Company Registration No. 01417048 (England and Wales)

# PILKINGTON UNITED KINGDOM LIMITED

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2022

# PILKINGTON UNITED KINGDOM LIMITED

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors** | Mr I M Smith | |
| | Mr P J Ravenscroft | |
| | Mrs E J Neal | |
| | Mr N C Syder | |
| | Mrs A J Lawrie-Simmons | |
| | Mrs K Chalmers | (Appointed 25 June 2021) |
| **Secretary** | Mr I M Smith | |
| **Company number** | 01417048 | |
| **Registered office** | European Technical Centre<br>Hall Lane<br>Lathom<br>Nr Ormskirk<br>Lancashire<br>England<br>L40 5UF | |
| **Auditor** | Ernst & Young LLP<br>2 St Peter's Square<br>Manchester<br>M2 3EY | |

# PILKINGTON UNITED KINGDOM LIMITED

## CONTENTS

# STRATEGIC REPORT

# FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report and financial statements for the year ended 31 March 2022.

### Principal activities

The principal activity of the company is the manufacture and supply of glass to the building 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 debt market prices, foreign currency exchange rates, credit risks, energy prices, liquidity and interest rates. The company complies with the appropriate risk management policies employed by the ultimate parent company and has in place a risk management programme that seeks to limit the effects on the financial performance of the company by using foreign currency financial instruments, including debt and other instruments to fix interest rates.

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

The company consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of electricity and gas. This risk is mitigated through forward contracts placed with and arranged by the Group Treasury function.

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

The company has its main manufacturing facilities at three locations in St. Helens. These and other assets are subject to normal business risks in the event of property damage or business interruption, etc. These are protected by insurance policies but in certain cases, a deductible of not more than £1,000,000 will apply.

The key financial KPI's for the company are turnover and gross profit to sales ratio. Turnover from operations increased by 3.0% to £145,538 k, principally due to the continued strong demand from the UK and Ireland market. The gross profit to sales ratio increased from 18.3% to 26.0%.

The company incurred exceptional costs of £1,529 k (2021 cost - £10,889 k). This was principally due to restructuring costs, as the company seeks to improve its cost base in order to improve its competitive stance.

During the year, the Architectural market has been severely impacted by the rising energy and raw material input costs. Demand, however, continued to be strong with a lack of availability of glass in the market for most of the year. The company has taken action to reduce its cost base via restructuring activities and also review pricing structures to customers. The outlook for FY23 indicates that there will continue to be pressure on input costs and energy prices.

The company finalised the closure of two facilities during the financial year, Pilkington Birmingham and Pilkington Architectural, in St Helens. This was in line with a wider NSG Group initiative to reduce the cost base of the Group and drive financial robustness going forward.

Other gains and losses includes a charge of £65,500k relating to a reduction in value of the Company's investment in Pilkington Automotive Finland Oy.

**Review of the business** **(Continued)**

Pilkington United Kingdom Limited is fully committed to a Group-wide initiative aimed at improving health and safety across all sites. A number of non-financial key performance indicators are quoted as part of this focus, with the primary measures being the Significant Injury Rate and the number of Significant Injuries underlying this figure.

The company achieved a significant injury (any injury requiring off-site medical attention) rate of 2.34 (2021: 1.26). Upstream manufacturing sites saw a twelve month Significant Injury Rate of 1.65 (2021: 0.32) against a target of 0.29. This equates to 5 Significant Injuries (2021: 1) during the year. Downstream branches saw a Significant Injury Rate of 3.34 (2021: 2.44) against a target of 2.20. The corresponding number of Significant Injuries was 7 (2021: 6).

We continually seek to improve against our targets, and on our reporting methods and initiatives, which demonstrates our commitment to the safety of our employees.

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

**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

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Mr I M Smith

**Director**

22 September 2022

The directors present their financial statements for the year ended 31 March 2022.

### Results and dividends

The loss for the year on ordinary activities before taxation amounted to £64,093 k (2021: loss £26,002 k), taxation thereon amounted to a credit of £6,981 k (2021: credit £3k), leaving a loss after taxation of £57,112 k (2021: loss £25,999 k).

The directors do not recommend payment of a dividend. The remaining loss for the financial year of £57,112 k will be transferred to reserves.

