

Company Registration No. 00041495 (England and Wales)

PILKINGTON GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



PILKINGTON GROUP LIMITED

COMPANY INFORMATION

Directors

Mr I M Smith
Mr P J Ravenscroft
Ms J A Massa
Mr K Hiyoshi
Mr N A L Shore
Mr Jukichi Kuboi
Mr J P Wilgar (Appointed 23 April 2021)
Mr R Meredith (Appointed 25 June 2021)

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
2 St Peter's Square
Manchester
M2 3EY

PILKINGTON GROUP LIMITED

CONTENTS

	Page
Strategic report	1 - 4
Directors' report	5 - 10
Directors' responsibilities statement	11
Independent auditors' report	12 - 15
Income statement	16
Statement of comprehensive income	17
Statement of financial position	18 - 19
Statement of changes in equity	20 - 21
Notes to the financial statements	22 - 54

PILKINGTON GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report and financial statements for the year ended 31 March 2021.

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.

Review of the business

The profit for the year on ordinary activities before taxation amounted to £98,051 k (2020 loss: £264,325 k), taxation thereon amounted to a credit of £927 k (2020 charge: £88 k), leaving a profit after taxation of £98,978 k (2020 loss: £264,413 k).

Revenues generated from charging services to fellow subsidiaries of the NSG Group were £55,615 k (2020: £81,257 k).

Income generated from dividends received from subsidiary companies increased to £81,481 k (2020: £6,629 k).

Principal risks and uncertainties

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.

Factors affecting the performance and financial position of the company

The company revalues its investments with movements in value being reported through other gains and losses in the income statement. This means that the income statement is subject to volatility depending on both the performance of its subsidiaries affecting their valuation, and the effect of exchange based on the underlying currency of the subsidiaries. The effect of exchange is mitigated to a degree by loans which hedge the underlying investments.

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.

Other gains and losses includes a charge of £15,554 k from a reduction in the value of investments held at fair value through the income statement (2020: charge of £236,726 k)

PILKINGTON GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

COVID-19 Impact

The NSG Group has experienced extremely challenging conditions during the first quarter of FY2021 as a result of the COVID-19 pandemic, followed by a steady improvement in conditions from the second quarter. The NSG Group expects this recovery from the impact of COVID-19 to continue into FY2022 and over the remainder of its medium-term planning period.

The company expects the revenues and profits from its subsidiary undertakings in FY2022 to continue to recover in line with the NSG Group's expectations. The company itself does not trade directly in the glass market, therefore the impact for the company in FY2022 will be related to the valuation of its subsidiary undertakings.

PILKINGTON GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

S172 Statement

Promoting long term success

The NSG Group's strategy for improved long-term success is based on making a shift to become a value-added Group. This will be achieved by focusing on areas where NSG Group technologies have a strategic advantage and then establishing growth drivers in multiple, promising products, and in high-growth areas. Descriptions of the Group's approach apply equally to all subsidiary companies.

The directors of the company are always mindful of the NSG Group's strategic priorities and values when setting the strategic direction of the company, as well as when undertaking the day to day management activities. The Group also has a series of detailed policies and procedures that are applied by all subsidiaries. Regular self-assessment is undertaken to ensure that the activities of the company comply with the Group's policies and also ensure compliance with the Group's detailed risk and control framework.

The board of directors consists of a mixture of executive and non-executive directors. The executive directors are employed by the company and are intimately involved in its day to day management. The non-executive directors are employed by other NSG Group companies. These directors represent the interest of the company's shareholders and may contribute specialist skills to the running of the company.

The directors meet regularly to discuss latest trading performance and to approve significant transactions such as capital expenditure proposals. Ad-hoc meetings are also held as required for specific purposes, such as the approval of annual accounts, or the approval of a dividend payment.

The NSG Group's legal function may also attend meetings of directors to ensure that the directors appropriately discharge their statutory responsibilities, and to ensure that all decisions are accurately reflected in formal minutes.

The directors aim to promote the long-term success of the company, and consider certain stakeholder Groups as noted below, as being fundamental to this objective.

Employees

In line with the wider NSG Group, the company believes that people are its most important asset and, as part of the Group's shift to becoming a value-added company, is committed to investment and development of talent. The company acknowledges inclusion and diversity as one of its priorities. Having an inclusive culture provides an equal opportunity for everyone to contribute to their full potential, while having a diverse workforce brings a valued range of perspectives. The directors encourage the company's employees to share best practices around the world with other employees within the NSG Group.

Customers

The company liaises with customers to ensure that all products meet both their design specifications and needs. The NSG Group's value-added strategy is focused on identifying products that drive profitability and growth, whilst working with customers to help promote and improve such products for mutual benefit. Global research and development within the Group is aimed to be optimised with a customer viewpoint, considering customer's future directions as well as likely global growth trends.

Suppliers

The company aims to build strong relationships with its suppliers and to mitigate supply risk. The NSG Group's supplier code of conduct compliance assurance program is designed to ensure that suppliers meet the Group's expectations in terms of behaviours, processes and procedures, as well as meeting legal requirements.

Environment

The NSG Group's value-added strategy underlines the contribution that the Group's products and services make to society and the environment. High-performance glass is a key component in energy-efficient cars and buildings, and also contributes to the renewable energy sector as an important component of solar panels. The products of the company and its subsidiaries play a key role in its overall environmental strategy. In addition, the company is committed to reducing its emissions of greenhouse gasses, in line with science-based targets set by the NSG Group's sustainability function. The Group's environmental policy, which contains further details, is available on the NSG Group website.

PILKINGTON GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board



Mr I M Smith

Director

6 September 2021

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their financial statements for the year ended 31 March 2021.

Results and dividends

The results for the year are set out on page 16.

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

No preference dividends were paid. The directors do not recommend payment of a final preference 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 (Resigned 25 June 2021)

Mr N A L Shore

Mr R J Mercer (Resigned 30 April 2021)

Mr Jukichi Kuboi

Mr J P Wilgar (Appointed 23 April 2021)

Mr R Meredith (Appointed 25 June 2021)

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

On 24 June 2021, the company invested £100,000 k in Pilkington United Kingdom Limited in exchange for 100,000,000 ordinary shares of £1 each.

