

**Saint-Gobain Performance Plastics
Rencol Limited**

Annual report and financial statements
Registered number 02755773
31 December 2020



Contents

Strategic report	1
Directors' report	5
Statement of directors' responsibilities in respect of the annual report and the financial statements	6
Independent auditor's report to the members of Saint-Gobain Performance Plastics Rencol Limited	7
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes	13

Strategic report

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

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 2020 this Key Performance Indicator (KPI) improved to £988,000 (2019: £808,000). Overall turnover has continued to fall in the year as the market becomes more competitive. The increase in operating profit is due to savings in operating expenses and support from the government's Covid 19 Job Retention Scheme.

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 £2,003,000 to £11,211,000 (2019: £13,214,000). The profit after taxation for the year ended 31 December 2020 was £1,082,000 (2019: £1,388,000). In 2019 the company benefited from a prior year tax credit of £430,000 in respect of R&D and Patent Box claims. No R&D or Patent Box claims have been accounted for in 2020 as they are still subject to HMRC agreement.

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

The position of the company's business at the end of the year

The company's shareholders' funds have increased slightly despite a dividend of £892,000 being paid in the year.

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 has led to a more challenging environment in the short and medium term due to uncertainties in the supply chain and impacts on some of our workforce, although this risk 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 activity of the Company was strongly impacted by the Covid-19 pandemic during the first half of 2020, while the second half of the year saw a near return to normal. Against this backdrop, the measures taken by the Company to deal with the crisis caused by the pandemic were reflected both in rapid decisions taken in line with the main priorities of the Saint-Gobain Group:

- The health and safety of employees and other stakeholders
- Monitoring of the Company's cash position, with strict measures to reduce costs and control working capital requirements, in conjunction with specific actions to strengthen the cash position of the Saint-Gobain Group

The Company has not made use of tax and payroll deferral measures, apart from the government's Job Retention Scheme.

Customer service, with increased use of digital technology from the start of the crisis, continued with the introduction of new services to adapt solutions to post-Covid-19 needs. The early preparation of conditions for the restart of sales, industrial and logistics facilities, which enabled the Company to provide the best possible support for the recovery as soon as restrictive measures were lifted. As well as adjusting of production levels and cost-cutting measures, the Company was also able to benefit from the support measures put in place by the UK government. Expenses generated by the measures taken in response to the Covid-19 crisis, whether related to specific health protection expenses (masks, hydro-alcoholic gel, tests, etc.) or to the adaptation of industrial facilities to demand (fixed costs not absorbed due to the decline in activity), were fully recognized in operating expenses. The effects of the pandemic, although greatly reduced during the second half of the year, were nevertheless considered in the

valuation of assets at the balance sheet date. The review of accounts receivable following the consequences of the Covid-19 crisis did not reveal any major risk of default in payment. The fixed costs related to the under activity attributable to the Covid-19 crisis have been excluded from the valuation of inventories.

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 95 days purchases (2019: 85 days purchases).

Interest rate risk

The company has no significant interest rate risk.

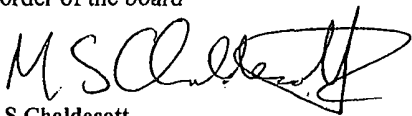
Foreign exchange risk

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 2020	31 December 2019	Definition, method of calculation and analysis
Growth in sales (%)	(15.2)	(11.4)	Year on year sales growth in continuing operations, expressed as a percentage.
Gross margin (%)	40.1	42.0	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	49.8	43.4	Total trade debtors (excluding VAT on UK sales), divided by turnover in ongoing businesses, multiplied by 365.
Growth in operating profit (%)	22.3	19.7	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 (%)	84.6	90.0	Actual delivery date for both development and production against the customer's original requested date expressed as a percentage.
Avoidable cost of quality (%)	1.1	0.4	Potential avoidable costs as a percentage of sales. New products launched have demanded tighter specifications and increased inspection costs.
Staff turnover (%)	16	17	The number of leavers divided by the average number of employees in the year.

