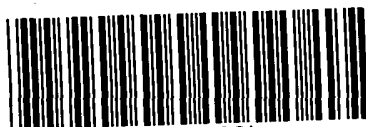


Company Registration No. 00041495 (England and Wales)

PILKINGTON GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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PILKINGTON GROUP LIMITED

COMPANY INFORMATION

Directors

Mr I M Smith
Mr P J Ravenscroft
Ms J A Massa
Mr K Hiyoshi
Mr T P Bolas
Mr I Matsumura
Mr N A L Shore
Mr R J Mercer (Appointed 17 May 2016)

Secretary

Mr I M Smith

Company number

00041495

Registered office

European Technical Centre
Hall Lane
Lathom
Nr Ormskirk
Lancashire
England
L40 5UF

Auditor

Ernst & Young LLP
100 Barbirolli Square
Manchester
England
M2 3EY

PILKINGTON GROUP LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditors' report	5 - 6
Income statement	7
Statement of comprehensive income	8
Statement of financial position	9 - 10
Statement of changes in equity	11
Notes to the financial statements	12 - 45

PILKINGTON GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Principal activities

The company is part of the Nippon Sheet Glass (NSG) Group of companies. The principal activity of the company is to carry out the business of management service provider to other NSG Group companies. Turnover arises on long-term engineering projects.

Review of the business

During the year the company has adopted the accounting standard FRS101. This has resulted in the restatement of comparative figures in these financial statements. Please see note 31 for further details.

The loss for the year on ordinary activities before taxation amounted to £145,278 k (2015: £348,965 k), taxation thereon amounted to £6,448 k (2015: £1,285 k), leaving a loss after taxation of £151,726 k (2015: £350,250 k).

No engineering projects were undertaken during the year to 31 March 2016.

The operations of the company expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity and interest rates. The company complies with the appropriate risk management policies employed by the ultimate parent company and has in place a risk management programme that seeks to limit the effects on the financial performance of the company by using foreign currency financial instruments, including debt and other instruments to fix interest rates.

To manage the foreign exchange risks arising from future commercial transactions and recognised assets and liabilities, the company uses forward contracts, transacted with the Group Treasury function.

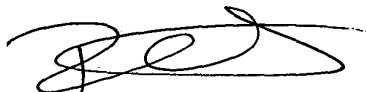
The directors consider that the cash flow and liquidity risks that may face the company from time to time will be met either by the company's own resources or with the assistance of another company in the NSG Group if required.

Under FRS101, Pilkington Group Limited reports its investments in subsidiaries at fair value through the income statement. Gains or losses using fair value accounting are unrealised to the extent that they would not be permanently impaired using a cost less impairment valuation. Under previously extant UK GAAP, the investments in subsidiaries were valued at cost less impairment. Impairments had been recognised due to the size of downward valuations at the balance sheet date. However to the extent that impairments recognised under previously extant UK GAAP were not realised at the balance sheet date, these have been reclassified as movements in fair value.

The directors recognise that the retained earnings reserve includes both realised and unrealised gains and losses and that any dividend payment is only payable from net realised gains.

The directors are satisfied with the performance of the business which will continue with its principal activity for the foreseeable future.

On behalf of the board



Mr I M Smith
Director
11 October 2016

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their financial statements for the year ended 31 March 2016.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr I M Smith
Mr P J Ravenscroft
Ms J A Massa
Mr K Hiyoshi
Mr T P Bolas
Mr I Matsumura
Mr N A L Shore
Mr M J Lyons
Mr R G Hales
Mr R J Mercer

(Resigned 31 March 2016)
(Resigned 29 May 2015)
(Appointed 17 May 2016)

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in place as at the date of approving the directors' report.

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Supplier payment policy

The company's policy in relation to the payments of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms which are detailed on the company's purchase orders. It is company practice to abide by the agreed terms of payments.

Post reporting date events

At the balance sheet date, the company owned a 21.55% shareholding in China Glass Holdings Limited. Since then, the company has sold 8.64% of this shareholding resulting in a 12.91% shareholding. This will be disclosed as an available for sale investment in future reporting periods.

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The financial position of the company is also found within the annual accounts.

The directors have made enquiries of the directors of NSG Co., Limited (the ultimate parent company of the NSG group), in respect of banking arrangements and are satisfied that, notwithstanding any further re-financing, such support will be available from its cash flows and existing facilities for the foreseeable future. In addition the directors have received a letter of financial support from the intermediate parent company, NSG UK Enterprises Limited. The directors therefore have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern and have adopted the going concern basis in the preparation of the financial statements.

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

On behalf of the board

A handwritten signature in black ink, appearing to be 'I M Smith', with a long horizontal stroke extending to the right.