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 2021

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 auditor is 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 auditor is 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 considered the financial position and future prospects of the company for the 12 month period to September 2022. In addition, the directors have made enquiries of NSG UK Enterprises Limited, (an intermediate holding company being the lead company within the NSG Group pool of liquidity that the company operates within), in order to satisfy themselves that financial support would be available from this company should it be needed. These enquiries considered the ability of NSG UK Enterprises Ltd to provide such support, both within a base-case budget scenario and also a worst-case downside scenario consisting of a 40% reduction in EBITDA of NSG UK Enterprises Limited and its consolidated subsidiaries, with 70% of this flowing through to a reduction in cash generation. In addition the directors have received a letter of financial support from the intermediate parent company, NSG UK Enterprises Limited. Based on their considerations and enquiries, the directors have concluded that the company continues as a going concern and have prepared these accounts on this basis.

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Stakeholder engagement statement

In-line with the strategic vision of the NSG Group, the company encourages regular communications with key stakeholders to foster long-lasting, open and honest business relationships.

Customers

The NSG Group has a culture of "the customer comes first" and places a particular emphasis on providing quality, innovative products to its customer base. As part of the Group's value-added strategy, all subsidiaries aim to enhance customer relations and create strategic alliances. By working closely with customers, the goal is to meet both their, and the market's changing expectations, with a focus on leading changes in glass technologies and engaging in R&D projects from a customer perspective.

Suppliers

The company purchases materials, goods and services from a significant number of suppliers both in the UK and overseas. Through its policies and procedures, the NSG Group works to mitigate risk in any subsidiary company's supply base. The company builds strong relationships with suppliers based on a framework of trust, co-operations and sustainability.

Through a supplier code of conduct compliance assurance program, the NSG Group outlines the behaviours, processes and procedures that are expected from key suppliers to NSG subsidiary companies. The code considers the NSG Group's values and principles with an emphasis on safety, ownership of actions, openness and co-operation.

The Group assesses key suppliers' practices to satisfy concerns on sustainable sourcing of raw materials, environmental impact and human rights. Through close collaboration with key leaders in specific technologies we enable implementation of optimum manufacturing solutions and engages in projects to reduce energy consumption in our production sites.

Environment

Consistent with the Group's "Our Vision" management principles, the NSG Group is actively implementing initiatives aimed at realistic sustainable growth. We have identified material issues and incorporated them into our sustainability goals. Decisions are based on the impact our Group activities have on the economy, environment and society as well as the options we receive from our stakeholders.

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Employee engagement statement

The NSG Group has a long-established and well-recognised policy of encouraging employee involvement through communication and consultation on a wide range of issues, and this policy is implemented in each Group subsidiary company. Every opportunity is taken to invite employees to participate in multi-disciplinary quality and process improvement activities.

Informing employees

The company participates in a range of activities aimed at keeping employees well informed on matters both financial and non-financial. These include:

- Distribution of external presentations relating to actual results, forecasts and medium-term plans
- The NSG Group's intranet, that provides up-to-date information on company objectives, performance and worldwide activities
- The NSG Group's international magazine, MADO (Japanese for Window) which communicates results and news on the Group's businesses, manufacturing achievements, new products / contracts awarded, organisational changes and employee personal achievements

Consulting employees

NSG Group subsidiaries make wide use of employee surveys to gauge employees' opinions and views. Focused actions plans are subsequently developed and implemented to drive ongoing improvements in Employee Engagement.

The Group has also recently updated its appraisal system to allow employees more opportunities to communicate their aspirational goals and maximise their potential.

Encouraging employee involvement in company performance

The NSG Group encourages employees to engage and contribute to the company's performance via incentive schemes that are linked to both global and local parameters.

Best practice is also encouraged to be shared within the NSG Group through CEO awards that are linked to activities that promote the Group's value-added focus.

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Streamlined Energy & Carbon Reporting

	2021	2020
Energy consumption used to calculate emissions:	MWh	MWh
All reported as MWh net calorific value		
Diesel fuel card	20	75
Diesel (company cars)	2	49
Petrol (company cars)	3	50
Emissions from combustion of gas (Scope 1):	Tonnes	Tonnes
Reported as tonnes CO2e		
Gas	0	0
Emissions from combustion of fuel for transport purposes (Scope 1)	Tonnes	Tonnes
Reported as tonnes CO2e		
All star fuel cards	5	20
Diesel company car expenses	1	15
Petrol company car expenses	1	15
Emissions from business travel in rental cars or employee owned vehicles where company is responsible for purchasing the fuel (Scope 3)	Tonnes	Tonnes
Reported as tonnes CO2e	0	7
Emissions from purchased electricity (Scope 2, location-based):	Tonnes	Tonnes
Reported as tonnes CO2e	0	0
Total gross CO2 emissions	Tonnes	Tonnes
Reported as tonnes CO2e	7	57
Intensity ratio: Total gross CO2 emissions per £1,000,000 revenue	Tonnes/£M	Tonnes/£M
	0.13	0.70

PILKINGTON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Methodologies used to calculate energy consumption and emissions:

Pilkington Group Limited is a holding company and does not carry out any manufacturing activities. Only corporate employee business travel is included in this report. Energy consumption and emission information for subsidiary UK companies is included in the relevant statutory accounts where appropriate.

Company fuel card data was used to calculate volume of fuel (assumed to be diesel) and associated scope 1 and 3 emissions. 1,903 litres of diesel were calculated using £1.19 / litre, from aa.com (average price taken from 12 reports Apr 20 – March 21). We applied a factor of 37.037MJ /litre and 0.0745kg CO₂e/MJ as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

Mileage expenses cost and distance data were used for Company car fuel reporting. Volume and energy were calculated using £1.19 /litre diesel and £1.15 / litre unleaded petrol. We applied factors of 37.037 and 32.258 MJ/litre diesel and petrol respectively. CO₂ emissions were based on UK Government GHG Conversion Factors for Company Reporting of Passenger Vehicles. Factors were applied for small, medium and large cars.

