# Saint-Gobain Performance Plastics Rencol Limited

Annual report and financial statements

Registered number 02755773

31 December 2019

## Contents

# Strategic report

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

**Review of the business, key performance indicators and future development**

Saint-Gobain Performance Plastics Rencol Limited services three main business sectors: automotive, computer hard disk drive and domestic appliance. The customer base is global and primarily comprises Original Equipment Manufacturers (OEMs) or first tier suppliers to the OEMs.

The most important measure of performance within the company is defined as being the operating profit in continuing operations. In the year ended 31 December 2019 this Key Performance Indicator (KPI) improved to £808,000 (2018: £675,000). Overall turnover and margins have continued to fall in the year as the market becomes more competitive. The increase in operating profit is due to the receipt of £145,000 of R&D credits relating to 2016 and 2017 not previously accounted for.

The company intends to continue to invest in research, development and marketing to secure growth in future demand in all markets.

Sales in the year in continuing operations fell by £1,701,000 to £13,214,000 (2018: £14,915,000). The profit after taxation for the year ended 31 December 2019 was £1,388,000 (2018: £1,094,000), the company benefiting from a prior year tax credit of £430,000 (2018: £501,000) in respect of R&D and Patent Box claims.

The overriding objective of the company is to maximise the growth in operating profit before non-recurring items.

There are four main strategies that have been adopted to continue to develop the operating performance of the company. These may be summarised as follows:

1) Customer Focus
   - Work with target key customers to develop tolerance ring solutions across applications.
   - Identify new customers to whom we can market existing solutions.
2) Innovation
   - Continue with the development of more capable manufacturing processes.
   - Work with suppliers on improvement programmes.
   - Continue to develop the capabilities of the workforce.
3) Quality
   - Improve quality.
   - Investment in analysis and measurement equipment.
   - Continued use of tools such as FMEA/APQP/SPC etc.
   - To reduce waste and error in our processes and systems.
4) Employee Focus
   - Improve product and process knowledge.
   - Pure research and development expenditure to identify future applications.
   - Continue investment in staff personal development and education programs.
   - Maintain manufacturing process development.

The balance sheet at 31 December 2019 has been impacted by two significant items:

- The implementation of IFRS16 has resulted in an increase in tangible fixed assets of £1,474,000 in respect of right-to-use assets and an increase in creditors due after more than one year of £1,182,000 in respect of lease liabilities.

- The payment of a dividend in the year of £4,000,000, in excess of the retained profit of £1.304,000 has contributed to a decrease in debtors of £2,832,000 and a decrease in reserves of £2,772,000.

**Post balance sheet events**

Except as disclosed elsewhere in these accounts, there have been no significant post balance sheet events.

**Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

1) Reliance on large individual customers - The loss of a major key customer or the lack of new customers would severely constrain the potential for company revenues to grow. Overheads associated with a particular key customer are somewhat semi-variable and could be diminished if a key customer was lost, or not incurred as planned, if new business was not won.
2) Competition - The company occupies a strong position in the market for tolerance rings. Competition is primarily from alternative technologies. The company has negotiated single source supply agreements with a number of our key customers globally. Where direct competition exists, this has in the main been introduced by customers from within their existing supplier base but is not their core activity.
3) Employees - The company is very much a knowledge based business. Performance depends to a significant degree on the ability of its staff. The resignation of key individuals and the inability to recruit people with appropriate experience and skills from the local community could adversely impact the company's results. To mitigate these issues, the company has an in-house leadership program, technical staff development program, NVQ's and support for external qualifications. Continuous improvement teams are gathered from across all levels of the business units on an ongoing basis. Flexible working conditions are encouraged and the company has a works council. Employee turnover statistics are a KPI within the business.
4) Disaster recovery - The key operational risk to the overall company business is an incident that disrupts or terminates the operations at Bristol. There is a fail over application server in place as well as off site tape back up to ensure continuity of I.T. capability at the site. A full disaster recovery plan is in place and managed by Saint-Gobain Technology Services (SGTS).

Britain's departure from the European Union may lead 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 is 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's operations also expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk.

