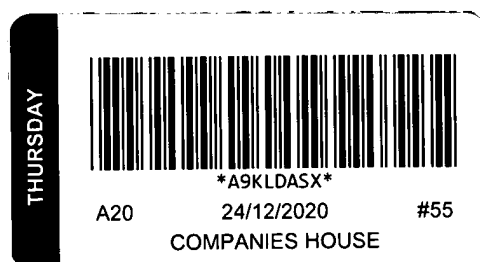


Company Registration Number: 486100

## **Etex (Exteriors) UK Limited**

### **Report and Financial Statements**

31 December 2019



**Directors**

J Arkell  
M S Hansen

**Independent Auditors**

PricewaterhouseCoopers LLP  
One Chamberlain Square,  
Birmingham  
B3 3AX

**Registered Office**

Wellington Road  
Burton upon Trent  
Staffordshire  
DE14 2AP

## Strategic report

The directors present their strategic report for the year ended 31 December 2019.

### Principal activities and review of the business

The principal activity of Etex (Exteriors) UK Limited (“the Company”) is the manufacture and sale of profile sheeting products for roofing. 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 £12.7 million (2018 – profit of £1.5 million). The Company’s key performance indicators during the year were as follows:

	2019	2018	Change
Turnover £m	67.8	205.7	- 67%
Gross profit £m	27.9	80.2	-65%
Total equity £m	146.7	197.9	-26%
Trade debtor days	7 days	2 days	5 days

On 30 August 2019, the company sold its entire investment in Marley Limited to Monty Bidco Limited for a consideration of £238.3 million, generating a profit on disposal of £168.4m. The reduction in turnover and profits is a direct result of this sale as the business performance relating to Marley Limited accounted for approximately two-thirds of the previous year’s figures.

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 reduced slightly in the current year due to the sale of Marley and this, together with re-establishing customer relationships after carve-out resulted in an increase of 5 debtor days.

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 outbreak of Covid-19 in 2020 did initially have a negative impact on performance, however the Company has seen significant improvement in the second half, and has largely mitigated the impact as a result of an upturn in demand, and through careful overhead control and use of the government furlough scheme.

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.

## Strategic report (continued)

### Section 172 Statement

Section 172 of the Act required directors to act in a way that he/she considers, in good faith, would be most likely to promote the success of a company. In doing so, directors must take into consideration the interests of the various stakeholders of the Company, the impact of the Company's operations on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintaining a reputation for high standards of business conduct and fair treatment between the members of the Company.

In complying with the requirements of section 172 of the Act, the directors should be able to ensure that all decisions are made in a responsible and sustainable way for the benefit of all stakeholders. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains below how the directors have discharged their duty under section 172. This section serves as the Company's Section 172 Statement.

The Company's stakeholders are considered to comprise of its employees, its customers, its supply chain partners, shareholders, regulations, as well as the wider community in which the company operates and impacts. Details of how the Board seeks to understand the needs and priorities of the Company's stakeholders and how these are taken into account during all its discussions and as part of its decision making are set out below:

#### Employees

Employee engagement and empowerment is critical to our success. We work to create a diverse and inclusive workplace where every employee can reach their full potential and be at their best. We engage with our people to ensure we are delivering to their expectations, supporting wellbeing and making the right business decisions. This ensures we can retain and develop the best talent.

#### Customers

Focusing on the needs of our Customers is critical to our success of our business. We maintain a high degree of customer intimacy in order to anticipate and understand the future service needs of our customers, building on our years of experience in delivering to our markets. We collaborate and innovate with our customers to improve product performance, service and value.

#### Supply chain partners

Our external supply chain and our suppliers are vital to our performance. We engage with them to build trusting relationships from which we can mutually benefit and to ensure they are performing to our standards and conducting business to our expectations.

#### Shareholders

Continues access to capital is vital to the long-term performance of our business. We work to ensure that our shareholders have a strong understanding of our strategy, performance, ambition and culture.

#### Governing bodies and regulators

We engage with the national government agencies and key regulators to ensure that we can help shape policy, have licenses to operate safely, enable market insight and ensure regulatory compliance. We work with local government where we have operations or future business opportunities.

#### Communities

We are committed to building positive relations with communities in which we operate. We support communities and groups, local and relevant to our operations.

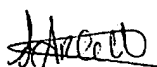
## Strategic report (continued)

### Culture

The Board are responsible for the overall effectiveness in directing the Company and promoting a culture of openness and debate and facilitates effective contributions by all Directors and employees. The Directors are required to act with integrity, led by example and promote this culture within the Company.

