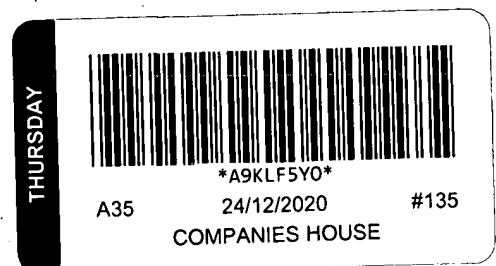


Company registration number 2163844

## **Etex Building Performance Limited**

### **Report and Financial Statements**

31 December 2019



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## Company Information

### Directors

C G Ellwood (resigned 31<sup>st</sup> May 2019)

N A Ash

J E Maycock

J-L Bernard

W Schelfhout (appointed 16<sup>th</sup> January 2019, resigned 11<sup>th</sup> September 2020)

### Secretary

W Schelfhout (appointed 16<sup>th</sup> January 2019, resigned 11<sup>th</sup> September 2020)

J Maycock (appointed 4<sup>th</sup> November 2020)

### Independent Auditors

PricewaterhouseCoopers LLP

### Registered Office

Gordano House

Marsh Lane

Easton in Gordano

Bristol

BS20 0NE

### Bankers

Lloyds Bank PLC

25 Gresham Street

London

EC2V 7HN

### Country of Incorporation and Domicile

United Kingdom

## 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 the company is the manufacture and supply of plasterboard and accessories. The company operates two manufacturing sites in Portbury, near Bristol and Ferrybridge near Leeds. The company supplies primarily builders' merchants and specialist distributors in the UK and Ireland.

	2019 £000	2018 £000
Turnover	225,715	211,352
Operating profit	48,411	40,176
Profit for the financial year	38,298	32,086
Shareholders' funds	95,992	102,694

The UK construction market continued to recover in 2019. The company's sales increased by 6.8% compared to the previous year reaching £225.7m. Gross profit has increased from 39.3% in 2018 to 39.5% in 2019. The operating profit has increased from £40.2m in 2018 to £48.4 in 2019.

### COVID-19

The COVID-19 virus pandemic has impacted all companies on a global basis and provides uncertainty over the markets in which the company operates. The coronavirus crisis will obviously have an impact on our performance in 2020, although it is currently impossible to accurately determine it. Nevertheless, the company is confident that our tight control on costs will secure the present and future of Etex Building Performance considering our strong financial position, available financial resources and a careful management of our cash position.

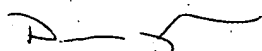
### Principal risks and uncertainties

The company's activities expose it to financial risks including foreign exchange risk and energy price and supply risk. To reduce these risks the company enters into forward foreign currency contracts and enters into forward purchase supply contracts for gas.

Loss of key customers is also a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

The decision in the UK referendum to leave the EU has created uncertainty which could lead to a contraction in the construction industry in future years and impact the company's growth in the future.

On behalf of the Board



Neil Ash  
Director

Date 22.12.2020

## 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 £38,298,000 (2018 – profit of £32,086,000). The directors paid an interim dividend of £45,000,000 (2018: £40,000,000) and do not recommend the payment of any final dividend (2018: nil).

### Future developments

The company will continue to focus on growing the business by launching innovative products and systems that bring benefits to installers and end-users of buildings. Alongside this, the company focuses on maintaining manufacturing excellence.

### Going concern

The directors have considered cash flow forecasts for FY 2021 year and the impact of Covid-19 and have obtained a letter of support in respect of the repayments of the amounts owed under the group cash pooling arrangements. On this basis, the financial statements are prepared on a going concern basis which the directors believe to be appropriate as the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

### Post Balance Sheet Events

As noted in note 21, since the balance sheet date the company has acquired FSi Limited for consideration of £14.3m. The company has also been impacted by the Covid-19 Pandemic which significantly impacted the UK in March 2020. The company temporarily closed production during April in response to a decline in sales. Recovery in sales since May 2020 has been steady, although sales have not returned 2019 outturn.