**Covid-19**

The financial statements of the company have been prepared on the going concern basis. The activities started to be affected by Covid-19 in the first quarter of 2020 and the entity expects a negative impact on its financial statements in 2020. This major crisis constitutes a post balance sheet event, with no impact on the value of the company's assets and liabilities in the accounts at 31 December 2019. However, given the recent nature of the epidemic and the measures announced by the government to help businesses, the company is not able to assess the potential quantified impact. At the date of approval of the 2019 financial statements, the company's management is not aware of any material uncertainties that call into question the company's ability to continue as a going concern.

**Credit risk**
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual company is subject to a limit, which is reviewed regularly by senior management.

**Liquidity risk**
It is the company's policy to negotiate settlement terms with suppliers at the outset of any transaction and to make a payment to suppliers in accordance with such terms provided the supplier performs in accordance with their agreed

obligations. The effect of the company's policy is that its trade creditors at the financial year end represented 85 days purchases (2018: 78 days purchases).

**Interest rate risk**
The company has no significant interest rate risk.

**Foreign exchange risk**
A major proportion of the company's turnover is denominated in currencies other than Sterling. The company limits its exposure to exchange rate fluctuations by entering into periodic hedging arrangements through its ultimate parent company.

**Key performance indicators (KPIs)**

| **KPI** | **31 December 2019** | **31 December 2018** | **Definition, method of calculation and analysis** |
|---|---|---|---|
| Growth in sales (%) | (11.4) | (17.32) | Year on year sales growth in continuing operations, expressed as a percentage. |
| Gross margin (%) | 42.0 | 45.3 | Gross margin is the ratio of gross profit to sales, expressed as a percentage. The business continues to focus on better ways of working to maintain margins (Kaizen teams, World Class Manufacturing). |
| Debtor days | 43.4 | 70.4 | Total trade debtors (excluding VAT on UK sales, assumed at average 2.5%), divided by turnover in ongoing businesses, multiplied by 365. |
| Growth in operating profit (%) | 19.7 | (76.8) | Year on year growth in operating profit expressed as a percentage. Operating profit is in relation to continuing operations before goodwill amortisation and exceptional costs. |
| Delivery performance (%) | 90 | 83 | Actual delivery date for both development and production against the customer's original requested date expressed as a percentage. |
| Avoidable cost of quality (%) | 0.4 | 3.1 | Potential avoidable costs as a percentage of sales. New products launched have demanded tighter specifications and increased inspection costs. |
| Staff turnover (%) | 17 | 22 | The number of leavers divided by the average number of employees in the year. |

By order of the board

M S Chaldecott

**M S Chaldecott**
*Director*

21/12/2020

# Directors' report

### Principal activity

The principal activity of the company in the year under review was that of the manufacture and sale of engineered products.

### Proposed dividend

The directors have proposed a final ordinary dividend in respect of the current financial year of £892,000 (£0.892 per share), (2018 £4,000,000 (£4.00 per share)). This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of £4,000,000 (£4.00 per share) (2018: £2,302,000 (£2.302 per share)) in respect of the previous year ended 31 December 2018.

### Directors

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

M S Chaldecott

L Guillot (resigned 31 January 2019)

V M Monziols (appointed 31 January 2019)

### Political contributions

The Company made no political donations during the year.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Auditor

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.

By order of the board

M S Chaldecott

**M S Chaldecott**
*Director*

Saint-Gobain House
East Leake
Loughborough
Leicestershire
LE12 6JU

21/12/2020

## Statement of directors' responsibilities in respect of the annual report and the financial statements

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 accounting estimates that are reasonable and prudent;
- state whether applicable 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.

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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINT-GOBAIN PERFORMANCE PLASTICS RENCOL LIMITED

## Opinion

We have audited the financial statements of Saint-Gobain Performance Plastics Rencol Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the 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 2019 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## 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 5, 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.

