

REGISTERED NUMBER: 04140239

Artex Limited

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2020

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for the year ended 31 December 2020**

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**Company Information
for the year ended 31 December 2020**

DIRECTORS:

M S Chaldecott
N J Cammack

SECRETARY:

R Keen

REGISTERED OFFICE:

Saint-Gobain House
East Leake
Loughborough
Leicestershire
LE12 6JU

REGISTERED NUMBER:

04140239

AUDITORS:

KPMG LLP
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

**Strategic Report
for the year ended 31 December 2020**

The directors present their strategic report for the year ended 31 December 2020.

REVIEW OF BUSINESS

Whilst 2020 was a challenging year the business still delivered a strong return on sales despite a period of closure due to Covid-19. The construction industry was kept open by the UK Government and therefore we saw a sharp increase in demand after the first period of lockdown in Quarter 2 and whilst volumes did reduce slightly into Quarter 3, the year finished strongly with November in particular a very strong month.

The company's returns for 2020 were enhanced by a change in our service model for our largest customer where we provided more flexible delivery options and higher service levels rather than subcontracting full load deliveries to our sister company, British Gypsum. The business also managed its overhead costs tightly.

The company has plans to sustainably improve turnover and its returns over the next three years through broadening its services into new segments and growing its presence in existing customer accounts.

The company used the UK Government Coronavirus Job Retention Scheme to protect the jobs of its employees when it most needed to, with total grants received of £192,000 as shown in note 7. Claims were made for the months of April and May, during which time the company made an operating loss of £373,000. After those months, no government support has been claimed as the company returned to profitability. The directors and many of the senior management of the company voluntarily took a pay cut in solidarity during the time that most employees were furloughed.

The company also used the government schemes to defer payment of taxes at the start of the crisis, but by the end of 2020 all tax payments that were due had been made.

PRINCIPAL RISKS AND UNCERTAINTIES

The company considers risk management to be a very important area and utilises a formalised risk scoring and management process. This is discussed regularly at meetings of the Executive and formal contingency plans are in place to mitigate the Top 10 risks to the business.

Britain's decision to leave the European Union has led to a more challenging environment in the short and medium term due to uncertainties in the supply chain and impacts on some of our workforce, although this risk has been mitigated by the company's high quality production in the UK. The company intends to continue to monitor the situation and be ready to take advantage of new markets and opportunities as they become available.

The company also considers the current state of the economy, both globally and within the United Kingdom, to present challenges to its business units. The activities started to be affected by Covid-19 in the first quarter of 2020 but no impairments or asset write-offs have been caused by this crisis. The outlook for 2021 is still uncertain, but the directors still expect the company to be profitable for the year. At the date the directors approved the company's 2020 financial statements, the company's management is not aware of any material uncertainties that call into question the entity's ability to continue as a going concern.

The company manages competitive risk by providing value-added services and products to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

**Strategic Report
for the year ended 31 December 2020**

SECTION 172(1) STATEMENT

The company's sole member is Saint-Gobain Construction Products UK Limited, which is 100% owned by Compagnie de Saint-Gobain. The directors consider that their duty to promote the success of the company for the benefit of its members as a whole means that they should fully support Compagnie de Saint-Gobain in its purpose of "Making the world a better home".

In 2020, Saint-Gobain established its purpose, "Making the world a better home". It was the result of a process conducted with its stakeholders: nearly 15,000 in-house contributions, over 600 workshops worldwide and contributions from external stakeholders such as investors, NGOs, partners and opinion leaders.

With this purpose, Saint-Gobain is taking on its ambition to improve everyone's lives by making the planet a fairer, more harmonious and sustainable living space. Through its business model generally and with its solutions specifically, Saint-Gobain has a tangible impact on the life of each individual, their environment and their way of working, caring for themselves and getting around.

The Group's purpose is the link between the infinitely small unit of each person's living space and the infinitely large one of our shared home: the planet.

"MAKING THE WORLD A BETTER HOME"

Our purpose sets the course for our common future. Together with and for our customers, we design, manufacture and distribute materials and solutions that have a positive impact on everyone's life and provide well-being, quality of life and performance, while caring for the planet.

Our purpose reflects who we are. Our 350 years of history, our collective strength and our leadership empower us to pursue our development, by addressing the major challenges facing humanity, namely, climate change, resource protection and the fight against inequality. We are both an international and multi-local company, fully integrated into the territories where we operate to support their vitality and help build a fairer and more sustainable, open and engaging world.

Our purpose is a call to action. Our approach is clearly focused on the future. Together with our customers, partners and all our stakeholders, it guides our action to unleash individual and collective aspirations, and enable everyone to live better in the world. It calls on us to innovate openly, with the ever-renewed ambition of better uniting humanity and nature for the common good.

Our purpose is based on values that guide us. We carry out our business in compliance with the principles of conduct and action and the humanist values that permeate our corporate culture. Listening, dialogue, care, solidarity, trust and respect for difference are central to our commitment.

This is the profound ambition of our purpose: to act every day to make the world a more beautiful and sustainable place to live.

Through its purpose, Saint-Gobain bases its development on strong values embodied in nine Principles of Conduct and Action, which constitute a true code of ethics. Formalized in 2003, translated into 33 languages, and distributed to all employees, these principles constitute an ethical reference applicable in action. They are a condition of belonging to the Group. The directors of the company have fully embraced and implemented these values as part of the foundation of our business.

General Principles of Conduct

- o Professional commitment
- o Respect for others
- o Integrity
- o Loyalty
- o Solidarity

Principles of Action

- o Respect for the law
- o Caring for the environment
- o Worker health and safety
- o Employee rights

Saint-Gobain Attitudes:

- o Cultivate customer intimacy: Focusing on our customers
- o Act as an entrepreneur: Setting ambitious goals, priorities, clear rules
- o Innovate: Acquiring new knowledge, developing things together
- o Be agile: Acting proactively and quickly, living digitalization
- o Build and engaging culture: Being open-minded and acting respectful, also in change

**Strategic Report
for the year ended 31 December 2020**

SECTION 172(1) STATEMENT - continued

A strong compliance culture:

The Directors have acted in support of the continued development of the strong Saint-Gobain Compliance Culture.

