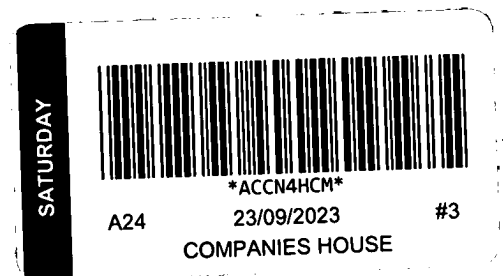


Company Registration Number: 486100

Etex (Exteriors) UK Limited

Report and Financial Statements

31 December 2022



Directors

A Shotton

J Leo

Independent Auditors

PricewaterhouseCoopers LLP

One Chamberlain Square,

Birmingham

B3 3AX

Registered Office

Wellington Road

Burton upon Trent

Staffordshire

DE14 2AP

Strategic report for the year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

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. All activities derive from within the UK.

The Company made an operating profit of £13.0 million (2021 – operating profit of £16.2 million). The Company's key performance indicators during the year were as follows:

	2022	2021	Change
Turnover £m	70.8	75.3	- 6%
Gross profit £m	30.6	32.0	- 4%
Total equity £m	185.9	172.4	8%
Trade debtor days	14 days	17 days	- 3 days

Turnover has decreased 6% from the previous year. The increasing costs of energy and raw materials have led to reduced demand in the sector in the current year. Gross profit margin has improved slightly from the previous year.

Net assets have increased by 8% from the previous year, largely reflecting the Company's trading performance in the current year.

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 wider markets in which the Company trades have experienced supply challenges during the year and as such the Company is exposed to this supply chain risk. The Company has sought to manage this risk through its supply chain policies and practices, and by building longstanding relationships with its external partners to ensure continuity.

Strategic report (continued) for the year ended 31 December 2022

Section 172 statement and statement of engagement with suppliers, customers and others in business relationship with the Company

Section 172(1) statement

The Board of directors consider that they have acted together and individually in good faith, in a manner that would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the directors have had regard (amongst other matters) to factors (a) to (f) of section 172 of the Companies Act 2006 in the decisions made during the year ended 31 December 2022. In applying section 172, the directors have taken into consideration the interests of the various stakeholders of the Company, the impact of the Company's operations on the community and the environment, taken a long-term view on the consequences of their decisions, as well as maintaining their reputation for high standards of business conduct and fair treatment between the members of the Company.

Purpose and strategy

Our purpose is guiding our strategy – inspiring ways of living. We want to inspire people to build living spaces that are ever more safe, sustainable, smart and beautiful. Our strategy is collaborative and customer-focused. We work as one, fostering a collaborative and caring culture, a pioneering spirit and a passion to always do better for our customers.

Our values

- Passion for excellence – we aim to create value together, by doing better, acting quickly and enjoying outperformance,
- connect and care – we work together to bring out the best in each other, caring for safety and well-being, and
- pioneer to lead – we have the unique opportunity to help fulfil vital needs of our world by driving valuable change and inspiring smart and sustainable solutions.

Our 3-pillar agenda

- Engaged people – people who are dedicated to our vision create immense value. We enable their growth and development,
- operational performance – continuous improvement, optimised processes and commitment to safety are the keys to our future, and
- profitable growth – by building strong relationships with our customers and aligning our innovation efforts with their needs.

Key stakeholders

In complying with the requirements of Section 172 of the Companies 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.

The Company's stakeholders are considered to comprise of its employees, its customers, its supply chain partners, shareholders, regulators, 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 well-being and making the right business decisions. This ensures we can retain and develop the best talent.

Strategic report (continued) for the year ended 31 December 2022

Section 172 statement and statement of engagement with suppliers, customers and others in business relationship with the Company (Continued)

Customers

Focusing on the needs of our customers is critical to the success of our business. We maintain a high degree of customer interaction 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

Continuous 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

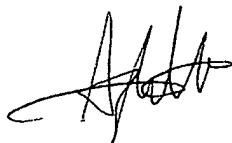
We are committed to building positive relations with communities in which we operate. We support communities and groups, local and relevant to our operations.

