Company Registration No. 02586467 (England and Wales)

NGF EUROPE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

NGF EUROPE LIMITED

COMPANY INFORMATION

Directors	Mr D A Farmer	
	Mr M Akiyama	
	Mr A G R Poole	
	Mr C Hamand	
	Mr G L Farnworth	
	Mr C Stevens	
	Mr I M Smith	(Appointed 1 May 2019)
	Mr Hiroshi Nishida	(Appointed 1 May 2019)
Secretary	Mr D A Farmer	
Company number	02586467	
Registered office	Lea Green Road Lea Green St. Helens Merseyside England WA9 4PR	
Auditor	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY	

NGF EUROPE LIMITED

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NGF EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report and financial statements for the year ended 31 March 2020.

Principal Activities

The main activities of the company are the manufacture and sale of treated glass fibre cords for reinforcement of rubber components.

Review of the business

The principal risks and uncertainties in our business relate to competitive threats from emerging competition. In addition, wealth creation in the worldwide economy is an important driver of our future revenue growth.

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, energy prices, liquidity and interest rates. The company exports approximately 80% of turnover and transacts in different currencies thereby managing foreign exchange risk arising from future commercial transactions is key. This is done by utilising different financial instruments available in the currency markets transacted with the Group Treasury function. 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. However some foreign exchange exposure remains and this has had a significant impact on operating profit in the year.

The company has no significant credit risks other than receivables due from customers.

The company consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of oil and gas.

Changes in government policy in many countries towards greater efficiency with regard to the automotive industry and greater environmental awareness worldwide, presents both risks and opportunities to our business. It is our challenge to develop products that meet these requirements.

The company's key performance indicators during the year are as follows:

	2020	2019	Change
	£000	£000	%
Turnover	**52,047**	56,456	(7.81)%
Total operating profit before exceptionals	**4,140**	4,045	2.35%
Profit after tax	**4,620**	5,179	(10.79)%
Net current assets	**34,195**	34,674	(1.38)%

Company turnover has decreased by 7.81% reflecting a downturn in some sectors of our product portfolio.

Operating profit before exceptional items increased by 2.35%,mainly as a result of exchange gains.

A decrease of 1.38% of net current assets is primarily due to lower inventory.

In the area of operations, KPI's are: safety (measured by a variety of indices including Lost Time Incident and Significant Injury rates per 12 months i.e. LTIR12 and SIR12), quality (measured by customer parts per million reject rates by volume and cost) product yield, product throughput, labour cost and energy usage/cost per tonne of product produced. These feature in a number of CI (continuous improvement) projects. Supplier development programmes are in place to improve yields and reduce costs whilst ensuring continuity of supply and quality are not compromised.

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

Strategy and progress

The company's strategy is to:

- Maximise the return to the NSG Group (Nippon Sheet Glass, parent undertaking) by anticipating, interpreting, acting upon and servicing the requirements of the market.
- Maintain our position as market leader by innovation and technological expertise.
- Provide best quality service to our customers in all our activities.
- Maintain and expand our activities in all global markets.
- Operate our business to the highest standards of business integrity.

This strategy will be achieved by working closely with all our partners including our customers, suppliers and our employees.

Technically, in addition to new product development we have directed a significant part of our resources towards projects that reduce product cost and increase the efficiency of our process.

We continue to meet all environmental requirements set by the relevant licensing authorities and have made good progress with respect to improving the health and safety performance of the business. More effort and resources are being directed towards training and developing employees.

COVID-19 Impact

The company expects revenues and profits in FY2021 to decline 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 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 company and the NSG Group are 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.

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.

On behalf of the board

Mr D A Farmer
Director
6 October 2020

NGF EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their financial statements for the year ended 31 March 2020.

Results and dividends

The profit for the year on ordinary activities before taxation amounted to £4,645 k (2019 profit: £5,533 k), taxation thereon amounted to a charge of £25 k (2019 charge: £354 k), leaving a profit after taxation of £4,620 k (2019 profit: £5,179 k).

During the year a dividend of £1,500 k was paid to the parent Nippon Sheet Glass Co., Limited. After the payment of the dividend, the amount of profit transferred to reserves was £3,120 k.

