Company Registration No. 02803344 (England and Wales)

PILKINGTON AUTOMOTIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

PILKINGTON AUTOMOTIVE LIMITED

COMPANY INFORMATION

Directors	Mr I M Smith	
	Mr P J Ravenscroft	
	Mr T P Bolas	
	Mr C Hanley	
	Mrs R E Dorey	
	Mr A K Fradgley	
	Mr R J Purcell	
	Mr K Hiyoshi	
	Mr J Kuboi	
	Mr K Tatemoto	
	Mr M J Farrow	
	Mr R J Mercer	
	Mr S J Boon	(Appointed 1 October 2019)
	Mrs A J Lawrie-Simmons	(Appointed 1 September 2020)
Secretary	Mr I M Smith	
Company number	02803344	
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 AUTOMOTIVE LIMITED

CONTENTS

PILKINGTON AUTOMOTIVE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The principal activity of the company continued to be that of the manufacture and supply of automotive glazing systems to both the original equipment producers and the replacement trade.

The company is a member of the Nippon Sheet Glass (NSG) Group of companies.

Review of the business
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.

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. In addition, cash management is also in place with Group Treasury to allow access to the most optimal interest rates available to the NSG Group. Liquidity risk is managed through the NSG Group's working capital management processes.

The company has no significant credit risks other than receivables due from automotive manufacturers.
The NSG Group has credit policies in place to define acceptable levels of credit exposure risk and payment terms.
Trade receivables are sold to financial institutions as part of a securitisation programme.

During the year the company made the decision to relocate some of its European volume supply from its Aftermarket business distribution centre in Redditch, UK to a related party (Pilkington Automotive Deutschland GmBh) in Gelsenkirchen, Germany and thus the revenue and profits for this year and future years in respect of Aftermarket business division was significantly lowered

The functional currency of the company is Euro and the accounts have been presented in Euro, using an exchange rate from Pounds Sterling to Euro of £1: €1.12 at year end (£1: €1.14 average exchange rate).

	2020	2019
	€000	€000
Turnover	**622,283**	707,452
Total operating loss before exceptionals and additional contributions to Group pension scheme	**(51,703)**	(8,653)
Loss after tax	**(59,428)**	(15,991)
Shareholder funds	**119,835**	82,275
Current assets as % of current liabilities	179%	137%
Average number of employees	479	511

During the year, the company issued new ordinary share capital with a Euro equivalent value of €100,000 k to its parent in order to improve the overall balance sheet strength of the company.

Turnover continues to be generated throughout Europe via traded sales from Pilkington manufacturing sites and warehouses situated in the UK, France, Germany, Spain, Sweden, Italy & Poland. The majority of revenue generated is derived from sales of OE (original equipment) & AGR (automotive glass replacement) glass.

The customer base has remained constant over the time period, although there is a redistribution of our market share at a customer level in line with our long-term strategic commercial plan. The customer geographical base has also remained fairly constant. FY20 has seen the continued significant slowing of demand within the European Automotive markets, which resulted in the reduced profitability in FY19 and was expected to continue as per last year's strategic report. Before the impact of COVID-19 the company expected this to improve through FY21, however the difficult situation is now anticipated to continue.

The Aftermarket business (AGR) continues to generate improved returns in challenging trading conditions. Future trends driven by a requirement for increasingly complex product designs and of OE equivalent quality are well suited to the company's manufacturing and supply capability.

As with all Automotive Tier 1 suppliers, where a sale is made direct to the vehicle manufacturer rather than a third party processor, the future will continue to be highly competitive with a demanding customer base. Strong focus on the fundamentals will continue alongside development and commercial implementation of new cutting-edge technologies, especially in the windscreen area.

During the year the company has progressed its plans to sell the site at Kings Norton in Birmingham and to consolidate its UK operations on one site through expansion of the site in Redditch, Worcestershire. This move is slightly impacted by COVID19 but the project is still expected to be completed within financial year 2021.

