REGISTERED NUMBER: 02442570 (England and Wales)

Saint-Gobain Glass (United Kingdom) Limited

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2018

Contents of the Financial Statements
for the year ended 31 December 2018

Company Information
for the year ended 31 December 2018

DIRECTORS:	S R Severs M S Chaldecott A S Sandhu D L Kilby
SECRETARY:	A R Oxenham
REGISTERED OFFICE:	Saint-Gobain House Binley Business Park Coventry CV3 2ZG
REGISTERED NUMBER:	02442570 (England and Wales)
AUDITORS:	KPMG LLP Chartered Accountants St Nicholas House Park Row Nottingham NG1 6FQ

Strategic Report
for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS
The company is a wholly-owned subsidiary of Saint-Gobain Limited. The ultimate parent company and controlling party is Compagnie de Saint-Gobain, which is incorporated in France. The company operates as part of Compagnie de Saint-Gobain's Flat Glass Division.

Compagnie de Saint-Gobain, of which the company is a part, invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the company, as a part of the Flat Glass Division, in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products.

Following a strategic review of the portfolio of glass businesses in the UK, it was decided to divest the assets of the installation business in 2018 and this transaction was completed on 31st July 2018, as shown in note 9. The impact of this divestment on the results of the company are shown in the profit and loss accounts on pages 7 and 8. Following this divestment, and subsequent restructuring in the Glassolutions business, the directors expect to return the company to profitability in 2020.

Compagnie de Saint-Gobain manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Flat Glass Division of Compagnie de Saint-Gobain, which includes the company, is discussed in Compagnie de Saint-Gobain's Annual Report which does not form part of this report. The company is also participating in the Saint-Gobain Group's Transform and Grow programme which aims to align the business more closely to its markets, to increase agility and empowerment, and foster growth.

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

	2018	2017
Gross profit percentage	19.9%	12.8%
Gross profit percentage on continuing activity	22.5%	20.7%

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

In addition to the continuing activity shown as a consequence of the divestment of the installation business, the company has also closed and sold some other manufacturing plants, as shown within the provisions note 21.
Without those plants, the company's continuing results would have been:

	2018	2017
Turnover	£125,119,000	£105,353,000
Gross profit percentage on continuing activity	25.0%	24.5%
Operating profit	£4,583,000	£1,601,000

SAFETY, ETHICS AND ENVIRONMENT
Health & Safety Policy Statement
To ensure that the company's safety objectives are achieved, safety management systems are employed at each operational site, and wherever appropriate in other business functions. These include a systematic identification of hazards, assessment of the risks and the development of safe systems of work to eliminate any risks to an acceptable level. An audit and inspections programme is used to monitor standards of safety management, the adherence to the Law, company standards and site procedures.

To achieve our objective, each site will continue to develop and implement a safety improvement plan, using World Class Manufacturing tools and techniques. The plan will be reviewed regularly to ensure that improvement is achieved and sustained.

Safety results for year
We measure our safety performance by the rate of Lost Time Injuries (LTI's), Medical Treatment Cases by external medical professionals (MTC's) and First Aid Treatment Cases (FATC's). The results for the most serious cases (LTI's) for the year to 31 December 2018 were:

	2018 Number	2017 Number
TFI (No of LTI's in year/No of hours worked in year) x 1,000,000	2.56	2.39

**Strategic Report
for the year ended 31 December 2018**

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

To ensure that the company's objectives are achieved, environmental management systems are employed at each operational site, and wherever appropriate in other business functions. The scope and detail of these systems must be appropriate to the risks identified during environmental and site risk assessments. Operating procedures and controls will be developed and implemented to reduce risks to an acceptable level. An audit and inspection programme is used to monitor standards of environmental and site risk management, and adherence to the law, company standards and site procedures.

To achieve our objective, each site will develop and implement an environmental improvement plan, using World Class Management tools and techniques. The plan will be regularly reviewed to ensure that continual improvement in performance is achieved and sustained.

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

PRINCIPAL RISKS AND UNCERTAINTIES
Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. To manage risk, the company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationship with customers.

Britain's decision to leave 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 purchases products from international markets and it is therefore exposed to currency movements on such purchases. Where appropriate, the company manages this risk with forward foreign exchange contracts in line with Compagnie de Saint-Gobain's treasury policies.

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company is a member of the Glass Section of Saint-Gobain's multi-employer UK defined benefit pension plan. The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments. The UK pension plan is closed to new members and the normal cash contributions due are being made under the terms of a repayment schedule agreed with the plan trustees. Significant adverse changes in the actuarial assumptions underlying the UK plan valuation and the company's share of any deficit-reduction contributions made into the plan could materially impact the company's trading results.

The company is funded through the Treasury function of Saint-Gobain Limited. The company also owes £40m to a subsidiary. The intention is that this balance will only be repaid when the subsidiary is placed into members' voluntary liquidation, at which point the balance will immediately revert to the company as the 100% shareholder.

The group risks to which Compagnie de Saint-Gobain is exposed are discussed in Compagnie de Saint-Gobain's Annual Report which does not form part of this report.