### Section 172

Each director of the company has taken steps to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of members as a whole, and in doing so have regard (amongst other matters) to the factors summarised below;

- a. The likely consequences of any decision in the long term. The board has made principal decisions impacting the future of the company in line with the long term strategic objectives of the ultimate parent company Etex N.V. The key strategic decisions made in the year were to invest in an expansion programme in Bristol, UK to increase manufacturing capacity.
- b. The interests of the company's employees. Directors have considered employee interests when making principal decisions, for example there is regular engagement with employees with a town hall business review where health and safety, operations and HR topics are presented and the meeting finishes with a question and answer session. The Company fully recognises the responsibilities for the health and safety of all its employees, visitors, contractors and of the community by adopting the health and safety policies of the Parent Company Etex N.V.
- c. The need to foster the company's business relationships with suppliers, customers and others. Key customer reviews are held on a regular basis. Supplier meetings are held during the year as part of the company's quality review process. The outcome of these meetings are presented in the Company's monthly management meeting, and to the Directors at quarterly board meetings. These reviews are documented in the minutes of those meetings.
- d. The impact of the company's operations on the community and the environment.
- e. The desirability of the company maintaining a reputation for high standards of business conduct.
- f. The need to act fairly as between members of the company.

## **Directors' report (continued)**

### **Directors**

The directors who served the company during the year were as follows:

C G Ellwood (resigned 31<sup>st</sup> May 2019)

N Ash

J E Maycock

J-L Bernard

W Schelfhout (appointed 16<sup>th</sup> January 2019, resigned 4<sup>th</sup> September 2020)

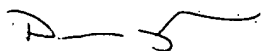
### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



Neil Ash

Director

Date: 22.12.2020

## ***Statement of directors' responsibilities in respect of the financial statements***

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 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 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 Building Performance Limited***

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

#### **Opinion**

In our opinion, Etex Building Performance 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 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 Building Performance 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 set out on page 5, 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 Building Performance 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.

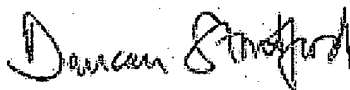
### **Other required reporting**

#### **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.



Duncan Stratford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
23 December 2020

## Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
<b>Turnover</b>	3	225,715	211,352
Cost of sales		(136,657)	(128,288)
<b>Gross profit</b>		89,058	83,064
Distribution costs		(30,169)	(31,018)
Administrative expenses		(10,430)	(11,646)
Other operating charges		(48)	(224)
Other operating income		-	-
<b>Operating profit</b>	4	48,411	40,176
Interest receivable and similar income		136	-
Interest payable and similar expenses		(1,270)	(205)
<b>Profit before taxation</b>		47,277	39,969
Tax on profit	6	(8,979)	(7,883)
<b>Profit for the financial year</b>		38,298	32,086
Other Comprehensive income		-	-
<b>Total comprehensive income for the year, net of tax</b>		38,298	32,086

All amounts relate to continuing activities.

# Etex Building Performance Limited

Registered No. 2163844

## Statement of Financial Position

at 31 December 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	8	70,212	71,718
Right-of-use assets	9	25,732	-
Goodwill	10	15,000	15,000
Investments	11	4,070	4,070
		<u>115,014</u>	<u>90,788</u>
<b>Current assets</b>			
Stocks	12	15,813	16,539
Debtors	13	62,981	69,038
Cash at bank and in hand		3,622	16,777
		<u>82,416</u>	<u>102,354</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(74,834)</u>	<u>(87,192)</u>
<b>Net current assets</b>		<u>7,582</u>	<u>15,162</u>
<b>Total assets less current liabilities</b>		<u>122,596</u>	<u>105,950</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(24,479)	-
Deferred tax liabilities	6(c)	(2,075)	(1,841)
Provisions for liabilities	17	(50)	(1,415)
<b>Net assets</b>		<u>95,992</u>	<u>102,694</u>
<b>Capital and reserves</b>			
Called up share capital	16	60,000	60,000
Profit and loss account		35,992	42,694
<b>Total Shareholders' funds</b>		<u>95,992</u>	<u>102,694</u>