By order of the board

A handwritten signature in black ink, appearing to read 'M S Chaldecott', with a stylized flourish at the end.

M S Chaldecott

Director

28 February 2022

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 dividend in respect of the current financial year of £1,000,000 (£1.00 per share), (2019 £892,000 (£0.892 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 £892,000 (£0.892 per share) (2019: £4,000,000 (£4.00 per share)) in respect of the previous year ended 31 December 2019.

Directors

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

M S Chaldecott

V M Monziols

Research & development

During 2020, the Company carried out research and development activities into the application of tolerance rings to new technologies and markets. Expenditure on R&D amounted to £853,000 (2019 £977,000). The reduction was due to the impact of Covid 19.

Political contributions

The Company made no political donations or incurred any political expenditure 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.

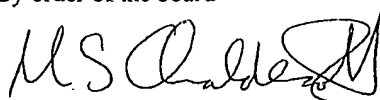
Other information

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
Director

28 February 2022

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

The directors are responsible for preparing the annual 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 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 2020 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, associated with revenue and cash.
- Selecting a sample of sales occurring close to year end (which we deemed to be the timeframe of highest risk of revenue recognition misstatements) and vouched the transactions to underlying evidence to support the timing of revenue recognition.

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

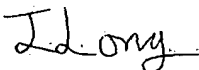
Auditor's responsibilities

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

28 February 2022

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	11,211	13,214
Cost of sales		(6,717)	(7,666)
		<hr/>	<hr/>
Gross profit		4,494	5,548
Distribution costs		(1,653)	(1,938)
Administrative expenses		(2,800)	(3,217)
Other operating income	3	1,312	415
Other operating expenses		(365)	0
		<hr/>	<hr/>
Operating profit	4	988	808
Other interest receivable and similar income	7	14	55
Interest payable and similar expenses	8	(36)	(42)
		<hr/>	<hr/>
Profit before taxation		966	821
		<hr/>	<hr/>
Tax on profit	9	116	567
		<hr/>	<hr/>
Profit for the financial year		1,082	1,388
		<hr/>	<hr/>
Total comprehensive income for the year		1,082	1,388

The accompanying notes form part of these financial statements.

Balance Sheet
at 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Intangible assets	<i>10</i>	12	16
Tangible assets	<i>11</i>	3,659	4,386
		<hr/>	<hr/>
		3,671	4,402
Current assets			
Stocks	<i>12</i>	1,108	1,104
Debtors (including £156,000 (2019 £131,000) due after more than one year)	<i>13</i>	8,400	7,341
Cash at bank and in hand		1	6
		<hr/>	<hr/>
		9,509	8,451
Creditors: amounts falling due within one year	<i>14</i>	(3,811)	(3,450)
Net current assets		5,698	5,001
		<hr/>	<hr/>
Total assets less current liabilities		9,369	9,403
Creditors: amounts falling due after more than one year	<i>15</i>	(958)	(1,182)
Provisions for liabilities	<i>17</i>	(113)	(113)
		<hr/>	<hr/>
Net assets		8,298	8,108
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>19</i>	1,000	1,000
Profit and loss account	<i>19</i>	7,298	7,108
		<hr/>	<hr/>
Shareholders' funds		8,298	8,108
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 28 February 2022 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 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
Balance at 1 January 2020	1,000	7,108	8,108
Total comprehensive income for the period			
Profit	0	1,082	1,082
Total comprehensive income for the period	0	1,082	1,082
Transactions with owners, recorded directly in equity			
Dividends	0	(892)	(892)
Total contributions by and distributions to owners	0	(892)	(892)
Balance at 31 December 2020	1,000	7,298	8,298

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 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

There have been no changes in accounting policy in these financial statement.

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

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

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

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

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

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 2020.