ON BEHALF OF THE BOARD:

....
A S Sandhu - Director

Date: 13 December 2019

Report of the Directors
for the year ended 31 December 2018

The directors present their report on the affairs of Saint-Gobain Glass (United Kingdom) Limited ("the company") together with the financial statements and auditor's report for the year ended 31 December 2018.

Following a strategic review of the portfolio of glass businesses in the UK, it was decided to divest the assets of the installation business in 2018 and this transaction was completed on 31st July 2018, as shown in note 9. The impact of this divestment on the results of the company are shown in the profit and loss accounts on pages 7 and 8. Following this divestment, and subsequent restructuring in the Glassolutions business, the directors expect to return the company to profitability in 2020.

DIVIDENDS
No dividends will be paid for the year ended 31 December 2018 (2017: £nil).

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

S R Severs
M S Chaldecott
A S Sandhu
D L Kilby

Other changes in directors holding office are as follows:

J M Vaissaire - resigned 7 December 2018

EMPLOYEES
Details of the number of employees and related costs can be found in note 2 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in Compagnie de Saint-Gobain's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employees meetings and newsletters.

PROPERTY, PLANT AND EQUIPMENT
Information relating to changes in property, plant and equipment is given in note 13 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF DIRECTORS AND THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Report of 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, the directors 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.

Report of the Directors
for the year ended 31 December 2018

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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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.

ON BEHALF OF THE BOARD:

....
A S Sandhu - Director

Date: 13 December 2019

Independent Auditor's Report to the Members of Saint-Gobain Glass (United Kingdom) Limited

Opinion

We have audited the financial statements of Saint-Gobain Glass (United Kingdom) Limited (the 'company') for the year ended 31 December 2018 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, 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 2018 and of its loss 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 FRCs Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of fixed assets, investments, receivables and other assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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 report of the directors

The directors are responsible for the strategic report and the report of directors. 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 report of directors 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 report of directors;
- 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.

Report of the Independent Auditors to the Members of Saint-Gobain Glass (United Kingdom) Limited

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

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

Date: 13 December 2019

Profit and Loss Account
for the year ended 31 December 2018

	Notes	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000
TURNOVER		140,615	30,750	171,365
Cost of sales		(108,967)	(28,240)	(137,207)
GROSS PROFIT		31,648	2,510	34,158
Distribution costs		(12,736)	(642)	(13,378)
Administrative expenses ((Including exceptional items of £6,194,000) (2017: £nil) – see note 3)		(26,179)	(54,660)	(80,839)
Other operating income		1,798	-	1,798
OPERATING LOSS		(5,469)	(52,792)	(58,261)
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(343)	(51,724)	(52,067)
Exceptional items – see note 3:				
Guaranteed Minimum Pension adjustment		(5,126)	(1,068)	(6,194)
OPERATING LOSS		(5,469)	(52,792)	(58,261)
Interest receivable and similar income	4	529	-	529
Interest payable and similar expenses	5	(1,459)	-	(1,459)
LOSS BEFORE TAXATION	6	(6,399)	(52,792)	(59,191)
Tax on loss	7	1,195	9,845	11,040
LOSS FOR THE FINANCIAL YEAR		(5,204)	(42,947)	(48,151)

The notes form part of these financial statements

Profit and Loss Account
for the year ended 31 December 2018

	Notes	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
TURNOVER		129,531	61,167	190,698
Cost of sales		(102,688)	(63,565)	(166,253)
GROSS PROFIT/(LOSS)		26,843	(2,398)	24,445
Distribution costs		(11,835)	(995)	(12,830)
Administrative expenses		(20,514)	(13,482)	(33,996)
OPERATING LOSS		(5,506)	(16,875)	(22,381)
Interest receivable and similar income	4	245	-	245
Interest payable and similar expenses	5	(1,305)	-	(1,305)
LOSS BEFORE TAXATION	6	(6,566)	(16,875)	(23,441)
Tax on loss	7	1,546	3,974	5,520
LOSS FOR THE FINANCIAL YEAR		(5,020)	(12,901)	(17,921)

The notes form part of these financial statements

Other Comprehensive Income
for the year ended 31 December 2018

	2018 £'000	2017 £'000
LOSS FOR THE YEAR	(48,151)	(17,921)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit pension plans	18,524	34,481
Income tax relating to items that will not be reclassified to profit or loss	(3,241)	(6,035)
	15,283	28,446
Item that may be reclassified subsequently to profit or loss:		
Net change in fair value of cash flow hedges	(176)	(70)
Income tax relating to items that may be reclassified subsequently to profit or loss	31	12
	(145)	(58)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	15,138	28,388
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR	(33,013)	10,467

The notes form part of these financial statements

Balance Sheet
31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Intangible assets	12	206	1,331
Tangible assets	13	46,083	49,869
Investments	14	40,000	40,000
		86,289	91,200
CURRENT ASSETS			
Stocks	15	13,572	18,023
Debtors	16	48,969	60,035
Cash at bank		1,511	69
		64,052	78,127
CREDITORS			
Amounts falling due within one year	17	(94,456)	(114,029)
NET CURRENT LIABILITIES		(30,404)	(35,902)
TOTAL ASSETS LESS CURRENT LIABILITIES		55,885	55,298
CREDITORS			
Amounts falling due after more than one year	18	(40,000)	(40,000)
PROVISIONS FOR LIABILITIES	21	(25,831)	(6,045)
PENSION ASSET	24	27,128	16,258
NET ASSETS		17,182	25,511
CAPITAL AND RESERVES			
Called up share capital	22	70,898	45,898
Revaluation reserve	23	187	196
Other reserves	23	121	266
Retained earnings	23	(54,024)	(20,849)
SHAREHOLDERS' FUNDS		17,182	25,511

