

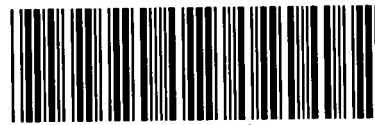
Registration number: 4611582

James Hardie Building Products Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2020

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James Hardie Building Products Limited

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James Hardie Building Products Limited

Company Information

Directors	Lorcan Murtagh (resigned on 30 April 2020) Niels Jorgen Pallesen (appointed 28 April 2020) Lee Bucknall (appointed 1 December 2020)
Company secretary	Dentons UKMEA LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE
Registered office	One Fleet Place London EC4M 7WS
Bankers	Bank of America 2 King Edward Street London EC1A 1HQ
Auditors	Ernst & Young Harcourt Centre Harcourt Street Dublin 2 Ireland

James Hardie Building Products Limited

Strategic Report for the Year Ended 31 March 2020

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

Business review

Fair review of the business

The Company's profit after tax for the financial year was £629,489 (2019: £534,242) which has been transferred to reserves. No dividends were declared or paid in 2020 (2019: £nil). Turnover rose by 12% in the year. Cost of sales increased by 16%, while Administrative expenses decreased by 1%, resulting in a 10% increase in the profit on ordinary activities before taxation. The Company's net profit has increased year over year primarily due to strong trading during fiscal 2020.

The Company continues to align its business with the James Hardie Europe Fiber Gypsum business in the UK and to leverage the Fiber Gypsum sales, marketing and distribution infrastructure in the United Kingdom to increase turnover and introduce new products. During the year the following occurred:

- The Company no longer provided significant warehousing services to its parent company, James Hardie Europe B.V.
- In April 2019 the Company purchased the inventories previously owned by its parent and holds its inventory in its own rented warehouse
- The Company migrated its primary IT system to the one used by the Fiber Gypsum business. This will facilitate both businesses to grow the fiber cement and fiber gypsum market with a common structure
- The Company and its parent company decided to delay a migration from the limited risk distribution model used by the Company and its parent company to a distribution model. The Company and its parent company continue to evaluate the optimum business model, but the limited risk distribution structure remained in place for fiscal year 2020 and 2021
- Brexit has not had a significant impact on the Company's business but did influence decisions around holding inventory and warehousing in order to minimize any adverse effects.
- The Coronavirus (Covid-19) pandemic created significant disruption just prior to the fiscal 2020 year-end and for several months afterwards, but the business is back to a growth path with plans to introduce some innovative new products to help drive growth

Principal risks and uncertainties

The main risks identified by the Company relate to developing the market for fiber cement products, foreign exchange volatility, pricing, trade competition and staffing. The Board is responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established procedures to identify and manage these risks.

Important events since year end

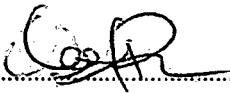
On 11 March 2020 the World Health Organization declared the Covid-19 outbreak a pandemic. This public health crisis had and continues to have a dramatic effect on the United Kingdom and the world. The Company's business was significantly impacted in the first half of fiscal year 2021 by the lockdown measures taken to control the spread of the virus. The Company, with the assistance of the James Hardie group, took steps to minimize and manage the impact of the pandemic and by the second half of fiscal year 2021 business recovered and returned to its growth path.

James Hardie Building Products Limited

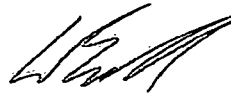
On 31 December 2020 the United Kingdom left the European Union single market and customs union. The Company's international trade is predominately with the USA for the importation of product and consequently the impact of the United Kingdom leaving the European single market and customs union has been limited.

There were no further important events since the financial year end.

Approved by the Board on 24 May 2021 and signed on its behalf by:



Niels Jorgen Pallesen, Director



Lee Bucknall, Director

James Hardie Building Products Limited

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Directors of the Company

The directors who held office during the year were as follows:

Lorcan Murtagh (resigned on 30 April 2020)

Niels Jorgen Pallesen (appointed 28 April 2020)

Lee Bucknall (appointed 1 December 2020)

Principal activity

The principal activity of the Company is selling fiber cement building materials.

Future Developments

It is the intention of the directors to continue to develop the current trading activities of the Company in fiber cement while leveraging the sales, marketing and distribution infrastructure the Fermacell group has built up within the United Kingdom. Management are also working with other group companies to identify and develop new fiber cement products for the market.