Mr I M Smith

Director

11 October 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PILKINGTON GROUP LIMITED

We have audited the financial statements of Pilkington Group Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditors' 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF PILKINGTON GROUP LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Ernst & Young LLP

Mr Mark Morritt (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP

11 October 2016

Statutory Auditor

100 Barbirolli Square
Manchester
England
M2 3EY

PILKINGTON GROUP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

		2016	2015
	Notes	£000	as restated £000
Revenue	3	-	2,736
Cost of sales		-	(2,736)
Gross profit		-	-
Administrative expenses		4,526	5,399
Other operating income		-	387
Exceptional items	4	8,281	-
Operating profit	5	12,807	5,786
Other gains and losses	11	(160,421)	(484,802)
Income from shares in group undertakings	9	17,161	137,956
Income from participating interests	9	-	310
Other interest receivable and similar income	9	549	558
Interest payable to group undertakings	10	(16,354)	(6,746)
Other interest payable and similar charges	10	980	(2,027)
Loss before taxation		(145,278)	(348,965)
Tax on loss	12	(6,448)	(1,285)
Loss for the financial year	28	(151,726)	(350,250)

The income statement has been prepared on the basis that all operations are continuing operations.

PILKINGTON GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	£000	as restated £000
Loss for the year	(151,726)	(350,250)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes	38,129	(4,700)
Tax relating to items not reclassified	(534)	757
Total items that will not be reclassified to profit or loss	37,595	(3,943)
Items that may be reclassified to profit or loss		
Available for sale financial assets: (Losses)/gains arising during the year	(226)	1,449
Total items that may be reclassified to profit or loss	(226)	1,449
Total other comprehensive income for the year	37,369	(2,494)
Total comprehensive income for the year	(114,357)	(352,744)

PILKINGTON GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

		2016	2015
	Notes	£000	as restated £000
Fixed assets			
Intangible assets	13	388	369
Property, plant and equipment	14	519	1,069
Deferred tax asset	21	-	6,434
Investments	15	1,943,242	1,933,230
Retirement benefit surplus	23	117,000	54,795
		<u>2,061,149</u>	<u>1,995,897</u>
Current assets			
Trade and other receivables	18	15,365	12,358
Cash at bank and in hand		19,469	15,231
		<u>34,834</u>	<u>27,589</u>
Creditors: amounts falling due within one year			
Borrowings	19	398,971	701,772
Trade creditors and other payables	20	12,382	14,534
		<u>411,353</u>	<u>716,306</u>
Net current liabilities		<u>(376,519)</u>	<u>(688,717)</u>
Total assets less current liabilities		<u>1,684,630</u>	<u>1,307,180</u>
Creditors: amounts falling due after more than one year			
Borrowings	19	505,401	-
Provisions for liabilities			
Retirement benefit obligations	23	31,338	34,427
Other provisions	22	2,323	14,756
		<u>33,661</u>	<u>49,183</u>
Net assets		<u>1,145,568</u>	<u>1,257,997</u>

PILKINGTON GROUP LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2016

Capital and reserves

Called up share capital	24	1,983,926	1,983,926
Share premium account	25	113,185	113,185
Fair value reserve	26	6,965	7,191
Capital reserve	27	7,254	5,326
Profit and loss account	28	(965,762)	(851,631)
Total equity		1,145,568	1,257,997

The financial statements were approved by the Board of directors and authorised for issue on 11 October 2016

Signed on its behalf by:



Ms J A Massa
Director

Company Registration No. 00041495

PILKINGTON GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	Share capital £000	Share premium account £000	Fair value reserve £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 1 April 2014		1,983,926	113,185	5,742	5,326	(497,438)	1,610,741
As restated		1,983,926	113,185	5,742	5,326	(497,438)	1,610,741
Loss for the year		-	-	-	-	(350,250)	(350,250)
Other comprehensive income		-	-	1,449	-	(3,943)	(2,494)
Total comprehensive income for the year		-	-	1,449	-	(354,193)	(352,744)
Balance at 31 March 2015		1,983,926	113,185	7,191	5,326	(851,631)	1,257,997
Loss for the year		-	-	-	-	(151,726)	(151,726)
Other comprehensive income		-	-	(226)	-	37,595	37,369
Total comprehensive income for the year		-	-	(226)	-	(114,131)	(114,357)
Capital contribution	27	-	-	-	1,928	-	1,928
Balance at 31 March 2016		1,983,926	113,185	6,965	7,254	(965,762)	1,145,568

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Pilkington Group Limited is a company limited by shares incorporated in England and Wales. The registered office is European Technical Centre, Hall Lane, Lathom, Nr Ormskirk, Lancashire, England, L40 5UF.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company transitioned to FRS 101 for all periods presented and material amendments are set out in note 31 to the accounts. The Company has taken advantage of the exemption under S400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of a listed Japanese Group whose results are publically available as set out in note 30.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Nippon Sheet Glass Co., Limited in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Nippon Sheet Glass Co., Limited. The group accounts of Nippon Sheet Glass Co., Limited are available to the public and can be obtained as set out in note 30.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The financial position of the company is also found within the annual accounts.

The directors have made enquiries of the directors of NSG Co., Limited (the ultimate Parent company of the NSG group), in respect of banking arrangements and are satisfied that, notwithstanding any further re-financing, such support will be available from its cash flows and existing facilities for the foreseeable future. In addition the directors have received a letter of financial support from the intermediate parent company, NSG UK Enterprises Limited. The directors therefore have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern and have adopted the going concern basis in the preparation of the financial statements.

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Intangible assets other than goodwill

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (five to 10 years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are seen to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 10 years).