The financial statements were approved by the Board of Directors on 13 December 2019 and were signed on its behalf by:

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A S Sandhu - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2017	45,898	(31,373)	205	324	15,054
Changes in equity					
Total comprehensive income					
Loss for the year	-	(17,921)	-	-	(17,921)
Other comprehensive income	-	28,446	-	(58)	28,388
Total comprehensive income for the year	-	10,525	-	(58)	10,467
Transactions with the owners recognised directly in equity:					
Revaluation reserve movement	-	9	(9)	-	-
Share based payments - Gross	-	(17)	-	-	(17)
Share based payments - Tax	-	7	-	-	7
Balance at 31 December 2017	45,898	(20,849)	196	266	25,511
IFRS 9 Adjustment *(note 11)*	-	(327)	-	-	(327)
Revised opening balance	45,898	(21,176)	196	266	25,184
Changes in equity					
Total comprehensive income					
Loss for the year	-	(48,151)	-	-	(48,151)
Other comprehensive income	-	15,283	-	(145)	15,138
Total comprehensive income for the year	-	(32,868)	-	(145)	(33,013)
Transactions with the owners recognised directly in equity:					
Issue of share capital	25,000	-	-	-	25,000
Revaluation reserve movement	-	9	(9)	-	-
Share based payments - Gross	-	21	-	-	21
Share based payments - Tax	-	(10)	-	-	(10)
Balance at 31 December 2018	70,898	(54,024)	187	121	17,182

**Notes to the Financial Statements
for the year ended 31 December 2018**

1. ACCOUNTING POLICIES

Basis of preparation
Saint-Gobain Glass (United Kingdom) Limited (the "company") is a company incorporated in the United Kingdom.

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

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International 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:
- o A Cash Flow Statement and related notes;
- o Comparative period reconciliations for tangible fixed assets and intangible fixed assets;
- o Disclosures in respect of transactions with wholly owned subsidiaries;
- o Disclosures in respect of capital management;
- o The effects of new but not yet effective IFRSs;
- o Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Compagnie de Saint-Gobain include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- o IFRS 2 Share Based Payments in respect of group settled share based payments;
- o Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
- o Disclosures required by IFRS 5 Non-current Assets Held for Sales and Discontinued Operations in respect of the cash flows of discontinued operations;
- o Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior periods including the comparative period reconciliation for goodwill;
- o Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

The company has adopted the following IFRSs in these financial statements:
- o IFRS 9: Financial Instruments. The impact of this change is shown in note 11.

Adoption of the following standards has not caused any significant impact on the financial statements:
- o Annual Improvements to IFRS Standards 2014-16 Cycle;
- o IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- o Amendments to IAS 40: Transfers of Investment Property;
- o Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions Contracts;
- o Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- o IFRS 15: Revenue from Contract with Customers.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

Measurement convention
The financial statements are prepared on the historical cost basis. Property is measured at deemed cost, being the revalued amount at the date of transition to adopted IFRS on 1 January 2004. Derivatives and defined benefit pension schemes are shown at fair value.

1. ACCOUNTING POLICIES - continued

Going concern
Notwithstanding the loss for the year and the net current liabilities of £30,189,000, the financial statements have been prepared on a going concern basis. Saint-Gobain Glass (United Kingdom) Limited is dependent on continuing finance being made available by its shareholder to enable it to continue trading and meet its liabilities as they fall due. The holder of the ordinary shares has agreed to provide sufficient funds for the company for these purposes. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

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.

Intangible assets
Software
The cost of intangible fixed assets is their purchase cost, together with any incidental costs of acquisition, or deemed cost on transition to FRS 101.

Amortisation is calculated so as to write off the cost of intangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Software	3 - 7 years

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

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

Certain freehold and long leasehold properties that have been revalued on the basis of open market value prior to 1 January 2004, the date of transition to Adopted IFRSs, are measured at deemed cost, being the revalued amount at the date of that revaluation. Apart from freehold land on which no depreciation is provided, the cost, or deemed cost of property, plant and equipment are depreciated over their estimated useful lives in equal amounts. In case of property, plant and equipment purchased by subsidiary undertakings before acquisition by the company, depreciation continues to be calculated by reference to the fair value of the assets at the date of acquisition or subsequent revaluation.

The rates of depreciation are as follows:

Buildings	• over the remaining useful life with a minimum of 2% per annum or over the period of the lease whichever is shorter
Plant and machinery	• 10% to 33% per annum
Motor vehicles	• 20% to 33% per annum

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

Cost is based on the weighted average principle and includes 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.