2,227 miles diesel and 2,701 miles petrol were claimed for company cars.

68 miles were claimed for private car expenses with unknown fuel.

Occasional rental car fuel usage and taxi hire is not included this year but will be minimal due to pandemic travel restrictions.

Energy Efficiency and Carbon Reduction:

The NSG Group remains committed to continual improvements in energy efficiency and carbon management. During FY21, efficiency measures including the recycling of cullet, replacing fluorescent lighting with modern LED technology and upgrading old plant equipment have streamlined our energy usage wherever possible. We have completed ESOS phase 2 audits, and the resulting opportunities identified are being evaluated, including waste heat, energy from waste and organic Rankine cycle projects.

Carbon management remains a high priority for all stakeholders at the NSG Group. In April 2019, 2.3MW of Solar PV generation came online at NSG's technical centre, Lathom, and continues to complement our Renewable Energy Guaranteed Origin (REGO) electricity contract. Other carbon management projects including electrification of processes and fleet vehicles continue to be evaluated and implemented.

NSG Group is committed to a verified science-based target of 21% absolute CO₂ reduction by 2030, from a 2018 baseline, as well as further reductions in the longer term. In the short-term this involves a target of 2% reduction per year in CO₂ per unit of product and a target for 50% electricity from renewable sources by 2024.

On behalf of the board



Mr I M Smith

Director

6 September 2021

PILKINGTON GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PILKINGTON GROUP LIMITED

Opinion

We have audited the financial statements of Pilkington Group Limited (the 'company') for the year ended 31 March 2021 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 30, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PILKINGTON GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PILKINGTON GROUP LIMITED

Auditors' responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations relating to tax legislation, the Companies Act 2006 and the financial report framework (FRS 101).
- We understood how Pilkington Group Limited is complying with those frameworks by making enquiries with management, internal audit and those responsible for legal and compliance matters. We also performed procedures over the financial statements, financial statements disclosures, and accounting policies to assess the Company's compliance with the financial reporting framework (FRS 101) and the Companies Act 2006.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering areas of significant judgement and estimation, complex transactions, performance targets, economic or external pressures and the impact that these factors have on the likelihood of material misstatement. Where the risk was considered to be higher, we performed additional audit procedures to address each identified risk.
- We identified a risk that management might override controls in certain key processes in order to achieve a desired financial reporting outcome. We determined that the most susceptible areas to any such override were revenue recognition and the valuation of the defined benefit pension obligation.
- We designed audit procedures to address the identified risk in relation to revenue recognition. These procedures included but were not limited to, obtaining an understanding of the accounting policies and controls relevant to the identified risk and performing tests of detail for a sample of transactions.
- Our audit response to the risk identified in respect of the defined benefit pension obligation involved a critical assessment of the assumptions that were used in the valuation of the liability. We also engaged internal actuarial specialists to perform a review of the key assumptions included within the valuation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries with management, internal audit and those responsible for legal and compliance matters for their awareness of non-compliance with laws and regulations. We enquired about policies that have been established to prevent non-compliance with laws and regulations and about the Company's methods of enforcing and monitoring compliance with such policies. We also obtained an understanding of the controls designed to comply with those frameworks.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Ernst & Young LLP

Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date: 6 September 2021

PILKINGTON GROUP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Revenue	4	55,615	81,257
Cost of sales		(60,448)	(84,355)
Gross loss		(4,833)	(3,098)
Administrative expenses		(9,178)	(15,203)
COVID-19 government support		265	-
Exceptional items	5	(3,728)	(314)
Operating loss	6	(17,474)	(18,615)
Other gains and losses	12	39,147	(246,389)
Income from shares in group undertakings	10	81,481	6,629
Other investment income	10	432	531
Interest payable to group undertakings	11	(13,603)	(12,030)
Other finance costs	11	8,068	5,549
Profit/(loss) before taxation		98,051	(264,325)
Tax on profit/(loss)	13	927	(88)
Profit/(loss) for the financial year		98,978	(264,413)

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 2021

	2021 £000	2020 £000
Profit/(loss) for the year	98,978	(264,413)
Other comprehensive income/(expenditure):		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes	(112,724)	52,764
Total items that will not be reclassified to profit or loss	(112,724)	52,764
Items that may be reclassified to profit or loss		
Assets held at fair value through other comprehensive income:		
Losses arising during the year	(2,679)	(2,427)
Reclassification adjustment for realised gain recognised in income statement	(710)	-
	(3,389)	(2,427)
Cash flow hedges:		
(Losses)/gains arising during the year	(143)	294
Total items that may be reclassified to profit or loss	(3,532)	(2,133)
Total other comprehensive (expenditure)/income for the year	(116,256)	50,631
Total comprehensive expenditure for the year	(17,278)	(213,782)

PILKINGTON GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	15	1,722	1,880
Property, plant and equipment	16	756	710
Investments	17	2,249,517	2,170,850
Retirement benefit surplus	24	140,400	244,660
		<u>2,392,395</u>	<u>2,418,100</u>
Current assets			
Derivative financial instruments		151	294
Trade and other receivables	20	29,436	29,894
Cash at bank and in hand		27,989	25,771
		<u>57,576</u>	<u>55,959</u>
Creditors: amounts falling due within one year			
Borrowings	21	415	386
Trade creditors and other payables	22	18,849	21,988
		<u>19,264</u>	<u>22,374</u>
Net current assets		<u>38,312</u>	<u>33,585</u>
Total assets less current liabilities		<u>2,430,707</u>	<u>2,451,685</u>
Creditors: amounts falling due after more than one year			
Borrowings	21	909,843	921,159
		<u>909,843</u>	<u>921,159</u>

PILKINGTON GROUP LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2021

Provisions for liabilities

Retirement benefit obligations	24	33,000	30,500
Other provisions	23	4,185	2,449

		37,185	32,949
--	--	--------	--------

Net assets

		1,483,679	1,497,577
--	--	-----------	-----------

Capital and reserves

Called up share capital	25	736,866	736,866
Share premium account		119,516	119,516
Fair value reserve		(200)	3,189
Capital reserve		16,351	12,971
Hedging reserve	26	151	294
Profit and loss account		610,995	624,741