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, lead by example and promote this culture within the Company.

The Board seeks 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



A Shotton
Director
29 June 2023

Directors' report for the year ended 31 December 2022

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

Results and dividends

The profit for the year after taxation amounted to £12.4 million (2021 – profit of £13.3 million). No interim dividend was paid in respect of the current year. The directors do not recommend a final dividend (2021 – £nil).

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 N.V. 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.

Going concern

The Company meets its day-to-day working capital requirements through access to funds as part of the Etex N.V. 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 the Etex N.V. group. 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'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.

Directors' report (continued)

for the year ended 31 December 2022

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

The statement can be found in the Strategic report within the Section 172 statement.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Leo

A Shotton (appointed 3 January 2023)

J Arkell (resigned 3 January 2023)

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 £2,000 (2021 – £2,000). The Company made no political contributions during the year (2021 – £nil).

Post balance sheet events

On 23 May 2023, the group announced its decision to cease production of fibre cement products at the Meldreth site as further disclosed in note 24.

Directors' report (continued)

for the year ended 31 December 2022

Streamlined energy and carbon reporting ("SECR")

The Company meets the SECR qualification criteria in the UK. The Company has opted to use the Operational Control boundary definition to define its carbon footprint boundary. Included within that boundary are Scope 1 & Scope 2 emissions from gas and electricity, as well as Scope 3 emissions from company fleet and grey fleet in the UK. The GHG Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of the carbon emissions calculation.

The results show that the Company's total energy use and total gross Greenhouse Gas (GHG) emissions for Scope 1 and 2 amounted to 7,971,300 kWh (2021 – 10,139,774 kWh) and 1,729 tonnes (2021 – 2,207 tonnes) of CO₂e respectively.

The decrease in total gross emissions reflects the decreased level of production in the current year as well as the impact of climates. The current year was considerably warmer than the previous year resulting in less energy usage for heating of premises.

The Company has chosen 'Tonnes of CO₂e per £m turnover' as its 'Intensity ratio', as this is an appropriate metric for the business. The Company will compare their performance over time with this metric.

Reporting year: 1 January to 31 December	2022	2021
Scope 1 emissions (tCO ₂ e)	780	1,118
Scope 2 emissions: location-based (tCO ₂ e)	949	1,089
Total gross Scope 1 and Scope 2 emissions (tCO ₂ e)	1,729	2,207
Total Energy Consumption used to calculate above emissions (kWh)	7,971,300	10,139,774
Intensity ratio:		
Turnover (£m)	70.8	75.3
Tonnes of CO ₂ e per total £m sales revenue	24.4	29.3
Scope 2 emissions: market-based (tCO ₂ e) *	949	1,089
Scope 3 emissions from employee business travel for which the Company does not own or control: grey fleet (tCO ₂ e)	94	40
Total annual net emissions: market-based (tCO ₂ e) **	874	1,158

* Market-based Scope 2 is location-based emissions minus the REGO.

** Net emissions are the total location-based Scope 1, 2 and 3 minus market-based Scope 2 emissions.

Energy efficiency actions

The Company has invested significantly over the last 5 years in a number of projects such as refrigeration, heating and cooling systems, energy efficient space heaters and cement dust bag control.

Directors' report (continued)

for the year ended 31 December 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 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 also 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.