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 probable 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

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 Other operating income

In response to the COVID-19 coronavirus pandemic, in March 2020 the government of the UK introduced a wage subsidy programme for companies that had to shut their operations and furlough staff. Under the programme, an eligible company could apply for the subsidy in an amount of up to 80% of each employee's salary, subject to a maximum of £2,500 per employee, to continue paying monthly salaries to its furloughed employees. The company was entitled to the wage subsidy on a monthly basis conditional on the employees continuing to be on furlough and the company continuing paying their salary. The company benefited from the programme from March to October 2020. The company received a wage subsidy of £852,000 in total under this programme, which has been accounted for as other operating income.

Notes (continued)

1 Accounting policies (continued)

1.15 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.

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.

1.16 Leases

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

Notes (continued)

1 Accounting policies (continued)

1.16 Leases (continued)

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.

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:

	2020	2019
	£000	£000
United Kingdom	185	209
Europe	3,029	3,959
North America	984	1,252
Far East	7,013	7,794
Total	11,211	13,214

3 Other operating income

	2020	2019
	£000	£000
Job Retention Scheme	852	0
Royalties and licencing fees	460	415
	1,312	415

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £000	2019 £000
Restructuring costs expensed as incurred – included in administrative expenses	47	52
Exchange differences (except for those arising on financial instruments at FVTPL)	99	39
Research and development expensed as incurred	853	977
Auditors remuneration – audit of these financial statements	30	16
	<u> </u>	<u> </u>

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	
	2020	2019
Directors	2	2
Production	95	102
Sales and marketing	15	18
Research and development	7	9
Administration	11	12
	<u>130</u>	<u>143</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	5,154	5,605
Social security costs	441	471
Contributions to defined contribution plans	244	221
	<u>5,839</u>	<u>6,297</u>

6 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	0	0
	<u> </u>	<u> </u>

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.

Notes (continued)

7 Interest receivable and other income

	2020 £000	2019 £000
Interest income from loans to group undertakings	13	44
Other interest receivable	1	11
Total interest receivable and similar income	14	55

8 Interest payable and similar expense

	2020 £000	2019 £000
Interest payable on leases accounted for under IFRS16	36	42

9 Taxation

Recognised in the profit and loss account

	2020 £000	2019 £000
<i>UK corporation tax</i>		
Current tax on income for the period	68	64
Adjustments in respect of prior periods	(159)	(548)
Total current tax	(91)	(484)
<i>Deferred tax (see note 16)</i>		
Origination and reversal of temporary differences	(14)	(83)
Impact of tax rate change	(11)	-
Total deferred tax	(25)	(83)
Tax on profit	(116)	(567)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	1,082	1,388
Total tax charge/(credit)	(116)	(567)
Profit excluding taxation	966	821
Tax using the UK corporation tax rate of 19% (2019 : 19 %)	184	156
Non-deductible expenses	(130)	(8)
Impact of tax rate change	(11)	-
R&D tax credit re previous years	-	(548)
Excess foreign taxes	-	(16)
Under / (over) provided in prior years	(159)	(151)
Total tax charge/(credit)	(116)	(567)

Notes (continued)

9 Taxation (continued)

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 was 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. The UK deferred tax charge for 2020 has been calculated based on a rate of 19%.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

10 Intangible assets

	Computer software £000
Cost	
Balance at 1 January 2020	184
Acquisitions – externally purchased	0
	<hr/>
Balance at 31 December 2020	184
	<hr/>
Amortisation and impairment	
Balance at 1 January 2020	168
Amortisation for the year	4
	<hr/>
Balance at 31 December 2020	172
	<hr/>
Net book value	
At 1 January 2020	16
	<hr/>
At 31 December 2020	12
	<hr/>

Amortisation and impairment charge

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

	2020 £000	2019 £000
Cost of sales	4	15
Administrative expenses	0	4
	<hr/>	<hr/>
	4	19
	<hr/>	<hr/>

Notes (continued)