Directors

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

Mr D A Farmer	
Mr M Akiyama	
Mr A G R Poole	
Mr C Hamand	
Mr G L Farnworth	
Mr C Stevens	
Mr I M Smith	(Appointed 1 May 2019)
Mr Hiroshi Nishida	(Appointed 1 May 2019)

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.

Trade creditors of the company amounting to £4,028 k (2019, £4,876 k) reported in note 22 to the accounts, represent 90 days (2019: 100 days) of average daily purchases.

Research and development

The company pays for and receives the benefits of appropriate research and development work undertaken by or on behalf of the ultimate holding company.

Post reporting date events

No post balance sheet events which would require adjustment or disclosure in these accounts have been identified since the year end.

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

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 company is expected to continue to generate positive cash flows on its own account or through support from other Group subsidiaries for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking facilities with its parent and fellow subsidiaries.

The directors have considered the financial position and future prospects of the company. The directors have made enquiries of the directors of Nippon Sheet Glass Company, Limited in order to satisfy themselves that financial support would be available from this company should it be needed. 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.

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.

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.

Streamlined Energy & Carbon Reporting

	2020
Energy consumption used to calculate emissions:	MWh
All reported as MWh net calorific value	
Gas	24,873
Electricity	9,000
Diesel	15
Emissions from combustion of gas (Scope 1):	Tonnes
Reported as tonnes CO2e	
Gas	5,039
Emissions from combustion of fuel for transport purposes (Scope 1)	Tonnes
Reported as tonnes CO2e	
Company cars	2
Emissions from purchased electricity (Scope 2, location-based):	Tonnes
Reported as tonnes CO2e	2,223
Total gross CO2 emissions	Tonnes
Reported as tonnes CO2e	7,264
	£M/Tonnes
Intensity ratio: Total gross CO2 emmisions per £1,000,000 revenue	140
Additional information	
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3):	Tonnes
Reported as tonnes CO2e	1
Emissions from purchased electricity (Scope 2, market - based factor):	Tonnes
Reported as tonnes CO2e	0

Methodologies used to calculate energy consumption and emissions:

All global NSG sites enter environmental data into Corporate Responsibility software. Calculations within the software are set up in accordance with the Greenhouse Gas Protocol.

UK Sites enter monthly invoiced gas consumption in kWh gross and the system converts to kWh nett before applying a nett CO_2 emission factor of 0.203kg CO_2/kWh as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories Stationary Combustion Table 1-3.

UK Sites enter monthly invoiced electricity consumption in kWh. The system applies a factor of 0.247 kgCO_2e/kWh, as per the World CO_2 Emissions from Fuel Combustion, OECD/ International Energy Agency 2019. Market based electricity is bought as part of a Renewable Energy Guaranteed Origin (REGO) contract, so a factor of 0kg CO_2e is applied.

Company car mileage expense data was used to calculate total fuel spend per year. Using £1.31 / litre, from aa.com (average price taken from 12 reports Apr 19 – March 20) a factor of 37.037MJ/litre or 10.288 kWh /litre was used to report energy used.

CO_2 emissions were based on UK Government GHG Conversion Factors for Company Reporting of Passenger Vehicles. Factors were applied for small, medium and large cars.

Energy Efficiency and Carbon Reduction:

The NSG Group remains committed to continual improvements in energy efficiency and carbon management. During FY20, 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, which complements 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 CO_2 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 CO_2 per unit of product and a target for 50% electricity from renewable sources by 2024.

On behalf of the board

Mr D A Farmer
Director
6 October 2020

NGF EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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 NGF EUROPE LIMITED

Qualified opinion
We have audited the financial statements of NGF Europe Limited for the year ended 31 March 2020 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 29 including a summary of 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, except for the possible effects of the matter described in the the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 qualified opinion
Given the impact of Covid – 19 we were unable to observe the counting of physical inventories at the end of the year and were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2020, which are included in the balance sheet at £9,279k, by using other audit procedures.

Consequently we were unable to determine whether any adjustment to the inventory balance as at 31 March 2020 was necessary, or whether there was any consequential effect cost of sales for the year ended 31 March 2020.