Disclosure of information to the auditors

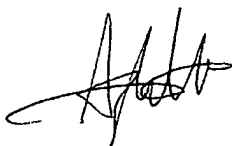
In the case of each director in office at the date the Directors' report is approved:

- 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

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

On behalf of the Board



A Shotton
Director
29 June 2023

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 2022 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, including 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 2022; the Income statement, the Statement of comprehensive income and 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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 Statement of directors' responsibilities in respect of the financial statements, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual journals to revenue and expenses or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- evaluation of the effectiveness of management's controls to prevent and detect irregularities;
- reviewing accounting estimates for bias and testing the assumptions and judgements made by management including considering possible alternatives;
- enquiries of management and reading the minutes of the board meetings to identify any non-compliance, or any inconsistencies with other information provided by management;
- substantive testing of journal entries particularly focused on journals which have unexpected entries to revenue and expenses; and
- incorporating elements of unpredictability.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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.

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

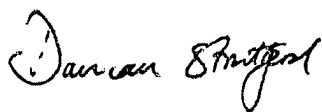
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
29 June 2023

Income statement

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Turnover	3	70.8	75.3
Cost of sales		(40.2)	(43.3)
Gross profit		30.6	32.0
Distribution costs		(11.0)	(10.6)
Administrative expenses		(7.1)	(5.2)
Other operating income	4	—	—
Operating profit	4	12.5	16.2
Interest receivable and similar income	8	3.1	0.7
Interest payable and similar expenses	9	(0.1)	(0.5)
Profit before taxation		15.5	16.4
Tax on profit	10	(3.1)	(3.1)
Profit for the financial year		12.4	13.3

All amounts relate to continuing activities.

The notes on pages 17 to 36 form part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the financial year		12.4	13.3
Other comprehensive income/(expense)			
<i>Items that can be reclassified to profit or loss:</i>			
Movement on forward currency derivative contracts subject to deferred tax		1.4	(0.5)
Movement on deferred tax relating to forward currency derivative contracts	10(b)	(0.3)	0.1
Total other comprehensive income/(expense) for the financial year, net of tax		1.1	(0.4)
Total comprehensive income for the financial year		<u>13.5</u>	<u>12.9</u>

The notes on pages 17 to 36 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2022

	<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 2021	72.1	(0.2)	87.6	159.5
Profit for the financial year	–	–	13.3	13.3
<i>Other comprehensive expense for the year:</i>				
Movement on forward currency derivative contracts subject to deferred tax	–	(0.5)	–	(0.5)
Movement on deferred tax relating to forward currency derivative contracts (note 10b)	–	0.1	–	0.1
<i>Total other comprehensive expense for the year</i>	–	(0.4)	–	(0.4)
Total comprehensive income for the year	–	(0.4)	13.3	12.9
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 2021	<u>72.1</u>	<u>(0.6)</u>	<u>100.9</u>	<u>172.4</u>
At 1 January 2022	72.1	(0.6)	100.9	172.4
Profit for the financial year	–	–	12.4	12.4
<i>Other comprehensive income for the year:</i>				
Movement on forward currency derivative contracts subject to deferred tax	–	1.4	–	1.4
Movement on deferred tax relating to forward currency derivative contracts (note 10b)	–	(0.3)	–	(0.3)
<i>Total other comprehensive income for the year</i>	–	1.1	–	1.1
Total comprehensive income for the year	–	1.1	12.4	13.5
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 2022	<u>72.1</u>	<u>0.5</u>	<u>113.3</u>	<u>185.9</u>

The notes on pages 17 to 36 form part of these financial statements.