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

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

The company is part of a larger group of companies and as a result will be able to take advantage of group relief before paying any corporation tax. The tax benefits arising from group relief are recognised in the income statements of the surrendering and recipient companies.

Notes to the Financial Statements - continued
for the year ended 31 December 2018

1. ACCOUNTING POLICIES - continued

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 asset can be utilised.

Foreign currencies
Transactions in foreign currencies are translated 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. 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 translated at foreign exchange rates ruling at the dates the fair value was determined.

Investments in debt and equity securities
Investments in associates and subsidiaries are carried at cost less impairment.

Financial instruments (policy applicable from 1 January 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

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

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

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

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

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

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

1. ACCOUNTING POLICIES - continued

Financial instruments (policy applicable from 1 January 2018) - continued

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

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

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

Financial liabilities and equity
Financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

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

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2018

1. ACCOUNTING POLICIES - continued

Financial instruments (policy applicable from 1 January 2018) - continued

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

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

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

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

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

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

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

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

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

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

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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.

PRIOR PERIOD POLICY
The accounting policy for financial instruments for the year ended 31 December 2017 is not significantly different from the above in practice, except for the impairment of trade receivables as shown in note 11.

1. ACCOUNTING POLICIES - continued

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

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

For assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

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

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

Calculation of recoverable amount
The recoverable amount of the company's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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

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

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

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

All actuarial gains and losses are recognised in the period they occur directly into equity through the statement of recognised income and expense.

The company is the sponsoring employer of a group wide benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the basis of current pensionable pay.

1. ACCOUNTING POLICIES - continued

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 2018.

Provisions
A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The company has provided for the net present value of future estimated net rents payable on vacant properties and for estimated current dilapidation costs on all leasehold properties as required under IAS 37.

Revenue
Revenue comprises the value of sales of goods and services in the normal course of business, excluding VAT and similar taxes, and trade discounts. For non-construction contracts, revenue is recognised when goods are delivered to the buyer.

In the opinion of the directors, there is only one class of business. Turnover originates in the United Kingdom only.

The company adopted IFRS 15 on 1 January 2018, which had no significant impact on the results of the company.

Construction contracts
Construction contracts are accounted for using the percentage of completion method, as follows:

- When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity which is determined by a quantity surveyor at the balance sheet date.
- When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.
- When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Expenses
Operating lease payments
Payments 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.

Net financing costs
Net financing costs comprise interest payable, interest receivable on funds invested, dividend income, foreign exchange gains and losses that are recognised in the profit and loss account.

Interest income and interest payable is recognised in the profit and loss account as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

2. EMPLOYEES AND DIRECTORS

	2018	2017
	£'000	£'000
Wages and salaries	37,226	41,331
Social security costs	3,966	4,253
Other pension costs	5,651	5,559
	46,843	51,143

2. EMPLOYEES AND DIRECTORS - continued

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

	2018	2017
Production and distribution	764	960
Administration	243	309
	1,007	1,269

The other pension cost includes defined contribution pension costs and service cost on the defined benefit scheme.

	2018 £'000	2017 £'000
Directors' remuneration	658	905

	2018 £'000	2017 £'000
Highest paid director	313	386

3. EXCEPTIONAL ITEMS

	2018 £'000	2017 £'000
Guaranteed minimum pension adjustment	(6,194)	-

Following the recent High Court judgement in the Lloyds case, overall pension benefits now need to be equalised as at 26 October 2018 to eliminate inequalities between males and females in respect of Guaranteed Minimum Pensions ('GMPs'). Liabilities have been increased using the company's best estimate of the uplift to equalise the GMPs.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Interest income	92	40
Net foreign exchange gain	9	205
Interest on employee benefit asset	428	-
	529	245

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'000	2017 £'000
Bank interest	1,401	799
Interest on employee benefit liability	-	420
Other finance charges	1	75
Unwinding of discount on vacant lease provision	57	11
	1,459	1,305

6. LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	2018 £'000	2017 £'000
Cost of inventories recognised as expense	134,514	162,959
Depreciation - owned assets	4,489	5,802
Loss on disposal of fixed assets and discontinued activity	37,408	126
Computer software amortisation	77	118
Auditors' remuneration	48	42
Restructuring costs expensed as incurred - included in administrative expenses (i)	12,211	3,062
Share based payments	5	17

6. LOSS BEFORE TAXATION - continued

(i) In view of the continuing difficult trading conditions the directors decided to continue with the reorganisation and rationalisation programme already underway with the objective to reduce ongoing cost and improve profitability. The 2018 charge comprised £12,211,000 (2017: £3,062,000) for the reorganisation of a number of operating locations and related redundancy costs, of these amounts, £11,235,000 (2017: £985,000) relates to discontinued activities.