### Directors

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

| | |
|---|---|
| Mr M A Buckley | (Resigned 31 December 2021) |
| Mr A D McDowell | (Resigned 25 June 2021) |
| Mr I M Smith | |
| Mr P J Ravenscroft | |
| Mrs E J Neal | |
| Mr N C Syder | |
| Mrs A J Lawrie-Simmons | |
| Mrs K Chalmers | (Appointed 25 June 2021) |

### Qualifying third party indemnity provisions

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

### Directors' insurance

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

### Supplier payment policy

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

Trade creditors of the company amounting to £17,726 k (2021: £19,453 k) reported in note 22 to the accounts, represent 23 days (2021: 32 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.

### 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. This includes the provision of quality training and equal opportunities to achieve promotion in the 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**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**Going Concern**

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

The directors have considered the financial position and future prospects of the company. In addition, the directors have made enquiries of NSG UK Enterprises Limited, (an intermediate holding company being the lead company within the NSG Group pool of liquidity that the company operates within), in order to satisfy themselves that financial support would be available from this company should it be needed. 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 for the period to 30 September 2023 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**

| | **2022** | **2021** |
|---|---|---|
| Energy consumption used to calculate emissions: | MWh | MWh |
| All reported as MWh net calorific value | | |
| Gas | 511,302 | 588,791 |
| Electricity | 62,670 | 53,679 |
| Diesel/gas oil | 115,849 | - |
| LPG (mobile) | 21 | 14 |
| Diesel (mobile fleet) | 5,641 | 4,178 |
| | | |
| Emissions from combustion (Scope 1): | Tonnes | Tonnes |
| Reported as tonnes CO2e | | |
| Gas | 103,548 | 119,240 |
| Diesel/gas oil | 31,083 | - |
| | | |
| Emissions from combustion of fuel for transport purposes (Scope 1) | Tonnes | Tonnes |
| Reported as tonnes CO2e | | |
| Diesel (mobile fleet) | 1,513 | 1,121 |
| LPG (mobile and stationary) | 5 | 3 |
| | | |
| Emissions from purchased electricity (Scope 2, location-based): | Tonnes | Tonnes |
| Reported as tonnes CO2e | 12,692 | 12,314 |
| | | |
| **Total gross CO2 emissions** | Tonnes | Tonnes |
| Reported as tonnes CO2e | 148,840 | 132,686 |
| | | |
| | Tonnes/£M | Tonnes/£M |
| Intensity ratio: Total gross CO2 emmisions per £1,000,000 revenue | 1,022.69 | 1,197.16 |
| | | |
| Additional information | | |
| Emissions from purchased electricity (Scope 2, market - based factor): | Tonnes | Tonnes |
| Reported as tonnes CO2e | | |
| Electricity | 269 | 868 |

## 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 0.202 kg CO2e /kWh as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories Stationary Combustion Table 1-3.
Sites enter monthly consumption furnace 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.

UK Sites enter monthly invoiced electricity consumption in kWh. The system applies a factor of 0.2104 kg CO2e/ kWh, as per the World CO 2 Emissions from Fuel Combustion, OECD/ International Energy Agency 2021. 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 0.148 kg CO2e /MJ or 0.533kg CO2e / kWh was applied to electricity consumption.

Sites enter monthly consumption of transport 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 CO 2 e /kWh ncv as per the Greenhouse Gas Protocol IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

Company fuel cards and mileage expenses are not included since they only contributed to 30 MWh (0.005% of company total) and 8t CO2 in FY21. (0.006% of company total).

## Energy Efficiency and Carbon Reduction:

The NSG Group remains committed to continual improvements in energy efficiency and carbon management. During FY22, efficiency measures included the successful trial of hydrogen and biofuel on furnaces, recycling of cullet, replacing fluorescent lighting with modern LED technology and upgrading old plant equipment to streamline 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.
2.3MW of Solar PV generation came online in April 19 at NSG's technical centre, Lathom, and continues to complement our Renewable Energy Guaranteed Origin (REGO) electricity contract. Other carbon management projects including electrification of processes and fleet vehicles continue to be evaluated and implemented.

NSG Group is in the process of extending its Science Based CO2 reduction target from 21% to 30% 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. NSG has committed to be carbon neutral by 2050.

On behalf of the board

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Mr I M Smith
**Director**
Date: 22 September 2022

# DIRECTORS' RESPONSIBILITIES STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2022

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 UNITED KINGDOM LIMITED

### Qualified opinion

We have audited the financial statements of Pilkington United Kingdom Limited for the year ended 31 March 2022 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes 1 to 30, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in 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 2022 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 qualified opinion

Given the impact of Covid – 19 we were unable to observe the counting of physical inventories at the end of the year ended 31 March 2020. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held of £30,719k held at 31 March 2020 by using other audit procedures. Consequently we were unable to determine whether was any consequential effect on the cost of sales for the year ended 31 March 2021. Our audit opinion on the financial statements for the period ended 31 March 2021 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the prior period's figures and the corresponding current year figures.