Registered No. 486100

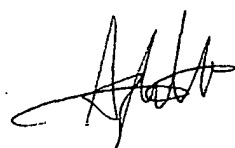
Statement of financial position

as at 31 December 2022

	Note	2022 £m	2021 £m
Fixed assets			
Intangible assets	11	21.6	21.6
Tangible assets	12	6.5	6.7
Right of use assets	13	0.4	0.6
Investments	14	8.9	8.9
		<u>37.4</u>	<u>37.8</u>
Current assets			
Stocks	15	7.3	6.4
Debtors	16	165.7	152.8
Cash at bank and in hand		—	—
		<u>173.0</u>	<u>159.2</u>
Creditors: amounts falling due within one year	17	<u>(14.5)</u>	<u>(14.9)</u>
Net current assets		<u>158.5</u>	<u>144.3</u>
Total assets less current liabilities		<u>195.9</u>	<u>182.1</u>
Creditors: amounts falling due after more than one year	17	(9.1)	(9.3)
Provisions for liabilities	18	<u>(0.9)</u>	<u>(0.4)</u>
Net assets		<u>185.9</u>	<u>172.4</u>
Capital and reserves			
Called up share capital	19	72.1	72.1
Other reserves	19	0.5	(0.6)
Retained earnings		<u>113.3</u>	<u>100.9</u>
Total equity		<u>185.9</u>	<u>172.4</u>

The notes on pages 17 to 36 form part of these financial statements.

These financial statements on pages 13 to 36 were approved and authorised for issue by the board of directors on 29 June 2023 and signed on its behalf by:



A Shotton
Director

Notes to the financial statements

for the year ended 31 December 2022

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, 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, as applicable to companies using FRS 101.

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 and 18A 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;
- (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'; and
- (m) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.

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 years presented in these financial statements.

Notes to the financial statements

for year ended 31 December 2022

1. Accounting policies (continued)

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the Company's financial statements.

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-month 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 year. 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 18.

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 year 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.

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.

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

Notes to the financial statements

for year ended 31 December 2022

1. Accounting policies (continued)

Leases (continued)

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.

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 2022

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 any 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. The carrying values of fixed asset investments are reviewed for impairment 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.

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 2022

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.

Government grants

Government grants relating to costs are deferred and recognised as Other operating income in the Income statement over the period necessary to match them with the costs that they are intended to compensate.

Notes to the financial statements

for year ended 31 December 2022

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 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.

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 two 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 year. 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 year. Further details are given in note 20.

Notes to the financial statements

for year ended 31 December 2022

1. Accounting policies (continued)

Going concern

The Company meets its day-to-day working capital requirements through access to funds as part of the Etex N.V. 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 N.V. 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'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 year-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. There are no critical estimates impacting the financial statements for the year.

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 20 for further details.

Notes to the financial statements

for year ended 31 December 2022

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:

	2022 £m	2021 £m
United Kingdom	68.3	72.8
Europe	1.6	1.9
Rest of the world	0.9	0.6
	<u>70.8</u>	<u>75.3</u>

There are no assets or liabilities in relation to contracts with customers at the end of the year (2021 – nil).

4. Operating profit

This is stated after charging:

	2022 £m	2021 £m
Audit fees payable to Company auditors:		
Audit of these financial statements	<u>0.1</u>	<u>0.1</u>
Depreciation of tangible fixed assets	0.3	0.4
Depreciation of right of use assets	<u>0.2</u>	<u>0.2</u>
Cost of stocks recognised as an expense (included in cost of sales)	34.8	38.1
Impairment of stocks (included in 'cost of sales')	<u>0.5</u>	<u>0.2</u>
Low value lease expenses	0.1	0.2
Loss on foreign exchange	<u>1.0</u>	<u>1.3</u>

5. Directors' remuneration

The directors' aggregate remuneration was £155,000 (2021 – £138,000).

The remuneration for one of the directors is paid by the parent company, Etex N.V. The director's services to this company and to a number of fellow subsidiaries are of a non-executive nature and their remuneration is deemed to be wholly attributable to their 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 £23,000 (2021 – £21,000).

One (2021 – one) 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 (2021 – £nil).

One (2021 – one) of the serving directors during the year was a member of a defined contribution pension scheme.

Notes to the financial statements

for year ended 31 December 2022

6. Staff costs

	2022	2021
	£m	£m
Wages and salaries	6.8	6.2
Social security costs	0.8	0.7
Other pension costs (note 20)	0.5	0.5
	<u>8.1</u>	<u>7.4</u>

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

	2022	2021
	No.	No.
Production	84	77
Sales	65	66
Administration	28	29
	<u>177</u>	<u>172</u>

Certain staff costs amounting to £0.3 million (2021 – £0.4 million) are recharged to a fellow group undertaking.