**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.

**Joseph Long (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
66 Queen Square
Bristol
BS1 4BE

22 December 2020

## Profit and Loss Account and Other Comprehensive Income
*for the year ended 31 December 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **£000** | £000 |
| **Turnover** | 2 | **13,214** | 14,915 |
| Cost of sales | | **(7,666)** | (8,163) |
| **Gross profit** | | **5,548** | 6,752 |
| Distribution costs | | **(1,938)** | (2,569) |
| Administrative expenses | | **(3,217)** | (4,024) |
| Other operating income | 3 | **415** | 516 |
| **Operating profit** | 4 | **808** | 675 |
| Other interest receivable and similar income | 7 | **55** | 25 |
| Interest payable and similar expenses | 8 | **(42)** | 0 |
| **Profit before taxation** | | **821** | 700 |
| **Tax on profit** | 9 | **567** | 394 |
| **Profit for the financial year** | | **1,388** | 1,094 |
| **Total comprehensive income for the year** | | **1,388** | 1,094 |

The accompanying notes form part of these financial statements.

# Balance Sheet
*at 31 December 2019*

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | *10* | **16** | 31 |
| Tangible assets | *11* | **4,386** | 2,742 |
| | | **4,402** | 2,773 |
| **Current assets** | | | |
| Stocks | *12* | **1,104** | 1,233 |
| Debtors (including £131,000 (2019 £48,000) due after more than one year) | *13* | **7,341** | 10,089 |
| Cash at bank and in hand | | **6** | 3 |
| | | **8,451** | 11,325 |
| **Creditors:** amounts falling due within one year | *14* | **(3,450)** | (3,189) |
| **Net current assets** | | **5,001** | 8,136 |
| **Total assets less current liabilities** | | **9,403** | 10,909 |
| **Creditors:** amounts falling due after more than one year | *15* | **(1,182)** | 0 |
| Provisions for liabilities | *17* | **(113)** | (113) |
| **Net assets** | | **8,108** | 10,796 |
| **Capital and reserves** | | | |
| Called up share capital | *20* | **1,000** | 1,000 |
| Profit and loss account | *20* | **7,108** | 9,796 |
| **Shareholders' funds** | | **8,108** | 10,796 |

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 21/12/2020 and were signed on its behalf by:

**M S Chaldecott**
*Director*

Company registered number: 02755773

## Statement of Changes in Equity

| | Called up Share capital £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|
| Balance at 1 January 2018 | 1,000 | 11,003 | 12,003 |
| **Total comprehensive income for the period** | | | |
| Profit | 0 | 1,094 | 1,094 |
| Total comprehensive income for the period | 0 | 1,094 | 1,094 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | 0 | (2,302) | (2,302) |
| Equity settled share based payments | 0 | 1 | 1 |
| Total contributions by and distributions to owners | 0 | (2,301) | (2,301) |
| **Balance at 31 December 2018** | **1,000** | **9,796** | **10,796** |
| Balance at 1 January 2019 | 1,000 | 9,796 | 10,796 |
| Adjustment on initial application of IFRS 16 (net of tax) | 0 | (76) | (76) |
| **Adjusted balance at 1 January 2019** | 1,000 | 9,720 | 10,720 |
| **Total comprehensive income for the period** | | | |
| Profit | 0 | 1,388 | 1,388 |
| Total comprehensive income for the period | 0 | 1,388 | 1,388 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | 0 | (4,000) | (4,000) |
| Total contributions by and distributions to owners | 0 | (4,000) | (4,000) |
| **Balance at 31 December 2019** | **1,000** | **7,108** | **8,108** |

# Notes *(forming part of the financial statements)*

## 1 Accounting policies

Saint-Gobain Performance Plastics Rencol Limited is a private company incorporated, domiciled and registered in in England in the UK. The registered number is 02755773 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).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("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:*

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

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:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- 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.

The Directors feel that there are no significant judgements made in the application of these accounting policies that have a significant effect on the financial statements, or estimates with a significant risk of material adjustment in the next year.

### *1.1 Change in accounting policy*

In these financial statements the Company has changed its accounting policies in the following areas:

The Company has adopted the following IFRSs in these financial statements:

- IFRS 16: Leases. (See note 20). This has been adopted using the simplified retrospective method.

### *1.2 Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.3 Going concern*

The directors have considered the future profitability and working capital requirements of the company and its ability to continue as a going concern, and are satisfied that, for the foreseeable future, the company can meet its working capital requirements.

In making the going concern assessment the Directors have considered the cash flow forecasts for the Company for a period of 12 months from the date of approval of these financial statements.