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 Auditor's 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern to 30 September 2023.

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

### Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 £30,719k held at 31 March 2020 and any consequential effect on the cost of sales for the year ended 31 March 2021. We have concluded that where the other information refers to the inventory balance as at 31 March 2021 and 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:

- adequate accounting records have not been kept or returns 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, on page 12 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 and the Companies Act 2006.
- We understood how Pilkington United Kingdom Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation and minutes of meetings of those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, through internal team conversations and inquiry of management and those charged with governance.
- We considered there to be a fraud risk around revenue being recorded in the incorrect period, particularly in and around the year-end. Procedures performed included but were not limited to testing all material transactions around the period end back to source documentation to ensure they had been recorded in the correct period and testing controls associated with the revenue recognition process.
- We considered there to be a fraud risk around the impairment of fixed assets. Procedures performed included but were not limited to review of management's impairment conclusions, including review of impairment assumptions and fixed asset verification.
- We considered the risk of management override by sampling from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria and investigated these to gain an understanding and then agree them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved verifying that material transactions were recorded in compliance with FRS 101 and the Companies Act 2006.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' 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.

DocuSigned by:
Ernst & Young LLP
DC8725244F9540F...

Ernst & Young LLP
**Jamie Dixon (Senior Statutory Auditor)**
**for and on behalf of Ernst & Young LLP, Statutory Auditor**
**Manchester**
**Date:** 23 September 2022

## INCOME STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | 2022<br>£000 | 2021<br>£000 |
|---|---|---|---|
| **Revenue** | **4** | 145,538 | 110,834 |
| COVID-19 government support | | - | 2,855 |
| Cost of sales | | (108,187) | (93,429) |
| **Gross profit** | | 37,351 | 20,260 |
| Distribution costs | | (12,030) | (10,077) |
| Administrative expenses | | (20,859) | (23,402) |
| COVID-19 government support | | - | 528 |
| Exceptional items | **5** | (1,529) | (10,889) |
| **Operating profit/(loss)** | **6** | 2,933 | (23,580) |
| Other gains and losses | **11** | (65,877) | (81) |
| Interest payable to group undertakings | **10** | (594) | (1,635) |
| Other interest payable and similar charges | **10** | (555) | (706) |
| **Loss before taxation** | | (64,093) | (26,002) |
| Tax on loss | **12** | 6,981 | 3 |
| **Loss for the financial year** | | (57,112) | (25,999) |

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

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2022

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| **Loss for the year** | (57,112) | (25,999) |
| **Other comprehensive income:** | | |
| **Items that may be reclassified to profit or loss** | | |
| *Cash flow hedges:* | | |
| - Hedging gain arising in the year | 26,647 | 3,383 |
| Tax relating to items that may be reclassified | (6,981) | - |
| **Total items that may be reclassified to profit or loss** | 19,666 | 3,383 |
| **Total comprehensive income for the year** | (37,446) | (22,616) |

## STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2022

| | Notes | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | **14** | 1,295 | 1,925 |
| Receivables falling due after one year | **19** | 150 | 150 |
| Property, plant and equipment | **15** | 55,678 | 62,201 |
| Property, plant and equipment held for sale | **20** | 176 | 176 |
| Investments | **16** | 16,119 | 81,619 |
| | | 73,418 | 146,071 |
| **Current assets** | | | |
| Inventories | **18** | 24,204 | 19,497 |
| Deferred tax asset | | 6,981 | - |
| Derivative financial instruments | | 27,924 | 319 |
| Other receivables | **19** | 14,087 | 11,168 |
| Current tax recoverable | | - | 3 |
| Cash and cash equivalents | | 324 | 26,636 |
| | | 73,520 | 57,623 |
| **Current liabilities** | | | |
| Borrowings | **21** | 18,218 | 1,869 |
| Trade and other payables | **22** | 45,294 | 43,896 |
| Contract liability | | 183 | 139 |
| Deferred income | **24** | 272 | 363 |
| | | 63,967 | 46,267 |
| **Net current assets** | | 9,553 | 11,356 |
| **Total assets less current liabilities** | | 82,971 | 157,427 |
| **Non-current liabilities** | | | |
| Borrowings | **21** | 2,553 | 142,522 |
| Deferred income | **24** | 2,571 | 2,843 |
| | | 5,124 | 145,365 |