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 qualified opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter - Effects of COVID-19
We draw attention to Note 1 of the Financial Statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £9,306k held at 31 March 2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

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.

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 audit 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.

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

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 October 2020

NGF EUROPE LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Revenue	**4**	52,047	56,456
Cost of sales		(45,275)	(48,921)
Gross profit		6,772	7,535
Distribution costs		(835)	(1,049)
Administrative expenses		(2,707)	(2,372)
Other operating income		910	(69)
Exceptional items	**5**	(626)	(228)
Operating profit	**6**	3,514	3,817
Investment income	**10**	995	1,556
Finance costs	**11**	93	168
Other gains and losses	**12**	43	(8)
Profit before taxation		4,645	5,533
Tax on profit	**13**	(25)	(354)
Profit for the financial year		4,620	5,179

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

NGF EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £000	2019 £000
Profit for the year	4,620	5,179
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit pension schemes	(2,503)	(1,524)
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- Hedging (loss)/gain arising in the year	(874)	379
Total other comprehensive income for the year	(3,377)	(1,145)
Total comprehensive income for the year	1,243	4,034

NGF EUROPE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Intangible assets	**15**	259	312
Property, plant and equipment	**16**	23,793	22,160
Investments	**17**	977	977
Retirement benefit surplus	**24**	2,664	3,779
		27,693	27,228
Current assets			
Inventories	**19**	9,279	12,910
Derivative financial instruments		143	736
Trade and other receivables	**20**	30,405	28,828
Cash and cash equivalents		933	768
		40,760	43,242
Current liabilities			
Borrowings	**21**	108	-
Trade and other payables	**22**	6,091	8,170
Taxation and social security		-	313
Derivative financial instruments		366	85
		6,565	8,568
Net current assets		34,195	34,674
Total assets less current liabilities		61,888	61,902
Non-current liabilities			
Borrowings	**21**	294	-
		294	-

NGF EUROPE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2020

	Notes	2020 £000	2019 £000
Provisions for liabilities			
Other provisions	**23**	214	265
		214	265
Net assets		61,380	61,637
Equity			
Called up share capital	**25**	5,400	5,400
Hedging reserve		(223)	651
Capital redemption reserve		2,000	2,000
Retained earnings		54,203	53,586
Total equity		61,380	61,637

The financial statements were approved by the board of directors and authorised for issue on 6 October 2020 and are signed on its behalf by:

Mr C Hamand
Director

Company Registration No. 02586467

NGF EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital	Hedging reserve	Capital redemption reserve	Retained earnings	Total
		£000	£000	£000	£000	£000
Balance at 1 April 2018		5,400	272	2,000	52,431	60,103
Year ended 31 March 2019:						
Profit for the year		-	-	-	5,179	5,179
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	(1,524)	(1,524)
Cash flow hedges gains		-	379	-	-	379
Total comprehensive income for the year		-	379	-	3,655	4,034
Dividends	**14**	-	-	-	(2,500)	(2,500)
Balance at 31 March 2019		5,400	651	2,000	53,586	61,637
Year ended 31 March 2020:						
Profit for the year		-	-	-	4,620	4,620
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	(2,503)	(2,503)
Cash flow hedges loss		-	(874)	-	-	(874)
Total comprehensive income for the year		-	(874)	-	2,117	1,243
Dividends	**14**	-	-	-	(1,500)	(1,500)
Balance at 31 March 2020		5,400	(223)	2,000	54,203	61,380

1 Accounting policies

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 on the historical cost basis. 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 B67of 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 29.

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 company is expected to continue to generate positive cash flows on its own account or through support from other Group subsidiaries for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking facilities with its parent and fellow subsidiaries.

The directors have considered the financial position and future prospects of the company. The directors have made enquiries of the directors of Nippon Sheet Glass Company, Limited in order to satisfy themselves that financial support would be available from this company should it be needed. 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.

<u>COVID-19 Impact</u>

The company expects revenues and profits in FY2021 to decline 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 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 company and the NSG Group are 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.

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

Technical Glass comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, glass components for engine timing belts and battery separators. Customers are mainly manufacturers which process the glass-related products which we supply into their own products.