Going concern

The Company ended the year with current assets in excess of current liabilities. The Covid-19 pandemic has introduced volatility to the operations but the Company enacted a number of strategic measures in the fiscal year 2021 with a strong focus on maintaining sufficient liquidity to continue its operations. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Employees

The group of subsidiary companies headed by the ultimate parent company James Hardie Industries plc has a policy which clearly states that every employee, regardless of position, be treated with respect and in a fair and just manner at all times.

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and company.

Disclosure of information to the auditor

The directors have taken steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

James Hardie Building Products Limited

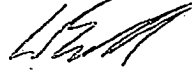
Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst and Young as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 24 May 2021 and signed on its behalf by:



Niels Jorgen Pallesen, Director



Lee Bucknall, Director

James Hardie Building Products Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report 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 the directors have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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:

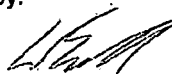
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial standards have been prepared in accordance with applicable accounting standards, including FRS 101, identify those standards, and note the effect and reasons for any material departure from those standards.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 24 May 2021 and signed on its behalf by:



Niels Jorgen Pallesen, Director



Lee Bucknall, Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAMES HARDIE BUILDING PRODUCTS LIMITED

Opinion

We have audited the financial statements of James Hardie Buildings Products Limited for the year ended 31 March 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Continued / ...

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAMES HARDIE BUILDING PRODUCTS LIMITED (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategy Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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.

Continued /...

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAMES HARDIE BUILDING PRODUCTS LIMITED (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

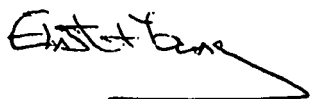
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Dermot Quinn (Senior statutory auditor)
for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor

Dublin

Date: 25 May 2021

James Hardie Building Products Limited

Statement of Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	2	23,708,945	21,256,285
Cost of sales		<u>(17,169,890)</u>	<u>(14,759,290)</u>
Gross profit		6,539,055	6,496,995
Administrative expenses		(5,785,988)	(5,860,825)
Operating profit	3	<u>753,067</u>	<u>636,170</u>
Interest payable and similar charges	5	(61,078)	-
Other income		<u>10,393</u>	<u>-</u>
Profit on ordinary activities before taxation		702,382	636,170
Taxation on profit on ordinary activities	6	<u>(72,893)</u>	<u>(101,928)</u>
Profit for the financial year		<u>629,489</u>	<u>534,242</u>
Total comprehensive income for the year		<u>629,489</u>	<u>534,242</u>

Turnover and operating profit derive wholly from continuing operations.

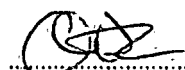
The notes on pages 13 to 25 form an integral part of these financial statements.

James Hardie Building Products Limited

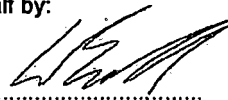
Statement of Financial Position as at 31 March 2020

	Note	2020	2019
		£	£
Non current Assets			
Property, Plant & Equipment	7	13,331	-
Right-of-use assets	8	780,638	-
Total non current assets		793,969	-
Current Assets			
Stocks	9	3,797,549	-
Debtors	10	10,691,969	6,065,971
Cash at bank and in hand		-	-
Total current assets		14,489,518	6,065,971
Creditors: Amounts falling due within one year	11	(9,425,942)	(1,312,151)
Net Current assets		5,063,576	4,753,820
Creditors: Amounts falling due after more than one year	8	(474,236)	-
Net assets		5,383,309	4,753,820
Capital and reserves			
Called up share capital	12	10,002	10,002
Share premium account		8,468,470	8,468,470
Profit and loss account (deficit)		(3,095,163)	(3,724,652)
Shareholders' funds		5,383,309	4,753,820

Approved by the Board on 24 May 2021 and signed on its behalf by:



Niels Jorgen Pallesen, Director



Lee Bucknall, Director

The notes on pages 13 to 25 form an integral part of these financial statements.