This is built on the following principles:

Sustainable Development - Communication with employees about the Principles of Conduct and Action and importance of Sustainable Development has continued.

Competition law compliance - The roll-out of training for colleagues on competition compliance has continued.

Corruption prevention & Compliance with economic sanctions and embargoes - Training on these has continued to be deployed to colleagues during the year with specialized external advice and training.

Internal audit and business control - Directors have continued to ensure entities understand and adhere to business control framework and formal risk management planning.

Whistleblowing system - Directors have ensured that the policy and channels, available to colleagues have been promoted across the business to ensure colleagues are aware of how to raise issues of concern.

The directors also fulfil their duty by particularly looking at the following areas:

- o Employment policies
- o Safety, ethics and environment
- o Sustainable purchasing and payments to suppliers

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of the manufacture and distribution of decorative products, building materials and peripheral tools for domestic and industrial applications.

KEY PERFORMANCE INDICATORS

The company reviews its performance by using a number of financial and non-financial Key Performance Indicators (KPI's), the most important KPI's are detailed below:

	2020	2019
Gross profit percentage	42%	38%
Net profit percentage	17%	17%

The key non-financial KPI's relate to safety as explained in more detail below.

**Strategic Report
for the year ended 31 December 2020**

EMPLOYMENT POLICIES

Our values are at the heart of Artex Limited's culture. These values support the Saint-Gobain group's General Principles of Conduct and Action. In demonstration of our values, our business practices are as a minimum compliant with all statutory requirements and employees are actively trained and reminded of these values during their employment with the company.

Progress through people

We aim to build on our internal talent. To do this we have made structured training and development activities an integral part of the professional development of our people. To help reach this target, we have developed a comprehensive support and development system, including a renewed focus on succession planning and talent management within the business.

The company attaches considerable importance to keeping its employees informed on matters affecting their jobs and the progress of the business. There are various communication channels, including global and national magazines, an intranet site and emails, monthly company briefs and bi-annual road shows along with face-to-face communication between all staff and their manager. All these communication channels, along with training programmes, enhance awareness of financial, economic and operational factors affecting the company's performance and promote good communication and mutual understanding.

The company does not discriminate on the grounds of sex, marital status, ethnic origin, colour, nationality, disability, age, sexual orientation, or any other discriminatory grounds, whether or not prohibited by legislation.

All employees in the UK, with at least three months' continuous service are eligible to join the Compagnie de Saint-Gobain Employee Share Plan. This tax-free plan enables employees to share in the company's growth by investing money from gross salary, and as long as the shares are held for at least five years the savings will be free of income tax and national insurance.

Training & Development

The company utilises a structured employee induction process; this introduction to the company covers our objectives, our values and human resource and policies. In addition, a half day Environmental, Health & Safety Induction is held for all new starters in the first few days of them joining the company.

The company organises training in management issues, to current and future leaders in the business through a number of key providers, including internal Saint-Gobain offerings.

Professional qualifications

We endeavour to empower our employees through sponsorship of professional qualifications and accreditations in various disciplines.

**Strategic Report
for the year ended 31 December 2020**

**SAFETY, ETHICS AND ENVIRONMENT
OUR COMMITMENT TO RESPONSIBLE CORPORATE BEHAVIOUR**

Artex Limited recognises that the highest practicable standards of safety, ethical and environmental practices are vital to its success, and are a key responsibility of all employees. Our policies and procedures in these areas, which incorporate monitoring and reporting arrangements, are designed to identify relevant risks and opportunities and provide a clear framework for our approach to doing business and against which performance can be assessed.

To reinforce our commitment to achieve these standards, Saint-Gobain has produced a group-wide General Principles of Conduct and Action which clearly set out the basic principles which are to be applied everywhere that we do business. These principles are published on the group's internet and intranet sites, have been translated into 28 languages and communicated to every group employee.

Health & Safety Policy Statement

The directors of the company believe that the Health and Safety of anyone who may be affected by our operations is of paramount importance. Health and Safety is a core business value; it must not be compromised to achieve any other business objective. Everyone has a responsibility for their own safety and that of anyone else who could be affected by their actions. Consequently, this policy applies equally throughout the company. The Directors of the company recognise that they have ultimate responsibility for health and safety.

We are committed to continual improvement in safety performance. Our goal is ZERO INJURIES.

In all aspects of the company's activities, the Health and Safety at Work Act and subsequent Regulations and Codes of Practice must be complied with. In addition, there are a number of definitive Company Safety Standards; together these determine the minimum standards expected by the company. Higher levels of performance will be pursued where reasonable. There will be the closest co-operation with representatives of the enforcement agencies.

To ensure that the company's objectives are achieved, safety management systems will be employed and will include a systematic identification of hazards, assessment of the risks and the development of safe systems of work to eliminate or reduce any risks to an acceptable level. An audit and inspections programme will be used to monitor standards of safety management, the adherence to the law, company standards and site procedures.

Each employee, and others working on our sites, has a responsibility to carry out their tasks safely. The company will provide sufficient training, information and guidance to enable employees and others to work in accordance with this policy.

To be effective, this policy requires the involvement and co-operation of everyone.

We ask our staff to always think safety and work safely, and to remember: -

"Nothing is so important that you cannot take the time to do it safely."

Safety results for year

There were zero TF1*, TF2* and TF3* incidents during 2020. In 2019, there were 2 actual TF3 incidents (First aid incidents) reported during the year.

*TF1 - Lost Time Incident (Injured party has time off work)

TF2 - Medical Treatments (e.g. treatment received by medical personnel such as stitches, but returns to work next working day)

TF3 - First Aid Treatment

Safety at work remains our first priority and features as the first item on the agenda of all management meetings.

Company Environmental Policy Statement

The directors of the company believe that the effective management of environmental issues is essential to the on-going success of the business. All functions contribute to the company's environmental performance; consequently, this policy applies equally throughout the company. The directors of the company recognise that they are ultimately responsible for environmental performance and compliance.

Our objectives are to operate in a manner that maximises our contribution to sustainable development, demonstrate continuous improvement in environmental performance, reduce environmental impacts and prevent pollution.