The Board sees to ensure the alignment of the Company's purposes, values and strategy with the culture of openness, debate and integrity through ongoing dialogue, and engagement with Stakeholders. It has adopted a number of policies, practices and behaviours to facilitate a culture of good governance and ensure that this is maintained.

On behalf of the Board



J Arkell  
Director  
21 December 2020

Registered No. 486100

## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2019.

### Results and dividends

The profit for the year after taxation amounted to £177.1 million (2018 – profit of £1.4 million). The directors have paid an interim ordinary dividend in respect of the current financial year of £227.2 m (2018: £nil) equivalent to 31.5p per share (2018: £nil). The directors do not recommend a final dividend (2018 – £nil).

### Future developments and post balance sheet events

The Directors are conscious when writing this report of the significant impact the Covid-19 is having on the world economy and in particular the construction industry. Covid-19 will impact the following years' financial statements and will change the Company over the coming months through general uncertainty. The Directors have taken necessary prudent steps to mitigate the risks where necessary and the Company is in a resilience mode to cope with COVID 19.

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, interest rate cash flow and market 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 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's interest rate cash flow risk arises from intercompany balances and bank overdrafts with variable rates. The Company operates within the Etex NV group's framework for interest rate risk management. These interest rate exposures are managed primarily by the group treasury function through the use of a mixture of fixed and floating rate borrowings.

The Company makes purchases from international markets and is therefore exposed to currency market 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

The Company meets its day-to-day working capital requirements through access to funds as part of the Etex NV group's cash pooling arrangement that is administered through Etex Finance S.A., a fellow group company registered in Luxembourg, which acts as an internal bank within for Etex NV subsidiaries. As part of the contractual cash pooling terms and conditions, either party can terminate the agreement at any time by sending a registered letter with prior notice of 30 days.

The Company is wholly dependent on the Etex cash pooling arrangements for access to the cash flows necessary for the day-to-day running of the Company and to support the going concern assertion.

The Company has received confirmation from Etex Finance S.A. that the Company has unrestricted access to its cash pooling deposits. There are no conditions attached to the Company's cash pooling deposits that

## Directors' report (continued)

need to be considered by the Company in order to meet its liabilities as and when they fall due.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative, and should be expected to be a net depositor into, rather than borrower from, the Etex cash pooling facility.

After making enquiries, the directors have a reasonable expectation that the Company has access to adequate financial and other resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### Statement of engagement with suppliers, customers and others in business relationship with the company

The statement can be found in the strategic report within section 172 statement.

### 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, resigned 23 July 2020)

J Leo (appointed: 23 July 2020)

X G R Janin (resigned: 20 December 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 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 practice of keeping them regularly informed on all matters affecting them as employees and on the various factors affecting the Company's performance. This is achieved through formal and informal meetings and a company intranet.

### Charitable donations and political contributions

Charitable donations during the year amounted to £2,030 (2018 – £1,325). The Company made no political contributions during the year (2018 – £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.

## Directors' report (continued)

### Independent auditors

PricewaterhouseCoopers LLP are our current auditors in accordance with section 485 of the Companies Act 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J Arkell', written over a horizontal line.

J Arkell  
Director

21 December 2020



## **Directors' responsibilities statement**

**for the year ended 31 December 2019**

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**

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; 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**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

## **Independent auditors' report to the members of Etex (Exteriors) UK 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 2019 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.

## **Independent auditors' report to the members of Etex (Exteriors) UK Limited (continued)**

### *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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *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 December 2020

# Income statement

for the year ended 31 December 2019

		Continuing operations 2019	Continuing operations 2018	Discontinued operations 2018	Total 2018
	Note	£m	£m	£m	£m
<b>Turnover</b>	3	67.8	68.8	136.9	205.7
Cost of sales		(39.9)	(37.4)	(88.1)	(125.5)
<b>Gross profit</b>		27.9	31.4	48.8	80.2
Distribution costs		(11.5)	(9.8)	(19.9)	(29.7)
Administrative expenses excluding exceptional costs		(3.7)	(4.1)	(5.8)	(9.9)
Exceptional reorganisation costs	4	—	(0.9)	(1.2)	(2.1)
Exceptional pension costs		—	(37.0)	—	(37.0)
Administrative expenses		(3.7)	(42.0)	(7.0)	(49.0)
<b>Operating profit/(loss)</b>	5	12.7	(20.4)	21.9	1.5
Interest receivable and similar income	9	1.5	0.8	0.1	0.9
Interest payable and similar expenses	10	(0.7)	—	(0.1)	(0.1)
Profit on disposal of investments	11	168.4	—	—	—
<b>Profit/(loss) before taxation</b>		181.9	(19.6)	21.9	2.3
Tax on profit/(loss)	12	(4.8)	3.7	(4.6)	(0.9)
<b>Profit/(loss) for the financial year</b>		177.1	(15.9)	17.3	1.4

The notes on pages 16 to 38 form part of these financial statements.