7. Share based payments

	2022	2021
	£m	£m
Share based payment expense	<u>0.1</u>	<u>0.1</u>

5,000 (2021 – 1,857) 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 2022 was €33.65 (2021 – €33.23).

The range of exercise prices for the share options outstanding at 31 December 2022 was €26.74 to €50.42 (2021 – €26.74 to €50.42).

The weighted average remaining contractual life of share options outstanding at 31 December 2022 was 4.3 years (at 31 December 2021 – 4.4 years).

8. Interest receivable and similar income

	2022	2021
	£m	£m
On guarantees provided to group undertakings	0.1	0.1
On amounts due from group undertakings	2.7	0.6
Net exchange gain on cash pooling balances	0.3	–
	<u>3.1</u>	<u>0.7</u>

Notes to the financial statements

for year ended 31 December 2022

9. Interest payable and similar expenses

	2022 £m	2021 £m
Amounts paid to factors (invoice financing)	0.1	0.1
Net exchange loss on cash pooling balances	–	0.4
	<u>0.1</u>	<u>0.5</u>

10. Tax on profit

(a) Tax charged in the income statement

	2022 £m	2021 £m
Current tax:		
UK corporation tax on the profit for the year	2.9	3.2
Total current tax	<u>2.9</u>	<u>3.2</u>
Deferred tax:		
Origination of timing differences	0.1	(0.1)
Impact of change in tax rates	0.1	–
Total deferred tax	<u>0.2</u>	<u>(0.1)</u>
Tax expense in the income statement	<u>3.1</u>	<u>3.1</u>

(b) Tax expense/(credit) included in other comprehensive income/(expense)

	2022 £m	2021 £m
Deferred tax:		
On net gain/(loss) on forward currency contract derivatives	0.3	(0.1)
Total deferred tax	<u>0.3</u>	<u>(0.1)</u>
Tax expense/(credit) in the statement of comprehensive income	<u>0.3</u>	<u>(0.1)</u>

Notes to the financial statements

for year ended 31 December 2022

10. Tax on profit (continued)

(c) Reconciliation of the total tax charge

The tax assessed for the year differs (2021 – same as) from the standard rate of corporation tax in the UK of 19% (2021 – 19%).

	2022 £m	2021 £m
Profit before taxation	16.0	16.4
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	2.9	3.1
<i>Effects of:</i>		
Expenses not deductible for tax purposes	0.1	–
Changes in tax rates	0.1	–
Total tax expense reported in the income statement (note 10 (a))	3.1	3.1

(d) Corporation Tax rate

In the Spring Budget 2021, the Government announced that from 1 April 2023 the Corporation Tax main rate will increase to 25%. This new law was substantively enacted on 24 May 2021 and its effects are included in these financial statements. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

(e) Deferred tax liability/(asset)

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

	2022 £m	2021 £m
Deferred tax liability/(asset)		
Accelerated capital allowances	0.3	0.2
Other	0.1	(0.3)
Total deferred tax liability/(asset) (notes 16 and 18)	0.4	(0.1)

Notes to the financial statements

for year ended 31 December 2022

11. Intangible assets

	<i>Computer software</i> £m	<i>Goodwill</i> £m	<i>Total</i> £m
Cost:			
At 1 January 2022 and 31 December 2022	5.3	42.8	48.1
Accumulated Amortisation:			
At 1 January 2022 and 31 December 2022	5.3	21.2	26.5
Net book value:			
At 31 December 2022	–	21.6	21.6
At 31 December 2021	–	21.6	21.6

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 £2.1 million (2021 – £2.1 million) lower had goodwill been amortised in the year.