7. TAXATION

Analysis of tax income

	2018 £'000	2017 £'000
Current tax:		
Tax	(8,263)	(4,044)
Adjustments in respect of prior years	134	(488)
Total current tax	(8,129)	(4,532)
Deferred tax:		
Deferred tax	(2,787)	(338)
Adjustments in respect of prior years	(124)	(650)
Total deferred tax	(2,911)	(988)
Total tax income in profit and loss account	(11,040)	(5,520)

Factors affecting the tax expense
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss before income tax	(59,191)	(23,441)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(11,246)	(4,512)
Effects of:		
Non-deductible expenses	38	130
Adjustments in respect of prior years	10	(1,138)
Effect of different tax rates	158	-
Tax income	(11,040)	(5,520)

Tax effects relating to effects of other comprehensive income

	2018		
	Gross £'000	Tax £'000	Net £'000
Actuarial gain on defined benefit pension plan	18,524	(3,241)	15,283
Net change in fair value of cash flow hedges transferred to profit and loss reserve	(176)	31	(145)
	18,348	(3,210)	15,138

7. TAXATION - continued

	2017		
	Gross £'000	Tax £'000	Net £'000
Actuarial gain on defined benefit pension plans	34,481	(6,035)	28,446
Net change in fair value of cash flow hedges transferred profit and loss reserve	(70)	12	(58)
	34,411	(6,023)	28,388

Factors affecting future tax charges

Reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2017 has been calculated at an average rate of 17.5% (2017: 17.5%) based on the expected rates of corporation tax at the dates the timing differences will reverse.

8. CONSTRUCTION CONTRACTS

The total amount of contract revenue recognised in 2018 was £22,158,000 (2017: £45,419,000).

9. SALE OF INSTALLATION BUSINESS

On 31 July 2018, the company sold the installation business to a company outside the Saint-Gobain group. The transaction had the following impact on the company's assets and liabilities;

	2018 £'000
Intangible assets	665
Tangible assets	946
Stock	1,758
Debtors	17,525
Cash	17
Creditors	(8,569)
Net identifiable assets and liabilities	12,342

The business was sold for £1,000,000.

The impact on the profit is shown in the profit and loss account on page 9.

Notes to the Financial Statements - continued
for the year ended 31 December 2018

10. GIBBS AND DANDY GLASS

On 1 January 2017, the company acquired the trade and assets of 4 branches of Gibbs and Dandy Glass at book value from a fellow subsidiary, Saint-Gobain Building Distribution Limited. This combines Saint-Gobain's glass distribution business in the UK into one legal entity. The transaction had the following impact on the company's assets and liabilities:

	£'000
Acquiree's net assets at the acquisition date:	
Tangible assets	4,216
Stocks	1,735
Debtors	2,276
Cash at bank	6
Amounts falling due within one year	(2,025)
Net identifiable assets and liabilities	6,208
Total purchase consideration	6,208
Discharged by:	
Consideration paid, satisfied through inter-company loan account	6,208

This transaction increased the revenue of the company by £13,932,000 in 2017.

11. PRIOR YEAR ADJUSTMENT

Change in significant accounting policies
The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.
- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on the asset had not increased significantly since its initial recognition. Changes to hedge accounting policies have been applied prospectively.
All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

The impact of IFRS 9 chiefly concerns the impairment of trade accounts receivable.

The following table summarises the impact, net of tax, of transition to IFRS 9:

	£'000
Retained Earnings	
Balance at 31 December 2017	(25,511)
Recognition of expected credit losses under IFRS 9	(396)
Related tax	69
Balance under IFRS 9 at 1 January 2018	(25,838)

12. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2018	1,449
Disposals	(353)
Discontinued activity	(665)
Reclassification/transfer	(30)
At 31 December 2018	401
AMORTISATION	
At 1 January 2018	118
Amortisation for year	56
Reclassification/transfer	21
At 31 December 2018	195
NET BOOK VALUE	
At 31 December 2018	206
At 31 December 2017	1,331

Notes to the Financial Statements - continued
for the year ended 31 December 2018

13. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Totals £'000
COST				
At 1 January 2018	25,818	66,252	30	92,100
Additions	-	3,605	-	3,605
Reclassification/transfer	(697)	278	-	(419)
Discontinued activity	(55)	(2,675)	-	(2,730)
Disposals	(296)	(5,969)	-	(6,265)
At 31 December 2018	24,770	61,491	30	86,291
DEPRECIATION				
At 1 January 2018	3,904	38,297	30	42,231
Charge for year	628	3,861	-	4,489
Reclassification/transfer	(415)	(55)	-	(470)
Discontinued activity	(48)	(1,736)	-	(1,784)
Impairments	-	1,456	-	1,456
Disposals	-	(5,714)	-	(5,714)
At 31 December 2018	4,069	36,109	30	40,208
NET BOOK VALUE				
At 31 December 2018	20,701	25,382	-	46,083
At 31 December 2017	21,914	27,955	-	49,869

The net book value of plant and equipment includes £7,268,000 (2017: £8,206,000) of assets in the course of construction which are not being depreciated.