Total equity

		1,483,679	1,497,577
--	--	-----------	-----------

The financial statements were approved by the Board of directors and authorised for issue on 6 September 2021

Signed on its behalf by:

Nick Shore

Mr N A L Shore
Director

Company Registration No. 00041495

PILKINGTON GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £000	Share premium account £000	Fair value reserve £000	Hedging reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 April 2019		1,983,926	119,516	5,616	-	12,971	(410,670)	1,711,359
Year ended 31 March 2020:								
Loss for the year		-	-	-	-	-	(264,413)	(264,413)
Other comprehensive income:								
Actuarial gains on defined benefit plans		-	-	-	-	-	52,764	52,764
Adjustments to fair value of financial assets		-	-	(2,427)	-	-	-	(2,427)
Cash flow hedge gain		-	-	-	294	-	-	294
Total comprehensive income for the year		-	-	(2,427)	294	-	(211,649)	(213,782)
Reduction in shares	25	(1,247,060)	-	-	-	-	1,247,060	-
Balance at 31 March 2020		736,866	119,516	3,189	294	12,971	624,741	1,497,577

PILKINGTON GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Share premium account	Fair value reserve	Hedging reserve	Capital redemption reserve	Retained earnings	Total
Notes	£000	£000	£000	£000	£000	£000	£000
Year ended 31 March 2021:							
Profit for the year	-	-	-	-	-	98,978	98,978
Other comprehensive income:							
Actuarial gains on defined benefit plans	-	-	-	-	-	(112,724)	(112,724)
Adjustments to fair value of financial assets	-	-	(2,679)	-	-	-	(2,679)
Fair value adjustments reclassified to profit or loss	-	-	(710)	-	-	-	(710)
Cash flow hedge loss	-	-	-	(143)	-	-	(143)
Total comprehensive income for the year	-	-	(3,389)	(143)	-	(13,746)	(17,278)
Capital contribution	-	-	-	-	3,380	-	3,380
Balance at 31 March 2021	736,866	119,516	(200)	151	16,351	610,995	1,483,679

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.

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

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Pilkington Group Limited is a private company limited by shares incorporated and domiciled 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.

In line with NSG Group policy, the company has early-adopted IFRS9 Financial Instruments since FY17.

The financial statements have been prepared under the historical cost convention, except for the revaluation of . The principal accounting policies adopted are set out below.

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 Company, 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 Company, Limited. The group accounts of Nippon Sheet Glass Company, 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 2021

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 considered the financial position and future prospects of the company for the 12 month period to September 2022. In addition, the directors have made enquiries of NSG UK Enterprises Limited, (an intermediate holding company being the lead company within the NSG Group pool of liquidity that the company operates within), in order to satisfy themselves that financial support would be available from this company should it be needed. These enquiries considered the ability of NSG UK Enterprises Ltd to provide such support, both within a base-case budget scenario and also a worst-case downside scenario consisting of a 40% reduction in EBITDA of NSG UK Enterprises Limited and its consolidated subsidiaries, with 70% of this flowing through to a reduction in cash generation. In addition the directors have received a letter of financial support from the intermediate parent company, NSG UK Enterprises Limited. Based on their considerations and enquiries, the directors have concluded that the company continues as a going concern and have prepared these accounts on this basis.

COVID-19 Impact

The company expects the revenues and profits from its subsidiary undertakings to decline in FY2021 from FY2020 levels due to the impact of the Covid-19 pandemic. The company expects a gradual recovery of demand during FY2021, but it is not clear what the timing and extent of this recovery is likely to be. The company itself does not trade directly in the glass market, therefore the impact for the company in FY2021 will be related to the valuation of its subsidiary undertakings.

The current economic environment has led to a severe disruption of the NSG Group's normal business activity. In response to the COVID-19 pandemic and a lack of demand for glass, the NSG Group has taken appropriate action to reduce production at various plants with the utmost priority on health and safety of its employees. The NSG Group is focused on saving cash costs in a variety of areas and is also actively seeking government assistance where such programs are available. The NSG Group will continue its programs of disposing of non-core assets and improving the efficiency of working capital. Additionally, the NSG Group and the company will prioritise capital expenditure to focus on strategically important and urgent projects, suspending expenditure on other projects where appropriate.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.3 Revenue

In accordance with IFRS 15, the Company's revenue is recognised based on the following five-step model:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when the entity satisfies a performance obligation

Revenue is recognised on the provision of services to other NSG Group entities under the terms of Support Cost Allocation Agreement contracts. These services include but are not limited to Information systems, procurement, finance and human resources. Under the terms of these contracts, services are invoiced in the year to which they relate, based on forecast costs plus a mark-up. When costs are finalised a true-up invoice or credit note is raised, in the year after that to which the costs relate. Revenue is recognised in line with the timing of invoicing.

Cost of sales are those costs incurred in providing services. Cost of sales includes costs which cannot be recharged, either because a contract does not exist with the recipient, or due to restrictions in the recipient jurisdiction.

1.4 Construction contracts

For construction contracts, where the outcome of a 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 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.

For construction contracts, 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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Revenue is recognised on the provision of services to other NSG Group entities under the terms of Support Cost Allocation Agreement contracts. These services include but are not limited to Information systems, procurement, finance and human resources. Under the terms of these contracts, services are invoiced in the year to which they relate, based on forecast costs plus a mark-up. When costs are finalised a true-up invoice or credit note is raised, in the year after that to which the costs relate. Revenue is recognised in line with the timing of invoicing.

Cost of sales are those costs incurred in providing services. Cost of sales includes costs which cannot be recharged, either because a contract does not exist with the recipient, or due to restrictions in the recipient jurisdiction.

1.5 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).

1.6 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 plant and equipment	Lower of lease term or remaining asset life
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.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

The recoverable value of the asset 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.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not determine 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.

1.9 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.