## Statement of comprehensive income

for the year ended 31 December 2019

	<i>Note</i>	<i>2019 £m</i>	<i>2018 £m</i>
<b>Profit for the financial year</b>		177.1	1.4
<b>Other comprehensive expense</b>			
<i>Items that can be reclassified to profit or loss:</i>			
Movement on forward currency derivative contracts subject to deferred tax		(1.3)	(0.3)
Movement on deferred tax relating to forward currency derivative contracts	12(b)	0.2	0.1
<b>Other comprehensive expense for the financial year, net of tax</b>		(1.1)	(0.2)
<b>Total comprehensive income for the financial year</b>		<u>176.0</u>	<u>1.2</u>

The notes on pages 16 to 38 form part of these financial statements.

## Statement of changes in equity

for the year ended 31 December 2019

	<i>Called up share capital £m</i>	<i>Other reserves £m</i>	<i>Retained earnings £m</i>	<i>Total equity £m</i>
At 1 January 2018	72.1	0.4	124.2	196.7
Profit for the financial year	—	—	1.4	1.4
Other comprehensive income/(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 (note 12b)	—	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	<u>72.1</u>	<u>0.2</u>	<u>125.6</u>	<u>197.9</u>
At 1 January 2019	72.1	0.2	125.6	197.9
Profit for the financial year	—	—	177.1	177.1
Other comprehensive income/(expense) for the year:				
Movement on forward currency derivative contracts subject to deferred tax	—	(1.3)	—	(1.3)
Movement on deferred tax relating to forward currency derivative contracts (note 12b)	—	0.2	—	0.2
Total comprehensive income for the year	—	(1.1)	177.1	176.0
Payment to Etex N.V. for share based payments	—	—	(0.1)	(0.1)
Credit to equity for share based payments	—	—	0.1	0.1
Dividends	—	—	(227.2)	(227.2)
Total transactions with owners, recognised directly in equity	—	—	(227.2)	(227.2)
At 31 December 2019	<u>72.1</u>	<u>(0.9)</u>	<u>75.5</u>	<u>146.7</u>

The notes on pages 16 to 38 form part of these financial statements.

Prior to paying the dividends, the directors prepared interim accounts in order to confirm that the Company had sufficient distributable reserves from which to pay the dividends.

Registered No. 486100

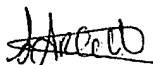
## Statement of financial position

as at 31 December 2019

	Note	2019 £m	2018 £m
<b>Fixed assets</b>			
Intangible assets	13	21.6	25.6
Tangible assets	14	7.2	48.9
Right of use asset	15	0.4	-
Investments	16	8.9	8.9
		<u>38.1</u>	<u>83.4</u>
<b>Current assets</b>			
Stocks	17	6.4	27.2
Debtors	18	126.0	134.8
Cash at bank and in hand		0.9	6.7
		<u>133.3</u>	<u>168.7</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(15.2)</u>	<u>(44.2)</u>
<b>Net current assets</b>		<u>118.1</u>	<u>124.5</u>
<b>Total assets less current liabilities</b>		156.2	207.9
<b>Creditors: amounts falling due after more than one year</b>	19	(9.2)	(8.9)
Provisions for liabilities	20	<u>(0.3)</u>	<u>(1.1)</u>
<b>Net assets</b>		<u>146.7</u>	<u>197.9</u>
<b>Capital and reserves</b>			
Called up share capital	21	72.1	72.1
Other reserves	21	(0.9)	0.2
Retained earnings		<u>75.5</u>	<u>125.6</u>
<b>Total equity</b>		<u>146.7</u>	<u>197.9</u>

The notes on pages 16 to 38 form part of these financial statements.

These financial statements on pages 12 to 38 were approved and authorised for issue by the board of directors on 21 December 2020 and signed on its behalf by:



J Arkell  
Director



## Notes to the financial statements

for the year ended 31 December 2019

### 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 B67 of 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 2019

### 1. Accounting policies (continued)

#### *New standards, amendments and IFRIC interpretations*

IFRS 16 Leases (which replaced IAS 17 Leases) is a new accounting standard effective for the year ended 31 December 2019. The impact of IFRS 16 has been disclosed within note 27.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 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.

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.

Goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in creditors: amounts falling due within one year) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the credit term is end of month following month of invoicing which is common market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The company's obligation to repair or replace faulty products under standard warranty terms is recognised as a provision, see note 20.