The revenue is analysed into following categories based on the nature and circumstances of the contracts:

Sale of glass and glass-related products

The majority of the company's revenue is derived from sales of glass and glass-related products. The company usually considers specific purchase orders to be a contract with a customer, which in some cases are governed by a framework agreement. In cases where purchase orders are governed by a framework agreement, the terms and conditions within both the framework agreement and the purchase order would together form the basis for determining how revenue would be recognised. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year.

In most cases, revenue is recognised as the customer obtains control over the glass and glass-related products upon delivery. This is based on the judgement that the performance obligation had been satisfied upon transfer of control. Unless there is a specific reason to use an alternative assumption, the company considers the control over the glass and glass-related products to rest with the customer once the customer has either accepted the glass at their premises or has collected the glass themselves from the company's premises.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount (i.e. the estimated future cash flow discounted at the original effective interest rate of the instrument), and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

Dividend income is recognised when the right to receive payment is established.

1 Accounting policies **(Continued)**

1.4 Investments in associates and subsidiaries

Subsidiary undertakings, joint ventures and associates are carried at their original historical cost less any impairment which is charged to the profit and loss account. The directors will recognise an impairment where they consider that there is a significant and/or permanent diminution in valuation of investments.

1.5 Property, plant and equipment

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

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

Land and buildings	40 years (2.5% per annum)
Leasehold plant, equipment and vehicles	Lower of lease term or remaining life of the asset

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

1.6 Intangible assets

(a) 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).

1.7 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.

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 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is mainly determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials.
Inventories carried in the balance sheet are reviewed on a regular basis and, in the case of any inventories which are slow moving, or where the Group considers that it is unlikely to recover the cost of such inventory through subsequent sale, appropriate provisions are made to impair the inventory to its estimated net realisable value.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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.

1.9 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 Accounting policies **(Continued)**

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.

Financial assets and liabilities at fair value through profit or loss

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.

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.

1 Accounting policies **(Continued)**

Financial assets and liabilities at fair value through other comprehensive income
Financial assets held at fair value through other comprehensive income are non-derivative financial investments where the company is unable to exert significant influence over the investee. This category of investment could include equity investments or investments that are expected to generate fixed or determinable payments.

Financial assets at fair value through other comprehensive income are initially and subsequently recognised at fair value. Unrealised gains and losses arising from changes in the fair value of such assets are recognised within the statement of comprehensive income and result in a movement within the fair value reserve within equity. The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When assets that represent fixed interest investments held in this category are impaired, then the company treats this as a realised loss recognised in the income statement, with historical amounts recycled from reserves through the statement of comprehensive income. When assets that represent equity investments held in this category are impaired, resulting in a realised loss, then that realised loss is recognised 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 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

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.

1 Accounting policies **(Continued)**

1.13 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.

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

1 Accounting policies (Continued)

1.15 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.

1 Accounting policies **(Continued)**

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.

The company policy in the previous year

Prior to 1 April 2019, the company applied IAS 17 'Leases'.

When entering into a contract that commits the company to a series of regular cash flows in return for a right to use an asset, the Group considers whether the arrangement contains a lease. In the event that the arrangement represents in substance payment for a service, the company does not consider the arrangement to be a lease. In other cases, the company considers the arrangement to be a finance or operating lease as appropriate and accounts for all cash flows on this basis without separating non-lease components.

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

Where a lease is identified as an operating lease (a lease other than a finance lease), any payments made thereunder (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Where a sale and lease-back transaction results in the creation of a finance lease, the company does not recognise a disposal of the asset sold nor any resulting gain or loss. Similarly the company accounts for the finance lease created as a secured borrowing.

1.16 Foreign exchange

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

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

IFRS 16 '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'. The company has adopted this new standard retrospectively with the cumulative effect of initial application recognised in the opening balance sheet on 1 April 2019. The values for the comparative period are based on IAS 17 rules and are presented as previously reported.