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold buildings	2% to 5% per annum
Vehicles	20% per annum

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

1.6 Non-current investments

The company has designated its investments in subsidiaries, joint ventures and associates as fair value to income statement. The investments are revalued annually on an EBITDA multiple calculation or NTA basis where market values do not exist. Gains and losses arising due to fair value accounting are unrealised to the extent that they would not be permanently impaired using a cost less impairment valuation.

1.7 Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

1.9 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading or on election. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument
- the asset is elected as FVTPL to match offsetting liabilities

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the income statement.

This category includes the company's investments in subsidiaries and associated undertakings.

Financial assets at fair value through other comprehensive income

Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

Current tax

Current income taxes are measured based on the amount expected to be paid to, or recovered from, taxation authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method and without discounting, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax asset and liability related to the same taxable entity or group of entities and the same taxation authority.

1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.17 Retirement benefits

The company has both defined benefit and defined contribution plans.

Defined benefit schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The net surplus recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Retirement benefit assets are recognised for schemes in surplus, when the company has an unconditional right to a refund of that surplus.

Current service costs, representing the additional liability accrued as a result of employee's services undertaken during the year, are charged to operating costs within the income statement.

Past service costs are recognised immediately in the income statement.

Finance costs are calculated by applying territory specific discount rates to the net defined obligation in that region.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are taken through the statement of comprehensive income to equity in accordance with IAS 19 'Employee Benefits'.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

The company also provides post-retirement healthcare benefits to certain retired employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of comprehensive income in accordance with IAS 19. These obligations are valued annually by independent qualified actuaries.

1.18 Leases

Assets held under finance leases (in which a significant proportion of the risks and rewards of ownership are retained) are included in property, plant and equipment at cost and are depreciated over the shorter of the lease term or their useful economic life. Obligations under finance leases, net of finance charges in respect of future periods, are included as appropriate under borrowings due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligations.

1.19 Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of trade. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

1.20 Trade payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Provisions

If appropriate, the directors seek professional advice regarding the valuation of provisions.

Post-Retirement Benefits

The company uses a variety of assumptions in the calculation of the defined benefit scheme assets and liabilities. These assumptions, set out in note 23, are subject to a degree of uncertainty and the Group takes advice from professional actuaries before approving such assumptions.

3 Revenue

An analysis of the company's revenue is as follows:

	2016	2015
	£000	£000
Engineering services	-	2,736
	<u> </u>	<u> </u>

Geographical market

	Turnover	
	2016	2015
	£000	£000
Russia	-	2,736
	<u> </u>	<u> </u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

4 Exceptional items	2016 £000	2015 £000
Redundancy and restructuring	(480)	-
Disposal of Alexandra Park and related accounting entries	8,761	-
	<u>8,281</u>	<u>-</u>

Pilkington Group Limited held an onerous lease provision relating to the ongoing commitment at its previous head office building. In the year to March 2016, Chance Pilkington (1997) Limited sold the building, and Pilkington Group Limited sold the rights to the land which it owned at the same time. The exceptional item includes £441k loss on disposal of assets plus a gain on the release of the onerous lease provision of £9,202k.

5 Operating profit	2016 £000	2015 £000
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	76	226
(Loss)/profit on disposal of property, plant and equipment	-	(2)
Amortisation of intangible assets	153	153
Income from recharging group services	(53,759)	(58,423)
	<u></u>	<u></u>

6 Auditors' remuneration	2016 £000	2015 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	35	83
Audit of the company's subsidiaries	113	109
	<u>148</u>	<u>192</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

7 Employees

The average monthly number of persons employed by the company during the year was:

	2016 Number	2015 Number
United Kingdom	235	237

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	11,330	14,300
Social security costs	1,398	1,588
Pension costs	3,913	2,152
	16,641	18,040

Redundancy payments in the year amount to £480 k (2015 - £670 k).

Under previously extant UK GAAP, the company enacted the multi-employer exemption and reported the defined benefit Pilkington Superannuation Scheme as a defined contribution scheme. Additional annual £25,167 k top up contributions were included within employment costs under previously extant UK GAAP. Under FRS101, these are included within cash contributions to the defined benefit scheme.

In the year to March 2016, the company introduced a salary sacrifice scheme. This increase in pension contributions relates to this.

8 Directors' remuneration

	2016 £000	2015 £000
Remuneration for qualifying services	1,509	2,318
Amounts receivable under long term incentive schemes	535	-
Company pension contributions to defined contribution schemes	4	3
Service costs in relation to defined benefit schemes	238	187
	2,286	2,508

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	668	819
Long term incentive schemes	488	-

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

9 Investment income

	2016 £000	2015 £000
Other interest income	21	11
Income from available for sale investments	528	547
Other interest receivable and similar income	549	558
Income from investments in group undertakings	17,161	137,956
Income from participating interests - associates	-	310
Total income	17,710	138,824

Investment income earned on financial assets, analysed by category of asset, is as follows:

	2016 £000	2015 £000
Available for sale financial assets	528	547
Financial assets fair value to income statement	17,161	137,956
Held for trading financial assets	-	310
	17,689	138,813