The COVID-19 virus has emerged since our financial year end and at the date of approval of these financial statements the UK Government has put in place stringent measures limiting the movements of the UK population as part of its strategy to delay and contain the impact of the virus. 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. This major crisis constitutes a post-closing event, with no impact on the value of the company's assets and liabilities in the accounts at 31 December 2019. 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 the foreseeable future by meeting its liabilities as they fall due for payment.

As a subsidiary of the Compagnie De Saint-Gobain SA group (the "the Group"), the Company meets its day-to-day working capital requirements through operating cash flows and intercompany funding. As such those forecasts are dependent on the company's ultimate parent company, Compagnie de Saint Gobain and certain of the company's fellow subsidiary companies continuing to make available the group's cash pooling facility, which at 31 December 2019 amounted to £3,723,000. 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 the financial statements and therefore have prepared the financial statements on a going concern basis.

### *1.4 Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### *1.5 Financial instruments*

#### *(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 or financial liability is initially measured at fair value plus 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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *(ii) Classification and subsequent measurement*

***Financial assets and financial liabilities***

Debtors and creditors, excluding derivative instruments and leases, are measured at amortised cost. These assets and liabilities 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.

### (iii) Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The company uses forward foreign exchange contracts to mitigate exchange risk exposure arising from forecast sales in Euros and US dollars. These contracts are considered by management to be part of economic hedge arrangement, but have not been formally designated as cash flow hedging instruments.

### *(iv) Impairment*

The Company recognises loss allowances for expected credit losses (ECLs) and contract assets (as defined in IFRS 15). Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

*Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

## *1.6 Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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 tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Short leasehold land and buildings — over the term of the lease
- Plant and equipment — 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## *1.7 Intangible assets*

*Research and development*

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

*Computer software*

Software acquired by the Company is stated at cost less accumulated amortisation and less accumulated impairment losses.

*Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Computer software — 3 years

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.8 Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### *1.9 Impairment of non-financial assets excluding stocks, and deferred tax assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

### *1.10 Employee benefits*

*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 2019.

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.10 Employee benefits (continued)*

*Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### *1.11 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, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### *1.12 Turnover*

Turnover is measured by reference to the fair value of consideration received or receivable by the company for goods supplied and services provided., excluding VAT and trade discounts. Turnover is recognised upon the performance of the service or transfer of risk to the customer.

### *1.13 Expenses*

*Operating lease payments (policy applicable before 1 January 2019)*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

See 1.15 for the accounting policy applicable after 1 January 2019.

*Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable and finance expense on lease liabilities are recognised in profit or loss using the effective interest method.

Other interest receivable and similar income includes interest receivable on funds invested.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### *1.14 Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the expected tax payable or receivable on the taxable income or loss 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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.14 Taxation (continued)*

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 temporary difference can be utilised.

### *1.15 Leases (policy applicable from 1 January 2019)*

The Company has applied IFRS 16 using the modified retrospective approach.

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.

*As a lessee*

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 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.

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.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.15 Leases (policy applicable from 1 January 2019 (continued))*

The Company presents right-of-use assets in tangible fixed assets and lease liabilities in creditors in the balance sheet.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 2 Turnover

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

An analysis of turnover by geographical market is given below:

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| United Kingdom | 209 | 181 |
| Europe | 3,959 | 4,274 |
| North America | 1,252 | 1,057 |
| Far East | 7,794 | 9,403 |
| *Total* | 13,214 | 14,915 |

## 3 Other operating income

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Royalties and licencing fees | 415 | 516 |
| | 415 | 516 |

## 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Restructuring costs expensed as incurred – included in administrative expenses | 52 | 245 |
| Exchange differences (except for those arising on financial instruments at FVTPL) | 39 | (67) |
| Research and development expensed as incurred | 977 | 1,087 |
| Auditors remuneration – audit of these financial statements | 16 | 16 |

# Notes *(continued)*

## 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **2019** | 2018 |
| Directors | **2** | 2 |
| Production | **102** | 101 |
| Sales and marketing | **18** | 22 |
| Research and development | **9** | 11 |
| Administration | **12** | 14 |
| | **143** | 150 |

The aggregate payroll costs of these persons were as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **5,605** | 6,254 |
| Social security costs | **471** | 450 |
| *Contributions to defined contribution plans* | **221** | 214 |
| | **6,297** | 6,918 |

## 6 Directors' remuneration

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Directors' remuneration | **0** | 0 |

The directors are regarded as group employees and are remunerated by an associated company. The directors consider that the services they provide to the company are negligible compared to those services provided to other group companies. Consequently no amount of directors' remuneration has been apportioned to this company.