LAND AND BUILDINGS

	2018 £'000	2017 £'000
Freehold	16,569	20,505
Long leasehold	3,845	1,086
Short leasehold	287	323
	20,701	21,914

14. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2018 and 31 December 2018	46,000
PROVISIONS	
At 1 January 2018 and 31 December 2018	6,000
NET BOOK VALUE	
At 31 December 2018	40,000
At 31 December 2017	40,000

The company has the following investments in subsidiaries:

	Registered office	Class of shares held	Ownership 2018	2017
E G Glass & Glazing Ltd*†	Saint-Gobain House, Binley Business Park, Coventry, CV3 2TT	£1 ordinary	100%	100%
Saint-Gobain Glass UK Limited*†	Saint-Gobain House, Binley Business Park, Coventry, CV3 2TT	£1 ordinary	100%	100%
Home Repair Network Limited†	Saint-Gobain House, Binley Business Park, Coventry, CV3 2TT	£1 ordinary	-	40%

*Dormant
†Direct Holding

15. STOCKS

	2018	2017
	£'000	£'000
Raw materials	9,928	10,361
Work-in-progress	193	2,292
Finished goods	3,451	5,370
	13,572	18,023

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Trade accounts receivable	14,875	34,113
Amounts owed by group undertakings	22,364	17,427
Other debtors	2,715	4,512
Income tax receivable	9,015	3,983
	48,969	60,035

Included within trade and other receivables is £nil (2017: £nil) expected to be recovered in more than 12 months, and £36,000 (2017: £3,096,000) in respect of retentions.

Trade receivables are shown net of provision.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Bank loans and overdrafts (see note 19)	3	32
Trade creditors	10,242	14,632
Trade creditors due to related parties	4,678	2,562
Non trade creditors due to related parties	69,831	74,729
Non trade creditors and accrued expenses	9,702	22,074
	94,456	114,029

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

	2018	2017
	£'000	£'000
Amounts owed to subsidiary	40,000	40,000

The amount owed to subsidiary will be repaid when the subsidiary is placed into members' voluntary liquidation, at which point the balance will immediately revert to the company as the 100% shareholder. No interest is charged on this balance.

19. FINANCIAL LIABILITIES - BORROWINGS

	2018	2017
	£'000	£'000
Current:		
Bank loans	3	32

Terms and debt repayment schedule

	1 year or less
	£'000
Bank loans	3

20. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
	£'000	£'000
Within one year	5,036	5,830
Between one and five years	13,376	13,659
In more than five years	15,130	13,478
	33,542	32,967

During the year £5,695,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £6,672,000).

Operating lease rentals primarily relate to leased land and buildings.

21. PROVISIONS FOR LIABILITIES

	2018	2017
	£'000	£'000
Deferred tax	2,828	2,586
Other provisions		
Reorganisation	6,320	943
Customer claims	15,079	1,008
Vacant leased property	1,604	1,508
	23,003	3,459
Aggregate amounts	25,831	6,045

	Deferred tax	Other provisions
	£'000	£'000
Balance at 1 January 2018	2,586	3,459
Provided during year	-	48,009
Credit to Profit and Loss Account during year	(2,911)	-
Utilised during year	-	(28,465)
Reserves	3,153	-
Balance at 31 December 2018	2,828	23,003

21. PROVISIONS FOR LIABILITIES - continued

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(725)	(35)	-	-	(725)	(35)
Employee benefits	-	-	4,751	2,848	4,751	2,848
Share based payments	(21)	(41)	-	-	(21)	(41)
Derivatives	(16)	-	-	14	(16)	14
Provisions	(1,161)	(200)	-	-	(1,161)	(200)
	(1,923)	(276)	4,751	2,862	2,828	2,586

Movements in deferred tax in the year:

	1 January 2018 £'000	Recognised in profit and loss account £'000	Recognised in equity £'000	31 December 2018 £'000
Property, plant and equipment	(35)	(690)	-	(725)
Employee benefits	2,848	(1,339)	3,242	4,751
Share based payments	(41)	10	10	(21)
Derivatives	14	-	(30)	(16)
Provisions	(200)	(892)	(69)	(1,161)
	2,586	(2,911)	3,153	2,828

Movements in deferred tax during the prior year:

	1 January 2017 £'000	Recognised in profit and loss account £'000	Recognised in equity £'000	31 December 2017 £'000
Property, plant and equipment	809	(844)	-	(35)
Employee benefits	(3,053)	(134)	6,035	2,848
Share based payments	(24)	(10)	(7)	(41)
Derivatives	26	-	(12)	14
Provisions	(200)	-	-	(200)
	(2,442)	(988)	6,016	2,586

Provisions

Movements in provisions during the year:

	Customer claims £'000	Reorganisation £'000	Vacant leased property £'000	Total £'000
At 1 January 2018	1,008	943	1,508	3,459
Provisions made during the year	38,024	9,872	113	48,009
Provisions utilised in the year	(23,953)	(4,495)	(17)	(28,465)
Unwinding of discounted amount	-	-	-	-
At 31 December 2018	15,079	6,320	1,604	23,003

21. PROVISIONS FOR LIABILITIES - continued

Customer claims provisions relate to items such as quality claims and other claims against the company. Most of the claims relates to the installation business previously undertaken by the company, where liability has not been transferred to the new owners. Customer claims have been provided at the company's best estimate of the expenditure required to settle the present obligation. The amounts provided may be smaller than the amounts claimed by customers, or indeed the customer may not yet have valued their claim, so these amounts are subject to change in future years.

Following the sale of the installation business, the company is reviewing its overhead costs and ensuring that only profitable manufacturing sites are kept. The reorganisation provision relates to the costs of changes that the company intends to make within two years, and where decisions have been made at the balance sheet date.