10 Finance costs

	2016 £000	2015 £000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	16,354	6,746
Interest on other loans	1,306	3,507
	17,660	10,253
Other finance costs:		
Unwinding of discount on net retirement benefit surplus	(2,286)	(1,480)
Total finance costs	15,374	8,773

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

11 Other gains and losses

	2016 £000	2015 £000
Exchange losses on foreign currency loans	(34,198)	-
Amounts written off investments fair value through profit or loss	(126,223)	(484,802)
	<u>(160,421)</u>	<u>(484,802)</u>

12 Income tax expense

	Continuing operations	
	2016 £000	2015 £000
Current tax		
Current year taxation	548	374
	<u>548</u>	<u>374</u>
Deferred tax		
	5,900	911
	<u>5,900</u>	<u>911</u>
Total tax charge	<u>6,448</u>	<u>1,285</u>

The charge for the year can be reconciled to the loss per the income statement as follows:

	2016 £000	2015 £000
Loss before taxation	<u>(145,278)</u>	<u>(348,965)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015 - 21.00%)	(29,056)	(73,283)
Expenses not deductible in determining taxable profit	33,336	103,357
Income not taxable	(3,332)	(29,036)
Unutilised tax losses carried forward	4,079	4,038
Change in unrecognised deferred tax assets	5,900	895
Group relief	314	882
Permanent capital allowances in excess of depreciation	(3)	34
Effect of overseas tax rates	643	374
Pension cost relief in excess of net pension cost charge	(5,433)	(5,976)
Tax charge for the year	<u>6,448</u>	<u>1,285</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

(Continued)

12 Income tax expense

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £000	2015 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	534	(757)

No deferred tax has been recognised in respect of the company's brought forward and carried forward tax losses on the basis that sufficient taxable profits for the company are not forecasted against which these losses may be utilised.

13 Intangible fixed assets

	Software £000
Cost	
At 1 April 2015	2,545
Additions - purchased	172
	<hr/>
At 31 March 2016	2,717
	<hr/>
Amortisation and impairment	
At 1 April 2015	2,176
Charge for the year	153
	<hr/>
At 31 March 2016	2,329
	<hr/>
Carrying amount	
At 31 March 2016	388
	<hr/>
At 31 March 2015	369
	<hr/>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

14 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2015	2,655	4,087	6,742
Additions	-	266	266
At 31 March 2016	2,581	4,353	6,934
Accumulated depreciation and impairment			
At 1 April 2015	1,913	3,760	5,673
Charge for the year	44	32	76
Eliminated on disposal	698	42	740
At 31 March 2016	2,581	3,834	6,415
Carrying amount			
At 31 March 2016	-	519	519
At 31 March 2015	742	327	1,069

15 Investments

	Current 2016 £000	2015 £000	Non-current 2016 £000	2015 £000
Fair value through other comprehensive income				
Available-for-sale investments	-	-	21,917	22,143
Fair value through income statement				
Investments in subsidiaries	-	-	1,887,220	1,867,122
Investments in associates	-	-	34,105	43,965
Other investments	-	-	-	-
	-	-	1,943,242	1,933,230

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

15 Investments

(Continued)

Movements in non-current investments

	Shares £000
Valuation	
At 1 April 2015	1,933,230
Additions	136,461
Valuation changes	(126,223)
Valuation changes to OCI	(226)
At 31 March 2016	1,943,242
Carrying amount	
At 31 March 2016	1,943,242
At 31 March 2015	1,933,230

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Pilkington Automotive Limited	UK	100.00	100.00	Automotive glass manufacture
Pilkington China Holdings Company Limited	Hong Kong	100.00	100.00	Investment holding
Pilkington Floatglas AB	Sweden	100.00	100.00	Glass distribution and processing
Pilkington Holywell Limited	UK	100.00	100.00	Investment holding
Pilkington Italia SpA	Italy	100.00	100.00	Glass manufacturing
Pilkington Technology Management Limited	UK	100.00	100.00	Technology management
Glass Master SA de CV	Mexico	99.00	99.00	Automotive aftermarket installer
Pilkington United Kingdom Limited	UK	100.00	100.00	Glass manufacturing and processing
Pilkington Holding GmbH	Germany	100.00	100.00	Investment holding
Vidrieria Argentina SA	Argentina	51.00	51.00	Argentina
Pilkington Automotive Argentina SA	Argentina	98.00	98.00	Automotive glass manufacture
Pilkington AGR Austria GmbH	Austria	100.00	100.00	Automotive aftermarket installer
LOF Canada Holdings Limited	Canada	100.00	100.00	Investment holding
Clapola Limited	Cyprus	100.00	100.00	Investment holding
Pilkington Czech spol.S.r.o.	Czech Republic	99.90	99.90	Glass processing
Pilkington AGR Czech spol.S.r.o.	Czech Republic	98.00	98.00	Automotive aftermarket installer
Pilkington Holdings SA	France	100.00	100.00	Investment holding
Nippon Sheet Glass Ireland Limited	Ireland	100.00	100.00	Automotive aftermarket installer
Pilkington AGR Hungary Kft.	Hungary	100.00	100.00	Automotive aftermarket installer
Pilkington Benelux AGR B.V.	Netherlands	100.00	100.00	Automotive aftermarket installer
Pilkington Chile Holdings Limitada	Chile	100.00	100.00	Investment holding
Inversiones Float Chile Limitada	Chile	51.00	51.00	Investment holding
Pilkington Automotive Poland Sp.z.o.o.	Poland	100.00	100.00	Automotive glass manufacture
Pilkington IGP Sp.z.o.o.	Poland	100.00	100.00	Glass manufacturing and processing
Pilkington Polska Sp.z.o.o.	Poland	100.00	100.00	Glass manufacturing