## 7 Interest receivable and other income

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Interest income from loans to group undertakings | **44** | 25 |
| Other interest receivable | **11** | 0 |
| **Total interest receivable and similar income** | **55** | 25 |

## 8 Interest payable and similar expense

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Interest payable on leases accounted for under IFRS16 | **42** | 0 |

## Notes *(continued)*

### 9 Taxation

**Recognised in the profit and loss account**

| | 2019 £000 | 2018 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the period | **64** | 70 |
| Adjustments in respect of prior periods | **(548)** | (501) |
| Total current tax | **(484)** | (431) |
| *Deferred tax (see note 16)* | | |
| Origination and reversal of temporary differences | **(83)** | 37 |
| 10Total deferred tax | **(83)** | 37 |
| Tax on profit | **(567)** | (394) |

**Reconciliation of effective tax rate**

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Profit for the year | **1,388** | 1,094 |
| Total tax credit | **(567)** | (394) |
| Profit excluding taxation | **821** | 700 |
| Tax using the UK corporation tax rate of 19% (2018 : 19%) | **156** | 133 |
| Non-deductible expenses | **(8)** | 9 |
| R&D tax credit re previous years | **(548)** | (26) |
| Excess foreign taxes | **(16)** | (9) |
| Under / (over) provided in prior years | **(151)** | (501) |
| Total tax credit | **(567)** | (394) |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.

# Notes *(continued)*

## 10 Intangible assets

| | Computer software £000 |
|---|---|
| **Cost** | |
| Balance at 1 January 2019 | 180 |
| Acquisitions – externally purchased | 4 |
| Balance at 31 December 2019 | 184 |
| **Amortisation and impairment** | |
| Balance at 1 January 2019 | 149 |
| Amortisation for the year | 19 |
| Balance at 31 December 2019 | 168 |
| **Net book value** | |
| At 1 January 2019 | 31 |
| **At 31 December 2019** | **16** |

*Amortisation and impairment charge*

The amortisation and impairment charge is recognised in the following line items in the profit and loss account:

| | **2019 £000** | 2018 £000 |
|---|---|---|
| Cost of sales | **15** | 28 |
| Administrative expenses | **4** | 1 |
| | **19** | 29 |

# Notes *(continued)*

## 11 Tangible fixed assets

| | Land & buildings £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2019 | 624 | 7,418 | 8,042 |
| Recognition of right-of-use assets on initial application of IFRS 16 (see note 20) | 1,674 | 101 | 1,775 |
| Adjusted balance at 1 January 2019 | 2,298 | 7,519 | 9,817 |
| Acquisitions | 0 | 806 | 806 |
| Disposals | 0 | (88) | (88) |
| Balance at 31 December 2019 | 2,298 | 8,237 | 10,535 |
| **Depreciation and impairment** | | | |
| Balance at 1 January 2019 | 329 | 4,971 | 5,300 |
| Depreciation charge for the year | 297 | 610 | 907 |
| Disposals | 0 | (58) | (58) |
| Balance at 31 December 2019 | 626 | 5,523 | 6,149 |

| | £000 | £000 | £000 |
|---|---|---|---|
| **Net book value** | | | |
| At 1 January 2019 | 295 | 2,447 | 2,742 |
| **At 31 December 2019** | **1,672** | **2,714** | **4,386** |

*Right-of-use assets*

At 31 December 2019, property, plant and equipment includes right-of-use assets as follows:

| | Land and buildings £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|
| **Right-of-use asset** | | | |
| At 31 December 2019 | 1,412 | 62 | 1,474 |

# Notes *(continued)*

## 12 Stocks

| | 2019 | 2018 |
|---|---|---|
| | **£000** | £000 |
| Raw materials | **193** | 227 |
| Work in progress | **153** | 208 |
| Finished goods | **758** | 798 |
| | **1,104** | 1,233 |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £2,247,000 *(2018: £3,165,000)*. The write-down of stocks to net realisable value amounted to £nil *(2018: £nil)*