**Strategic Report
for the year ended 31 December 2020**

SAFETY, ETHICS AND ENVIRONMENT – continued

Company Environmental Policy Statement - continued

To ensure that the company's objectives are achieved an Environmental Management System accredited to ISO14001:2004 will be employed. This will also ensure conformance to all applicable legislation, codes of practice, customer requirements and its environmental obligations.

To support our objectives, the business will develop and implement an environmental improvement plan, and regularly review it to ensure that continual improvement in performance is achieved and sustained.

Streamlined Energy and Carbon Reporting

The Company sets out below all of the emissions' sources required under the Companies Act 2006 (Strategic Report and Directors Reports) Regulations 2013.

Global GHG emissions and energy use data for the year ended 31 December 2020:

	2020
Energy consumption relating to gas, electricity and transport fuel (kWh) ²	1,432,770
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1) tonnes CO ₂ e ¹	219
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) tonnes CO ₂ e ¹	117
Total gross Scope 1 & Scope 2 emissions tonnes CO₂e¹	336
Intensity - Emissions from scope 1 and 2 sources per £m of sales	-

1. Scope 1 and 2 emissions are calculated using the UK Government Conversion Factors for 2020.
2. All of the data used to calculate the 2020 carbon emissions is based on actual usage.

Carbon

The Company is committed to becoming carbon neutral by 2050.

In doing so, the Company pursues a range of methods to reduce direct emissions on sites and from road fuel used for distribution (scope 1), and indirect emissions mainly linked to the use of electricity (scope 2). These methods include product design and new composition of materials, making industrial processes more energy efficient and moving our energy mix towards low-carbon and renewable sources.

There are a number of ongoing projects aimed at reducing emissions from the Company's vehicle fleet:

Mechanical handling equipment - the majority of new equipment runs on LPG, replacing the existing diesel equipment.

Cars - replacement of the existing fleet will be with low emission hybrid or all electric cars.

Vans - following a successful trial, diesel vans will eventually be replaced with electric or hybrid vans.

Commercial vehicles - trials are currently underway to introduce lower emission Hydro treated Vegetable Oil (HVO) fuel.

In the future, the Company intends to adapt methods to reduce emissions as new technologies, solutions and challenges emerge.

ON BEHALF OF THE BOARD:



N J Cammack - Director

Date: 29/09/21

**Report of the Directors
for the year ended 31 December 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The profit after tax for the year amounted to £8,784,000 (2019: £10,319,000). The company paid an interim dividend of £8,040,000 (2019: £4,085,000). The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M S Chaldecott
N J Cammack

SUSTAINABLE PURCHASING AND PAYMENTS TO SUPPLIERS

Sustainable purchasing is the application of sustainable development principles to procurement and is a key activity in helping us to ensure that we provide for future generations of individuals and industry.

We ask that all our suppliers and sub-contractors guarantee to purchase under the local applicable legislation, and to refrain from resorting to any forced, mandatory or child labour, either directly or indirectly. In addition to this, our suppliers and sub-contractors are expected to provide their employees with the best possible conditions of health and safety, and to observe all applicable health and safety rules while visiting any of our sites.

It is the company's policy to agree terms of payment prior to commencing trade with any supplier and to abide by those terms based on the timely submission of satisfactory invoices. In the second half of 2020, the company paid 95% of invoices in full within agreed terms (2019: 97%).

COMMUNITY

Artex Limited is committed to supporting local communities and remaining sensitive to their needs. Our Code of Business Conduct reflects the group's aim that its conduct should be a source of positive influence for those whom its business impacts. Artex Limited believes it is able to benefit communities most by concentrating its efforts on projects which are closely related to its business operations, allowing it to encourage the involvement of more of its employees and to strengthen links with local communities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Report of the Directors
for the year ended 31 December 2020**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Going concern

The company is profitable, and in a net assets position. The directors have given careful consideration to the forecasts for the 12 months following the signing of these accounts, which show continued profitability and cash generation from operations.

As a member of the Saint-Gobain UK & Ireland group of companies, together referred to as the 'UKI group', the company meets its day-to-day working capital requirements through operating cash flows and intercompany funding. The entity forms an integral part of the wider operation of the UKI group and as such is reliant on the continuation of the UKI group including for funding already provided. In making the going concern assessment the directors have considered the cash flow forecasts for the company, and also those of the UKI group for a period of 12 months from the date of approval of these financial statements.

The directors have given careful consideration in order to include severe but plausible downside sensitivities to the base forecast cash flows for the company which indicate that the company can manage the disruption caused by the Covid 19 virus. Having performed this sensitivity analysis, the directors remain confident that sufficient funds should be available to enable the company to continue in operational existence for at least 12 months from the date of approval of these financial statements by meeting its liabilities as they fall due for payment.

Those forecasts are dependent on the continuation of the company's involvement in the UKI group cash pooling arrangement. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD:



.....
N J Cammack - Director

Date: 29/09/21

Report of the Independent Auditors to the Members of Artex Limited

Opinion

We have audited the financial statements of Artex Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

**Report of the Independent Auditors to the Members of
Artex Limited**

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalisations and opportunities to fraudulently adjust revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company’s legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies’ legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law, recognising the nature of the Company’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Report of the Independent Auditors to the Members of Artex Limited

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Report of the Independent Auditors to the Members of
Artex Limited**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Emma Mayer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Date: 29 September 2021

**Profit and Loss Account
for the year ended 31 December 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	2	52,098	59,084
Cost of sales		(30,042)	(36,878)
GROSS PROFIT		22,056	22,206
Distribution costs		(7,870)	(8,302)
Administrative expenses		(3,411)	(3,962)
		10,775	9,942
Other operating income	3	1	2,182
OPERATING PROFIT		10,776	12,124
Interest receivable and similar income	5	131	294
Interest payable and similar expenses	6	(16)	(8)
PROFIT BEFORE TAXATION	7	10,891	12,410
Tax on profit	8	(2,107)	(2,091)
PROFIT FOR THE FINANCIAL YEAR		<u>8,784</u>	<u>10,319</u>

The notes form part of these financial statements

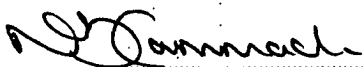
Other Comprehensive Income
for the year ended 31 December 2020