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

16 Subsidiaries

(Continued)

Pilkington Austria GmbH	Austria	99.00	99.00	Glass processing
Pilkington Danmark A/S	Denmark	100.00	100.00	Automotive aftermarket installer and glass processing

17 Associates

Details of the company's associates at 31 March 2016 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
China Glass Holdings Limited	Hong Kong	21.55	21.55	Trading company
Lochaline Quartz Sand Limited	UK	49.00	49.00	Trading company

18 Trade and other receivables

	2016 £000	2015 £000
Other receivables	571	763
Corporation tax recoverable	-	445
Amounts due from related parties	12,280	10,721
Prepayments	2,514	429
	<u>15,365</u>	<u>12,358</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

19 Borrowings

	2016 £000	2015 £000
Unsecured borrowings		
Bank loans and overdrafts	-	256
Loans from related parties	904,372	701,516
	<u>904,372</u>	<u>701,772</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

		(Continued)
19 Borrowings	2016	2015

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2016 £000	2015 £000
Current liabilities	398,971	701,772
Non-current liabilities	505,401	-
	<u>904,372</u>	<u>701,772</u>

20 Trade and other payables

	Current 2016 £000	2015 £000
Trade payables	75	58
Amounts due to related parties	6,961	5,860
Accruals	2,881	1,617
Other payables	2,465	6,999
	<u>12,382</u>	<u>14,534</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £000	Retirement benefit obligations and provisions £000	Short term timing differences £000	Total £000
Deferred tax asset at 1 April 2014	(848)	(5,499)	(241)	(6,588)
Deferred tax movements in prior year				
Charge to profit or loss	848	16	47	911
Credit to other comprehensive income	-	(757)	-	(757)
Deferred tax asset at 1 April 2015	-	(6,240)	(194)	(6,434)
Deferred tax movements in current year				
Charge to profit or loss	-	5,706	194	5,900
Charge to other comprehensive income	-	534	-	534
Deferred tax asset at 31 March 2016	-	-	-	-

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £000	2015 £000
Deferred tax assets	-	(6,434)

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

22 Provisions for liabilities

	2016 £000	2015 £000
Redundancy and restructuring	37	437
Claims and litigation	1,760	2,216
Other	526	12,103
	<u>2,323</u>	<u>14,756</u>

Analysis of provisions

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Current liabilities	616	4,549
Non-current liabilities	1,707	10,207
	<u>2,323</u>	<u>14,756</u>

	Redundancy and restructuring £000	Claims and litigation £000	Other £000	Total £000
At 1 April 2015	437	2,216	12,103	14,756
Additional provisions in the year	480	-	1	481
Reversal of provision	-	(448)	(10,579)	(11,027)
Utilisation of provision	(880)	(8)	(999)	(1,887)
At 31 March 2016	<u>37</u>	<u>1,760</u>	<u>526</u>	<u>2,323</u>

Other provisions include onerous lease provision £405 k (2015: £9,607 k), cumulative leave provision of £119 k (2015: £143 k), bonus provision of nil (2015: £2,353 k)

23 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of retirement benefit plans is £339 k (2015 - £223 k).

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

Defined benefit scheme

The company operates defined benefit pension arrangements, together with related arrangements, which are required to be disclosed as post-employment or other long-term benefits under IAS 19.

The largest pension scheme is the Pilkington Superannuation Scheme (PSS) which covers 975 employees, 3,041 deferred members and 10,509 pensioners as at 31 March 2016. This scheme was closed to new members with effect from 30 September 2008. This scheme is subject to applicable UK employment laws and is governed by a Board of Trustees. The Board of Trustees consists of seven member-nominated trustees and seven employer-nominated trustees. Of the employer-nominated trustees, two are independent and five are current or former employees of the NSG Group. The Board of Trustees is responsible for the overall governance of the scheme and the management of its assets.

Prior to 1 January 2009, employer contributions under the PSS's governing trust deed were fixed at 10.5 percent of pensionable salary for active members. However, with effect from that date, employer contributions are now levied at 16 percent of pensionable salary for active members accruing on a 1/60th basis, and 12.5 percent for active members accruing on a 1/80th basis.

From 30 April 2013, the definition of pensionable salary in the PSS has been 'frozen' so that benefits no longer increase in line with salary increases.

Valuation

A formal funding valuation of the scheme's liabilities is carried out using a prudent basis, as agreed between the Trustee and the company, every three years. If the funding valuation reveals a deficit, the Trustee agrees with the company a plan for recovering that deficit. Following the actuarial valuation as at 31 December 2014, the company has agreed a funding plan which requires annual deficit contributions of £25 million payable up to and including 2018.