Leases that were previously classified as operating leases in accordance with IAS 17 are recognised to conform with IFRS 16 rules using the recognition and measurement requirements and exemptions as set out below:

Right-of-use asset

Right-of-use assets recognised by the company as a lessee at 1 April 2019 are measured at cost, generally corresponding with the discounted remaining lease payments due as at that date.
Subsequent acquisitions of right-of-use assets will be measured at the discounted value of future lease payments as adjusted by initial direct costs, prepaid lease payments, and estimates of future dismantling or clean-up costs.
Right-of-use assets are presented as 'Property, plant and equipment' in the company's consolidated balance sheet. Depreciation is charged on a straight-line basis over the shorter of the lease term or remaining estimated life of the asset.

Lease liability

Lease liabilities recognised by the company as a lessee at 1 April 2019 are measured at the present value of future lease payments at that date, using the practical expedient to apply consistent discount rates to portfolios of leases with similar characteristics.
For leases contracted after 1 April 2019, the discount rate used 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.

Practical expedients used upon initial application of IFRS 16

The company has used the following practical expedients as permitted upon initial application of IFRS 16, at 1 April 2019:

- Right-of-use assets and lease liabilities are not recognised for leases where the lease term ends within 12 months of the date of initial application.
- Hindsight is used in determining the lease term if the contract contains options to extend or terminate the lease.

The company has applied IFRS 16 to contracts that were previously identified as leases when applying IAS 17 without reassessing whether a contract is, or contains, a lease at 1 April 2019. The Company has not applied this standard to contracts that were not identified as containing a lease when applying IAS 17.
The company has also 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 company will recognise the payments associated with those leases as an expense on a straight-line basis over the lease term.

2 Adoption of new and revised standards and changes in accounting policies (Continued)

At the date of initial application of IFRS 16, the Company recognised right-of-use assets of £530 k and lease liabilities of £530 k.
The ongoing income statement impact is likely to be relatively immaterial and will involve operating lease rental costs being replaced with a depreciation charge on right-of-use assets and a finance charge on lease liabilities.
Repayments of capitalised lease balances will now be considered as financing cash flows, whereas previously these were shown as operating cash flows.

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 2019, once endorsed by the EU, and are considered to be relevant and 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 Group'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 Group's legal advisors. Bonus provisions are estimated based on the Group's current and expected future performance evaluated against the terms of specific bonus schemes.

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.

3 Critical accounting estimates and judgements (Continued)

Leases

As outlined in Note 2 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.

4 Revenue

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

	2020 £000	2019 £000
Operating Revenue analysed by class of business		
Supplying glass cord and other related products	52,047	56,456

	2020 £000	2019 £000
Operating Revenue analysed by geographical market		
United Kingdom	8,669	10,562
Rest of Europe - EU	37,102	37,977
Rest of Europe - non-EU	227	214
North America	2,457	3,499
Rest of World	3,592	4,204
	52,047	56,456

	Note	2020 £000	2019 £000
Other income			
Interest income	10	101	100
Dividends received	10	894	1,456

5 Exceptional items

	2020 £000	2019 £000
GMP Pension equalisation adjustment	-	(228)
Redundancy	(576)	-
COVID 19 impact	(50)	-
	(626)	(228)

6 Operating profit

	2020 £000	2019 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(910)	69
Depreciation of property, plant and equipment	1,663	1,449
Loss/(profit) on disposal of property, plant and equipment	1	(20)
Amortisation of intangible assets	58	56
Cost of inventories recognised as an expense	20,853	25,139
Write downs of inventories recognised as an expense	77	56
Reversal of write downs of inventories recognised in the period	(6)	(5)

7 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the company's auditors for the audit of the company's annual accounts	44	42
Fees payable to the company's auditors for other services - JSox	16	16
Total audit fees	60	58

The company has not paid for any other non-audit services during the current or prior year.