Approximately 75 percent of the company's annual sales are to customers in other parts of the European Union and the company is therefore exposed to the general economic conditions prevailing in Europe, including risks that may arise from disorderly Brexit. The company aims to constantly improve levels of efficiency to ensure satisfactory profits, even during difficult market conditions. With respect to Brexit, the company has reviewed its sales and purchases that cross a future UK/EU border to ensure its imports and export processes are ready to cope with any potential disruption that may arise.

<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.

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 I M Smith
Director
10 September 2020

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

Results and dividends

The loss for the year on ordinary activities before taxation amounted to €59,434 k (2019 loss: €16,019 k), taxation thereon amounted to a credit of €6 k (2019 credit: €28 k), leaving a loss after taxation of €59,428 k (2019 loss: €15,991 k).

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

Directors

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

Mr I M Smith	
Mr P J Ravenscroft	
Mr T P Bolas	
Mr C Hanley	
Mrs R E Dorey	
Mr A K Fradgley	
Mr R J Purcell	
Mr P J Watters	(Resigned 1 October 2019)
Mr K Hiyoshi	
Mr J Kuboi	
Mr K Tatemoto	
Mr M J Farrow	
Mr R J Mercer	
Mr S J Boon	(Appointed 1 October 2019)
Mrs A J Lawrie-Simmons	(Appointed 1 September 2020)

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 €6,479 k (2019, €9,060 k) reported in note 20 to the accounts, represent 4 days (2019: 5 days) of average daily purchases.

Research and development

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

Disabled persons
The company is committed to a policy of equal opportunities and to meeting its obligations to offer employment opportunities to disabled people and people becoming disabled during their employment.

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 financial position of the company is also found within the annual accounts.

As described in the Strategic Report, the future is expected to continue to be highly competitive however the reduced cost base as a result of restructuring projects undertaken prior years is aimed at improving the company's long term competitive position.

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

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.

PILKINGTON AUTOMOTIVE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Streamlined Energy & Carbon Reporting

	2020
Energy consumption used to calculate emissions:	MWh
All reported as MWh net calorific value	
Gas	3,248
Electricity	4,462
LPG (mobile)	184
Diesel (mobile fleet)	4,567
Diesel (company cars)	149
Petrol (company cars)	178
Emissions from combustion of gas (Scope 1):	Tonnes
Reported as tonnes CO2e	
Gas	658
Emissions from combustion of fuel for transport purposes (Scope 1)	Tonnes
Reported as tonnes CO2e	
Diesel	1,220
LPG	42
All star fuel cards	5
Diesel (company cars)	44
Petrol (company cars)	54
Emissions from purchased electricity (Scope 2, location-based):	Tonnes
Reported as tonnes CO2e	1,102
Total gross CO2 emissions	Tonnes
Reported as tonnes CO2e	3,125
	€M/Tonnes
Intensity ratio: Total gross CO2 emmisions per €1,000,000 revenue	5.02
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	
Private car mileage expenses	12
Taxi service	3
Emissions from purchased electricity (Scope 2, market - based factor):	Tonnes
Reported as tonnes CO2e	112

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 CO2 emission factor of 0.203kg CO2/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 kgCO2e/kWh, as per the World CO2 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 CO2e is applied. For the small amount of electricity not purchased on a REGO contract, the supplier specific emission factor of 0.09 kg CO2 /MJ or 0.324kg CO2 / kWh was applied to electricity consumption.

Sites enter monthly consumption of van fleet diesel in litres. The software applies a factor of 10.29kWh ncv/litre and 0.2683kg CO2e / kWh ncv as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

Sites enter monthly consumption of LPG in kg (13.14kWh ncv/kg). The software applies a factor of 0.228kg CO2e / kWh ncv as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

Company fuel card, mileage expenses cost and mileage data was used to calculate volume of fuel and associated emissions. Using £1.31 / litre, from aa.com (average price taken from 12 reports Apr 19 – March 20) we used a factor of 10.288 kWh /litre and a factor of 0.268kg CO2e/kWh when distance travelled was not available.