#### *Interest income*

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

#### *Dividends*

Dividends receivable are recognised when the Company's right to receive payment is established. Dividend distributions to the company's shareholder are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholder.

#### *Leases*

The company leases a building, plant, machinery and equipment. Rental contracts are typically made for fixed periods of 36 months to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

## Notes to the financial statements

for year ended 31 December 2019

### 1. Accounting policies (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar environment with similar terms and conditions.

Lease payments are allocated between principal and finance costs. The finance costs are charged to the income statement over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

#### ***Effect of adoption of IFRS 16 Leases.***

The company has adopted IFRS 16 Leases using the modified retrospective approach from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. See further details in note 27.

#### ***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.

## Notes to the financial statements

for year ended 31 December 2019

### 1. Accounting policies (continued)

#### *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, vehicles and equipment 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.

#### *Investments in subsidiaries*

Investments in subsidiaries are held at cost less accumulated impairment losses.

#### *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.

#### *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.

## Notes to the financial statements

for year ended 31 December 2019

### 1. Accounting policies (continued)

#### *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.

#### *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*

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are effective are recognised in equity. Where the firm commitment results in the recognition of a non-financial asset, the gains or losses previously recognised in equity are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts recognised in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the income statement.

Any ineffective portion is reported immediately in the income statement. When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed transaction ultimately is recognised in the income statement. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### *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.

## Notes to the financial statements

for year ended 31 December 2019

### 1. Accounting policies (continued)

#### *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 enforceable 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.

#### *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 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 22.

## Notes to the financial statements

for year ended 31 December 2019

### Going concern

The Company meets its day-to-day working capital requirements through access to funds as part of the Etex NV group's cash pooling arrangement that is administered through Etex Finance S.A., a fellow group company registered in Luxembourg, which acts as an internal bank within for Etex NV subsidiaries. As part of the contractual cash pooling terms and conditions, either party can terminate the agreement at any time by sending a registered letter with prior notice of 30 days.

The Company is wholly dependent on the Etex cash pooling arrangements for access to the cash flows necessary for the day-to-day running of the Company and to support the going concern assertion.

The Company has received confirmation from Etex Finance S.A. that the Company has unrestricted access to its cash pooling deposits. There are no conditions attached to the Company's cash pooling deposits that need to be considered by the Company in order to meet its liabilities as and when they fall due.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative, and should be expected to be a net depositor into, rather than borrower from, the Etex cash pooling facility.

After making enquiries, the directors have a reasonable expectation that the Company has access to adequate financial and other resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## 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 goodwill*

The Company tests goodwill 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 carrying value to the forecast cash flows based upon budgets and projections over a period of four years plus a terminal value 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.

### *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 22 for further details.

## Notes to the financial statements

for year ended 31 December 2019

### 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:

	<i>Continuing operations 2019 £m</i>	<i>Continuing operations 2018 £m</i>	<i>Discontinued operations 2018 £m</i>	<i>Total 2018 £m</i>
United Kingdom	65.0	66.7	136.2	202.9
Europe (excluding UK)	2.8	2.1	0.7	2.8
	<u>67.8</u>	<u>68.8</u>	<u>136.9</u>	<u>205.7</u>

An analysis of turnover by category is given below:

	<i>Continuing operations 2019 £m</i>	<i>Continuing operations 2018 £m</i>	<i>Discontinued operations 2018 £m</i>	<i>Total 2018 £m</i>
Sale of goods	67.8	68.8	126.8	195.6
Supply and installation of goods	—	—	10.1	10.1
	<u>67.8</u>	<u>68.8</u>	<u>136.9</u>	<u>205.7</u>

There are no assets or liabilities in relation to contract with customers at the end of the year (2018 – nil).

### 4. 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:

	<i>Continuing operations 2019 £m</i>	<i>Continuing operations 2018 £m</i>	<i>Discontinued operations 2018 £m</i>	<i>Total 2018 £m</i>
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
	<u>—</u>	<u>0.9</u>	<u>1.2</u>	<u>2.1</u>

The tax impact of the re-organisation costs is £nil (2018: £0.4m).