1.10 Financial instruments

The company has adopted IFRS9 from FY17 onwards. The company classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, financial assets and liabilities held at amortised cost, and financial assets held at fair value through other comprehensive income. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The evaluation considers the characteristics of the cash flows generated by the investments and the company's business model rationale for holding the investments.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Financial assets and liabilities at fair value through profit or loss (income statement)

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The company has designated its investments in subsidiaries, joint ventures and associates as fair value through profit or loss. The investments are revalued annually on an EBITDA multiple calculation or Net Assets 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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Financial assets and liabilities at amortised cost

Assets within this category are included in the company's balance sheet as receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and these are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Liabilities in this category are included in the balance sheet either as financial liabilities – borrowings, or as trade and other payables. Financial liabilities - borrowings predominantly arise from the company's lending facilities arranged with its banks, classified either as current liabilities for maturities within 12 months, or non-current for maturities later than 12 months. Liabilities in this category have fixed or determinable payments to debt holders and are not quoted in an active market. Trade and other payables arise when the company receives goods and services from its suppliers and is similarly split into current and noncurrent liabilities dependent on the time period expected before settlement.

Financial assets and liabilities at amortised cost are carried at amortised cost using the effective interest method, unless the asset or liability arises through the normal course of business with payments terms that indicate that the group is neither granting a financing arrangement to its suppliers or receiving one from its customers. Where no financing arrangement exists then the asset, classified as a receivable or payable, is held at amortised cost.

Borrowings consist of bonds payable, loans payable, lease obligations and non-controlling interests entitled to receive a fixed share dividend. Borrowings are recognised initially at fair value then subsequently stated at amortised cost. Borrowing transaction costs are expensed in the income statement over the period to the maturity of the related financial liability. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Non-equity preference shares are classified as liabilities and are measured in the balance sheet at their most recent redemption price. The dividends on these preference shares are recognised in the income statement as interest expense. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The company applies the expected credit loss method to receivables balances and also considers individual provisions for specific balances where appropriate. This involves considering likely credit losses for a portfolio of receivables using a range of forward looking scenarios. A provision for impairment of trade receivables is established with respect to an individual receivable 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 expected credit loss method applied to a portfolio of receivables can result in a provision being created even when on an individual basis, the company expects each receivable to be converted to cash with no loss arising. The movement in receivables provisions is recognised in the income statement.

Where trade receivables are sold to a financial institution through a securitisation program and where the company does not retain the significant risks and rewards of these receivables, or where the company retains an element of risk and reward but no longer controls the asset, the company derecognises the trade receivables.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Financial assets and liabilities 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 asset held at FVOCI 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.

Dividends and interest earned on assets held at FVOCI are included in the investment income line item in the statement of comprehensive income.

1.11 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.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.13 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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and 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.

1.15 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.

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.

1.16 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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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 net defined 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.

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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.17 Leases

The company has adopted IFRS 16 'Leases' from the company's financial period commencing 1 April 2019. This new standard addresses the principles for the recognition and measurement of leases, and replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Agreement contains a Lease'.

At inception of a contract, the company assesses whether the contract is, or contains a lease, with a focus on whether the fulfilment of the contract depends on the use of an identified asset. The assessment involves judgment of whether the company obtains substantially all the economic benefits from the use of the identified asset and whether it has the right to direct the use of the asset. If the criteria are met, the company will recognise a right-of-use asset and a lease liability in its balance sheet on the commencement date.

The company has a wide range of different lease terms and conditions. Some leases contain extension and termination options, which provide the company with operational flexibility. Such options are taken into account when determining the lease term, if the company is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option.

Right-of-use assets

Right-of-use assets are initially measured at the discounted value of future lease payments, adjusted by initial direct costs, prepaid lease payments and estimates of future dismantling or clean-up costs. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities.

Right-of-use assets are presented as 'Property, plant and equipment' in the company's balance sheet. Depreciation is charged on a straight-line basis over the shorter of the lease term or remaining estimated life of the asset.

In the event of impairment, an asset's carrying amount is written down immediately to its recoverable amount (see accounting policy on impairment of tangible and intangible assets).

Lease liabilities

Lease liabilities are measured at the present value of future lease payments at the reporting date, using the practical expedient to apply consistent discount rates to portfolios of leases with similar characteristics.

The discount rate used for the measurement of a lease liability is the interest rate implicit in the lease, equating the future lease payments with the present value of the leased asset. Where this cannot be readily determined the company will use its incremental borrowing rate, as adjusted to take account of factors such as the term and currency of the lease, the financial position of the company, and the security inherently provided to the lessor in a lease arrangement.

Lease liabilities are presented as 'Borrowings' in the company's consolidated balance sheet. Lease liabilities are subsequently measured based on the effective interest method, and interest expenses will be charged to the income statement.

Short-term leases and low value leases

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases with terms within 12 months, and leases for which the underlying asset is of low value. In such cases, the Group will recognise the payments associated with those leases as an expense on a straight-line basis over the lease term.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for annual accounting periods beginning on or after 1 April 2021. However, these are not considered to be relevant or potentially material to the company's primary financial statements.

3 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

Provisions are evaluated using either the company's experience of previous provisions or, where appropriate, using the advice of professional consultants. Claims and litigation provisions are calculated based on discussions with claimants and the NSG Group's legal advisors. Bonus provisions are estimated based on the NSG Group's current and expected future performance evaluated against the terms of specific bonus schemes. Redundancy and restructuring provisions are estimated using the expected costs of restructuring programs that have been announced prior to the balance sheet date.

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 24, are subject to a degree of uncertainty and the Group takes advice from professional actuaries before approving such assumptions.

Valuation of Investments

The company revalues its investments using an EBITDA multiple approach as the market values of its unlisted subsidiaries are not readily available (or net asset value, if the asset is not income generating). The multiple used is subjective and the directors review this for reasonableness on an annual basis.