12. Tangible Assets

	<i>Freehold land and buildings</i> £m	<i>Plant, vehicles and equipment</i> £m	<i>Assets in the course of construction</i> £m	<i>Total</i> £m
Cost:				
At 1 January 2022	7.7	6.6	–	14.3
Additions	–	–	0.1	0.1
At 31 December 2022	7.7	6.6	0.1	14.4
Accumulated depreciation:				
At 1 January 2022	3.2	4.4	–	7.6
Charge for the year	–	0.3	–	0.3
At 31 December 2022	3.2	4.7	–	7.9
Net book value:				
At 31 December 2022	4.5	1.9	0.1	6.5
At 31 December 2021	4.5	2.2	–	6.7

The cost of freehold land and buildings includes land of £0.6m (2021 – £0.6m) which is not depreciated.

Notes to the financial statements

for year ended 31 December 2022

13. 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>Right of use assets:</i>	<i>Building</i> £m	<i>Plant, machinery and equipment</i> £m	<i>Total</i> £m
Cost:			
At 1 January 2022 and 31 December 2022	0.5	0.6	1.1
Accumulated depreciation:			
At 1 January 2022	0.3	0.2	0.5
Charge for the year	0.1	0.1	0.2
At 31 December 2022	0.4	0.3	0.7
Net book value:			
At 31 December 2022	0.1	0.3	0.4
At 31 December 2021	0.2	0.4	0.6

Lease liabilities:

	2022 £m	2021 £m
Current	0.2	0.2
Non-current	0.2	0.4
	<u>0.4</u>	<u>0.6</u>

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2022 £m	2021 £m
Depreciation		
Leasehold building	0.1	0.1
Leasehold plant, machinery & equipment	0.1	0.1
	<u>0.2</u>	<u>0.2</u>
Expense relating to short-term leases (included in administrative expenses)	0.1	0.1

Notes to the financial statements

for year ended 31 December 2022

13. Leases (continued)

(a) Measurement of lease liabilities

Future minimum lease payments as at 31 December 2022 and as at 31 December 2021 are as follows:

	2022	2021
	£m	£m
Not later than one year	0.2	0.2
Later than one year and not later than five years	0.2	0.4
Total gross payments	0.4	0.6
Impact of interest expenses	—	—
Carrying amount of liability	0.4	0.6

The total cash outflow for leases in 2022 was £0.2 million (2021 – £0.2 million).

14. Investments

	Shares in subsidiary undertakings	Shares in Participating interests	Total
	£	£	£
Cost:			
At 1 January 2022 and 31 December 2022	8,895,183	1	8,895,184
Net book value:			
At 31 December 2022	8,895,183	1	8,895,184
At 31 December 2021	8,895,183	1	8,895,184

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. Limited:	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

Notes to the financial statements

for year ended 31 December 2022

15. Stocks

	2022	2021
	£m	£m
Raw materials and consumables	1.9	1.6
Work in progress	0.2	0.3
Finished goods and goods for resale	5.2	4.5
	<u>7.3</u>	<u>6.4</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 (2021 – £0.2 million).

16. Debtors

	2022	2021
	£m	£m
Amounts falling due within one year:		
Trade debtors	2.2	3.5
Amounts owed by fellow group undertakings	161.6	144.3
Amounts owed by parent company	–	3.9
Corporation tax recoverable	1.1	0.8
Deferred tax asset (note 10)	–	0.1
Prepayments and accrued income	0.2	0.2
Derivative financial instruments	0.6	–
	<u>165.7</u>	<u>152.8</u>

Trade debtors are stated after provisions for impairment of £nil (2021 – £nil).