## Notes to the financial statements

for year ended 31 December 2019

### 5. Operating profit/(loss)

*This is stated after charging/(crediting):*

	<i>Continuing operations 2019 £m</i>	<i>Continuing operations 2018 £m</i>	<i>Discontinued operations 2018 £m</i>	<i>Total 2018 £m</i>
Exceptional reorganisation costs (note 4)	–	0.9	1.2	1.2
Audit fees payable to Company auditors	0.1	0.1	–	0.1
Depreciation of tangible fixed assets	0.4	0.4	4.1	4.5
Depreciation of right of use assets	0.1	–	–	–
Gain on disposal of tangible fixed assets	–	–	(0.1)	(0.1)
Impairment of trade receivables	–	–	–	–
Reversal of impairment of trade receivables *	–	(0.3)	–	(0.3)
Cost of stocks recognised as an expense (included in cost of sales)	35.6	24.5	59.2	83.7
Impairment of stocks (included in 'cost of sales')	0.2	–	0.4	0.4
Reversals of impairments in stocks**	–	(0.2)	(0.4)	(0.6)
Operating lease expenses	–	0.2	0.9	1.1
Low value lease expenses	0.1	–	–	–
Loss/(gain) on foreign exchange	0.5	(0.1)	–	(0.1)

\* 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.

## Notes to the financial statements

for year ended 31 December 2019

### 6. Directors' remuneration

The directors' aggregate remuneration was £98,000 (2018 – £807,000). The remuneration of the highest paid director amounted to £98,000 (2018 – £430,000).

The remuneration for one of the directors is paid by the parent company, Etex NV. The director's services to this company and to a number of fellow subsidiaries are of a non-executive nature and his remuneration is deemed to be wholly attributable to his services to the parent company. Accordingly, the above details include no remuneration in respect of that director.

A director of the Company is also a director of other UK subsidiaries of 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 £15,000 (2018 – £320,000).

One (2018 – two) of the serving directors during the year was a member of a defined benefit pension scheme, closed for future accrual. The highest paid director had an accrued pension of £nil (2018 – £nil).

One (2018 – three) of the serving directors during the year were members of a defined contribution pension scheme.

### 7. Staff costs

	2019 £m	2018 £m
Wages and salaries	7.2	29.3
Social security costs	0.7	3.1
Other pension costs (note 22)	0.3	40.2
	<u>8.2</u>	<u>72.6</u>

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

	No.	No.
Production	106	546
Sales	76	231
Administration	30	68
	<u>212</u>	<u>845</u>

Certain staff costs amounting to £0.4 million (2018 – £0.4 million) are recharged to a fellow group undertaking.

Wages and salaries include redundancy costs of £nil (2018 – £0.5 million); £nil (2018 – £0.1 million) due to the reorganisation (see note 4); and £nil (2018 – £0.4 million) in the normal course of business.

The other pension costs include additional employer contributions of £0.2 million (2018 – £0.8 million) and exceptional pension costs of £nil (2018 – £37.0 million).

## Notes to the financial statements

for year ended 31 December 2019

### 8. Share based payments

	2019 £m	2018 £m
Share based payment expense	<u>0.1</u>	<u>0.1</u>

15,500 (2018 – 27,000) 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 2019 was €24.51 (2018 – €26.19).

The range of exercise prices for the share options outstanding at 31 December 2019 was €26.74 to €33.65 (2018 – €18.45 to €33.65).

The weighted average remaining contractual life of share options outstanding at 31 December 2019 is 4.9 years (at 31 December 2018 – 4.4 years).

### 9. Interest receivable and similar income

	2019 £m	2018 £m
On guarantees provided to group undertakings	0.1	0.1
On amounts due from group undertakings	<u>1.4</u>	<u>0.8</u>
	<u>1.5</u>	<u>0.9</u>

### 10. Interest payable and similar expenses

	2019 £m	2018 £m
Amounts paid to factors (invoice financing)	0.1	0.1
Net exchange loss on cash pooling balances	<u>0.6</u>	<u>-</u>
	<u>0.7</u>	<u>0.1</u>

### 11. Profit on disposal of investments

	2019 £m	2018 £m
Profit on disposal of investments in subsidiary (note 16)	<u>168.4</u>	<u>-</u>

## Notes to the financial statements

for year ended 31 December 2019

### 12. Tax on profit/(loss)

(a) Tax charged in the income statement

	2019 £m	2018 £m
<b>Current tax:</b>		
UK corporation tax on the profit for the year	4.7	0.9
Total current tax	<u>4.7</u>	<u>0.9</u>
<b>Deferred tax:</b>		
Origination of timing differences	0.1	–
Total deferred tax	<u>0.1</u>	<u>–</u>
Tax expense in the income statement (note 12 (c))	<u>4.8</u>	<u>0.9</u>

(b) Tax credit included in other comprehensive income

	2019 £m	2018 £m
<b>Deferred tax:</b>		
On net loss on forward currency contract derivatives	(0.2)	(0.1)
Total deferred tax	<u>(0.2)</u>	<u>(0.1)</u>
Tax credit in the statement of other comprehensive income	<u>(0.2)</u>	<u>(0.1)</u>

(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 2019 is 19% (2018 – 19%). The tax assessed for the year differs (2018: differs) from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are reconciled below:

	2019 £m	2018 £m
Profit before taxation	<u>181.9</u>	<u>2.3</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	34.6	0.4
<b>Effects of:</b>		
Expenses not deductible for tax purposes	0.1	0.5
Gain on disposal of business	(32.0)	–
Deemed income on transfer of stock	2.1	–
Total tax expense reported in the income statement (note 12 (a))	<u>4.8</u>	<u>0.9</u>

## Notes to the financial statements

for year ended 31 December 2019

### 12 Tax on profit/(loss) (continued)

#### (d) Change in Corporation Tax rate

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### (e) Deferred tax (asset)/liability

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

	2019 £m	2018 £m
<b>Deferred tax (asset) liability</b>		
Accelerated capital allowances	0.1	1.2
Other	(0.2)	(0.2)
Total deferred tax (asset)/liability (note 18/20)	<u>(0.1)</u>	<u>1.0</u>

### 13. Intangible assets

	Computer software £m	Goodwill £m	Total £m
As at 1 January 2019			
Cost	5.3	46.8	52.1
Disposal of business	–	(4.0)	(4.0)
As at 31 December 2019	<u>5.3</u>	<u>42.8</u>	<u>48.1</u>
As at 1 January 2019			
Accumulated Amortisation:	5.3	21.2	26.5
Charge for the year	–	–	–
As at 31 December 2019	<u>5.3</u>	<u>21.2</u>	<u>26.5</u>
Net book value:			
At 31 December 2019	<u>–</u>	<u>21.6</u>	<u>21.6</u>
At 31 December 2018	<u>–</u>	<u>25.6</u>	<u>25.6</u>

The UK Companies Act requires goodwill to be reduced by provision for depreciation on a systematic basis over a period chosen by 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 £2.1m (2018: £2.3m) lower had goodwill been amortised in the year.

## Notes to the financial statements

for year ended 31 December 2019

### 14. Tangible Assets

	<i>Freehold land and buildings</i>	<i>Plant, vehicles and equipment</i>	<i>Assets in the course of construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2019	34,422	69,212	4,101	107,735
Disposal of business	(27,100)	(63,400)	(3,813)	(94,313)
Additions	–	359	247	606
Transfers		289	(289)	–
At 31 December 2019	<u>7,322</u>	<u>6,460</u>	<u>246</u>	<u>14,028</u>
Accumulate depreciation:				
At 1 January 2019	11,779	46,984	–	58,763
Disposal of business	(8,700)	(43,600)	–	(52,300)
Charge for year	60	311	–	371
At 31 December 2019	<u>3,139</u>	<u>3,695</u>	<u>–</u>	<u>6,834</u>
Net book value:				
At 31 December 2019	<u>4,183</u>	<u>2,765</u>	<u>246</u>	<u>7,194</u>
At 31 December 2018	<u>22,643</u>	<u>22,228</u>	<u>4,101</u>	<u>48,972</u>

### 15. Leases

The company has lease contracts for a building and plant, machinery and equipment. The amounts recognised in the financial statements in relation to the leases are as follows:

#### (a) Amounts recognised in the statement of financial position

	<i>Buildings</i>	<i>Plant, machinery and equipment</i>	<i>Total</i>
	£000	£000	£000
Cost:			
At 1 January 2019 (IFRS 16 adoption)	476	59	535
Disposals	–	(2)	(2)
At 31 December 2019	<u>476</u>	<u>57</u>	<u>533</u>
Accumulated depreciation:			
At 1 January 2019	–	–	–
Charge in the year	95	24	119
Disposals	–	(2)	(2)
At 31 December 2019	<u>95</u>	<u>22</u>	<u>117</u>
Net book value:			
At 31 December 2019	<u>381</u>	<u>35</u>	<u>416</u>
At 1 January 2019	<u>476</u>	<u>59</u>	<u>535</u>

## Notes to the financial statements

for year ended 31 December 2019

### 15 Leases (continued)

*Lease liabilities:*

	31 December 2019 £'000	1 January 2019 £'000
Current	107	105
Non-Current	323	430
	<u>430</u>	<u>535</u>

#### (b) Amounts recognised in the statement of income statement

*The income statement shows the following amounts relating to leases:*

	2019 £'000	2018 £'000
<b>Depreciation</b>		
Leasehold building	95	—
Leasehold plant, machinery & equipment	24	—
	<u>119</u>	<u>—</u>
Interest expense	15	—
Expense relating to short-term leases (included in administrative expenses)	—	—
Expense relating to leases of low value assets that are not shown above as short-term leases (included in administrative expenses)	48	—

#### (c) Measurement of lease liabilities

Future minimum lease payments as at 31 December 2019 are as follows:

	2019 £,000	2018 £,000
Not later than one year	118	—
Later than one year and not later than five years	338	—
Total gross payments	456	—
Impact of interest expenses	(26)	—
Carrying amount of liability	<u>430</u>	<u>—</u>

The total cash outflow for leases in 2019 was £120,000.