	2020 £'000	2019 £'000
PROFIT FOR THE YEAR	8,784	10,319
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss:		
Actuarial gains/ (losses) on defined benefit pension plans	734	(29)
Income tax relating to item that will not be reclassified to profit or loss	(140)	5
Deferred tax rate change	<u>(11)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR, NET OF INCOME TAX	583	(24)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>9,367</u>	<u>10,295</u>

Balance Sheet
31 December 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Owned			
Intangible assets	10	84	95
Tangible assets	11	2,976	2,923
Right-of-use			
Tangible assets	11, 18	149	469
Pension asset	22	1,539	750
Investments	12	57	57
		<u>4,805</u>	<u>4,294</u>
CURRENT ASSETS			
Stocks	13	1,223	1,187
Debtors	14	59,613	57,783
		60,836	58,970
CREDITORS			
Amounts falling due within one year	15	(18,456)	(17,372)
NET CURRENT ASSETS		<u>42,380</u>	<u>41,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		47,185	45,892
CREDITORS			
Amounts falling due after more than one year	16	(31)	(277)
PROVISIONS FOR LIABILITIES	19	(300)	(99)
NET ASSETS		<u>46,854</u>	<u>45,516</u>
CAPITAL AND RESERVES			
Called up share capital	20	11,914	11,914
Share premium	21	11,914	11,914
Retained earnings	21	23,026	21,688
SHAREHOLDERS' FUNDS		<u>46,854</u>	<u>45,516</u>

These financial statements were approved by the Board of Directors and authorised for issue on 29/09/21 and were signed on its behalf by:



N J Cammack - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2019	11,914	15,463	11,914	39,291
Changes in equity				
Total comprehensive income:				
Profit for the year	-	10,319	-	10,319
Other comprehensive income	-	(24)	-	(24)
Total comprehensive income for the year	-	10,295	-	10,295
<i>Transactions with the owners, recorded directly in equity:</i>				
Dividends	-	(4,085)	-	(4,085)
Share-based payments – capital contribution	-	13	-	13
Share-based payments – deferred tax	-	2	-	2
Balance at 31 December 2019	<u>11,914</u>	<u>21,688</u>	<u>11,914</u>	<u>45,516</u>
Changes in equity				
Total comprehensive income:				
Profit for the year	-	8,784	-	8,784
Other comprehensive income	-	583	-	583
Total comprehensive income for the year	-	9,367	-	9,367
<i>Transactions with the owners, recorded directly in equity:</i>				
Dividends	-	(8,040)	-	(8,040)
Share-based payments – capital contribution	-	12	-	12
Share-based payments – deferred tax	-	(1)	-	(1)
Balance at 31 December 2020	<u>11,914</u>	<u>23,026</u>	<u>11,914</u>	<u>46,854</u>

The notes form part of these financial statements

Notes to the Financial Statements
for the year ended 31 December 2020

1. ACCOUNTING POLICIES

Basis of preparation

Artex Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04140239 and the registered address is Saint-Gobain House, East Leake, Loughborough, Leicestershire LE12 6JU.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as the results of its operations are consolidated with those of its ultimate parent undertaking, Compagnie de Saint-Gobain. These financial statements present information about the company as an individual undertaking and not about its group.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Company Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- o A Cash Flow Statement and related notes;
- o Disclosures in respect of transactions with wholly owned subsidiaries;
- o Disclosures in respect of capital management;
- o The effects of new but not yet effective IFRSs;
- o Disclosures in respect of the compensation of Key Management Personnel;
- o Comparative period reconciliations for tangible and intangible assets.

As the consolidated financial statements of Compagnie de Saint-Gobain (the company's ultimate parent company) include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- o IFRS 2 Share Based Payments in respect of group settled share based payments;
- o Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
- o Disclosures required by IFRS 5 Non-current Assets Held for Sales and Discontinued Operations in respect of the cash flows of discontinued operations;
- o Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill;
- o Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Adoption of the following standards has not caused any significant impact on the financial statements:

- o Amendments to References to the Conceptual Framework in IFRS Standards;
- o Amendment to IFRS 3 Business Combinations;
- o Amendment to IAS 1 and IAS 8;
- o Amendments to IFRS 7, IFRS 9 and IAS 39.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale and in the case of plant, machinery and equipment at deemed cost. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going Concern

The company is profitable, and in a net assets position. The directors have given careful consideration to the forecasts for the 12 months following the signing of these accounts, which show continued profitability and cash generation from operations.

As a member of the Saint-Gobain UK & Ireland group of companies, together referred to as the 'UKI group', the company meets its day-to-day working capital requirements through operating cash flows and intercompany funding. The entity forms an integral part of the wider operation of the UKI group and as such is reliant on the continuation of the UKI group including for funding already provided. In making the going concern assessment the directors have considered the cash flow forecasts for the company, and also those of the UKI group for a period of 12 months from the date of approval of these financial statements.

The directors have given careful consideration in order to include severe but plausible downside sensitivities to the base forecast cash flows for the company which indicate that the company can manage the disruption caused by the Covid 19 virus. Having performed this sensitivity analysis, the directors remain confident that sufficient funds should be available to enable the company to continue in operational existence for at least 12 months from the date of approval of these financial statements by meeting its liabilities as they fall due for payment.

Those forecasts are dependent on the continuation of the company's involvement in the UKI group cash pooling arrangement. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

Intangible assets and goodwill

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis for software over the estimated useful lives of each part of an item. The estimated useful economic lives are up to five years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- o Major factories & offices over 8 to 33 years
- o Plant & equipment over 3 to 20 years
- o Leased assets - over the life of the lease

1. ACCOUNTING POLICIES - continued

Classification of financial instruments issued by the company

(i) Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Foreign exchange and commodity derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

(iv) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL [Trade receivables and contract assets with significant financing component are measured using the general model described above]

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES – continued

(iv) Impairment - continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Leases

IFRS 16, "Leases" eliminates the distinction between operating leases and finance leases that existed under IAS 17, introduces a single lessee accounting model and requires lessees to account for virtually all leases on their balance sheet by recognising:

- o an asset representing the right to use the leased asset over the lease term ("right-of-use asset");
- o a liability representing the obligation to make lease payments ("lease liability");
- o an equity impact net of deferred taxes.