11 Tangible fixed assets

	Land & buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 January 2020	2,298	8,237	10,535
Acquisitions	0	232	232
Disposals	(191)	(604)	(795)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	2,107	7,865	9,972
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Balance at 1 January 2020	626	5,523	6,149
Depreciation charge for the year	299	637	936
Disposals	(191)	(581)	(772)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	734	5,579	6,313
	<hr/>	<hr/>	<hr/>
	£000	£000	£000
Net book value			
At 1 January 2020	1,672	2,714	4,386
	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,373	2,286	3,659
	<hr/>	<hr/>	<hr/>

Right-of-use assets

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
At 31 December 2020	1,151	29	1,180

Notes (continued)

12 Stocks

	2020	2019
	£000	£000
Raw materials	166	193
Work in progress	232	153
Finished goods	710	758
	<u>1,108</u>	<u>1,104</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,949,000 (2019: £2,247,000). The write-down of stocks to net realisable value amounted to £nil (2019: £nil)

13 Debtors

	2020	2019
	£000	£000
Trade debtors	1,529	1,572
Amounts owed by group undertakings	974	1,057
Non trade debtors owed by group undertakings	4,220	3,723
Other debtors	531	93
Deferred tax assets (see note 16)	156	131
Prepayments and accrued income	990	765
	<u>8,400</u>	<u>7,341</u>
Due within one year	8,244	7,210
Due after more than one year	156	131

Amounts owed from group undertakings are unsecured and repayable on demand. The effective rate of interest is 0% (2019: 0.7%).

14 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Lease liabilities (see note 20)	246	389
Trade creditors	2,085	1,866
Amounts owed to group undertakings	164	210
Taxation and social security	628	435
Accruals and deferred income	688	550
	<u>3,811</u>	<u>3,450</u>

Notes (continued)

15 Creditors: amounts falling after more than one year

	2020 £000	2019 £000
Lease liabilities (see note 20)	958	1,182

Included with lease liabilities are amounts repayable after five years by instalments of £0 (2019 £151,000).

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Tangible fixed assets	(145)	(120)	-	-	(145)	(120)
Provisions	(11)	(11)	-	-	(11)	(11)
Net tax (assets) / liabilities	(156)	(131)	-	-	(156)	(131)

Movement in deferred tax during the year

	1 January 2020 £000	Recognised in income £000	31 December 2020 £000
Tangible fixed assets	(120)	(25)	(145)
Provisions	(11)	-	(11)
	(131)	(25)	(156)

Movement in deferred tax during the prior year

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

Notes (continued)

17 Provisions

	Property provision £000
Balance at 1 January and 31 December 2020	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 £244,000 (2019: £233,000)

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

In thousands of shares	2020	Ordinary shares 2019
On issue at 1 January and 31 December 2020 – fully paid	1,000	1,000
	<u>2020</u>	<u>2019</u>
	£000	£000
Shares classified in shareholders' funds	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

Reserves

	2020	Retained earnings 2019
At 1 January 2020	7,108	9,796
Adjustment on initial application of IFRS 16	-	(76)
Profit for the year	1,082	1,388
Dividends	(892)	(4,000)
At 31 December 2020	<u>7,298</u>	<u>7,108</u>

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:

	2020	2019
	£000	£000
£0.892 (2019: £4.00) per qualifying ordinary share	<u>892</u>	<u>4,000</u>

After the balance sheet date dividends of £1.00 per qualifying ordinary share (2019 £0.892) 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
Balance at 1 January 2020	1,412	62	1,474
Additions to right-of-use assets	0	20	20
Depreciation charge for the year	(261)	(53)	(314)
 Balance at 31 December 2020	 <u>1,151</u>	 <u>29</u>	 <u>1,180</u>

Amounts recognised in profit or loss

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

	2020 £000	2019 £000
Interest expense on lease liabilities	36	42

The total cash outflow for leases for the year ended 31 December 2020 was £346,000 (2019 £340,000).

21 Commitments

Capital commitments

The value of non-current assets that the company had committed to purchase as at 31 December 2020 was £13,000 (2019 £509,000).

Notes (continued)

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	
	2020	2019	2020	2019
	£000	£000	£000	£000
Other related parties	622	769	135	164

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.