8 Employees

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

	2020 Number	2019 Number
Production	197	203
Production management and technical	22	22
Administration	15	15
	234	240

8 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	10,010	10,508
Social security costs	1,038	1,115
Pension costs	1,532	1,564
	12,580	13,187

9 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	487	502
Company pension contributions to defined contribution schemes	25	24
	512	526
Remuneration for qualifying services	144	144
Accrued pension at the end of the year	46	45

10 Investment income

	2020 £000	2019 £000
Interest income		
Interest receivable from group companies	96	87
Other interest income	5	13
Total interest revenue	101	100
Income from fixed asset investments		
Income from shares in group undertakings	894	1,456
Total income	995	1,556

11 Finance costs

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Interest on other loans	75	1
Other finance costs:		
Interest (credit) on the net defined benefit asset	(168)	(169)
Total finance costs	(93)	(168)

12 Other gains and losses

	2020 £000	2019 £000
Amounts written back to/(written off) financial liabilities	43	(8)

13 Income tax expense

	Continuing operations	
	2020 £000	2019 £000
Current tax		
Current year taxation	45	380
Adjustments in respect of prior periods	(20)	(26)
	25	354

(Continued)

13 Income tax expense

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

	2020 £000	2019 £000
Profit before taxation	4,645	5,533
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019 - 19%)	883	1,051
Income not taxable	(14)	(7)
Change in unrecognised deferred tax assets	(16)	(291)
Group relief	(734)	(225)
Other permanent differences	51	56
Effect of overseas tax rates	45	73
Exempt dividend income	(170)	(277)
Prior year adjustment	(20)	(26)
Tax charge for the year	25	354

14 Dividends

	2020 per share	2019 per share	2020 £000	2019 £000
Amounts recognised as distributions to equity holders:				
Ordinary A Shares				
Final dividend paid	0.38	0.63	1,500	2,500

15 Intangible fixed assets

	Software £000
Cost	
At 31 March 2019	400
Additions - purchased	5
At 31 March 2020	405

15 Intangible fixed assets (Continued)

	Software
	£000
Amortisation and impairment	
At 31 March 2019	88
Charge for the year	58
At 31 March 2020	146
Carrying amount	
At 31 March 2020	259
At 31 March 2019	312

16 Property, plant and equipment

	Land and buildings	Plant, equipment and vehicles	Leasehold plant, equipment and vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 April 2019	8,761	40,563	-	49,324
IFRS 16 lease opening balance	-	-	530	530
Additions	19	2,734	15	2,768
Disposals	-	(5)	-	(5)
At 31 March 2020	8,780	43,292	545	52,617
Accumulated depreciation/impairment				
At 1 April 2019	4,330	22,834	-	27,164
Charge for the year	244	1,266	153	1,663
Eliminated on disposal	-	(3)	-	(3)
At 31 March 2020	4,574	24,097	153	28,824
Carrying amount				
At 31 March 2020	4,206	19,195	392	23,793
At 31 March 2019	4,431	17,729	-	22,160

Opening balance sheet adjustment reflects adoption of IFRS 16 in the period.

17 Investments

	Current 2020 £000	2019 £000	Non-current 2020 £000	2019 £000
Investments in subsidiaries	-	-	977	977

Investments are held at cost.

18 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
NGF Canada Limited	Canada	100.00	100.00	Manufacture and sale of treated glass cord
NGF Europe Pension Trustee Limited	England	50.00	50.00	Non-trading

19 Inventories

	2020 £000	2019 £000
Raw materials	4,252	5,010
Work in progress	1,292	1,882
Finished goods	3,735	6,018
	9,279	12,910

20 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	4,745	4,924
Provision for bad and doubtful debts	-	(2)
	4,745	4,922
Other receivables	370	518
Loans and receivables from related parties	17,383	14,912
Amounts due from related parties	7,796	8,369
Prepayments	111	107
	30,405	28,828

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

21 Borrowings

	2020 £000	2019 £000
Unsecured borrowings at amortised cost		
Lease liabilities	402	-
Current liabilities	108	-
Non-current liabilities	294	-
	402	-

Maturity profile of lease liability	2020 £000
Within one year	108
One to two years	109
Two to three years	109
Three to four years	76
	402

22 Trade and other payables

	2020 £000	2019 £000
Trade payables	4,028	4,876
Amounts owed to related parties	899	2,187
Accruals	680	709
Other payables	484	398
	6,091	8,170

23 Provisions for liabilities

Movements on provisions:	Redundancy £000	Claims and litigation £000	Other £000	Total £000
At 1 April 2019	-	18	247	265
Additional provisions in the year	750	-	5	755
Reversal of provision	(174)	(1)	67	(108)
Utilisation of provision	(478)	-	(220)	(698)
At 31 March 2020	98	17	99	214

Other provisions relate to cumulative leave £99 k (2019: £116 k). The prior year figure also included bonus provision of £131 k. There is no bonus provision for 2020.