In the income statement, rental expense is replaced by:

- o depreciation of the right-of-use asset; and
- o interest on the lease liability.

The company has chosen to apply IFRS 16 using the full retrospective method at January 1, 2019 (i.e., with effect from January 1, 2018) and has restated all of its leases that were identified ahead of first-time application of the standard.

The following recognition exemptions proposed by IFRS 16 have been used by the company:

- o leases with a lease term of 12 months or less;
- o leases where the underlying asset has a value of less than US\$ 5,000 when new.

At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The useful life of non-movable leasehold improvements cannot exceed the useful life of the right-of-use assets to which they relate.

The lease term corresponds to the non-cancellable period of the lease, plus any renewal (or termination) options that the company is reasonably certain to exercise (or not to exercise). The company determined whether or not lease renewal (or termination) options were reasonably certain to be exercised based on various criteria including location, criticality, ease of replacement and existence of leasehold improvements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Impairment

The carrying amounts of the company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Defined benefit plans

The company's employees are members of a group wide defined benefit pension plan, the Saint-Gobain Pension Plan. This plan is managed in several different schemes and the company participates in one of those schemes.

The company has adopted the stated group policy for charging the net defined benefit cost of the plan to participating entities on the basis of current pensionable pay.

The company's net obligations in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan asset (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the company's obligations. The calculation is performed by a qualified actuary using the projected unit method.

All actuarial gains and losses that arise in calculating the company's obligation in respect of a plan are recognised in full in the period in which they arise.

Share-based payments

Saint-Gobain operates stock option and performance share plans which are decided by the Board of Directors of Compagnie de Saint-Gobain, the ultimate holding company. Full details of these share based payments can be found in the annual report of Compagnie de Saint-Gobain.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options.

The Saint-Gobain Group also offers opportunities for employees to purchase shares through a monthly tax-free plan and an annual discounted purchase plan. The impact of these schemes is not material to the company in 2020.

Provisions

A provision is recognised in the balance sheet when the company has a present 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenue generated by the sale of goods or services is recognised when the risks and rewards of ownership have been transferred to the customer or when the services have been rendered, net of rebates, discounts and sales taxes.

Expenses

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and leases, interest on defined benefit pension obligations, expected return on defined benefit pension assets, interest receivable on funds invested, dividend income, foreign exchange gains and losses that are recognised in the profit and loss account.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Government grants

UK Government Coronavirus Job Retention Scheme grants are offset against the costs in the periods when the costs are incurred, as long as the income is likely to be received. The income is offset in the same lines in the profit and loss account as the associated costs, but without offset in the Employees and Directors and Profit before tax notes.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

2. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

	2020 £'000	2019 £'000
UK and Ireland	52,079	59,061
Europe	19	23
	<u>52,098</u>	<u>59,084</u>

3. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Rental income	-	92
Profit on sale of tangible fixed assets	1	2,090
	<u>1</u>	<u>2,182</u>

4. EMPLOYEES AND DIRECTORS

	2020 £'000	2019 £'000
Wages and salaries	2,418	2,490
Social security costs	245	252
Other pension costs	471	468
	<u>3,134</u>	<u>3,210</u>

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

	2020	2019
Manufacturing	44	42
Non-manufacturing	25	28
	<u>69</u>	<u>70</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2020 number	2019 number
Defined benefit schemes	-	-

All of the directors are regarded as group employees and are remunerated by an associated company, Saint-Gobain Limited. The directors do not consider that it is practicable to apportion the amount of their remuneration between their services as directors of Artex Limited and their services as directors of other group companies.

The highest paid director received emoluments of £nil during the year (2019: £nil).

Notes to the Financial Statements - continued
for the year ended 31 December 2020

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Interest receivable from other group companies	109	279
Income on employee benefit asset (note 22)	22	15
	<u>131</u>	<u>294</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Foreign exchange loss	12	-
Leasing	4	8
	<u>16</u>	<u>8</u>

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2020 £'000	2019 £'000
Cost of inventories recognised as expense	29,849	36,878
Depreciation - owned assets	399	491
Depreciation - assets on hire purchase contracts or finance leases	203	269
Profit on disposal of fixed assets	(1)	(2,090)
Computer software amortisation	40	29
Auditors' remuneration	11	11
Government support for Covid-19	<u>(192)</u>	<u>-</u>

During the year the company received £192,000 (2019: £nil) in support from the UK government in respect of Coronavirus. This was mainly due to the Job Retention Scheme whilst employees were unable to work.

8. TAXATION

Analysis of tax expense

	2020 £'000	2019 £'000
Current tax:		
Current tax - current year	2,123	1,925
Current tax - prior years	<u>(50)</u>	<u>(29)</u>
Total current tax	<u>2,073</u>	<u>1,896</u>
Deferred tax:		
Deferred tax - current year	6	186
Deferred tax - prior years	35	9
Deferred tax - prior year rate change	<u>(7)</u>	<u>-</u>
Total deferred tax	<u>34</u>	<u>195</u>
Total tax expense in profit and loss account	<u>2,107</u>	<u>2,091</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

8. TAXATION - continued

Factors affecting the tax expense

The tax assessed for the year is higher (2019 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before income tax	<u>10,891</u>	<u>12,410</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,069	2,358
Effects of:		
Non-deductible expenses	60	39
Adjustments to tax charge in respect of previous period	(15)	(20)
Profit on disposal of fixed assets covered by group capital losses		(286)
Deferred tax rate change on opening balances	<u>(7)</u>	<u>—</u>
Tax expense	<u>2,107</u>	<u>2,091</u>

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2020 Net £'000
Actuarial gains on defined benefit pension plans	734	(140)	594
Deferred tax rate change	<u>—</u>	<u>(11)</u>	<u>(11)</u>
	<u>734</u>	<u>(151)</u>	<u>583</u>

	Gross £'000	Tax £'000	2019 Net £'000
Actuarial losses on defined benefit pension plans	(29)	5	(24)
	<u>(29)</u>	<u>5</u>	<u>(24)</u>

Factors affecting future tax charges

The deferred tax asset at 31 December 2020 was been calculated at an average rate of 19% (2019: 17.5%) based on the substantially enacted rates of corporation tax at the dates the timing differences will reverse. After the balance sheet date, the UK government announced that corporation tax rates would increase to 25%. If that change had been enacted at the balance sheet date, net assets would be £73,000 lower.