Leases

The company has adopted IFRS 16 'Leases' as of 1 April 2019. Ahead of, and subsequent to adoption of IFRS 16, the company assessed all contracts that may contain a lease. Judgement was applied in determining whether the company obtains substantially all of the economic benefits arising from the use of an asset, and whether it has the right to direct the use of the asset. Balance sheet right-of-use assets and lease liabilities were then recognised in line with the revised leasing policy.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

4 Revenue

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

	2021 £000	2020 £000
Operating Revenue analysed by class of business		
Support services provided to other group companies	55,615	81,257

	2021 £000	2020 £000
Operating Revenue analysed by geographical market		
UK	12,087	12,217
Rest of Europe	30,320	36,657
North America	5,713	9,893
Japan	5,522	19,069
Rest of World	1,973	3,421
	55,615	81,257

	Note	2021 £000	2020 £000
Other income			
Interest income	10	14	74
Dividends received	10	81,481	6,629
Interest income from investments at fair value through other 10 comprehensive income		418	457

5 Exceptional items

	2021 £000	2020 £000
Redundancy and restructuring	(2,095)	(22)
Write off of JSPY receivables	-	(284)
COVID-19 impact	(73)	(8)
Retirement benefit obligations – past service cost	(1,560)	-
	(3,728)	(314)

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

6 Operating loss

	2021 £000	2020 £000
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(298)	(318)
Depreciation of property, plant and equipment	179	158
Profit on disposal of property, plant and equipment	(20)	-
Amortisation of intangible assets (included within administrative expenses)	355	246
	<u>355</u>	<u>246</u>

The above operating loss includes COVID-19 relates costs of £267 k associated with furloughed employees that have been charged under Administrative expenses.

7 Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	103	112
Audit of the financial statements of the company's subsidiaries	130	130
	<u>233</u>	<u>242</u>

8 Employees

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

	2021 Number	2020 Number
United Kingdom	230	233
	<u>230</u>	<u>233</u>

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	13,453	13,841
Social security costs	1,527	1,429
Pension costs (including amounts charged to exceptional items)	5,625	4,842
	<u>20,605</u>	<u>20,112</u>

Redundancy costs in the year amount to £2,095 k (2020 - £- k).

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

9 Directors' remuneration

	2021 £000	2020 £000
Remuneration for qualifying services	1,389	1,450
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Remuneration for qualifying services	268	280

The emoluments of Messrs Hiyoshi and Kuboi are paid by the parent undertaking Nippon Sheet Glass Company, Limited. The directors do not believe that it is practicable to apportion an amount to their services as directors of this company and therefore their emoluments are deemed to be wholly attributable to services to the parent company.

10 Investment income

	2021 £000	2020 £000
Other interest income	14	74
Interest income from investments at fair value through other comprehensive income	418	457
Other interest receivable and similar income	432	531
Dividend income from investments in group undertakings	81,481	6,629
Total income	81,913	7,160

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

	2021 £000	2020 £000
Financial assets fair value through other comprehensive income	418	457
Financial assets fair value to income statement	81,481	6,629
	81,899	7,086

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

11 Finance costs

	2021 £000	2020 £000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	13,603	12,030
Interest on other loans	304	707
	<u>13,907</u>	<u>12,737</u>
Other finance costs:		
Unwinding of discount on net retirement benefit surplus	(8,372)	(6,256)
Total finance costs	<u>5,535</u>	<u>6,481</u>

12 Other gains and losses

	2021 £000	2020 £000
Gain on disposal of investments at fair value through other comprehensive income recycled through income statement	710	-
Exchange gains/(losses) on foreign currency loans	22,883	(9,663)
Amounts written back to/(written off) investments held at fair value through profit or loss	15,554	(236,726)
	<u>39,147</u>	<u>(246,389)</u>

13 Income tax expense

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current period	91	68
Adjustments in respect of prior periods	(1,018)	20
Total UK current tax	<u>(927)</u>	<u>88</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Income tax expense

(Continued)

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

	2021 £000	2020 £000
Profit/(loss) before taxation	98,051	(264,325)
Expected tax charge/(credit) based on a corporation tax rate of 19% (2020: 19%)	18,630	(50,222)
Income not taxable	(15,482)	(1,614)
Change in unrecognised deferred tax assets	3,141	3,022
Adjustment in respect of prior years	(1,018)	20
Group relief	1,767	2,327
Effect of revaluations of investments	(2,955)	44,978
Other permanent differences	(5,747)	1,456
Effect of overseas tax rates	737	121
Taxation (credit)/charge for the year	(927)	88

No deferred tax has been recognised in respect of tax losses of £32,418k on the basis that sufficient taxable profits for the company are not forecasted against which these losses may be utilised.

14 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2021 £000	2020 £000
In respect of:		
Property, plant and equipment	-	8
Financial assets - fair value through profit or loss	15,554	(236,727)
Recognised in:		
Administrative expenses	-	8
Other gains and losses	15,554	(236,727)

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

15 Intangible fixed assets

	Software £000
Cost	
At 31 March 2020	4,701
Additions - purchased	197
	<hr/>
At 31 March 2021	4,898
	<hr/>
Amortisation and impairment	
At 31 March 2020	2,821
Charge for the year	355
	<hr/>
At 31 March 2021	3,176
	<hr/>
Carrying amount	
At 31 March 2021	1,722
	<hr/>
At 31 March 2020	1,880
	<hr/>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

16 Property, plant and equipment

	Plant and equipment £000	Leasehold plant and equipment £000	Total £000
Cost			
At 1 April 2020	2,015	441	2,456
IFRS 16 opening balance	-	292	292
Additions	-	225	225
Disposals	-	(62)	(62)
At 31 March 2021	2,015	604	2,619
Accumulated depreciation and impairment			
At 1 April 2020	1,608	138	1,746
Charge for the year	28	151	179
Eliminated on disposal	-	(62)	(62)
At 31 March 2021	1,636	227	1,863
Carrying amount			
At 31 March 2021	379	377	756
At 31 March 2020	407	303	710

More information on impairment movements in the year is given in note 14.

17 Investments

	Current 2021 £000	2020 £000	Non-current 2021 £000	2020 £000
Fair value through other comprehensive income				
Assets held at fair value through other comprehensive income	-	-	37,080	41,924
Fair value through income statement				
Investments in subsidiaries	-	-	2,180,495	2,127,241
Investments in associates	-	-	31,942	1,685
Other investments	-	-	-	-
	-	-	2,249,517	2,170,850

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

17 Investments

(Continued)

Movements in non-current investments

	Shares £000
Valuation	
At 1 April 2020	2,170,850
Additions	67,624
Valuation changes	15,554
Valuation changes to OCI	(2,679)
Disposals	(1,832)
At 31 March 2021	2,249,517

Additions in the year represent capital injections into the following companies; Vidrieria Argentina SA (£9,578 k), Pilkington Automotive Argentina SA (£3,637 k), Pilkington Austria GmbH (£3,379 k) and Pilkington Benelux AGR BV (£17,071 k).

