48.9
At 31 December 2017	22.3	22.4	3.3	48.0

The following tangible assets were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and are therefore considered to be assets held for sale:

	Freehold land and buildings £m	*Plant, vehicles and equipment £m*	*Assets in the course of construction £m*	*Total £m*
Cost:				
At 31 December 2018	27.1	63.4	3.8	94.3
Accumulated depreciation:				
At 31 December 2018	8.7	43.6	–	52.3
Net book value:				
At 31 December 2018 (see note 17)	18.4	19.8	3.8	42.0

There was no impairment recognised during the year (2017 – no impairment).

The value of freehold land not depreciated in continuing operations is £3.4 million (2017 – £3.4 million). The value of freehold land not depreciated in discontinued operations is £9.6 million (2017 – £9.6 million).

Notes to the financial statements

for year ended 31 December 2018

14. Investments

	Shares in subsidiary undertakings	*Shares in Participating interests*	*Total*
	£	*£*	*£*
Cost:			
At 1 January 2018	8,895,182	–	8,895,182
Additions	101	1	102
At 31 December 2018	8,895,283	1	8,895,284
Provisions:			
At 1 January 2018 and 31 December 2018	–	–	–
Net book value:			
At 31 December 2018	8,895,283	1	8,895,284
At 31 December 2017	8,895,182	–	8,895,182

On 13 March 2018, Eternit Pension Trustees Limited a wholly owned subsidiary of the Company, was formed as a dormant undertaking.

On 15 August 2018 Marley UK Holding Limited, a wholly owned subsidiary of the Company, was formed as a dormant undertaking. On 19 October 2018, Marley UK Holding Limited changed its name to Marley Limited. On 1 January 2019, Marley Limited acquired the business and assets relating to the clay and concrete tiles and fittings and roofing components of the Company and commenced trading.

The subsidiary undertakings, which are all directly and wholly owned by the Company are shown below:

Company name	Country of incorporation	Principal activity
John Brash & Co. Limited	England and Wales	Non-trading
Eternit Pension Trustees Limited	England and Wales	Pension trustees
Marley Limited (formerly Marley UK Holding Limited)	England and Wales	Concrete, clay & timber roofing product manufacturer

The Company holds 100% of the ordinary share capital of these companies. The registered addresses for the above are as follows:

John Brash & Co.:	c/o Etex (Exteriors) UK Ltd, Wellington Road, Burton upon Trent, England DE14 2AP
Eternit Pension Trustees:	3 James Whatman Court, Turkey Mill Business Park, Ashford Road, Maidstone, England ME14 5PP
Marley Limited:	Lichfield Road, Branston, Burton upon Trent, England DE14 3HD

On 13 March 2018, the Company became a limited partner of MPS ABC Limited Partnership, a private fund limited partnership incorporated in Scotland as part of an asset-backed contribution arrangement in relation to the ML Pension Scheme (see note 21).

On 28 March 2018, Eternit Pension Trustees Limited became a limited partner of EPP ABC Limited Partnership, a private fund limited partnership incorporated in Scotland as part of an asset-backed contribution arrangement in relation to the Eternit Pension Plan (see note 21).

Notes to the financial statements

for year ended 31 December 2018

15. Stocks

	2018	*2017*
	£m	*£m*
Raw materials and consumables	8.7	8.8
Work in progress	2.1	2.9
Finished goods and goods for resale	16.4	13.9
	27.2	25.6

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stocks are stated after provisions for impairment of £1.9 million (2017: £2.0 million)

The following stocks were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and therefore considered to be assets held for sale:

	2018
	£m
Raw materials and consumables	7.1
Work in progress	2.0
Finished goods and goods for resale	12.8
Stocks held for sale (note 17)	21.9

16. Debtors

	2018	*2017*
	£m	*£m*
Amounts falling due within one year:		
Trade debtors	1.2	3.8
Amounts owed by associates	128.9	103.1
Amounts owed by parent company	3.9	40.1
Prepayments and accrued income	0.5	0.6
Derivative financial instruments	0.3	0.5
	134.8	148.1

Trade debtors are stated after provisions for impairment of £0.2 million (2017: £0.8 million).