## Notes to the financial statements

for year ended 31 December 2019

### 16. Investments

	<i>Shares in subsidiary undertakings £000's</i>	<i>Shares in Participating interests £000's</i>	<i>Total £000's</i>
Cost:			
At 1 January 2019	8,895	—	8,895
Additions	58,766	—	58,766
Disposal	(58,766)	—	(58,766)
At 31 December 2019	<u>8,895</u>	<u>—</u>	<u>8,895</u>
Provisions:			
At 1 January 2019 and 31 December 2019	<u>—</u>	<u>—</u>	<u>—</u>
Net book value:			
At 31 December 2019	<u>8,895</u>	<u>—</u>	<u>8,895</u>
At 31 December 2018	<u>8,895</u>	<u>1</u>	<u>8,895</u>

On 1 January 2019, the company sold the business and assets relating to the clay and concrete tiles and fittings and roofing components to Marley Limited for a consideration of £58.8m satisfied by an allotment of an additional 100 ordinary shares of Marley Limited. There was no gain or loss on disposal.

On 30 August 2019, the company sold its entire investment in Marley Limited to Monty Bidco Limited for a consideration of £238.3 million. The company incurred costs totalling £11.1m in relation to the disposal, resulting in a gain of disposal of £168.4m.

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

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
John Brash & Co. Limited	England and Wales	Non-trading
Eternit Pension Trustees Limited	England and Wales	Pension trustees

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 Limited, Wellington Road, Burton upon Trent, England DE14 2AP
Eternit Pension Trustees: Limited	3 James Whatman Court, Turkey Mill Business Park, Ashford Road, Maidstone, England ME14 5PP

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 22).

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 22).



## Notes to the financial statements

for year ended 31 December 2019

### 17. Stocks

	2019	2018
	£m	£m
Raw materials and consumables	1.6	8.7
Work in progress	0.1	2.1
Finished goods and goods for resale	4.7	16.4
	<u>6.4</u>	<u>27.2</u>

There is no significant difference between the replacement cost of stocks and their carrying amounts.  
Stocks are stated after provisions for impairment of £0.5 million (2018: £1.9 million)

### 18. Debtors

	2019	2018
	£m	£m
<b>Amounts falling due within one year:</b>		
Trade debtors	1.3	1.2
Amounts owed by fellow group undertakings	120.4	128.9
Amounts owed by parent company	3.9	3.9
Deferred tax asset (note 12)	0.1	—
Prepayments and accrued income	0.2	0.5
Derivative financial instruments	0.1	0.3
	<u>126.0</u>	<u>134.8</u>

Trade debtors are stated after provisions for impairment of £0.2 million (2018: £0.2 million).

The deferred tax asset has been recognised in full as it is expected to be recoverable through future profits.

Amounts owed by fellow group undertakings include an interest-bearing cash pooling deposit of £119.7 million (2018 – £128.2 million) and is repayable on demand. The interest rate applied during the year was 1-month LIBOR plus 41 basis points (2018 – 1-month LIBOR plus 44 basis points). The remaining amounts owed by fellow group undertakings and the parent company are unsecured, non-interest bearing and repayable on demand.

## Notes to the financial statements

for year ended 31 December 2019

### 19. Creditors

	2019	2018
	£m	£m
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	2.1	4.1
Trade creditors	2.9	19.0
Amounts owed to fellow group undertakings	2.1	2.3
Amounts owed to parent company	–	0.1
Lease liabilities	0.1	–
Income tax payable	2.3	0.6
Other taxation and social security	0.5	5.2
Accruals and deferred income	3.9	12.8
Derivative financial instruments	1.3	0.1
	<u>15.2</u>	<u>44.2</u>

	2019	2018
	£m	£m
<b>Amounts falling due after more than one year:</b>		
Amounts owed to subsidiary	8.9	8.9
Lease liabilities	0.3	–
	<u>9.2</u>	<u>8.9</u>

Amounts owed to fellow group undertakings 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.