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 income in respect of retirement benefit plans is £620 k (2019 - £464 k).

Defined benefit scheme
Key assumptions

	2020 %	2019 %
Discount rate	2.4	2.4
Pension growth rate	1.8	1.9
Price inflation	2.0	2.1

24 Retirement benefit schemes (Continued)

Mortality assumptions
Assumed life expectations on retirement at age 65:

	2020 Years	2019 Years
Retiring today		
- Males	21.3	20.5
- Females	23.2	22.4
Retiring in 20 years		
- Males	22.3	21.5
- Females	24.4	23.6

Amounts recognised in the income statement

	2020 £000	2019 £000
Current service cost	912	865
Net interest (credit) on defined benefit asset	(168)	(169)
Past service cost	-	228
Administrative expenses	-	7
	744	931

Of the total expenses for the year £830 k is in cost of sales, £24 k is in distribution costs, £58 k is in administration expenses, £nil investment income and a credit of £168 k in finance costs.

Amounts recognised in other comprehensive income

	2020 £000	2019 £000
Actuarial changes arising from changes in demographic and financial assumptions	701	2,000
Actuarial changes arising from experience adjustments	(1,362)	20
Actuarial changes related to plan assets	3,764	(1,291)
Taxation of pension surplus	600	(795)
	2,503	1,524

24 Retirement benefit schemes **(Continued)**

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

	2020 £000	2019 £000
Present value of defined benefit obligations	49,943	50,259
Fair value of plan assets	(54,164)	(56,195)
Surplus in scheme	(4,221)	(5,936)
Taxes relating to refund of pension fund surplus	1,557	2,157
Net surplus in the statement of financial position after tax on surplus	(2,664)	(3,779)
Included in non-current assets	(2,664)	(3,779)
Included in retirement benefit obligations	-	-

Movements in the present value of defined benefit obligations

	2020 £000	2019 £000
At 1 April	50,259	47,002
Current service cost	912	865
Past service cost	-	228
Benefits paid	(1,814)	(1,162)
Contributions from scheme members	52	67
Actuarial gains and losses	(661)	2,020
Interest cost	1,195	1,239
At 31 March	49,943	50,259

The defined benefit obligations arise from plans funded as follows:

	2020 £000	2019 £000
Wholly unfunded obligations	-	-
Wholly or partly funded obligations	49,943	50,259
	49,943	50,259

24 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets:

	2020 £000	2019 £000
At 1 April	56,195	50,899
Interest income	1,363	1,408
Return on plan assets (excluding amounts included in net interest)	(3,764)	1,291
Benefits paid	(1,814)	(1,162)
Contributions by the employer	2,132	3,699
Contributions by scheme members	52	67
Administration	-	(7)
At 31 March	54,164	56,195

The actual return on plan assets was £2,401 k (2019 - £2,699 k).

Sensitivity of liabilities to changes in assumptions
Scheme obligations would have been affected by changes in assumptions as follows:

0.25% decrease in discount rate	4.1%
0.25% increase in price inflation	2.4%
1 year increase in life expectancies	3.0%

25 Share capital

	2020 £000	2019 £000
Ordinary share capital		
Issued and fully paid		
4,000,000 Ordinary A Shares of £1 each	4,000	4,000
1,400,000 Redeemable B Shares of £1 each	1,400	1,400

The "A" shares and "B" shares are equity shares and rank pari passu in all respects except that the company is entitled to redeem the "B" shares at par providing not less than 1 month notice of the proposed redemption to the "B" shareholders.

26 Other Reserves

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

27 Leases

Amounts recognised in profit or loss

Lease under IFRS 16	**2020**
	£000
Interest on lease liabilities	25

Lease under IAS 17	**2019**
	£000
Lease expense	106

Amounts recognised through cash flow

	2020
	£000
Total cash outflow for leases	168

28 Events after the reporting date

No post balance sheet events which would require adjustment or disclosure in these accounts have been identified since the year end.

29 Controlling party

This company has not prepared group 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 2020, 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.