James Hardie Building Products Limited

Statement of Changes in Equity as at 31 March 2020

<i>As at 31 March 2019</i>	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit and loss reserve £</i>	<i>Total £</i>
At 31 March 2018	10,002	8,468,470	(4,258,894)	4,219,578
Profit for the year	-	-	534,242	534,242
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	534,242	534,242
At 31 March 2019	10,002	8,468,470	(3,724,652)	4,753,820
<i>As at 31 March 2020</i>	<i>Share capital £</i>	<i>Share Premium £</i>	<i>Profit and loss reserve £</i>	<i>Total £</i>
At 31 March 2019	10,002	8,468,470	(3,724,652)	4,753,820
Profit for the year	-	-	629,489	629,489
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	629,489	629,489
At 31 March 2020	10,002	8,468,470	(3,095,163)	5,383,309

The notes on pages 13 to 25 form an integral part of these financial statements.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Corporate Information, Parent Company and Controlling Party

James Hardie Building Products Limited is a UK domiciled company incorporated in the UK with a registered office at One Fleet Place, London, EC4M 1FE. The Company is an indirect, wholly-owned subsidiary of James Hardie Industries plc (JHIplc). The Company ownership is held directly by James Hardie Europe BV (JHE).

Basis of Preparation

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006. The Covid-19 pandemic has introduced volatility to the operations in financial year 2021 but the Company is focused on maintaining sufficient liquidity to continue its operations. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The financial statements are expressed in Pound Sterling (£), the functional currency of the Company.

FRS 101 Exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 'Presentation of financial statements':
 - (i) 10(d) (statement of cash flows);
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third statement of financial position);
 - (vii) 111 (cash flow statement information);
- IAS 7 'Statement of cash flows';
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- IFRS 13 'Fair Value Measurement'.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

FRS 101 Exemptions (continued)

The Company has availed of the disclosure exemptions contained in FRS 101 on the basis that relevant, equivalent disclosures have been given in the group accounts of James Hardie Industries plc. The group accounts of James Hardie Industries plc are available to the public and can be obtained by accessing the Company's FY2020 Annual Report on Form 20-F on the SEC's website at www.sec.gov and on the Investor Relations area of the Company's website at www.jameshardie.com.au.

Newly adopted accounting policies

IFRS 16 Leases

The Company has adopted IFRS 16 'Leases' (IFRS 16) for the first time on 1 April 2019. This standard replaces the existing standard IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The standard eliminates the classification of leases as either operating leases or finance leases for lessees. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with certain exceptions and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Company adopted the new standard using the modified retrospective approach, therefore, the comparative information has not been restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

	£
Assets	
Operating lease commitments as at 31 March 2019	1,388,915
Weighted average incremental borrowing rate as at 1 April 2019	6.71%
Discounted operating lease commitments as at 1 April 2019	1,300,471
Less:	
Commitments relating to short-term leases	(13,240)
Commitments relating to low-value assets	(142,928)
Lease liabilities as at 1 April 2019	1,144,303

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

The impact of transition to IFRS 16 on the Company's balance sheet at 1 April 2019 is an increase in lease liabilities of £1,144,303 and an increase in right-of-use assets of £1,105,964.

Post 1 April 2019

At the commencement date of the lease the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Company in setting up or entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received). The Company depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property	2 years
Forklifts	1 to 2 years

The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the statement of comprehensive income if the right-of-use asset is already reduced to zero. The Company has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

Pre 1 April 2019

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the lease term.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

Previously adopted accounting policies

Turnover

Turnover includes the values of sales made to customers after deductions of sales taxes and rebates. In the 2019 and 2020 financial year, turnover from the sale of goods is recognised at the point of delivery.

Foreign Currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the statement of comprehensive income.

Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

The Company assess its financial assets and classifies them into three categories defined by IFRS 9: amortised costs, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The financial assets recognized by the Company include cash and cash equivalents, trade receivables and intercompany receivables. The Company holds no financial assets which are categorized as FVOCI.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised costs

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to hold financial assets in order to collect contractual cashflows; and
- The contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the profit and loss statement when the asset is derecognised, modified or impaired.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

The financial assets at amortised cost include amounts due from fellow group undertakings.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred the rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) The Company has neither transferred nor retained all the risks and rewards of the asset but has transferred control of the asset.

Impairment

The Company holds other receivables and intercompany receivables which are subject to impairment under IFRS 9's new expected credit loss model. The Company revised its impairment methodology under IFRS 9 for each of these classes of assets. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all receivables.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as FVPL and include trade payables to creditors, amounts due to fellow group undertakings and intercompany loans and borrowings.