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.

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 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

10 September 2020

PILKINGTON AUTOMOTIVE 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 PILKINGTON AUTOMOTIVE LIMITED

Opinion

We have audited the financial statements of Pilkington Automotive 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 28 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 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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.

We have nothing to report in this regard.

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.

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: 10 September 2020

PILKINGTON AUTOMOTIVE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 €000	2019 €000
Revenue	**4**	622,283	707,452
Cost of sales		(634,190)	(678,821)
Gross (loss)/profit		(11,907)	28,631
Distribution costs		(3,123)	(3,945)
Administrative expenses		(36,673)	(33,339)
Additional contributions to Group pension scheme		-	(5,087)
Exceptional items	**5**	(6,108)	(721)
Operating loss	**6**	(57,811)	(14,461)
Interest payable to group undertakings	**10**	(118)	(4)
Other finance costs	**10**	(1,505)	(1,554)
Loss before taxation		(59,434)	(16,019)
Tax on loss	**11**	6	28
Loss for the financial year		(59,428)	(15,991)

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

PILKINGTON AUTOMOTIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	2020 €000	2019 €000
Loss for the year	(59,428)	(15,991)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- *Hedging (loss)/gain arising in the year*	(3,012)	450
Total comprehensive income for the year	(62,440)	(15,541)

PILKINGTON AUTOMOTIVE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 €000	2019 €000
Non-current assets			
Intangible assets	**13**	4,853	5,843
Receivables falling due after one year	**17**	2,700	-
Contract assets	**15**	3,270	2,543
Property, plant and equipment	**14**	39,214	16,742
Property, plant and equipment held for sale	**18**	1,419	1,419
		51,456	26,547
Current assets			
Inventories	**16**	57,301	55,991
Derivative financial instruments		-	544
Trade and other receivables	**17**	132,370	154,460
Contract assets	**15**	969	1,428
Cash and cash equivalents		5,778	129
		196,418	212,552
Current liabilities			
Borrowings	**19**	2,551	-
Trade and other payables	**20**	99,495	147,613
Contract liability	**15**	5,314	7,300
Derivative financial instruments		2,468	-
Deferred income	**22**	60	-
		109,888	154,913
Net current assets		86,530	57,639
Total assets less current liabilities		137,986	84,186
Non-current liabilities			
Borrowings	**19**	15,838	-
Deferred income	**22**	252	312
		16,090	312

PILKINGTON AUTOMOTIVE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2020

	Notes	2020 €000	2019 €000
Provisions for liabilities			
Other provisions	**21**	2,061	1,599
Net assets		119,835	82,275
Equity			
Called up share capital	**24**	532,961	432,961
Share premium account		81,675	81,675
Hedging reserve		(2,468)	544
Retained earnings		(492,333)	(432,905)
Total equity		119,835	82,275

The financial statements were approved by the board of directors and authorised for issue on 10 September 2020 and are signed on its behalf by:

Paul Ravenscroft

Mr P J Ravenscroft
Director

Company Registration No. 02803344

PILKINGTON AUTOMOTIVE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital	Share premium account	Hedging reserve	Retained earnings	Total
		€000	€000	€000	€000	€000
Balance at 1 April 2018		432,961	81,675	94	(416,914)	97,816
Year ended 31 March 2019:						
Loss for the year		-	-	-	(15,991)	(15,991)
Other comprehensive income:						
Cash flow hedges gain		-	-	450	-	450
Total comprehensive income for the year		-	-	450	(15,991)	(15,541)
Balance at 31 March 2019		432,961	81,675	544	(432,905)	82,275
Year ended 31 March 2020:						
Loss for the year		-	-	-	(59,428)	(59,428)
Other comprehensive income:						
Cash flow hedges loss		-	-	(3,012)	-	(3,012)
Total comprehensive income for the year		-	-	(3,012)	(59,428)	(62,440)
Issue of share capital	24	100,000	-	-	-	100,000
Balance at 31 March 2020		532,961	81,675	(2,468)	(492,333)	119,835

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 28.