The financial statements on pages 9 to 26 were approved by the board of directors and authorised for signature on their behalf by:

  
Neil Ash

Director

Date 22.12.2020

## Statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £000	Profit and loss account £000	Total equity £000
<b>As at 1 January 2018</b>		60,000	50,608	110,608
Total comprehensive income		-	32,086	32,086
Dividend payment	7	-	(40,000)	(40,000)
<b>At 31 December 2018</b>		60,000	42,694	102,694
Total comprehensive income		-	38,298	38,298
Dividend payment	7	-	(45,000)	(45,000)
<b>At 31 December 2019</b>		<b>60,000</b>	<b>35,992</b>	<b>95,992</b>

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting Policies

#### 1.1 General information

Etex Building Performance Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The registered office is located at:

Gordano House  
Marsh Lane  
Easton in Gordano  
Bristol BS20 0NE

#### 1.2 Basis of preparation

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except when 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. PassPort Building, Luchthaven Brussels Nationaal, Gebouw 1K, 1930 Zaventem, Belgium which prepare consolidated financial statements.

These financial statements were 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; and in accordance with Companies Act 2006.

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

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;

(b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(c) 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;

(ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;

(d) the requirements of paragraphs 10 (d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

(e) the requirements of IAS 7 Statement of Cash Flows.

(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies; Changes in Accounting Estimates and Errors;

(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(h) 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 a party to the transaction is wholly owned by such a member; and

(i) the requirements of paragraphs 134 (d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting Policies (Continued)

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

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

##### (a) Classification and measurement

The Company did not have a significant impact on its profit, balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It continues to measure at fair value all financial assets held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company continues to measure these at amortised cost under IFRS 9 following the assessment of the contractual cash flow characteristics of its debt instruments the Company concluded that the loans and trade receivables can be classified at amortised cost measurement under IFRS 9.

##### (b) Impairment

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

##### (c) Hedge accounting

The Company does not have any hedge relationships that qualify for hedge accounting under IFRS 9.

IFRS 15 'Revenue from Contracts with Customers' also became effective 1 January 2018. The standard does not have a material impact on the Company.

IFRS 16 'Leases' is a new accounting standard and became effective for the year ended 31 December 2019. The standard (note 1.6) does have material impact on the company (note 9)

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.

#### 1.4 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered forecast cashflows, the impact of Covid-19 and have obtained support letter in respect of group cash pooling arrangements. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting Policies (Continued)

#### 1.5 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 balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The judgements and key sources of estimation uncertainty which have the most significant impact on the financial statements are as follows:

- i) provision for excess and slow-moving inventory

#### 1.6 Significant accounting policies

The significant accounting policies adopted by the company are as follows:

##### *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the Plasterboard related goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### *Sales of goods*

The company manufactures and sells a range of plasterboard and its associated products into merchant and distribution businesses (the customer). Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

The plasterboard and associated products 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 sales are made with a credit term of 30 days, which is consistent with 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



## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting Policies (continued)

#### 1.6 Significant accounting policies (continued)

##### ***Tangible fixed assets***

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets under the course of construction until they are brought into use, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Short leasehold buildings	–	50 years
Plant and equipment	–	20 years
Motor vehicles	–	4 years

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

##### ***Investments***

Shares in other companies are stated at cost less any provision for impairment in value. Management tests investments for impairments if there are indicators that investments may be impaired. The recoverable amounts are determined based on expected performance of the business in future years, considering historical profits.

##### ***Stocks***

Finished Goods are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

##### ***Income taxes***

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 tax is recognised, without discounting, in respect of temporary differences between the treatment of certain items for taxation and accounting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting Policies (continued)

#### 1.6 Significant accounting policies (continued)

##### *Foreign currencies*

Amounts denominated in foreign currencies are included in the financial statements at rates ruling on the date of the transactions. At the balance sheet date, assets and liabilities are retranslated at the rates ruling at that date. Any gain or loss on translation is taken to the profit and loss account for the year.