The Company invested (£8,000 k) in gilts as assets fair valued through other comprehensive income.

The Company invested (£25,959 k) in SYP Kangqiao Autoglass Co Ltd, increasing its shareholding from 8% to 20%. As a result of the increased percentage ownership the Group now classifies SYP Kangqiao Autoglass Co Ltd as an associate rather than an asset held at fair value through other comprehensive income.

Disposals (£1,832 k) relate to gilts that have matured.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

18 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	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	Holding company
Pilkington Italia SpA	Italy	100.00	100.00	Glass manufacturing
Pilkington Technology Management Limited	UK	100.00	100.00	Technology management
Glass Master de CV	Mexico	100.00	100.00	Automotive glass distribution
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	Glass manufacturing
Pilkington Automotive Argentina SA	Argentina	100.00	100.00	Automotive glass manufacture
Pilkington AGR Austria GmbH	Austria	100.00	100.00	Automotive glass distribution
LOF Canada Holdings Limited	Canada	100.00	100.00	Investment holding
Clapola Limited	Cyprus	100.00	100.00	Investment holding
Pilkington AGR Czech spol.S.r.o.	Czech Republic	100.00	100.00	Automotive glass distribution
Pilkington Holdings SA	France	100.00	100.00	Investment holding
Nippon Sheet Glass Ireland Limited	Ireland	100.00	100.00	Automotive glass distribution
Pilkington AGR Hungary Kft	Hungary	100.00	100.00	Automotive glass distribution
Pilkington Benelux AGR BV	Netherlands	100.00	100.00	Automotive glass distribution
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 Austria GmbH	Austria	99.00	99.00	Glass processing
Pilkington Danmark A/S	Denmark	100.00	100.00	Automotive glass processing and distribution
Pilkington Brasil Limitada	Brazil	100.00	100.00	Glass manufacturing

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

18 Subsidiaries

(Continued)

The ownership and voting power percentages includes both direct and indirect shareholdings.

19 Associates

Details of the company's associates at 31 March 2021 are as follows:

Name of undertaking	Redistered office	Ownership interest (%)	Voting power held (%)	Nature of business
Lochaline Quartz Sand Limited	UK	49.00	49.00	Trading company
SYP Kangqiao Autoglass Co Ltd	China	20.00	20.00	Trading company

20 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	-	65
Corporation tax receivables	977	53
Other receivables	2,849	3,109
Amounts owed by related parties	20,874	22,470
Prepayments	4,736	4,197
	<u>29,436</u>	<u>29,894</u>

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

21 Borrowings

	2021 £000	2020 £000
Unsecured borrowings at amortised cost		
Loans from related parties	909,873	921,237
Lease liabilities	385	308
	<u>910,258</u>	<u>921,545</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

21 Borrowings

(Continued)

Analysis of borrowings

Borrowings are classified based on the amounts that fall due within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £000	2020 £000
Current liabilities	415	386
Non-current liabilities	909,843	921,159
	<u>910,258</u>	<u>921,545</u>

Maturity profile of lease liability

	2021 £000	2020 £000
Within one year	156	127
One to two years	110	102
Two to three years	82	54
Three to four years	37	25
	<u>385</u>	<u>308</u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

21 Borrowings

(Continued)

Non-current liabilities include multi-currency loans and deposits to other Group companies. The substantial part of the outstanding borrowings (£449,264 k) is covered by a multi-currency facility agreement which is repayable on or before 31 March 2023. The specified interest rate is set as a margin of 2.35% per annum above the London Inter Bank Offer Rate for the relevant currency. There is a further deposit arrangement with a Group company with a balance of £395,000 k, which is due to mature on 31 March 2023. The specified interest rate is a fixed rate of 0.1% per annum. Two separate further facilities for £289 k and £25 k are repayable on or before 31 July 2022 and 31 March 2023 respectively. Both have a specified interest rate of 0.25% per annum below the base rate or a minimum floor rate of 0.1%.

22 Trade and other payables

	2021 £000	2020 £000
Amounts owed to related parties	4,153	10,070
Accruals and deferred income	2,077	1,972
Other payables	12,619	9,946
	<u>18,849</u>	<u>21,988</u>

23 Provisions for liabilities

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:

			2021 £000	2020 £000
Current liabilities			4,185	2,449
			<u>4,185</u>	<u>2,449</u>
	Redundancy and restructuring £000	Claims and litigation £000	Other £000	Total £000
At 1 April 2020	-	1,222	1,227	2,449
Additional provisions in the year	2,095	261	157	2,513
Reversal of provision	-	(111)	(88)	(199)
Utilisation of provision	(578)	-	-	(578)
	<u>1,517</u>	<u>1,372</u>	<u>1,296</u>	<u>4,185</u>
At 31 March 2021	1,517	1,372	1,296	4,185

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

23 Provisions for liabilities

(Continued)

Other provisions include onerous lease provision £530 k (2020: £373 k), cumulative leave provision of £103 k (2020: £108 k) and £660 k immaterial pensions (2020: £746 k).

24 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 the income statement in respect of defined contribution plans is £699 k (2020 - £495k).

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 529 employees, 2,303 deferred members and 8,976 pensioners as at 31 March 2021. 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.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

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 agreed a funding plan which required annual deficit contributions of £25 million payable up to and including 2018. For the financial years FY2020 to FY2022 the company has agreed with the Trustee to set up and contribute to an escrow account in favour of the scheme. This will provide further security to the scheme should it be required in the future in order to meet the scheme's funding targets or in the unlikely event of a company insolvency. The contributions to the escrow account will be not more than £12 million per year.