The financial statements are prepared in euros, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest €000.

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.

As described in the Strategic Report, the future is expected to continue to be highly competitive however the reduced cost base as a result of restructuring projects undertaken in prior years is aimed at improving the company's long term competitive position.

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

1.3 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

The company supplies a wide range of automotive glazing for new vehicles and for replacement markets. Customers include major global automotive manufacturers and aftermarket glazing distributors.

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

1 Accounting policies **(Continued)**

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.

Sale of services

Revenue in relation to sales of services is recognised when services have been rendered and obligations under the terms of a contract have been satisfied. This may be in point in time or over time depending on the conditions of the contract.

Tooling

The company constructs tooling in order to manufacture glass products to the customers' specification. Revenue from sale of tooling is recognised based on judgement of specific facts and circumstances of related contracts.

If the construction of tooling is a separate performance obligation from the sale of glass and glass-related products, the company recognises inventory as the tooling is constructed. Revenue is recognised based on the stand-alone selling price (SSP) of the tooling when the control of tooling passes to the customer. Any shortfall between the invoiced amount and the SSP of the tooling are accounted for as contract assets. Revenue will be adjusted based on the input or output method over the life of the contract.

If the construction of tooling is not a separate performance obligation from the sale of glass products glass-related products, and the control remains with the company, tooling will be included in property, plant and equipment in the company's balance sheet. Any customer contribution in relation to tooling will be held as deferred income and released to revenue over the life of the contract based on the output method.

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.

1 Accounting policies (Continued)

1.4 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 land and buildings	Lower of lease term or remaining life of the asset
Leasehold plant and machinery	Lower of lease term or remaining life of the asset
Fixtures and fittings	5% to 20% per annum
Glass processing plant	6% to 7% per annum
Motor 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.

1.5 Intangible assets

(a) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (over a maximum of 20 years).

(b) 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).

(c) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products or processes which will be used internally within the Group) are recognised as intangible assets when it is probable that the project will be commercially successful and technologically feasible or will give rise to internally improved processes, and costs can be measured reliably.

Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised, are amortised from the date when the product or use of the process becomes available for commercial production, on a straight-line basis over the period of its expected benefit, not exceeding five years (products) and 20 years (processes).

1 Accounting policies **(Continued)**

1.6 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.

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.

1.7 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.

As result of the Group's adoption of IFRS 15 'Revenue from Contracts with Customers', incremental costs of obtaining a contract with a customer are recognised as inventory, if the Group expects such cost will be recovered. Such costs are amortised by straight-line method over the length of the contract it relates to.

1 Accounting policies **(Continued)**

1.8 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

1.10 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

At the balance sheet date the company held no financial instruments designated as held at fair value through profit or loss, or through comprehensive income.

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)**

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

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.

1.14 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 Accounting policies **(Continued)**

1.15 Employee benefits

The company operates both defined benefit and defined contribution pension schemes. The defined benefit scheme is a multi-employer scheme known as the Pilkington Superannuation Scheme (PSS). It is not possible to identify the share of underlying assets and liabilities attributable to each participating company. As such, the lead company, Pilkington Group Limited records all assets and liabilities of the scheme in its Statement of Financial Position. The contributions of this company are accounted for as a defined contribution scheme. Further information on the PSS scheme and the asset/liability at the year end date, can be found in the financial statements of the immediate parent undertaking Pilkington Group Limited.

1.16 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'.