Amounts owed by associates include an interest-bearing cash pooling deposit of £128.2 million (2017 – £102.7 million) and is repayable on demand. The interest rate applied during the year was 1-month LIBOR plus 44 basis points (2017 – 1-month LIBOR plus 78 basis points). The remaining amounts owed by associates and the parent company are unsecured, non-interest bearing and repayable on demand.

The following debtors were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and therefore considered to be assets held for sale:

	2018
	£m
Amounts falling due within one year:	
Prepayments and accrued income	0.3
Derivative financial instruments	0.1
Debtors held for sale (note 17)	0.4

Notes to the financial statements

for year ended 31 December 2018

17. Assets held for sale

	2018
	£m
Book value of net assets:	
Intangible assets (note 12)	4.0
Tangible assets (note 13)	42.0
Stocks (note 15)	21.9
Debtors (note 16)	0.4
	68.3

The assets above were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019.

The liabilities below were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019:

	2018
	£m
Book value of liabilities associated with assets held for sale:	
Creditors (note 18)	8.5
Deferred tax liability (note 19)	1.0
	9.5

18. Creditors

	2018	*2017*
	£m	*£m*
Amounts falling due within one year:		
Bank loans and overdrafts	4.1	2.5
Trade creditors	19.0	19.9
Amounts owed to associates	2.3	2.5
Amounts owed to parent company	0.1	0.2
Income tax payable	0.5	4.5
Other creditors including tax and social security	5.2	5.6
Accruals and deferred income	4.4	13.6
Derivative financial instruments	0.1	–
	44.2	48.8

	2018	*2017*
	£m	*£m*
Amounts falling due after more than one year:		
Amounts owed to subsidiary	8.9	8.9

Amounts due to associates and the parent company are unsecured, non-interest bearing and are repayable on demand. The amounts owed to subsidiary equals the investment value in John Brash & Co. Limited, a 100% owned dormant subsidiary of the Company. The loan is non-interest bearing and would only become due for settlement on the liquidation of the subsidiary.

Notes to the financial statements

for year ended 31 December 2018

18. Creditors (continued)

The following creditors were identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and therefore considered to be liabilities directly associated with assets held for sale:

	2018
	£m
Amounts falling due within one year:	
Trade creditors	0.1
Accruals and deferred income	8.4
Liabilities directly associated with assets held for sale (note 17)	8.5

19. Provisions for liabilities

	Deferred tax	*Product warranties*	*Total*
	£m	*£m*	*£m*
At 1 January 2018	1.1	1.8	2.9
Utilised during the year	–	(0.1)	(0.1)
Reversal of unused amounts	(0.1)	(1.6)	(1.7)
At 31 December 2018	1.0	0.1	1.1

Management consider that the provision for product warranties will be utilised over the next 2 years.

An analysis of the movement in the deferred tax liability is as follows:

	Accelerated capital allowances	*Forward contract gains and losses*	*Other*	*Total*
	£m	*£m*	*£m*	*£m*
At 1 January 2017	1.2	0.3	–	1.5
Credit to profit and loss account	–	–	(0.2)	(0.2)
Credit to other comprehensive income	–	(0.2)	–	(0.2)
At 31 December 2017	1.2	0.1	(0.2)	1.1
At 1 January 2018	1.2	0.1	(0.2)	1.1
Credit to other comprehensive income	–	(0.1)	–	(0.1)
At 31 December 2018	1.2	–	(0.2)	1.0

The following deferred tax liability was identified as relating to the clay and concrete tiles and fittings and roofing components business which was disposed of on 1 January 2019 and therefore considered to be a liability directly associated with assets held for sale:

	2018
	£m
Accelerated capital allowances	1.1
Other	(0.1)
Deferred tax liability directly associated with assets held for sale (note 17)	1.0

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for year ended 31 December 2018

20. Called up share capital and reserves

Authorised	*No.*	*2018 £m*	*No.*	*2017 £m*
Ordinary shares of £1 each	72,157,500	72.2	72,157,500	72.2

Allotted, called up and fully paid	*No.*	*2018 £m*	*No.*	*2017 £m*
Ordinary shares of £1 each	72,050,500	72.1	72,050,500	72.1

Other reserves relates to the cash flow hedge reserve.