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 investment objectives and asset allocation policy adopted by the Trustee are defined in the scheme's Statement of Investment Principles and associated documentation. The Company and Trustee continue to investigate jointly any potential opportunities to de-risk the PSS including but not limited to the composition of the investment portfolio and further use of buy-in policies when this becomes financially attractive.

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 2021

24 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 85% 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. In August 2016 NSG entered into an agreement with the Pension Insurance Corporation (PIC) to insure pensions in payment for a group of current pensioners in the UK main plan. The plan now holds annuity contracts to cover these thereby removing all risks in respect of these pensions.

Key assumptions

	2021 %	2020 %
Discount rate	2.0	2.4
Pension growth rate	1.0	1.1
Consumer price inflation	2.6	2.0

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

Mortality assumptions

The mortality assumptions used at 31 March 2021 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 2017 Core Projections with a long-term rate of mortality improvements of 1.25 percent per annum.

The assumed life expectations on retirement at age 65 are:

	2021 Years	2020 Years
Retiring today		
- Males	21.9	21.6
- Females	23.4	23.3
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	23.4	23.0
- Females	25.5	24.9
	<u> </u>	<u> </u>

Amounts recognised in the income statement:

	2021 £000	2020 £000
Current service cost	6,962	7,829
Net interest on defined benefit liability/(asset)	(8,372)	(6,256)
Other finance costs	-	-
Past service cost	-	-
Other gains and losses	-	-
The effect of any curtailment or settlement	1,560	400
	<u> </u>	<u> </u>
	150	1,973
	<u> </u>	<u> </u>

Of the total expenses for the year, £8,522 k is included in administration expenses and £8,372 k credit in finance expenses.

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

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

	2021 £000	2020 £000
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	177,413	(28,684)
Actuarial changes arising from experience adjustments	(50)	164
Actuarial changes related to plan assets	(9,339)	(54,974)
Exchange differences	-	-
Contributions from other participating employers	-	-
Past service costs not yet recognised	-	-
Movement on tax on surplus	(55,300)	30,730
Liability for minimum funding requirement	-	-
	<u>112,724</u>	<u>(52,764)</u>

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

	2021 £000	2020 £000
Present value of defined benefit obligations	1,609,585	1,484,025
Fair value of plan assets	(1,798,500)	(1,835,000)
Surplus in scheme	(188,915)	(350,975)
Taxes relating to refund of pension fund surplus	81,515	136,815
Net surplus in the statement of financial position after tax on surplus	(107,400)	(214,160)
Included in non-current assets	(140,400)	(244,660)
Included in retirement benefit obligations	33,000	30,500
Past service costs not yet recognised	-	-
Asset not recognised due to asset ceiling	-	-
Liability for minimum funding requirement	-	-
Retirement healthcare asset or liability balance	-	-
Deferred taxation balance relating to pension schemes	-	-
	<u></u>	<u></u>

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

Movements in the present value of defined benefit obligations

	2021 £000	2020 £000
At 1 April 2020	1,484,025	1,570,725
Current service cost	6,962	7,829
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Benefits paid	(94,946)	(102,976)
Contributions from scheme members	55	80
Actuarial gains and losses	177,363	(28,529)
Interest cost	34,566	36,496
Exchange differences	-	-
Other*	1,560	400
At 31 March 2021	1,609,585	1,484,025

* Other includes a past service cost related to Guaranteed Minimum Pensions (see note 5)

The defined benefit obligations arise from plans funded as follows:

	2021 £000	2020 £000
Wholly unfunded obligations	33,000	30,500
Wholly or partly funded obligations	1,576,585	1,453,525
	1,609,585	1,484,025

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

Movements in the fair value of plan assets:

	2021 £000	2020 £000
At 1 April 2020	1,835,000	1,833,100
Interest income	42,938	42,752
Return on plan assets (excluding amounts included in net interest)	9,339	54,974
Settlements	-	-
Benefits paid	(94,946)	(102,976)
Contributions by the employer*	6,114	7,070
Contributions by scheme members	55	80
Exchange differences	-	-
At 31 March 2021	1,798,500	1,835,000

* Contributions by the employer includes contributions from all participating employers.

The actual return on plan assets was £52,277 k (2020 - £97,726 k).

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

24 Retirement benefit schemes

(Continued)

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	-7.1%	8.1%
0.5% change in inflation rate	3.6%	-3.3%
Increase life expectancy by 1 year	4.2%	

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

	Quoted 2021 £000	Unquoted 2021 £000	Quoted 2020 £000	Unquoted 2020 £000
Equity instruments	307,600	39,300	257,000	43,700
Debt instruments	1,246,300	-	1,343,500	-
Property	39,400	2,400	38,400	4,000
Cash	11,900	-	3,000	-
Longevity Swap	-	(47,900)	-	(42,100)
Asset Buy-in	-	199,500	-	187,500
	<u>1,605,200</u>	<u>193,300</u>	<u>1,641,900</u>	<u>193,100</u>

25 Share capital

2021
£000

2020
£000

Ordinary share capital

Issued and fully paid

736,866,074 Ordinary Shares of £1.00 each (2020: 736,866,074 of £1.00 each)

736,866

736,866

PILKINGTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

26 Hedging reserve

	2021 £000	2020 £000
At the beginning of the year	294	-
Gains and losses on cash flow hedges	(143)	294
At the end of the year	151	294

27 Other Reserves

The analysis of movements in reserves is now included within the Statement of Changes in Equity.

28 Leases

Amounts recognised in profit or loss

	2021 £000	2020 £000
Lease under IFRS 16		
Interest on lease liabilities	10	10

Amounts recognised through cash flow

	2021 £000	2021 £000
Total cash outflow for leases	158	135

29 Events after the reporting date

On 24 June 2021, the company invested £100,000 k in Pilkington United Kingdom Limited in exchange for 100,000,000 ordinary shares of £1 each.

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 Company, Limited, a company registered in Japan. Nippon Sheet Glass Company, Limited has prepared consolidated financial statements for the year to 31 March 2021, a copy of which can be obtained from the Company Secretary, Nippon Sheet Glass Company, Limited, West Wing, 5-27, Mita 3-Chome, Minato-ku, Tokyo, 108-6321, Japan.