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 as a lessor
There are cases wherein the company will enter into contracts to sublease vacant leasehold or freehold properties, to offset or mitigate the unavoidable costs associated with such properties. In these cases, the Group classifies each sublease as a finance lease whenever the sublease transfers substantially all the economic benefits from the use of the asset and the right to direct the use of the asset to the tenant. All other subleases are classified as operating leases.
The company recognises a net investment asset for all subleases based on the present value of future sublease payments at the sublease commencement date. This net investment is included in trade receivables in the company's consolidated balance sheet. Subsequently, the net investment asset is measured on an amortised cost basis using the effective interest method.
Sublease payments received from operating subleases are recognised in the income statement 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.

1.17 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.

1 Accounting policies **(Continued)**

1.18 *Exceptional Items*

The company discloses certain gains and losses in the income statement as exceptional items if this is necessary to gain a fair understanding of the company's operating performance. Exceptional items would usually be material in value and/or would be of a non-recurring nature.

1.19 Deferred Income

The Group recognises other deferred income including fair valued customers' contributions to automotive tooling that continues to be recognised in the Group's balance sheet following the adoption of IFRS 15. The income is recognised in the income statement over the periods necessary to match the write-off of the asset, to which the deferred income relates, by equal annual instalments.

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 €18,601 k and lease liabilities of €18,601 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 2020, once endorsed by the EU, and are considered to be relevant and potentially material to the company's primary financial statements. comprehensive income.

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. Redundancy and restructuring provisions are estimated using the expected costs of restructuring programs that have been announced prior to the balance sheet date.

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		
Manufacture and supply of automotive glazing systems	622,283	707,452

	2020 €000	2019 €000
Operating Revenue analysed by geographical market		
United Kingdom	165,688	180,441
Germany	181,336	194,837
Europe (excluding United Kingdom and Germany)		
- EU	270,030	329,406
- Non EU	7	100
North America	4,380	1,859
Rest of the World	842	809
	622,283	707,452

Revenue relating to products and services transferred at a point in time amounted to €617,786 k (2019: €702,085 k).
Revenue relating to products and services transferred over time amounted to €4,497 k (2019:€5,367 k).

5 Exceptional items

	2020 €000	2019 €000
Redundancy and restructuring	(3,970)	(813)
Settlement of litigation matters	(750)	92
Impairment of fixed assets	(1,148)	-
COVID 19 impact	(240)	-
	(6,108)	(721)

The redundancy and restructuring costs originate from an approved program of actions designed to improve the profitability of the company. The litigation item is in relation to EU settlement agreements. Impairment of fixed assets is associated with the consolidation of operations in Redditch.

6 Operating loss

	2020	2019
	€000	€000
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	732	620
Licenses and technical support costs	12,609	12,791
Depreciation of property, plant and equipment	6,296	2,510
Amortisation of intangible assets	2,091	2,056
Cost of inventories recognised as an expense	597,208	642,721
Write downs of inventories recognised as an expense	1,750	2,206
Reversal of write downs of inventories recognised in the period	(39)	(53)
Amortisation of capitalised costs of obtaining a contract	1,682	1,943
Intra group income under shared cost allocation agreements	(6,516)	(6,614)
Intra group income under operating agreements	(11,989)	(14,583)

7 Auditors' remuneration

	2020	2019
Fees payable to the company's auditor and associates:	€000	€000
For audit services		
Audit of the financial statements of the company	125	136

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	2019
	Number	Number
UK	479	511

Their aggregate remuneration comprised:

	2020	2019
	€000	€000
Wages and salaries	16,132	18,295
Social security costs	1,243	1,298
Pension costs	1,384	1,379
	18,759	20,972

9 Directors' remuneration

	2020 €000	2019 €000
Remuneration for qualifying services	1,061	1,043
Amounts receivable under long term incentive schemes	-	250
Company pension contributions to defined contribution schemes	106	141
	1,167	1,434

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 4 (2019 - 4).

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

Remuneration for qualifying services	407	387
Long term incentive schemes	-	119

The emoluments of Mrs Dorey and Messrs Smith, Bolas, Mercer, and Ravenscroft are paid by the immediate parent company Pilkington Group Limited, and the emoluments of Messrs Hiyoshi, Kuboi and Tatemoto are paid by the ultimate parent company 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 or fellow subsidiary companies.