All financial liabilities are recognized initially at fair value, and in the case of intercompany loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing intercompany loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the EIR amortization process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit and loss statement.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

Taxation (Current and Deferred)

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

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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.

Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The company makes an estimate of the recoverable amount of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the aging profile of receivables and historical experience. See Note 9 for the net carrying amount of the receivables.

Pension Costs

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the statement of comprehensive income as they become payable.

Interest Income and Expense

Interest earned on deposits from banks and loans to group companies is credited to the profit and loss reserve on an accruals basis. Interest arising on borrowings and on loans from group companies is charged to the statement of comprehensive income on an accruals basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is primarily office equipment and computers which are depreciated on a straight-line basis over 5 to 10 years.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

1. Accounting Policies (continued)

Stocks

Inventories consist solely of finished goods purchased from the US and includes the freight costs. Inventories are valued at the lower of cost or net realisable value. Cost is determined under the first-in, first-out method. On a regular basis, the Company evaluates its inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory costs are adjusted to net realizable value, if necessary.

2. Turnover

An analysis of turnover by geographical location is given below:

	2020	2019
	£	£
Sales - UK	<u>23,708,945</u>	<u>21,256,285</u>

The Company's only significant business segment is that of selling fiber cement building material.

3. Operating Profit

Operating profit is stated after charging:	2020	2019
	£	£
Operating lease expense	-	236,988
Depreciation expense	318	-
Auditor's remuneration - The audit of the company's annual accounts	22,200	22,200
Foreign Exchange gain / (loss)	208,242	1,203

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

.....continued

4. Particulars of Employees

	2020 No.	2019 No.
Warehouse	6	7
Sales and marketing	23	19
Other departments	3	3
	<u>32</u>	<u>29</u>

	2020 £	2019 £
Wages and salaries	1,826,226	1,048,972
Social security costs	74,596	150,785
	<u>1,900,822</u>	<u>1,199,757</u>

5. Interest Payable and Similar Charges

	2020 £	2019 £
Interest on loans from group undertakings	28,775	-
Interest expense on lease liabilities	32,303	-
Interest payable and Similar Charges	<u>61,078</u>	<u>-</u>

6. Taxation

	2020 £	2019 £
INCOME TAX EXPENSE		
<i>Current tax</i>		
Corporation tax on profit on ordinary activities for the period	-	-
<i>Total current tax expense</i>	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Temporary differences	72,893	101,928
<i>Total deferred tax expense</i>	<u>72,893</u>	<u>101,928</u>
Total income tax expense (see reconciliation below)	<u>72,893</u>	<u>101,928</u>

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

..... continued

6. Taxation (continued)

	2020 £	2019 £
RECONCILIATION OF EFFECTIVE TAX RATE		
Profit on ordinary activities before taxation	702,382	636,170
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	133,453	120,872
<i>Effect of:</i>		
Expenses not deductible for tax purposes	12,366	10,067
Adjustment in respect of previous periods	2,504	34,509
Effect of change in tax rates	(66,268)	(62,582)
Timing differences	(9,162)	(938)
Total income tax expense	72,893	101,928
Effective tax rate	10.4%	16.0%
	2020 £	2019 £
Deferred tax asset	796,959	898,887
Deferred tax charge for the year	(72,893)	(101,928)
Balance at end of year	724,066	796,959

During 2021, tax legislation was introduced which results in the increase of the UK corporation tax rate from the current rate of 19% to 25% from 1 April 2023.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

..... continued

7. Property, plant and equipment

<i>As at 31 March 2020</i>	<i>Office Equipment £</i>	<i>Total £</i>
<i>Cost</i>		
At 31 March 2019	-	-
Additions during the year	<u>13,649</u>	<u>13,649</u>
At 31 March 2020	<u>13,649</u>	<u>13,649</u>
<i>Accumulated depreciation</i>		
At 31 March 2019	-	-
Charged in year	<u>318</u>	<u>318</u>
At 31 March 2020	<u>318</u>	<u>318</u>
<i>Net book amounts</i>		
At 31 March 2019	-	-
Charged in year	<u>13,331</u>	<u>13,331</u>
At 31 March 2020	<u>13,331</u>	<u>13,331</u>

8. Right-of-use assets and lease liabilities

Right-of-use assets

The Company has lease contracts for its warehouse premises and related equipment. The lease of the property has a remaining lease term of 2 years, while the forklift leases have remaining lease term of 1 to 2 years.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