Amounts owed by fellow group undertakings include an interest-bearing cash pooling deposit of £157 million (2021 – £143.8 million) which is unsecured and repayable on demand. The interest rate applied during the year was 1-month SONIA plus 41 basis points (2021 – 1-month LIBOR plus 41 basis points). The Base Rate varies daily and is an aggregate of the daily Risk-Free Rate (RFR) and a fixed credit adjustment spread (CAS) for GBP. The remaining amounts owed by fellow group undertakings and the parent company are unsecured, non-interest bearing and repayable on demand.

Derivative financial instruments include forward foreign currency contracts measured at fair value. At 31 December 2022, the outstanding contracts all mature within 12 months (2021 – 12 months) of the year end. At 31 December 2022, the company is committed to purchase €33.75 million for fixed sterling amounts. The key assumptions used in valuing the derivatives are the exchange rates for EUR:GBP.

Notes to the financial statements

for year ended 31 December 2022

17. Creditors

	2022	2021
	£m	£m
Amounts falling due within one year:		
Bank loans and overdrafts	2.5	2.8
Trade creditors	2.4	2.9
Amounts owed to fellow group undertakings	3.0	2.3
Amounts owed to parent company	1.6	–
Lease liabilities	0.2	0.2
Income tax payable	–	0.1
Other taxation and social security	1.8	2.0
Accruals and deferred income	3.0	3.4
Derivative financial instruments	–	1.2
	<u>14.5</u>	<u>14.9</u>
	2022	2021
	£m	£m
Amounts falling due after more than one year:		
Amounts owed to subsidiary	8.9	8.9
Lease liabilities	0.2	0.4
	<u>9.1</u>	<u>9.3</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.

Notes to the financial statements

for year ended 31 December 2022

18. Provisions for liabilities

	<i>Deferred tax £m</i>	<i>Product warranties £m</i>	<i>Total £m</i>
At 1 January 2022	-	0.4	0.4
Transferred from debtors	(0.1)	-	(0.1)
Arising during the year	0.5	0.2	0.7
Utilised during the year	-	(0.1)	(0.1)
At 31 December 2022	<u>0.4</u>	<u>0.5</u>	<u>0.9</u>

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 liabilities/(assets) is as follows:

	<i>Accelerated capital allowances £m</i>	<i>Forward contract gains and losses £m</i>	<i>Other £m</i>	<i>Total £m</i>
At 1 January 2021	0.2	(0.1)	-	0.1
Credited to the income statement	-	(0.1)	-	(0.1)
Credited to other comprehensive income	-	(0.1)	-	(0.1)
At 31 December 2021 (included in debtors)	<u>0.2</u>	<u>(0.3)</u>	<u>-</u>	<u>(0.1)</u>
At 1 January 2022 (included in debtors)	0.2	(0.3)	-	(0.1)
Charged to the income statement	0.1	0.1	-	0.2
Charged to other comprehensive income	-	0.3	-	0.3
At 31 December 2022	<u>0.3</u>	<u>0.1</u>	<u>-</u>	<u>0.4</u>

19. Called up share capital and reserves

<i>Authorised</i>	<i>No.</i>	<i>2022 £m</i>	<i>No.</i>	<i>2021 £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>2022 £m</i>	<i>No.</i>	<i>2021 £m</i>
Ordinary shares of £1 each	72,050,500	<u>72.1</u>	72,050,500	<u>72.1</u>

Other reserves relate to the cash flow hedge reserve.

Notes to the financial statements

for year ended 31 December 2022

20. Pensions

In the UK, the Company participates in two multi-employer defined benefit pension schemes: the ML 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 surplus and reported under IAS 19 in the financial statements of ML UK Holding 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 actuarial 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 2020 and the results showed a deficit of £11.2 million (funding level 98%) for the ML Scheme and a deficit of £2.4 million (funding level 99%) for the Eternit Plan against the Trustees’ funding objective, agreed with the participating employers.