##### *Pensions*

All employees are offered membership of the Etex UK pension scheme (The EM Pension Scheme) which is a defined contribution scheme. Contributions to the defined contributions scheme are recognised in the profit and loss account in the period in which they become payable.

##### *Provisions*

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and 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.

##### *Leases*

The Company leases various buildings, plant, vehicles & equipment to support operational needs. 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.

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 the year ended 31 December 2019

### 1. Accounting Policies (continued)

#### 1.6 Significant accounting policies (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.

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

The company has adopted IFRS 16 Leases retrospectively 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.

#### *Goodwill*

Goodwill is evaluated for impairment annually. Where the carrying value of an asset exceeds the recoverable amount, an impairment loss is recognised in profit and loss. The recoverable amount is defined as the higher of fair value less cost to sell and the value in use; where the value in use is the present value of future cash flows.

### 2. Turnover

The turnover is wholly attributable to the principal activity of the company and arises predominantly in the United Kingdom. The analysis of turnover by geographical destination is as follows:

	2019 £000	2018 £000
United Kingdom	218,124	202,855
Other European countries	7,591	8,497
	<u>225,715</u>	<u>211,352</u>

## Notes to the financial statements

For the year ended 31 December 2019

### 3. Operating profit

This is stated after charging:

	2019 £000	2018 £000
Cost of stocks recognised as an expense (included in cost of sales)	83,926	78,196
Auditors' remuneration		
– fees payable to the company's auditors for non-statutory services	-	-
– for the audit of the company's annual financial statements	70	52
Depreciation and impairment – tangible assets	5,200	4,231
Exchange loss	739	888
Operating lease rentals – contract hire vehicles	-	471
– land and buildings	-	2,815
– computer equipment	-	24

### 4. Directors' remuneration

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services	619	806
Company contributions paid to defined contribution pension schemes	20	30
Remuneration of highest paid director:		
	£000	£000
Remuneration	339	390

There is no accrued pension benefit of the highest paid director (2018 – £nil).

### 5. Staff costs

	2019 £000	2018 £000
Wages and salaries	19,824	20,259
Social security costs	2,210	2,287
Other pension costs	1,108	1,764
	23,142	24,310

## Notes to the financial statements

For the year ended 31 December 2019

### 5. Staff costs (continued)

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

	2019	2018
	No.	No.
Administration	32	20
Manufacturing and distribution	442	474
Total	474	494

### 6. Tax on profit

#### (a) Tax on profit

The tax charge is made up as follows:

	2019	2018
	£000	£000
<b>Current tax:</b>		
UK corporation tax on the profit for the year	8,854	7,059
Adjustments in respect of prior years	(109)	374
Total current tax	8,745	7,433
<b>Deferred tax:</b>		
Origination and reversal of timing differences	164	552
Impact of change in rate	201	-
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(131)	(102)
Total deferred tax (note 7b)	234	450
Tax on profit	8,979	7,883

## Notes to the financial statements

For the year ended 31 December 2019

### 6. Tax on profit (continued)

#### (a) Factors affecting the total tax charge for the year

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

	2019 £000	2018 £000
Profit before tax	47,277	39,969
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	8,983	7,594
<i>Effects of:</i>		
Expenses not deductible for tax purposes	196	193
Other adjustments	(325)	(728)
Adjustments relating to prior year	(109)	374
Current tax for the year (note 6(a))	8,745	7,433

#### (a) Deferred tax

A deferred tax liability is recognised at 19% (2018 – 17%) in the financial statements as follows:

	2019 £000	2018 £000
Accelerated capital allowances	2,075	1,841
The movements in deferred tax are:		£000
At 1 January 2019		1,841
Amounts charged to profit and loss account		234
At 31 December 2019		2,075

#### (b) Factors that may affect future tax charges

The standard rate of tax fell from 20% to 19% with effect from 1 April 2017. Budget 2016 the government announced an additional reduction to 17% for the financial year beginning 1 April 2020. Finance Bill 2020 amended the corporation tax rate to remain at 19% from 1 April 2020 until March 2022. Deferred tax at 31 December 2019 has been calculated based on the rate of 19%.