Movements in provisions in the prior year:

	Quality claims £'000	Reorganisation £'000	Vacant leased property £'000	Total £'000
At 1 January 2017	105	-	1,557	1,662
Provisions made during the year	1,000	3,062	-	4,062
Provisions utilised in the year	(97)	(2,119)	(60)	(2,276)
Unwinding of discounted amount	-	-	11	11
At 31 December 2017	1,008	943	1,508	3,459

Other provisions contain provisions for employer's liability claims for which the company's employer's liability insurance does not offer cover.

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £'000	2017 £'000
70,898,002 (2017 - 45,898,002)	Ordinary	£1	70,898	45,898

The following shares were issued during the year for cash at par:

25,000,000 Ordinary shares of £1 each.

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.

23. RESERVES

	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Totals £'000
At 1 January 2018	(20,849)	196	266	(20,387)
Prior year adjustment	(327)	-	-	(327)
Loss for the year	(48,151)	-	-	(48,151)
Actuarial adjustment	15,283	-	-	15,283
Cash flow hedges	-	-	(145)	(145)
Revaluation reserve	9	(9)	-	-
Share based payments - Gross	21	-	-	21
Share based payments - Tax	(10)	-	-	(10)
At 31 December 2018	(54,024)	187	121	(53,716)

Notes to the Financial Statements - continued
for the year ended 31 December 2018

23. RESERVES - continued

	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Totals £'000
At 1 January 2017	(31,373)	205	324	(30,844)
Deficit for the year	(17,921)	-	-	(17,921)
Actuarial adjustment	28,446	-	-	28,446
Cash flow hedges	-	-	(58)	(58)
Revaluation reserve	9	(9)	-	-
Share based payments - Gross	(17)	-	-	(17)
Share based payments - Tax	7	-	-	(7)
At 31 December 2017	(20,849)	196	266	(20,387)

Revaluation reserve
Arising on revaluation of the freehold and long leasehold properties of the company.

The revaluation reserve is non distributable.

Dividends
The company has not paid or proposed any dividends in either 2018 or 2017.

Taxation
The company has unused tax losses of approximately £44,300,000 (2017: £44,300,000) which are not recognised in the balance sheet.

The deferred tax relating to items that are debited to equity in the year is £3,153,000 (2017: £6,016,000).

24. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan
The company operates a defined benefit pension plan in the UK. The plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service.

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

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

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

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

The sale of the installation business resulted in affected members immediately ceasing to be active members of the Scheme and becoming deferred members. This is treated as a curtailment under IAS19 and has resulted in a loss recognised in the income statement.

Following the recent High Court judgement in the Lloyd's case, overall pension benefits now need to be equalised as at 26 October 2018 to eliminate inequalities between males and females in respect of Guaranteed Minimum Pensions ('GMPs'). Liabilities have been increased using the Company's best estimate of the uplift to equalise the GMPs. This forms part of the OCI as at 31 December 2018.

A full actuarial valuation was carried out at 5 April 2017, the results of which have been updated to 31 December 2018 by a qualified independent actuary.

The company uses the stated group policy for charging the net defined benefit cost of the Saint-Gobain Glass pension to participating entities on the basis of current pensionable pay. The net pension asset is disclosed on the basis as follows;

	2018	2017
	£'000	£'000
Pension asset	(27,128)	(16,258)

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2018	2017
	£'000	£'000
Present value of funded defined benefit obligations	349,442	382,413
Fair value of plan assets	(377,955)	(400,087)
Net asset	(28,513)	(17,674)

Movements in present value of defined benefit obligation

	2018	2017
	£'000	£'000
At 1 January	382,413	397,946
Current service cost (net of member contributions)	3,415	3,081
Interest cost	9,236	10,205
Net remeasurement (gain) / loss - financial	(36,161)	8,153
Net remeasurement gain - demographic	(2,484)	(14,307)
Net remeasurement gain - experience	-	(11,732)
Net remeasurement loss - GMP equalisation	6,311	-
Cost of curtailment	291	-
Benefits paid	(13,579)	(10,933)
At 31 December	349,442	382,413

Notes to the Financial Statements - continued
for the year ended 31 December 2018

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Glass plan - continued

Movements in fair value of plan assets

	2018 £'000	2017 £'000
At 1 January	400,087	378,997
Interest income on plan assets	9,701	9,749
Return on assets excluding interest income	(19,647)	19,604
Contributions by employer	1,846	3,219
Benefits paid	(13,579)	(10,933)
Plan administrative cost	(453)	(549)
At 31 December	377,955	400,087

Expense recognised in the profit and loss account

	2018 £'000	2017 £'000
Current service cost (net of member contributions)	3,415	3,081
Cost of curtailment	291	-
Net interest on defined benefit pension plan obligation	(465)	456
Plan administrative cost	453	549
Guaranteed minimum pension	6,311	-
Total	10,005	4,086

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

	2018 £'000	2017 £'000
Cost of sales	3,415	3,081
Cost of curtailment	291	-
Administrative expenses	453	549
Finance income	(465)	-
Finance expense	-	456
Guaranteed minimum pension	6,311	-
	10,005	4,086