9. DIVIDENDS

	2020 £'000	2019 £'000
67.48p per qualifying share paid on 26 May 2020 (34.29p per qualifying share paid on 23 May 2019)	<u>8,040</u>	<u>4,085</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

10. INTANGIBLE FIXED ASSETS

	Patents and trademarks £'000	Computer software £'000	Totals £'000
COST			
At 1 January 2020	66	359	425
Additions	-	8	8
Reclassification/transfer	-	21	21
At 31 December 2020	66	388	454
AMORTISATION			
At 1 January 2020	66	264	330
Amortisation for year	-	40	40
At 31 December 2020	66	304	370
NET BOOK VALUE			
At 31 December 2020	-	84	84
At 31 December 2019	-	95	95

11. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Totals £'000
COST			
At 1 January 2020	1,207	5,170	6,377
Additions	-	480	480
Disposals	-	(1,056)	(1,056)
Reclassification/transfer	40	(61)	(21)
At 31 December 2020	1,247	4,533	5,780
DEPRECIATION			
At 1 January 2020	228	2,757	2,985
Charge for year	57	545	602
Eliminated on disposal	-	(932)	(932)
At 31 December 2020	285	2,370	2,655
NET BOOK VALUE			
At 31 December 2020	962	2,163	3,125
At 31 December 2019	979	2,413	3,392

Notes to the Financial Statements - continued
for the year ended 31 December 2020

11. TANGIBLE FIXED ASSETS - continued

	Land and buildings £'000	Plant and equipment £'000	Total £'000
SPLIT OF NET BOOK VALUE			
Owned	962	2,014	2,976
Leased (note 18)	-	149	149
	<u>962</u>	<u>2,163</u>	<u>3,125</u>

Property, plant & equipment under construction

At the year end there is £449,000 of assets under construction (2019: £348,000).

12. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2020 and 31 December 2020	<u>57</u>
NET BOOK VALUE	
At 31 December 2020	<u>57</u>
At 31 December 2019	<u>57</u>

The company has the following investments in subsidiaries:

	Registered office	Class of shares held	Ownership 2020	2019
Artex-Blue Hawk Limited*	1*	Ordinary	100%	100%

*Dormant

1* - Saint-Gobain House, East Leake, Loughborough, Leicestershire, LE12 6JU.

13. STOCKS

	2020 £'000	2019 £'000
Raw materials	97	128
Work-in-progress	8	11
Finished goods	175	164
Merchandise	<u>943</u>	<u>884</u>
	<u>1,223</u>	<u>1,187</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

14. DEBTORS

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade accounts receivable	11,237	9,795
Trade receivables group undertakings	407	429
Non-trade receivables group undertakings	47,847	47,446
Other debtors	18	5
Corporation tax	48	-
	<u>59,557</u>	<u>57,675</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>56</u>	<u>108</u>
Aggregate amounts	<u>59,613</u>	<u>57,783</u>

Trade receivables are shown net of a provision of £142,000 (2019: £192,000).

Movement in bad debt provision

	2020 £'000	2019 £'000
As at 1 January	(192)	(245)
Used in the year	<u>50</u>	<u>53</u>
As at 31 December	<u>(142)</u>	<u>(192)</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 17)	122	243
Trade creditors	10,941	10,044
Trade payables due to group undertakings	3,823	3,643
Capital creditors	507	-
Corporation tax	-	965
Social security and other taxes	<u>3,063</u>	<u>2,477</u>
	<u>18,456</u>	<u>17,372</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 17)	27	225
Amounts owed to group undertakings	<u>4</u>	<u>52</u>
	<u>31</u>	<u>277</u>

17. FINANCIAL LIABILITIES - BORROWINGS

	2020 £'000	2019 £'000
Current:		
Leases (see note 18)	<u>122</u>	<u>243</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

17. FINANCIAL LIABILITIES - BORROWINGS - continued

	2020 £'000	2019 £'000
Non-current:		
Leases (see note 18)	<u>27</u>	<u>225</u>

Terms and debt repayment schedule

	1 year or less £'000	2-5 years £'000	Totals £'000
Leases	<u>122</u>	<u>27</u>	<u>149</u>

18. LEASING

Right-of-use assets

Tangible fixed assets

	2020 £'000	2019 £'000
COST		
At 1 January	941	910
Additions	7	244
Disposals	<u>(504)</u>	<u>(213)</u>
	<u>444</u>	<u>941</u>

DEPRECIATION

At 1 January	472	411
Charge for year	203	269
Eliminated on disposal	<u>(380)</u>	<u>(208)</u>
	<u>295</u>	<u>472</u>

NET BOOK VALUE

<u>149</u>	<u>469</u>
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Notes to the Financial Statements - continued
for the year ended 31 December 2020

18. LEASING - continued

Lease liabilities

Minimum lease payments fall due as follows:

	2020 £'000	2019 £'000
Gross obligations repayable:		
Within one year	123	248
Between one and five years	<u>28</u>	<u>228</u>
	<u>151</u>	<u>476</u>
Finance charges repayable:		
Within one year	1	5
Between one and five years	<u>1</u>	<u>3</u>
	<u>2</u>	<u>8</u>
Net obligations repayable:		
Within one year	122	243
Between one and five years	<u>27</u>	<u>225</u>
	<u>149</u>	<u>468</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

19. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Provisions	68	53
Deferred tax liability	232	46
	<u>300</u>	<u>99</u>

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Property, plant and equipment	40	58	-	-	40	58
Provisions	15	16	-	-	15	16
Employee benefits	-	-	(287)	(120)	(287)	(120)
	<u>55</u>	<u>74</u>	<u>(287)</u>	<u>(120)</u>	<u>(232)</u>	<u>(46)</u>

Movement in deferred tax during the year:

	1 January 2020 £'000	Recognised in equity £'000	Recognised in profit and loss account £'000	31 December 2020 £'000
Property, plant and equipment	58	-	(18)	40
Provisions	16	-	(1)	15
Employee benefits	(120)	(152)	(15)	(287)
	<u>(46)</u>	<u>(152)</u>	<u>(34)</u>	<u>(232)</u>