10 Finance costs

	2020 €000	2019 €000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	118	4
Interest on other loans	1,505	1,554
Total finance costs	1,623	1,558

11 Income tax expense

	2020 €000	2019 €000
Corporation tax		
Adjustments in respect of prior periods	(6)	(28)

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

	2020 €000	2019 €000
Loss before taxation on continued operations	(59,434)	(16,019)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019 - 19%)	(11,292)	(3,044)
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	-	117
Other permanent differences	268	553
Movement in deferred tax not yet recognised	11,024	2,374
Prior year adjustment	(6)	(28)
Total adjustments	11,286	3,016
Tax credit for the year	(6)	(28)

The company has tax losses of €405,761k (2019: €347,895k) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the recoverability.

12 Impairments

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

	2020 €000	2019 €000
In respect of:		
Property, plant and equipment	1,148	-

Impairment of plant, property and equipment relates to consolidation of operations in Redditch.

13 Intangible fixed assets

	Software	Development costs	Trademarks & Licenses	Total
	€000	€000	€000	€000
Cost				
At 1 April 2019	40,625	9,071	707	50,403
Additions - purchased	1,101	-	-	1,101
At 31 March 2020	41,726	9,071	707	51,504
Amortisation				
At 1 April 2019	34,874	8,979	707	44,560
Charge for the year	2,024	67	-	2,091
At 31 March 2020	36,898	9,046	707	46,651
Carrying amount				
At 31 March 2020	4,828	25	-	4,853
At 31 March 2019	5,751	92	-	5,843

14 Property, plant and equipment

	Land and buildings	Leasehold land and buildings	Plant & Machinery	Leasehold plant and machinery	Total
	€000	**€000**	**€000**	**€000**	**€000**
Cost					
At 1 April 2019	-	-	44,301	-	44,301
IFRS 16 lease opening balance	-	17,445	-	1,156	18,601
Additions	-	1,177	8,928	1,665	11,770
Assets transferred from Group companies	-	-	217	-	217
At 31 March 2020	-	18,622	53,446	2,821	74,889
Accumulated depreciation					
At 1 April 2019	-	-	27,559	-	27,559
Charge for the year	-	2,075	3,645	576	6,296
Impairment loss (profit or loss)	-	-	1,148	-	1,148
Assets transferred from Group companies	-	-	110	-	110
Transfer to sublease	-	562	-	-	562
At 31 March 2020	-	2,637	32,462	576	35,675
Carrying amount					
At 31 March 2020	-	15,985	20,984	2,245	39,214
At 31 March 2019	-	-	16,742	-	16,742

More information on impairment movements in the year is given in note 12.

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

15 Assets and liabilities related to contracts with customers

	31 March 2020 €000	31 March 2019 €000
Trade receivables, net of provision for impairment	13,477	34,006
Contract assets	4,239	3,971
Contract liabilities	(5,314)	(7,300)

Contract assets can be separated into two categories. Firstly relate to the company's rights to consideration for glass products dispatched. The contract assets in this category are transferred to trade receivables when the rights become unconditional. Secondly these relate to contract assets arising upon recognition of revenue on automotive tooling, which is included in the transaction price of glass and glass-related products. The contract assets in this category will be amortised over the length of the contract.

Contract liabilities include amounts with respect to customer contributions on automotive tooling and other prepayments received from customers. Contract liabilities are classified as current or non-current based on the timing of when the Group expects to recognise revenue for contributions on automotive tooling and other prepayments.

16 Inventories

	2020 €000	2019 €000
Raw materials	2,250	2,336
Work in progress	7,609	6,861
Finished goods	16,481	22,354
Capitalised costs of obtaining a contract	30,961	24,440
	57,301	55,991

The costs of obtaining a contract are capitalised on premises these incremental costs would not have been incurred if the company had not attempted to win the contract. The company considers the amount of capitalised costs to be recoverable, as they do not exceed the overall level of profit expected from the contract.