### 20. Provisions for liabilities

	Deferred tax £m	Product warranties £m	Total £m
At 1 January 2019	1.0	0.1	1.1
Arising during the year	–	0.2	0.2
Hive out of business	(1.0)	–	(1.0)
At 31 December 2019	<u>–</u>	<u>0.3</u>	<u>0.3</u>

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

## Notes to the financial statements

for year ended 31 December 2019

### 20. Provisions for liabilities (continued)

An analysis of the movement in the deferred tax (assets)/liabilities is as follows:

	<i>Accelerated capital allowances</i>	<i>Forward contract gains and losses</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
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	<u>1.2</u>	<u>–</u>	<u>(0.2)</u>	<u>1.0</u>
At 1 January 2019	1.2	–	(0.2)	1.0
Charged to the income statement	–	0.1	–	0.1
Credit to other comprehensive income	–	(0.2)	–	(0.2)
Disposal of business	(1.1)	–	0.1	(1.0)
At 31 December 2019	<u>0.1</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>

The deferred tax asset has been recognised in full as it is expected to be recoverable through future profits.

### 21. Called up share capital and reserves

<i>Authorised</i>	<i>No.</i>	<i>2019 £m</i>	<i>No.</i>	<i>2018 £m</i>
Ordinary shares of £1 each	72,157,500	<u>72.2</u>	72,157,500	<u>72.2</u>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2019 £m</i>	<i>No.</i>	<i>2018 £m</i>
Ordinary shares of £1 each	72,050,500	<u>72.1</u>	72,050,500	<u>72.1</u>

The directors have paid an interim ordinary dividend in respect of the current financial year of £227.2m (2018: £nil) equivalent to 31.5p per share (2018: £nil).

Other reserves relate to the cash flow hedge reserve.

## Notes to the financial statements

for year ended 31 December 2019

### 22. 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 (“ML UK Holding Limited”) 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 Limited agreed to meet all expenses going forward for the Scheme.

During the year, contributions made by the Company to the ML Scheme amounted to £nil (2018 – £37.0 million). The MPS ABC’s asset is a non-transferable loan instrument issued by ML UK Holding Limited, 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 £33.9 million as at 31 December 2019, 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 Limited has accounted for the capital and interest repaid on the loan instrument during the year as a contribution under IAS 19 and amounts to £3.3 million (2018 – £2.6 million).

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 £nil (2018 – £46.9 million). 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 £40.2 million as at 31 December 2019 (£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 2019 were £nil (2018 – £nil) for both Schemes.

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

## Notes to the financial statements

for year ended 31 December 2019

### 22. Pensions (continued)

The valuations of the Schemes were updated under IAS 19 as at 31 December 2019 by the Actuary and are set out below:

	<i>ML Scheme</i>		<i>Eternit Plan</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Defined benefit obligation	(733.9)	(682.2)	(209.0)	(189.8)
Scheme assets	645.2	622.2	190.8	184.6
Deficit in scheme	<u>(88.7)</u>	<u>(60.0)</u>	<u>(18.2)</u>	<u>(5.2)</u>

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 2019 were £0.3 million (2018 – £2.4 million).

### 23. Capital and other commitments

The Company had no capital and other commitments at the end of the financial year (2018 – £nil).

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	<i>2019</i>		<i>2018</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Plant, vehicles and equipment</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not later than one year	-	-	-	0.2
Later than one year and not later than five years	-	-	0.5	0.8
Later than five years	-	-	-	0.1
	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>1.1</u>

### 24. 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.

	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>
Other facilities	<u>0.1</u>	<u>0.1</u>

## Notes to the financial statements

for year ended 31 December 2019

### 25. 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 26.

### 26. 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, 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.

### 27. Effect of adoption of IFRS 16 Leases

As indicated in notes 1 & 15, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the building was 2.6% and for plant, machinery and equipment was 2.9%

#### i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

## Notes to the financial statements

for year ended 31 December 2019

### 27. Effect of adoption of IFRS 16 Leases (continued)

#### ii. Measurement of lease liabilities

	£000
Operating lease commitments disclosed as at 31 December 2018	1,574
Less:	
Disposal of business	(989)
Short-term leases not recognised as a liability	(4)
Low-value leases not recognised as a liability	(1)
Adjustments of the obligation due to a revised lease term	(10)
Effect of discounting using the lessee's incremental borrowing rate of at the date of initial application	(35)
Lease liability recognised as at 1 January 2019	535
Of which are:	
Current lease liabilities	105
Non-current lease liabilities	430

#### iii. Measurement of right-of-use assets

The right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £535,000
- Lease liabilities – increase by £535,000

The net impact on retained earnings on 1 January 2019 was £nil.

### 28. Post balance sheet events

The Directors are conscious when writing this report and financial statements of the significant impact the Covid-19 is having on the world economy and in particular the construction industry. Covid-19 will impact the following years' financial statements and will change the Company over the coming months through general uncertainty. The Directors have taken necessary prudent steps to mitigate the risks where necessary and the Company is in a resilience mode to cope with COVID 19.

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.