## 13 Debtors

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | 1,572 | 1,613 |
| Amounts owed by group undertakings | 1,057 | 1,337 |
| Non trade debtors owed by group undertakings | 3,723 | 5,565 |
| Other debtors | 93 | 751 |
| Deferred tax assets (see note 16) | 131 | 48 |
| Prepayments and accrued income | 765 | 775 |
| | 7,341 | 10,089 |
| Due within one year | 7,210 | 10,041 |
| Due after more than one year | 131 | 48 |

Amounts owed from group undertakings are unsecured and repayable on demand. The effective rate of interest is 0.7% (2018: 0.2%).

## 14 Creditors: amounts falling due within one year

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Lease liabilities (2018: *obligations under finance leases*) (see note 20) | 389 | 0 |
| Trade creditors | 1,866 | 2,271 |
| Amounts owed to group undertakings | 210 | 167 |
| Taxation and social security | 435 | 169 |
| Other creditors | | |
| Accruals and deferred income | 550 | 582 |
| | 3,450 | 3,189 |

# Notes *(continued)*

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Lease liabilities (2018: obligations under finance leases) (see note 20) | 1,182 | 0 |

Included with lease liabilities are amounts repayable after five years by instalments of £151,000 *(2018 £513,000)*.

## 16 Deferred tax assets and liabilities

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

| | Assets 2019 £000 | 2018 £000 | Liabilities 2019 £000 | 2018 £000 | Net 2019 £000 | 2018 £000 |
|---|---|---|---|---|---|---|
| Tangible fixed assets | (120) | (37) | 0 | 0 | (120) | (37) |
| Provisions | (11) | (11) | 0 | 0 | (11) | (11) |
| Net tax (assets) / liabilities | (131) | (48) | 0 | 0 | (131) | (48) |

*Movement in deferred tax during the year*

| | 1 January 2019* £000 | Recognised in income £000 | 31 December 2020 £000 |
|---|---|---|---|
| Tangible fixed assets | (37) | (83) | (120) |
| Provisions | (11) | 0 | (11) |
| | (48) | (83) | (131) |

* The balance at 1 January 2019 includes the effect of initially applying IFRS 16 (see note 20).

## Notes *(continued)*

### 16 Deferred tax assets and liabilities *(continued)*

*Movement in deferred tax during the prior year*

| | 1 January 2018 £000 | Recognised in income £000 | 31 December 2018 £000 |
|---|---|---|---|
| Tangible fixed assets | (73) | 36 | (37) |
| Provisions | (11) | 0 | (11) |
| | (84) | 36 | (48) |

### 17 Provisions

| | Property provision £000 |
|---|---|
| **Balance at 1 January and 31 December 2019** | **113** |

This provision is for the reinstatement of the company's leasehold property at the end of the lease period in May 2025.

### 18 Employee benefits

**Defined contribution pension plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £233,000 *(2018: £204,000)*

**Share based payments**

Compagnie de Saint-Gobain has stock option and performance share plans available to certain employees of Saint-Gobain Performance Plastics Rencol 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 to 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 share 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.

# Notes *(continued)*

## 19 Capital and reserves

### Share capital

| | Ordinary shares | |
|---|---|---|
| In thousands of shares | **2019** | 2018 |
| On issue at 1 January and 31 December 2019 – fully paid | **1,000** | 1,000 |

| | 2019 | 2018 |
|---|---|---|
| | **£000** | £000 |
| Shares classified in shareholders' funds | **1,000** | 1,000 |
| | **1,000** | 1,000 |

### Reserves

| | Retained earnings | |
|---|---|---|
| | **2019** | 2018 |
| At 1 January 2019 | **9,796** | 11,003 |
| Adjustment on initial application of IFRS 16 | **(76)** | 0 |
| Profit for the year | **1,388** | 1,094 |
| Dividends | **(4,000)** | (2,302) |
| Shares based payments | **0** | 1 |
| At 31 December 2019 | **7,108** | 9,796 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

*Dividends*

The following dividends were recognised during the period:

| | 2019 | 2018 |
|---|---|---|
| | **£000** | £000 |
| £4.00 (2018: £2.302) per qualifying ordinary share | **4,000** | 2,302 |

After the balance sheet date dividends of £0.892 per qualifying ordinary share *(2018 £4.00)* were proposed by the directors. The dividends have not been provided for.