## Notes to the financial statements

For the year ended 31 December 2019

### 7. Dividends

Amounts recognised as distributions to equity holders in the year:

	2019 £000	2018 £000
<i>Declared and paid during the year:</i>		
Interim dividend 75.00p (2018 – 66.66p) per ordinary share	45,000	40,000

### 8. Tangible assets

	Short leasehold buildings £000	Plant and equipment £000	Total £000
Cost:			
At 1 January 2019	43,532	114,544	158,076
Additions	428	3,301	3,729
Disposals	-	(52)	(52)
At 31 December 2019	43,960	117,793	161,753
Accumulated depreciation:			
At 1 January 2019	18,237	68,121	86,358
Charge for the year	1,232	3,968	5,200
Disposals	-	(17)	(17)
At 31 December 2019	19,469	72,072	91,541
Net book value:			
At 31 December 2019	24,491	45,721	70,212
At 1 January 2019	25,295	46,423	71,718

## Notes to the financial statements

For the year ended 31 December 2019

### 9. Leases

The company has lease contracts for various offices, warehouse and equipment used in operations.

The amounts recognised in the financial statements in relation to the leases are as follows:

#### i. Amounts recognised in the statement of financial position

	31 Dec 2019 £000	1 Jan 2019 £000
<b>Right-of-use assets</b>		
Land and buildings	23,989	25,969
Equipment	1,665	-
Vehicles	36	115
Others	42	53
	<u>25,732</u>	<u>26,137</u>
<b>Lease Liabilities</b>		
Current	1,665	1,646
Non-current	24,479	24,491
	<u>26,144</u>	<u>26,137</u>

Additions to the right-of-use assets during the 2019 financial year were £1,690,000.

#### ii. Amounts recognised in the income statement

	2019 £000	2018 £000
<b>Depreciation charge of right-of-use assets</b>		
Land and buildings	(1,979)	-
Equipment	(25)	-
Vehicles	(79)	-
Others	(11)	-
	<u>(2,094)</u>	<u>-</u>
<b>Lease Liabilities</b>		
Interest expense (included in finance cost)	(1,023)	-
Future minimum lease payments as at 31 December 2019 are:		
Not later than one year	2,668	-
Later than one year and not later than five years	9,840	-
Later than five years	25,460	-
Total gross payments	<u>37,968</u>	<u>-</u>
Impact of finance expenses	<u>(11,824)</u>	<u>-</u>
Carrying amount of liability	<u>26,144</u>	<u>-</u>

Total cash outflow for leases in 2019 was £2,668,000.



## Notes to the financial statements

For the year ended 31 December 2019

### 10. Goodwill

	2019 £000	2018 £000
<b>Cost:</b>		
At 1 January 2019	15,000	15,000
Additions	-	-
At 31 December 2019	15,000	15,000

### 11. Investments

	2019 £000	2018 £000
<b>Cost and net book value:</b>		
At 1 January 2019	4,070	4,070
Adjustment to previous consideration paid	-	-
At 31 December 2019	4,070	4,070

The subsidiary companies at 31<sup>st</sup> December 2019, all of which are owned either directly or indirectly, are listed below:

Company Name	% ownership of ordinary shares	Registered Office	Activity
EOS Framing Limited	100%	Esh Business Park, Heighington Lane, Aycliffe Business Park, Newton Aycliffe, DL5 6QG	Design, manufacture and supply of bespoke steel framing systems for the offsite markets.
Crucible Gypsum Recycling Limited	100%	Gordano House Marsh Lane, Easton-In-Gordano, Bristol, United Kingdom, BS20 0NE	Collects and recycles plasterboard waste into gypsum powder for use in plasterboard manufacture

### 12. Stocks

	2019 £000	2018 £000
<b>Amounts due within one year</b>		
Raw materials	3,432	4,964
Engineering stores	2,196	1,760
Finished goods and goods for resale	10,185	9,815
	15,813	16,539

The stock figure includes £2,043,000 (2018: £1,599,000) recognised as inventory provision.