Movement in deferred tax during the prior year:

	1 January 2019 £'000	Recognised in equity £'000	Recognised in profit and loss account £'000	31 December 2019 £'000
Property, plant and equipment	43	-	15	58
Provisions	45	-	(29)	16
Employee benefits	54	7	(181)	(120)
	<u>142</u>	<u>7</u>	<u>(195)</u>	<u>(46)</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

Provisions

Movements in provisions during the year:

	Reclamation £'000	Redundancy and pension augmentation £'000	Total £'000
At 1 January 2020	53	-	53
Provisions made during the year	-	21	21
Provisions utilised in the year	(6)	-	(6)
At 31 December 2020	47	21	68
Non-current	47	21	68
Current	-	-	-
	47	21	68

Movements in provisions during the prior year:

	Reclamation £'000	Redundancy and pension augmentation £'000	Total £'000
At 1 January 2019	96	497	593
Provisions utilised in the year	(43)	(497)	(540)
At 31 December 2019	53	-	53
Non-current	53	-	53
Current	-	-	-
	53	-	53

The reclamation provision relates to the costs of making good the land used by the company in its quarrying activity, and is being used now that the quarry is closed.

The redundancy and pension augmentation provision related to the company's plans for more efficient working. This provision will be used once the plans have been fully agreed with all affected staff members.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
11,914,001	Ordinary	£1	<u>11,914</u>	<u>11,914</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

21. RESERVES

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2020	21,688	11,914	33,602
Profit for the year	8,784	-	8,784
Dividends	(8,040)	-	(8,040)
Actuarial adjustment	583	-	583
Share-based payments - gross values	12	-	12
Share-based payments - tax values	(1)	-	(1)
At 31 December 2020	<u>23,026</u>	<u>11,914</u>	<u>34,940</u>

Dividend policy and distributable reserves

The company generally follows the Saint-Gobain group policy of upstreaming 100% of the dividends received last year, plus 75% of other profits after tax for the previous financial year. Its distributable reserves comprise the profit and loss account as shown in the financial statements.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

22. EMPLOYEE BENEFIT OBLIGATIONS

Pension plan

The company operates a defined benefit pension plan in the UK. The plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service (although some benefits accrue on a Career Average Revalued Earnings (CARE) basis).

The plan is a registered scheme under UK legislation and is subject to the scheme funding requirements outlined in UK legislation.

The company has an unconditional right to a refund of any surplus in the plan if the plan winds up. Therefore there is no additional liability recognised on the balance sheet as a result of the current recovery plan.

The plan was established under trust and is governed by the plan's trust deed and rules. The trustees are responsible for the operation and the governance of the plan, including making decisions regarding the plan's funding and investment strategy in conjunction with the company.

The plan exposes the company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk, and longevity risk. The plan does not expose the company to any unusual plan-specific or company-specific risks.

There have been no curtailments, settlements or amendments to the plan over the year.

Following the High Court judgement in the Lloyd's case, overall pension benefits now need to be equalised as at 26 October 2018 to eliminate inequalities between males and females in respect of Guaranteed Minimum Pensions ('GMPs'). Approximate allowance was made in 2019 for equalising the benefits in respect of current members and continues to be included in the 2020 liabilities. A recent supplementary hearing in the Lloyd's case on 20 November 2020 ruled that historic transfer values paid from the plan will also need to be revised to allow for the impact of GMP equalisation. Liabilities have been increased using the Company's best estimate of the uplifts to equalise the GMPs in historic transfer values. This forms part of the OCI as at 31 December 2020.

In November 2020, it was confirmed that the Retail Price Index (RPI) measure of inflation will be aligned with the Consumer Price Index (including owner-occupiers' housing costs, CPIH) from 2030. This change has been allowed for within the assumptions used for these disclosures by adjusting the gap between the RPI and CPI assumptions from that used in previous years. This allowance will continue to be kept under review in future years as the impact of this change on financial market conditions evolves.

A full actuarial valuation was carried out at 5 April 2020, the preliminary results of which have been updated to 31 December 2020 by a qualified independent actuary.

Saint-Gobain Construction Products main scheme

The information disclosed below is in respect of the whole of the Construction Products plan for which the company has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2020 £'000	2018 £'000
Present value of funded defined benefit obligations	1,438,526	1,299,320
Fair value of plan assets	(1,507,790)	(1,329,662)
Net asset	(69,264)	(30,342)

Notes to the Financial Statements - continued
for the year ended 31 December 2020

22. EMPLOYEE BENEFIT OBLIGATIONS – continued

Movements in present value of defined benefit obligation

	2020 £'000	2019 £'000
At 1 January	1,299,320	1,167,716
Current service cost (net of member contributions)	11,523	11,187
Interest cost	25,555	32,054
Past service cost	315	-
Net remeasurement loss - financial	212,786	130,912
Net remeasurement (gain)/loss - demographic	(11,391)	769
Net remeasurement gain - experience	(49,536)	-
Net remeasurement loss - GMP equalisation	331	-
Benefits paid	(50,377)	(43,318)
At 31 December	<u>1,438,526</u>	<u>1,299,320</u>

Movements in fair value on plan assets

	2020 £'000	2019 £'000
At 1 January	1,329,662	1,171,752
Interest income on plan assets	26,455	32,502
Return on assets excluding interest income	188,804	140,284
Contributions by employer	14,838	29,856
Benefits paid	(50,377)	(43,318)
Plan administrative cost	(1,592)	(1,414)
At 31 December	<u>1,507,790</u>	<u>1,329,662</u>

Expense recognised in the profit and loss account

	2020 £'000	2019 £'000
Current service cost (net of member contributions)	11,523	11,187
Past service cost	315	-
Net interest on defined benefit pension plan obligation	(900)	(448)
Plan administrative cost	1,592	1,414
Total	<u>12,530</u>	<u>12,153</u>

The expense is recognised in the following line items in the profit and loss account:

	2020 £'000	2019 £'000
Cost of sales	11,838	11,187
Administrative expenses	1,592	1,414
Net interest on pension scheme liabilities	(900)	(448)
	<u>12,530</u>	<u>12,153</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