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

	2018 Fair value £'000	2017 Fair value £'000
Equities	65,116	101,238
Government debt	200,508	109,135
Corporate bonds	45,366	78,176
Property	13	15
Others	66,952	111,523
	377,955	400,087
Actual return on plan assets	(9,946)	29,353

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Glass plan - continued

Principal actuarial assumptions (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.80	2.45
Future salary increases	2.00	2.00
RPI inflation	3.10	3.30
CPI inflation	2.10	2.30
Future pension increases		
- inflation, max 5% p.a.	3.05	3.20
Life expectancy at age 65 for current pensioners (years):		
Males	21.6	21.7
Females	23.8	23.9
Life expectancy at age 65 for current members aged 45 (years):		
Males	22.9	23.1
Females	25.4	25.4

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 21 years.

A sensitivity analysis of the principal assumptions used to measure the plan's defined benefit obligation as at 31 December 2018 is:

	Impact on defined benefit obligation at 31 December 2018 (£'000)
Discount rate:	
+ 0.5% p.a.	(29,866)
- 0.5% p.a.	33,508
Inflation rate:	
+ 0.5% p.a.	28,001
- 0.5% p.a.	(27,656)
Assumed life expectancy at age 65:	
+ 1 year	16,662
- 1 year	(16,619)

The plan's investment strategy is to invest broadly 40% in return seeking assets and 60% in matching assets (mainly government bonds). This strategy reflects the plan's liability profile and the trustees' and company's attitude risk.

The last scheme funding valuation of the plan was as at 5 April 2017 and revealed a funding deficit of £4.1m. In the recovery plan dated 28 February 2018 the company pays no contribution which, after allowance for assumed asset outperformance, is expected to eliminate the shortfall by 5 June 2018.

In accordance with the schedule of contributions dated 28 February 2018 the company is expected to pay contributions of £1.0m over the next accounting period.

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Share-based payments
Compagnie de Saint-Gobain stock option plans

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

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

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

The stock options outstanding at 31 December 2018 were:

	€4 par value shares	Average exercise price (in Euros)
Options outstanding at 31 December 2017	22,082	18.12
Options outstanding at 31 December 2018	18,052	2.01

The expense relating to stock options recorded in the profit and loss account amounted to £66,000 in 2018 (2017: £62,000).

The average share price of Compagnie de Saint-Gobain in 2018 was €39.31 (2017: €47.76).

The options outstanding at the year end have an exercise price in the range of €nil to €36.34 and a weighted average contractual life of 6 years.

25. ULTIMATE PARENT COMPANY

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

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

Copies of the Compagnie de Saint-Gobain Group financial statements may be obtained from the Corporate Secretary at the company's address, Les Miroirs, 18 Avenue d'Alsace, 92096 Paris La Defense, France.

26. CONTINGENT LIABILITIES

As part of its installation activity, the company installed cladding systems on a number of high-rise buildings. As shown in note 21, provision has been made for certain customer claims for contracting work where cladding systems are being investigated. Following a file review of other similar installations, it is currently unclear to what extent, if any, the company has any liability in respect of a small number of these systems. In the event of further customer enquiries, the company will investigate and provide if necessary. The company is therefore unable to make a reliable estimate of any contingent liability relating to this matter at the balance sheet date.

27. CAPITAL COMMITMENTS

At 31 December 2018, the company had no capital commitments (2017: £nil).

28.. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on expert opinion, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Employee benefits

The company participates in a defined benefit pension scheme in the UK. The company's share of the obligation in respect of the defined benefit plan is calculated by independent, qualified actuaries and updated at least annually. The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price and medical costs inflation, benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels and the level of contribution from the company. These assumptions have been set out in note 24.

Provisions and contingencies
The company recognises provisions and discloses contingent liabilities in its financial statements as necessary, see note 18 for further details of the nature, value, estimates and judgements. Provisions are present obligations of uncertain timing or amounts, arising from past events, where the settlement is expected to result in an outflow of resources. Contingent liabilities are possible obligations dependent on future events, or present obligations where either it is not probable that the company will suffer an outflow of resources, or the amount of the obligation cannot be measured with sufficient reliability.
The vacant property provision is calculated based on the net present value of future, estimated rents payable on vacant properties and for estimated current dilapidation costs on all leasehold properties as required under IAS 37.

Construction contracts
When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Warranty claims

The company will receive warranty claims during the normal course of business. Management will make the judgement whether they are contractually liable to pay these claims. If the likelihood of an economic outflow is probable, management will provide for the claim along with any associated legal costs giving consideration to the value of the claim and the outcome of legal proceedings to date. The provision involves estimation. Further details are sown in note 21 under the heading of customer claims.

Deferred tax

As shown in note 9, the rate at which deferred tax is recognised is subject to certain estimates about the timings of future cash flows. Deferred tax assets are recognised based on the Directors' judgment that these will be realised against future profits or by group relief.

Discontinued activities

The allocation of income and expenses between continuing and discontinued activities, along with the profit or loss on disposal, requires management judgement to ensure that the reporting is reliable. Alternative bases of allocation could give rise to different reported results.