21. Pensions

In the UK, the Company participates in two multi-employer defined benefit pension schemes: the ML Pension Scheme (formerly the Marley 1986 Pension Scheme) (the "ML Scheme") and the Eternit Pension Plan (the "Eternit Plan") (together the "Schemes"). The constitution and governance of both Schemes are in conformity with the requirements of the Pensions Acts 1995 and 2004. The Schemes provide benefits based on final pensionable pay, with all assets being held in independent and separately administered trust funds. The funding of the Schemes is assessed in accordance with the advice of an independent and professionally qualified Actuary. The underlying assets and liabilities in the Schemes attributable to the sponsoring employers are not identifiable on a consistent and reliable basis. Both Schemes are currently in deficit and reported under IAS 19 in the financial statements of ML UK Holding Limited (formerly Marley Limited) ("ML UK Holding") for the ML Scheme and Eternit UK Limited ("Eternit UK") for the Eternit Plan.

UK legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years and to target full funding against a basis that prudently reflects the Schemes' risk exposure. The most recent triennial valuations were carried out as at 31 March 2017 and the results showed a deficit of £37.0 million (funding level 95%) for the ML Scheme and a deficit of £45.0 million (funding level 77%) for the Eternit Plan against the Trustees' funding objective, agreed with the UK sponsoring employers.

As part of the valuation agreement with the UK sponsors, the Trustees of the ML Scheme agreed to take a £36.2 million interest in an asset-backed contribution arrangement – the MPS ABC Limited Partnership (the "MPS ABC"), following receipt of a contribution of the same amount from the Company on 28 March 2018. The agreement provides additional covenant support for the Scheme. The MPS ABC releases cash to the Scheme of £0.8 million each quarter starting on 30 June 2018 for a 14 year 6-month period with the last payment being made by 31 December 2032. In addition, ML UK Holding agreed to meet all expenses going forward for the Scheme.

During the year, contributions made by the Company to the ML Scheme amounted to £37.0 million (2017 – £nil) and have been fully charged within the profit and loss account. This was made up of the £36.2 million (2017 – £nil) relating to the asset-backed contribution, represented by an interest in MPS ABC and an additional cash contribution of £0.8 million (2017 – £nil). The MPS ABC's asset is a non-transferable loan instrument issued by ML UK Holding, the reporting entity, and therefore does not meet the IAS 19 definition of a plan asset. Thus, the loan instrument, with a fair value of £34.8 million as at 31 December 2018 has not been recognised as a plan asset in compliance with IAS 19 and the contributions made during the year have been reduced by this amount. ML UK Holding has accounted for the capital and interest repaid on the loan instrument during the year as a contribution under IAS 19 and amounts to £2.6 million (2017 – £nil). Thus, the total contributions recognised for IAS 19 reporting amount to £3.4 million (2017 – £nil).

Notes to the financial statements

for year ended 31 December 2018

21. Pensions (continued)

Also, as part of the valuation agreement with the UK sponsors, the Trustees of the Eternit Plan agreed to take a £44.0 million interest in an asset-backed contribution arrangement – the EPP ABC Limited Partnership (the "EPP ABC"), following receipt of a contribution of the same amount from Eternit UK on 28 March 2018. The agreement provides additional covenant support for the Eternit Plan. The EPP ABC releases cash to the Eternit Plan of £1.0 million each quarter starting on 30 June 2018 for a 14 year 6-month period with the last payment being made by 31 December 2032. In addition, the Company has agreed to meet all expenses going forward for the Eternit Plan.