# Notes *(continued)*

## 20 Leases

***Leases as a lessee (IFRS 16)***

*Right-of-use assets*

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

| | Land and buildings £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|
| Balance at 1 January 2019 | 1,673 | 101 | 1,774 |
| Additions to right-of-use assets | 0 | 3 | 3 |
| Depreciation charge for the year | (261) | (42) | (303) |
| Balance at 31 December 2019 | 1,412 | 62 | 1,474 |

*Amounts recognised in profit or loss*

The following amounts have been recognised in profit or loss for which the Company is a lessee:

| | £000 |
|---|---|
| **2019 - Leases under IFRS 16** | |
| Interest expense on lease liabilities | 42 |

| | £000 |
|---|---|
| **2018 - Operating leases under IAS 17** | |
| Lease expense | 327 |

The total cash outflow for leases for the year ended 31 December 2019 was £340.000.

## 21 Commitments

*Capital commitments*

The value of non-current assets that the company had committed to purchase as at 31 December 2019 was £509,000 (2018 £940,000).

## 22 Related parties

*Identity of related parties with which the Company has transacted*

The company receives sales commissions, management and technology fees from Rencol MMI Technology PTE Ltd (RMT), a company based in Singapore. RMT is a joint venture between Saint-Gobain Performance Plastics Europe SAS and MMI Technology PTE Ltd.

| | Income from | | Receivables outstanding | |
|---|---|---|---|---|
| | **2019 £000** | 2018 £000 | **2019 £000** | 2018 £000 |
| Other related parties | **769** | 929 | **164** | 178 |

# Notes *(continued)*

## 23 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Compagnie de Saint-Gobain which is the ultimate parent company and controlling party incorporated in France..

No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public and may be obtained from the Corporate Secretary at the company's registered address, Compagnie de Saint-Gobain, Les Miroirs, 18 Avenue d'Alsace, 92096 La Defense Cedex, Paris, France.

## 24 Subsequent event

The financial statements of the company have been prepared based on continuing activity. The activities started to be affected by COVID-19 in the first quarter of 2020 and the entity expects a negative impact on its financial statements in 2020. This major crisis constitutes a post-closing event, with no impact on the value of the company's assets and liabilities in the accounts at December 31, 2019. However, given the recent nature of the epidemic and the measures announced by the government to help businesses, the company is not able to assess the potential quantified impact. At the date the Board of Directors approved the entity's 2019 financial statements, the entity's management is not aware of any material uncertainties that call into question the entity's ability to continue as a going concern.

## 25 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. The comparative information has not been restated and continues to be reported under IAS 17. The details of the changes and quantitative impact are set out below.

***Definition of a lease***

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

*Leases classified as operating leases under IAS 17*

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 (see note 20).

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application;

## Notes *(continued)*

### 25 Change in significant accounting policies *(continued)*

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

| | Impact of adoption of IFRS 16 | | |
|---|---|---|---|
| | **As reported** | **Adjustments** | **Balances without adoption of IFRS 16** |
| | **£000** | **£000** | **£000** |
| **Balance sheet** | | | |
| *Tangible fixed assets* | 4,386 | (1,474) | 2,912 |
| *Creditors – amounts falling due within one year* | (3,450) | 389 | (3,061) |
| *Creditors – amounts falling due after one year* | (1,182) | 1,182 | 0 |
| *Retained Earnings* | **(7,108)** | 97 | (7,011) |

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.73%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

| | **1 January 2019** |
|---|---|
| | **£000** |
| Operating lease commitments at 31 December 2018 as disclosed under IAS 17 | **1,730** |
| Opening operating lease commitment adjustment | 94 |
| Prepaid rent | 91 |
| Discounted using the incremental borrowing rate at 1 January 2019 | (47) |
| **Lease liabilities recognised as at 1 January 2019** | **1,868** |