Under previously extant UK GAAP, the company enacted the multi-employer exemption and accounted for the PSS as if a defined contribution scheme. Under FRS101, such exemptions have been removed and therefore as the lead employer of the PSS, Pilkington Group Limited now recognises the asset on its balance sheet. The company has an unconditional right to a refund of surplus, as defined under IFRIC 14, and considers that the possibility that a surplus could be reduced or extinguished by discretionary actions by the Trustee does not affect the existence of the asset at the end of the reporting period.

The scheme's Statement of Investment Principles sets out the investment objectives and asset allocation policy adopted by the Trustee. This policy is linked to a 'de-risking' plan that was agreed with the Group as part of the 2014 valuation. Under this plan the amount of return-seeking assets as a proportion of the total is reduced as the funding position improves. The current benchmark is 21 percent return-seeking, 79 percent liability matching assets.

The company also operates post-retirement healthcare benefits for retirees. The method of accounting, assumptions and the frequency of actuarial valuations are similar to those used for defined benefit pension schemes.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

Risks

Through its defined benefit pension schemes, the company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets under perform this yield, this will create a deficit. All funded schemes hold a significant proportion of growth assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The allocation to growth assets is monitored regularly to ensure it remains appropriate and in line with the group's long term strategy to manage the schemes.

Changes in bond yields A decrease in corporate bond yields will increase the scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk Much of the UK schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The Pilkington Superannuation Scheme (PSS) hedges 80% of liability movements against interest and inflation rate volatility.

Life expectancy The majority of the plans' obligations are to provide benefits for the life of the member (or deceased member's spouse, where applicable), so increases in life expectancy will result in an increase in the liabilities. Some of the longevity risk in the main UK plan is hedged with a longevity swap which was put in place in 2012.

Key assumptions

	2016 %	2015 %
Discount rate	3.4	3.1
Pension growth rate	0.8	0.8
Salary growth rate	0	
Consumer price inflation	1.8	2.0

Mortality assumptions

The mortality assumptions used at 31 March 2016 are based on the 'SAPS' standard UK mortality tables, with an adjustment to reflect actual mortality experience of members of that scheme based on recent experience investigations carried out by the scheme's Trustees. Future improvements in mortality have been allowed for in line with the CMI 2015 Core Projections with a long-term rate of mortality improvements of 1.25 percent per annum.

The assumed life expectations on retirement at age 60 are:

	2016 Years	2015 Years
Retiring today		
- Males	26.6	26.8
- Females	28.8	29.1
Retiring in 20 years		
- Males	28.3	28.5
- Females	30.8	31.0

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

Amounts recognised in the income statement:

	2016 £000	2015 £000
Current service cost	9,443	5,923
Net interest on defined benefit liability/(asset)	(2,383)	(1,605)
The effect of any curtailment or settlement	103	819
	<u>7,163</u>	<u>5,137</u>

Of the total expenses for the year, £867 k is included in cost of sales, £118 k in distribution costs, £2,305 k in administration expenses, £104 k in exceptional expenses and £2,383 k in finance expenses. The remaining expenses of £6,153 k are included in the income statements of other sponsoring employers as cash contributions to pension schemes.

£97 k (2015: £125 k) is included in finance expenses in respect of the retirement benefit healthcare plan.

(Gains)/losses recognised in other comprehensive income in respect of defined benefit plans are as follows:

	2016 £000	2015 £000
Actuarial changes arising from changes in financial assumptions	(92,171)	213,901
Actuarial changes arising from experience adjustments	(409)	35,787
Other gains and losses	21,015	(260,147)
Movement on tax on surplus	33,495	14,945
	<u>(38,070)</u>	<u>4,486</u>

A credit of £59 k (2015 charge: £214 k) is recognised within other comprehensive income in respect of the retirement benefit healthcare plan.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2016 £000	2015 £000
Present value of defined benefit obligations	1,526,502	1,638,201
Fair value of plan assets	(1,678,202)	(1,691,301)
Surplus in scheme	(151,700)	(53,100)
Taxes relating to refund of pension fund surplus	63,000	29,505
Net surplus in the statement of financial position after tax on surplus	(88,700)	(23,595)
Included in non-current assets	(117,000)	(54,795)
Included in retirement benefit obligations	28,300	31,200
Retirement healthcare asset or liability balance	3,038	3,227
Net surplus recognised in statement of financial position	(85,662)	(20,368)

Movements in the present value of defined benefit obligations:

	2016 £000	2015 £000
At 1 April 2015	1,638,201	1,402,100
Current service cost	9,443	5,923
Benefits paid	(78,780)	(80,336)
Contributions from scheme members	604	2,828
Actuarial gains and losses	(92,580)	249,688
Interest cost	49,511	57,179
Other	103	819
At 31 March 2016	1,526,502	1,638,201

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

The defined benefit obligations arise from plans funded as follows:

	2016 £000	2015 £000
Wholly unfunded obligations	28,300	31,200
Wholly or partly funded obligations	1,498,202	1,607,001
	<u>1,526,502</u>	<u>1,638,201</u>

Movements in the fair value of plan assets:

	2016 £000	2015 £000
At 1 April 2015	1,691,301	1,416,200
Interest income	51,894	58,784
Benefits paid	(78,780)	(80,336)
Contributions by the employer	34,198	33,678
Contributions by scheme members	604	2,828
Return on plan assets excluding interest income	(21,015)	260,147
At 31 March 2016	<u>1,678,202</u>	<u>1,691,301</u>

The actual return on plan assets was £30,879 (2015 - £318,931).