## Notes to the financial statements

For the year ended 31 December 2019

### 13. Debtors

	2019	2018
	£000	£000
<i>Amounts due within one year</i>		
Trade debtors	5,705	12,180
Amounts owed by group undertakings	56,425	55,720
Prepayments and accrued income	851	1,138
	<u>62,981</u>	<u>69,038</u>

### 14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	13,765	24,763
Amounts owed to group undertakings	3,708	2,461
Accruals and deferred income	8,940	8,392
Corporation tax	4,061	3,359
Other taxes and social security costs	6,008	5,982
Lease liabilities	1,665	-
Other creditors	36,687	42,235
	<u>74,834</u>	<u>87,192</u>

### 15. Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities	24,479	-

### 16. Called up share capital

	No.	2019 £000	No.	2018 £000
<b>Authorised</b>				
Ordinary shares of £1 each	180,000,000	<u>180,000</u>	180,000,000	<u>180,000</u>
<b>Called up, allotted and fully paid</b>				
Ordinary shares of £1 each	60,000,000	<u>60,000</u>	60,000,000	<u>60,000</u>

## Notes to the financial statements

For the year ended 31 December 2019

### 17. Provisions for liabilities

	<i>Redundancy Provision</i>	<i>Onerous lease</i>	<i>Total Provision</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2019	1,200	215	1,415
Release to profit and loss account	(485)	(89)	(574)
Utilisation of provision	(715)	(76)	(791)
At 31 December 2019	-	50	50

The onerous lease provision relates to the early termination of a lease and related dilapidation costs.

### 18. Obligations under leases

At 31<sup>st</sup> December 2019 the Company has rentals payable under lease arrangements (2018: non-cancellable operating leases) as follows:

	<i>2019 £000</i>	<i>2018 £000</i>
Not later than one year	2,668	2,764
After one year but not more than five years	9,840	5,023
After five years	25,460	9,652
	<u>37,968</u>	<u>17,439</u>

The prior year amounts relate to operating leases under IAS 17 and the current year amounts are all leases under IFRS 16. Operating leases are fixed term and do not have the right to extend or purchase the leased assets. The leases are a mixture of fixed and variable rate leases. The use of the assets enables the support of the parent company's obligations.

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

Not later than one year	2,668
Later than one year and not later than five years	9,840
Later than five years	25,460
Total gross payments	<u>37,968</u>
Impact of finance expenses	<u>(11,824)</u>
Carrying amount of liability	<u>26,144</u>
Of which:	
Current	1,665
Non-current	<u>24,479</u>
	<u>26,144</u>

## Notes to the financial statements

For the year ended 31 December 2019

### 19. Pensions

Employees are offered membership of the Etex UK pension scheme (The "EM Pension Scheme") which is a defined contribution scheme.

The total cost charged to income of £1,108,000 (2018 – £1,764,000) represents contributions payable to this scheme by the company at rates specified in the rules of the plan.

### 20. Ultimate parent undertaking and controlling party

Etex SA, incorporated in Belgium, is regarded by the directors as being the company's ultimate parent undertaking and controlling party.

The largest and smallest group of undertakings for which group financial statements are drawn up and of which this company is a member is that headed by:

	<i>Address</i>
Etex SA	PassPort Building, Luchthaven Brussels Nationaal, Gebouw 1K
Incorporated in Belgium	1930 Zaventem
	Belgium

Copies of the group financial statements may be obtained from the address shown above.

### 21. Post balance sheet event

The company acquired 100% of the share capital of FSi Limited, a manufacturer of passive fire-protection products based in Measham, England for gross consideration of £14,274,000 funded from existing cash and debt facilities. Followed by £1,500,000 deferred consideration, £810,000 payable in 23 September 2021 with any remaining amounts payable 23 September 2022.

Covid-19 pandemic in March 2020 is seen a non-adjusting post balance sheet event. The company temporarily closed production during April in response to a decline in sales. Recovery in sales since May 2020 has been steady, although sales have not returned 2019 outturn.