22. EMPLOYEE BENEFIT OBLIGATIONS – continued

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £'000	2019 Fair value £'000
Equities	375,561	344,786
Government debt	358,236	321,404
Corporate bonds	325,153	281,764
Property	14	37
Other	448,826	381,671
	<u>1,507,790</u>	<u>1,329,662</u>
Actual return on plan assets	<u>215,259</u>	<u>172,786</u>

Principal actuarial assumptions (expressed as weighted averages):

	2020 %	2019 %
Discount rate	1.20	2.00
Future salary increases	2.00	2.00
RPI inflation	2.75	2.80
CPI inflation	2.15	1.90
Future pension increases		
- RPI inflation, max 5% p.a.	2.70	2.75
- CPI inflation, max 2.5% p.a.	1.75	1.60
	Years	Years
Life expectancy at age 65 for current pensioners (years):		
Males	21.7	21.7
Females	24.0	23.9
Life expectancy at age 65 for current members aged 45 (years):		
Males	23.0	23.0
Females	25.4	25.4

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 19 years.

A sensitivity analysis of the principal assumptions used to measure the plan's defined benefit obligation is:

	Impact on defined benefit obligation at 31 December	
	2020 £'000	2019 £'000
Discount rate:		
+ 0.5% p.a.	(126,916)	(110,051)
- 0.5% p.a.	142,721	122,550
Inflation rate:		
+ 0.5% p.a.	80,186	84,889
- 0.5% p.a.	(77,981)	(80,259)
Assumed life expectancy at age 65:		
+ 1 year	77,031	65,913
- 1 year	(76,009)	(65,350)

The plan's investment strategy is to invest broadly 70% in return seeking assets and 30% in matching assets (mainly government bonds). This strategy reflects the plan's liability profile and the trustees' and company's attitude to risk.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

22. EMPLOYEE BENEFIT OBLIGATIONS – continued

The last scheme funding valuation of the plan was as at 5 April 2017 and revealed a funding deficit of £145,200,000. In the recovery plan dated 28 February 2018 the Company has agreed to pay £1,384,000 per month which, until 31 January 2020 which, after allowance for assumed asset outperformance, is expected to eliminate the shortfall by 5 April 2024.

In accordance with the schedule of contributions dated 28 February 2018 the group is expected to pay contributions of £13,800,000 to the Saint-Gobain Construction Products scheme over the next accounting period.

Defined contribution plans

The company operated a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £147,000 (2019: £116,000).

Expense recognised in the profit and loss account

The amounts recognised by the company for the Construction Products scheme were:

	2020 £'000	2019 £'000
Current service cost (net of member contributions)	324	352
Net interest on defined benefit pension plan liabilities	(22)	(15)
Total	302	337

Cumulative actuarial losses net of income tax reported in the statement of comprehensive income since 2005, the transition to adopted IFRSs, are £10,965,000 (2019: £11,548,000). The company expects to contribute approximately £711,000 to its defined benefit plans in the next financial year.

Share-based payments

Compagnie de Saint-Gobain stock option plans

Compagnie de Saint-Gobain has stock option and performance share plans available to certain employees of Artex Limited. Under the stock option plans, the Board of Directors of Compagnie de Saint-Gobain may grant options which entitle the holder to obtain Saint-Gobain shares either at nil cost or at a price based on the average share price for the 20 trading days preceding the grant date. Options are equity settled and vest over a period of three or four years with full vesting occurring at the end of the vesting period. Options must be exercised within ten years from the date of the grant.

The performance share plans are subject to service and performance conditions. The fair value is based on the Saint-Gobain share price on the grant date less the value of dividends not payable during the vesting period and a discount on restricted stock, calculated in a similar manner as for the Group Savings Plan.

All rights to options and performance shares are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise by the Chairman of Compagnie de Saint-Gobain together with the Appointments Committee of the Board of Directors.

The stock options outstanding at 31 December 2020 were:

	€4 par value shares	Average exercise price (in Euros)
Options outstanding at 31 December 2019	2,980	0.00
Options outstanding at 31 December 2020	990	0.00

The expense relating to stock options recorded in the profit and loss account amounted to £12,000 in 2020 (2019: £13,000).

The average share price of Compagnie de Saint-Gobain in 2020 was €32.64 (2019: €34.06).

The options outstanding at the year end all have a zero exercise price and a weighted average contractual life of 3 years.

Notes to the Financial Statements - continued
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23. **ULTIMATE CONTROLLING PARTY**

The ultimate parent company and controlling party is Compagnie de Saint-Gobain, which is incorporated in France and listed on the Paris, London, Frankfurt and other major European stock exchanges.

The largest group in which the results of the company are consolidated is that headed by Compagnie de Saint-Gobain, incorporated in France. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. No other group financial statements include the results of the company.

Copies of the Compagnie de Saint-Gobain group financial statements may be obtained from the Corporate Secretary at the company's registered address, 12 Place de l'Iris, 92400 Courbevoie, France.

24. **CAPITAL MANAGEMENT**

The capital management of the company (and immediate group) is undertaken predominantly by the group's treasury function. The treasury function manages the relationship with external debt providers on behalf of the wider group. There have been no changes to the treasury policies during the year.

The company's funding comes through working capital management and inter-company borrowing.

25. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

Employee benefits

The company participates in a defined benefit pension scheme in the UK. The company's share of the obligation in respect of the defined benefit plan is calculated by independent, qualified actuaries and updated at least annually. The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price and medical costs inflation, benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels and the level of contribution from the company. These assumptions have been set out in note 22.

Environmental claims

The company has a number of environmental claims in respect of sites in need of remediation. Where environmental issues arise, management consider the legal and constructive obligation to remediate these sites and the probability that remediation will be necessary. Provisions made are based on quotations obtained based on recommended action from environmental authorities.

Warranty claims

The company will receive warranty claims during the normal course of business. Management will consider whether they are contractually liable to pay these claims. If the likelihood of an economic outflow is probable, management will provide for the claim along with any associated legal costs giving consideration to the value of the claim and the outcome of legal proceedings to date.

Customer Rebates

The company supports customers (in respect to some products but not all within its ranges) by paying retrospective rebates based on the achievement of agreed trading goals. Management will judge whether each customer will achieve those goals and accrue the appropriate rebate at the time the revenue is recognised.