..... continued

The carrying amounts of right-of-use assets and the movements during the year are set out below:

As at 31 March 2020	Property £	Forklift £	Total £
Right-of-use asset			
At 1 April 2019	1,039,180	66,784	1,105,964
Additions during the year	-	-	-
At 31 March 2020	<u>1,039,180</u>	<u>66,784</u>	<u>1,105,964</u>
Accumulated depreciation			
At 1 April 2019	-	-	-
Charged in year	<u>(299,090)</u>	<u>(26,236)</u>	<u>(325,326)</u>
At 31 March 2020	<u>(299,090)</u>	<u>(26,236)</u>	<u>(325,326)</u>
Net book value			
At 1 April 2019	1,039,180	66,784	1,105,964
At 31 March 2020	<u>740,090</u>	<u>40,548</u>	<u>780,638</u>

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are set out below:

Lease Liability	
At 1 April 2019	1,144,303
Interest	32,303
Payments	<u>(387,154)</u>
At 31 March 2020	<u>789,452</u>
Non-current	474,236
Current	315,216

The following are the amounts recognised in the income statement:

Depreciation of right-of-use assets (included in lease expense)	325,326
Expense relating to low value assets	27,112
Expense relating to short-term leases	<u>306,411</u>
Lease Expense	658,849
Interest on lease liabilities	<u>32,303</u>
Total charge included in the income statement	<u>691,152</u>

The Company has total cash outflows for leases of £387,154 in the year ended 31 March 2020.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

..... continued

9. Stocks

In April 2019, the Company began purchasing fiber cement finished goods from its parent and holds its inventory in its own rented warehouse.

	2020 £	2019 £
Finished goods	<u>3,797,549</u>	<u>-</u>

During 2020, £17,169,890, (2019: £14,759,290) was recognised as an expense for inventories carried at net realisable value. This is recognized in cost of sales.

10. Debtors: Amounts falling due within one year

	2020 £	2019 £
Trade debtors	9,476,306	5,069,173
Other debtors	249,655	115,794
Amounts receivable from group undertaking	-	84,045
Deferred tax	724,066	796,959
Other taxes	241,942	-
	<u>10,691,969</u>	<u>6,065,971</u>

The deferred tax benefit is expected to be decreased over a number of years and consequently a significant proportion of the balance is a long-term benefit due after more than one year.

11. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	921,390	611,017
Amounts owed to group undertakings	7,873,338	-
Accruals and deferred income	306,985	459,203
Other taxes and social security	9,013	241,931
Finance lease obligation (Note 8)	315,216	-
	<u>9,425,942</u>	<u>1,312,151</u>

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand. The movement in the balance from financial year 2019 compared to financial year 2020 is due to change in business model whereby the Company is purchasing stocks from its parent as well as the increase in trade creditors.

James Hardie Building Products Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

..... continued

12. Share capital: Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary of shares £1 each	10,002	10,002	10,002	10,002

13. Related Party Transactions, Controlling Parties and Parent Undertaking

The parent undertaking of the smallest and largest Group of undertakings for which Group financial statements are drawn up, and of which the Company is a member, is JH plc, a company incorporated in Ireland with a registered office at Second Floor, Europa House, Harcourt Centre, Harcourt Street, Dublin 2, D02WR20, Ireland.

In common with other companies, which are members of a Group of companies, the financial statements reflect the effect of such membership. The Company has not disclosed any related party transactions as it has availed of the exemption available under the provisions of FRS 101 which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member of that group.

13. Important Events since the Year End

On 11 March 2020 the World Health Organization declared the Covid-19 outbreak a pandemic. This public health crisis had and continues to have a dramatic effect on the United Kingdom and the world. The Company's business was significantly impacted in the first half of fiscal year 2021 by the lockdown measures taken to control the spread of the virus. The Company, with the assistance of the James Hardie group, took steps to minimize and manage the impact of the pandemic and by the second half of fiscal year 2021 business recovered and returned to its growth path.

On 31 December 2020 the United Kingdom left the European Union single market and customs union. The Company's international trade is predominately with the USA for the importation of product and consequently the impact of the United Kingdom leaving the European single market and customs union has been limited.

There were no further important events since the financial year end.

14. Approval of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on 24 May 2021.