The valuation of the ML Scheme as at 31 March 2020 revealed a shortfall in the assets, when measured against the ML Scheme’s technical provisions. Excluding the Asset Backed Contribution (“ABC”) as an asset when compared against the ML Scheme’s technical provisions, the shortfall was £43.3 million. Including the ABC as an asset, the technical provision’s shortfall was £11.2 million. To correct the shortfall, contributions of £0.8 million will be paid each quarter into the Scheme with the last payment made by 31 December 2032. The quarterly payments described will be met by the ABC arrangement – the MPS ABC Limited Partnership (the “MPS ABC”). Excluding the ABC as an asset, the shortfall of £43.3 million at 31 March 2020 would be expected to be eliminated within 12 years and 9 months of the valuation date, which is by 31 December 2032. ML UK Holding has agreed to continue meeting all expenses going forward for the Scheme.

During the year, cash contributions made by the Company to the ML Scheme amounted to £nil (2021 – £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 £23.7 million as at 31 December 2022 (£29.1 million as at 31 December 2021), has not been recognised as a plan asset in compliance with IAS 19. ML UK Holding has accounted for the capital and interest repaid on the loan instrument during the year as a contribution under IAS 19 amounting to £3.4 million (2021 – £3.4 million).

The UK sponsors also agreed a similar arrangement for the Eternit Plan where the shortfall was £41.5 million excluding their ABC as an asset, or £2.4 million including their ABC as an asset. To correct this shortfall, contributions of £1 million will be paid each quarter into the Eternit Plan with the last payment made by 31 December 2032. The quarterly payments described will be met by the ABC arrangement – the EPP ABC Limited Partnership (the “EPP ABC”). Excluding the ABC as an asset, the shortfall of £41.5 million at 31 March 2020 would be expected to be eliminated within 12 years and 9 months of the valuation date, which is by 31 December 2032. The Company has agreed to continue meeting all expenses going forward for the Eternit Plan.

During the year, contributions made by the UK sponsors to the Eternit Plan amounted to £nil (2021 – £nil). 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 £28.8 million as at 31 December 2022 (£35.4 million as at 31 December 2021) 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 2022 were £nil (2021 – £nil) for both Schemes.

The Trustees will continue to review the investment strategy over 2023, including in the context of the 2023 actuarial valuation.

Notes to the financial statements

for year ended 31 December 2022

20. Pensions (continued)

The valuations of the Schemes were updated under IAS 19 as at 31 December 2022 by the Actuary and are set out below:

	<i>ML Scheme</i>		<i>Eternit Plan</i>	
	2022	2021	2022	2021
	£m	£m	£m	£m
Defined benefit obligation	(496.1)	(751.4)	(133.8)	(206.5)
Scheme assets	515.3	667.9	157.1	186.2
Deficit in scheme	19.2	(83.5)	23.3	(20.3)

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 'Etex Pension Scheme UK' (formerly the 'em Pension 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 Etex Pension Scheme UK from 1 January 2010.

The contributions payable by the Company to the Etex Pension Scheme UK are linked to employee contributions that are matched at the rate of 2:1 up to a maximum of 12%. The Etex Pension Scheme UK also provides life assurance benefits funded by the Company. The contributions payable by the Company to the Etex Pension Scheme UK in the year to 31 December 2022 were £0.5 million (2021 – £0.5 million).

21. Capital and other commitments

The Company had no capital and other commitments at the end of the financial year (2021 – £nil).

22. 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.

	2022	2021
	£m	£m
Other facilities	0.1	0.1

23. 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 25.

Notes to the financial statements

for year ended 31 December 2022

24. Post balance sheet events

On 23 May 2023, the group announced its decision to cease production of fibre cement products at the Meldreth site. The site will be retained as a logistics hub for the distribution of the Company's wider product ranges which will allow for the continued employment of a quarter of workers employed at the site.

A decommissioning team has been established to evaluate the site's plant and other assets for use elsewhere within the group, or for sale to third parties. The directors are in the process of assessing the fair value of these assets. No impairment has been recognised up to the date of signing the financial statements.

25. 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.