Sensitivity to changes in assumptions

The principal assumptions used to determine the defined benefit obligation (DBO) are the discount rate, the inflation rate, and the mortality basis. These sensitivity of the DBO to changes in each of these assumptions is set out below:

	Increase in assumption	Decrease in assumption
0.5% change in discount rate	6.8% decrease	7.7% increase
0.5% change in inflation rate	3.4% increase	3.0% decrease
Increase life expectancy by 1 year	3.6%	

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

(Continued)

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2016 £000	Unquoted 2016 £000	Quoted 2015 £000	Unquoted 2015 £000
Equity instruments	319,400	-	286,900	-
Debt instruments	1,338,400	-	1,191,400	-
Property	-	33,500	-	52,200
Cash	-	8,302	-	175,901
Longevity Swap	-	(21,400)	-	(15,100)
	<u>1,657,800</u>	<u>20,402</u>	<u>1,478,300</u>	<u>213,001</u>

24 Share capital

2016
£000

2015
£000

Ordinary share capital

Issued and fully paid

14,646,014,764 Ordinary Shares of £0.04618847 each

676,477

676,477

Preference share capital

Issued and fully paid

1,307,448,804 Non-redeemable preference shares of £1 each

1,307,449

1,307,449

25 Share premium account

£000

At 1 April 2014

113,185

At 31 March 2015 & at 31 March 2016

113,185

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

26 Fair value reserve

	£000
At 1 April 2014	5,742
Fair value adjustment - AFS investments	1,449
	<hr/>
At 31 March 2015	7,191
Fair value adjustment - AFS investments	(226)
	<hr/>
At 31 March 2016	<u>6,965</u>

27 Capital reserve

	£000
At 1 April 2014	5,326
	<hr/>
At 31 March 2015	5,326
Capital contribution	1,928
	<hr/>
At 31 March 2016	<u>7,254</u>

The capital reserve relates to amounts invested in Pilkington Austria GmbH funded by a capital injection by NSG UK Enterprises Limited. The capital reserve forms part of distributable profits.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

28 Retained earnings

	£000
At 1 April 2014	(497,438)
Loss for the year	(350,250)
Actuarial differences recognised in other comprehensive income	(4,700)
Tax on actuarial differences	757
	<hr/>
At 31 March 2015	(851,631)
Loss for the year	(151,726)
Actuarial differences recognised in other comprehensive income	38,129
Tax on actuarial differences	(534)
	<hr/>
At 31 March 2016	<u>(965,762)</u>

The directors consider the retained earnings reserve to include both realised and unrealised profits and losses.

29 Operating lease commitments

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2016 £000	2015 £000
Minimum lease payments under operating leases	49	16
	<hr/>	<hr/>

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	30	1,044
Between two and five years	120	3,459
In over five years	255	255
	<hr/>	<hr/>
	405	4,758
	<hr/>	<hr/>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

30 Controlling party

The immediate parent undertaking is NSG UK Enterprises Limited, registered in England and Wales. This company has not prepared consolidated financial statements as the directors regard the ultimate parent undertaking and controlling party to be Nippon Sheet Glass Co., Limited, a company registered in Japan. Nippon Sheet Glass Co., Limited has prepared consolidated financial statements for the year to 31 March 2016, a copy of which can be obtained from the Company Secretary, Nippon Sheet Glass Co., Limited, West Wing, 5-27, Mita 3-Chome, Minato-ku, Tokyo, 108-6321, Japan.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

31. Transition to FRS101

For all periods up to and including the year ended 31 March 2015, the company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements for the year ended 31 March 2016 are the first the company has prepared in accordance with FRS101. The comparative year has been restated under FRS101.

FRS101 entitles the company to various exemptions from the preparation of full IFRS accounts. These are set out in note 1.1

The principal adjustments made by the company in restating its balance sheet as at 1 April 2014, and its previously published UK GAAP financial statements for the year ended 31 March 2015, are set out below;

Reconciliation of equity as at 1 April 2014		UK GAAP	FRS101 Reclassification / Re-measurement	FRS101
		£m	£m	£m
Non-current assets				
Intangible assets	a	-	-	-
Property, plant and equipment	a	1	-	1
Investments	b	2,032	302	2,334
Deferred tax asset	e	-	7	7
Retirement benefit surplus	c	-	27	27
Current assets				
Trade and other receivables		113	-	113
Cash at bank and in hand		16	-	16
Current liabilities		(447)	-	(447)
Net current liabilities		(318)	-	(318)
Total assets less current liabilities		1,715	336	2,051
Non-current liabilities	f	(400)	2	(398)
Provisions for liabilities				
Retirement benefit obligations	d	(22)	(9)	(31)
Other provisions		(12)	-	(12)
Net assets		1,281	329	1,610
Capital and reserves				
Called up share capital		676	-	676
Preference share capital		1,307	-	1,307
Share premium reserve		113	-	113
Capital reserve		5	-	5
Fair value/Revaluation reserve		6	-	6
Retained earnings		(826)	329	(497)
Total equity		1,281	329	1,610