These assets are included in inventory in the company's balance sheet and are amortised over the life of the contract. The amount of amortisation was €1,682 k (2019: €1,943 k) and the amount of impairment was €0 k (2019: €0 k).

Applying the practical expedient in IFRS 15 para 94, the company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the company otherwise would have recognised is one year or less.

17 Trade and other receivables

	Current		Non-current	
	2020	2019	2020	2019
	€000	€000	€000	€000
Trade receivables	13,618	34,141	-	-
Provision for bad and doubtful debts	(141)	(135)	-	-
	13,477	34,006	-	-
Other receivables	12,507	8,349	2,700	-
Loans to related parties	82,398	91,381	-	-
Other amounts due from related parties	22,342	18,831	-	-
Prepayments	1,646	1,893	-	-
	132,370	154,460	2,700	-

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

Other receivables includes €562 k net investment asset for subleased assets.

18 Assets and liabilities classified as held for sale

	2020	2019
	€000	€000
Property, plant and equipment	1,419	1,419

19 Borrowings

	2020	2019
	€000	€000
Unsecured borrowings at amortised cost		
Lease liabilities	18,389	-
Current liabilities	2,551	-
Non-current liabilities	15,838	-
	18,389	-

19 Borrowings (Continued)

Maturity profile of lease liability

	2020 €000
Within one year	2,551
One to two years	2,453
Two to three years	2,281
Three to four years	2,187
Four to five years	2,109
After five years	6,808
	18,389

20 Trade and other payables

	2020 €000	2019 €000
Trade payables	6,479	9,060
Amounts owed to related parties	71,000	116,068
Accruals	5,306	5,023
Other payables	16,710	17,462
	99,495	147,613

21 Provisions

	Redundancy and Restructuring €000	Claims €000	Other €000	Total €000
At 1 April 2019	450	131	1,018	1,599
Additional provisions in the year	3,720	-	-	3,720
Utilisation of provision	(2,246)	-	(1,012)	(3,258)
At 31 March 2020	1,924	131	6	2,061

Other provisions include bonus provision of €0 k (2019: €886 k).

22 Deferred income

	2020 €000	2019 €000
Arising from contribution to tooling	312	312
	312	312

Analysis of deferred income

Deferred income is 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:

	2020 €000	2019 €000
Current liabilities	60	-
Non-current liabilities	252	312
	312	312

23 Retirement benefit schemes

Defined contribution schemes

Many of the company's employees are members of the Pilkington Superannuation Scheme (PSS). It is not possible to identify the share of underlying assets and liabilities attributable to each participating company. As such, the lead company, Pilkington Group Limited records all assets and liabilities of the scheme in its Statement of Financial Position. The contributions of this company are accounted for as a defined contribution scheme. Further information on the PSS scheme and the asset/liability at the year end date, can be found in the financial statements of the immediate parent undertaking Pilkington Group Limited.

The company's employees are also entitled to participate in a number of defined contribution schemes.

The total costs charged to income in respect of retirement benefit plans is €1,384 k (2019 - €1,379 k).

24 Share capital

	2020 €000	2019 €000
Ordinary share capital		
Issued and fully paid		
4,184,602 (2019: 3,275,181) ordinary shares of £100 each	532,961	432,961
	532,961	432,961

During the year, the company issued 909,421 £100 share for a total of €100 million.

25 Other Reserves

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

26 Leases

Amounts recognised in profit or loss

Lease under IFRS 16	**2020**
	€000
Interest on lease liabilities	640

Lease under IAS 17	**2019**
	€000
Lease expense	3,947

Amounts recognised through cash flow

	2020
	€000
Total cash outflow for leases	2,999

27 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.

28 Controlling party

The immediate parent undertaking is Pilkington Group 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 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.