During the year, contributions made by the UK sponsors to the Eternit Plan amounted to £46.9 million (2017 – £6.7 million). This was made up of the £44 million (2017 – £nil) relating to the asset-backed contribution, represented by an interest in EPP ABC and an additional cash contribution of £2.9 million (2017 – £6.7 million). Of this additional payment, £0.8 million (2017 – £1.9 million) was paid by the Company with the balance of £2.1 million (2017 – £4.8 million) being paid by other UK sponsoring employers. The EPP ABC's asset is a non-transferable loan instrument issued by E M Holdings UK Limited and meets the IAS 19 definition of a plan asset. Thus, the loan instrument, with a fair value of £42.4 million as at 31 December 2018 has been recognised as a plan asset in the calculation of the pension deficit in compliance with IAS 19.

Cash contributions unpaid as at 31 December 2018 were £nil (2017 – £nil) for both Schemes.

The next formal actuarial valuation of the Schemes will be dated 31 March 2020.

The valuations of the Schemes were updated under IAS 19 as at 31 December 2018 by the Actuary and are set out below:

	ML Scheme		*Eternit Plan*	
	2018	*2017*	*2018*	*2017*
	£m	*£m*	*£m*	*£m*
Defined benefit obligation	(682.2)	(733.4)	(189.8)	(201.4)
Scheme assets	622.2	682.4	184.6	149.9
Deficit in scheme	(60.0)	(51.0)	(5.2)	(51.5)

The ML Scheme and the Eternit Plan were closed to new members on 31 December 2002. Employees commencing their employment since that date have been eligible to join a defined contribution pension scheme, the 'em Pension Scheme' (the "em Scheme"). The ML Scheme and the Eternit Plan were closed to future accrual from 31 December 2009, and employees in those Schemes have been eligible to join the em Scheme from 1 January 2010.

The contributions payable by the Company to the em Scheme are linked to employee contributions that are matched at the rate of 2:1 up to a maximum of 12%. The em Scheme also provides life assurance benefits funded by the Company. The contributions payable by the Company to the em Scheme in the year to 31 December 2018 were £2.4 million (2017 – £2.3 million). Cash contributions unpaid as at 31 December 2018 were £0.2 million (2017 – £0.2 million).

22. Post balance sheet events

On 18 December 2018, the Company signed an agreement to sell as a going concern the business and assets relating to the clay and concrete tiles and fittings and roofing components of the Company to Marley Limited (formerly Marley UK Holding Limited), a wholly owned subsidiary of the Company, with effect from 1 January 2019. The sale consideration of £58.8 million to be at net book value and satisfied by an allotment of shares.

On 3 January 2019 the Company changed its name from Marley Eternit Limited to Etex (Exteriors) UK Limited.

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23. Capital commitments

The Company had no capital and other commitments at the end of the financial year (2017 – £nil).

24. Other financial commitments

At 31 December 2018 the Company had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land & Buildings		*Plant, vehicles and equipment*	
	2018	*2017*	*2018*	*2017*
	£m	*£m*	*£m*	*£m*
Operating leases which expire:				
Not later than one year	–	–	0.2	–
Later than one year and not later than five years	0.5	–	0.8	1.5
Later than five years	–	–	0.1	0.1
	0.5	–	1.1	1.6

A 5-year property lease was entered into on 17 November 2018.

25. Contingent liabilities

The Company has entered into cross guarantees with fellow group undertakings. The maximum potential exposure under these guarantees is shown below; the directors do not consider it likely that these guarantees will be called upon during the coming year.

	2018	*2017*
	£m	*£m*
Other facilities	0.1	0.1

26. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries which form part of the group. During the year, the Company did not enter into any transactions, in the ordinary course of business, with other related parties. The group financial statements of Etex N.V., within which this company is included, can be obtained from the address given in note 27.

27. Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is Etex N.V., a company incorporated and registered in Belgium. The Company's immediate parent undertaking is Etex (U.K.) Limited (formerly Marley (U.K.) Limited), a company incorporated and registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is headed by Etex N.V. The financial statements of Etex N.V. are available to the public and may be obtained from PassPort Building, Luchthaven Brussel Nationaal, Gebouw 1K, 1930 Zaventem, Belgium.