Rounding differences account for the difference in total net assets/equity per financial statements £1,611m

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Reconciliation of equity as at 31 March 2015		UK GAAP	FRS101 Reclassification / Re-measurement	FRS101
		£m	£m	£m
Non-current assets				
Intangible assets	a	-	-	-
Property, plant and equipment	a	1	-	1
Investments	b	1,884	49	1,933
Deferred tax asset	e	-	6	6
Retirement benefit surplus	c	-	55	55
Current assets				
Trade and other receivables		12	-	12
Cash at bank and in hand		15	-	15
Current liabilities				
Provisions utilized in less than one year	f	(717)	1	(716)
	g	(5)	5	-
Net current liabilities		(695)	6	(689)
Total assets less current liabilities		1,190	116	1,306
Non-current liabilities				
Provisions for liabilities				
Retirement benefit obligations	d	(25)	(9)	(34)
Other provisions	g	(10)	(5)	(15)
Net assets		1,155	102	1,257
Capital and reserves				
Called up share capital		676	-	676
Preference share capital		1,307	-	1,307
Share premium reserve		113	-	113
Capital reserve		5	-	5
Fair value / Revaluation reserve		7	-	7
Retained earnings		(953)	102	(851)
Total equity		1,155	96	1,257

Rounding differences account for the difference between net assets/equity per financial statements £1,258m

Under UK GAAP the accounts were presented in £m. Under FRS101, the directors have chosen to present figures to the nearest thousand. Where transition to FRS101 creates an adjustment to the nearest thousand but not to the nearest million, these are included in the narrative below.

a. Intangible assets

Intangible assets of £401 k at 1 April 2014 and £369 k at 31 March 2015 were reclassified from tangible fixed assets under UK GAAP to intangible assets under FRS101.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

b. Fair value of investments

Under UK GAAP, investments in subsidiary undertakings and associates were valued at cost less impairment. Historic impairments had been recognised either when permanent in nature, or when deemed significant in size. Under FRS101, investments in subsidiary and associated undertakings are valued at fair value through profit and loss. Downward valuations had previously been recognised in UK GAAP accounts by virtue of their size as impairments. These are reclassified under FRS101 as downward valuations. At 1 April 2014, investments valued above cost were recognised with an increase to fair value of £294,854 k on subsidiaries and £8,660 k on associates. At 31 March 2015, the subsidiary assets were fair valued at £474,661 k less than at 1 April 2014, and the associated undertakings valued at £10,161 k less than at 1 April 2014. £231m downward valuation was recognised through the income statement under previously extant UK GAAP. Therefore there is an additional charge in the income statement in the year to 31 March 2015 of £254m and the net movement in fair value of investments at 31 March 2015 in an increase in value of £49m.

c. Retirement benefit asset

Under UK GAAP, Pilkington Group Limited enacted the multi-employer exemption such that it did not report the assets of the Pilkington Superannuation Scheme as these related to a number of UK entities within the NSG Group and the proportion of assets relating to Pilkington Group Limited could not be reliably determined. Under FRS101, the sponsoring employer must report the whole asset or liability of any retirement benefit scheme and as such, Pilkington Group Limited, as the sponsoring employer of the Pilkington Superannuation Scheme, is reporting the asset relating to the scheme on its balance sheet. The impact is to record an asset of £27,040 k at 1 April 2014 and £54,795 k at 31 March 2015. The movement in the year of £27,755 k comprises additional cash contributions of £32,460 k plus a charge to the income statement of £(4,007) k, a credit to other comprehensive income of £14,247 k relating to changes in actuarial assumptions and a charge to other comprehensive income of £(14,945) k relating to the movement of the tax on surplus.

d. Retirement benefit liability

The healthcare liability of £3,114 at 1 April 2014 and £3,227 k was included on the balance sheet under FRS101 at 1 April 2014 and 31 March 2015 respectively. No deferred tax asset is recognised on this liability. Deferred tax, netted from the pension liability recognised under UK GAAP, of £5,499 k at 1 April 2014 and £6,240 k at 31 March 2015 is disclosed separately under FRS101.

e. Deferred tax asset

As at 1 April 2014, the deferred tax asset of £6,588 k was shown separately under FRS101. Under UKGAAP £5,499 k was netted from the pension liability and £1,089 k included within debtors. At 31 March 2015, £6,434 k deferred tax asset was recognised under FRS101. Under UKGAAP £6,240 k of this amount was netted from the pension liability and £194 k was included within debtors.

f. Discount on non-interest bearing loan

Pilkington Group Limited has received a loan from its subsidiary Pilkington Technology Management Limited on which it does not pay interest. Under FRS101, the loan must be discounted and the discount treated as a distribution. At 1 April 2014, the discount on the loan amounted to £1,878 k. During the year to 31 March 2015, the discount was unwound with an additional finance charge of £939 k to the income statement in the year.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

g. Provisions

On the face of the statement of financial position, provisions are not shown separately in less than one year versus more than one year under FRS101. This information is available in note 22.