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

## AS AT 31 MARCH 2022

| | Notes | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Provisions for liabilities** | | | |
| Deferred tax liabilities | | 6,981 | - |
| Other provisions | **23** | 9,631 | 13,381 |
| | | 16,612 | 13,381 |
| **Net assets/(liabilities)** | | 61,235 | (1,319) |
| **Equity** | | | |
| Called up share capital | **26** | 428,483 | 328,483 |
| Hedging reserve | | 19,985 | 319 |
| Retained earnings | | (387,233) | (330,121) |
| **Total equity** | | 61,235 | (1,319) |

The financial statements were approved by the board of directors and authorised for issue on 22 September 2022 and are signed on its behalf by:

Mrs A J Lawrie-Simmons
**Director**

**Company Registration No. 01417048**

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | Share capital £000 | Hedging reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2020** | | 328,483 | (3,064) | (304,122) | 21,297 |
| **Year ended 31 March 2021:** | | | | | |
| Loss for the year | | - | - | (25,999) | (25,999) |
| Other comprehensive income: | | | | | |
| Cash flow hedge gain | | - | 3,383 | - | 3,383 |
| Total comprehensive income for the year | | - | 3,383 | (25,999) | (22,616) |
| **Balance at 31 March 2021** | | 328,483 | 319 | (330,121) | (1,319) |
| **Year ended 31 March 2022:** | | | | | |
| Loss for the year | | - | - | (57,112) | (57,112) |
| Other comprehensive income: | | | | | |
| Cash flow hedge gain | | - | 26,647 | - | 26,647 |
| Tax relating to other comprehensive income | | - | (6,981) | - | (6,981) |
| Total comprehensive income for the year | | - | 19,666 | (57,112) | (37,446) |
| Issue of share capital | **26** | 100,000 | - | - | 100,000 |
| **Balance at 31 March 2022** | | 428,483 | 19,985 | (387,233) | 61,235 |

### 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 under the historical cost convention. 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 30.

## 1 Accounting policies (Continued)

### 1.2 Going concern

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

The directors have considered the financial position and future prospects of the company. In addition, the directors have made enquiries of NSG UK Enterprises Limited, (an intermediate holding company being the lead company within the NSG Group pool of liquidity that the company operates within), in order to satisfy themselves that financial support would be available from this company should it be needed. 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 for the period to 30 September 2023 and have prepared these accounts on this basis.

### 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

Architectural Glass engages in the manufacturing and sale of flat glass and various interior and exterior glazing products within commercial and residential markets. It also includes glass for the solar energy sector. Customers include manufacturers who process the glass products that we supply into their own products, construction and house building companies, distributors and merchants.

The revenue streams are 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.

## 1 Accounting policies (Continued)

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.

### 1.4 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:

| | |
|---|---|
| Freehold buildings | 20 to 50 years |
| Leasehold buildings | Lower of lease term or remaining life of the asset |
| Leasehold glass making plant | Lower of lease term or remaining life of the asset |
| Glass processing plant | 14 to 17 years |
| Glass making plant | 25 years |
| Other plant and machinery | 5 to 20 years |
| Vehicles | 5 years |
| Computer Hardware | 1 to 5 years |

Freehold land and assets in the course of construction are not depreciated.

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

**1 Accounting policies** **(Continued)**

## 1.6 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).

## 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.

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 Accounting policies (Continued)

### 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.

### 1.9 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.

### 1.10 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.

### 1.11 Financial instruments

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

**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)**

**1.12 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.

**1.13 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.

**1.14 Taxation**

**Current tax**

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

**Deferred tax**

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

**1.15 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)**

**1.16 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 fellow group undertaking Pilkington Group Limited.

**1.17 Leases**

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

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

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

**Right-of-use assets**

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

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

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

**Lease liabilities**

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

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

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

**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.

**1.18 Grants**

The company recognises government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to property, plant and equipment, the fair value is credited to deferred income and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

**1.19 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.

**1.20 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.

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

### Standards which are in issue but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for annual accounting periods beginning on or after 1 April 2022. However, these are not considered to be relevant or potentially material to the company's primary financial statements.

## 3 Critical accounting estimates and judgements

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

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

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

### Critical judgements

**Provisions**

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

**Leases**

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

## 4 Revenue

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

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Revenue analysed by class of business** | | |
| Sale of glass and glass-related products | 145,538 | 110,834 |

## 4 Revenue (Continued)

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Revenue analysed by geographical market** | | |
| United Kingdom | 127,281 | 95,877 |
| Rest of Europe | 12,181 | 8,951 |
| North America | 3,355 | 4,725 |
| Rest of World | 2,721 | 1,281 |
| | 145,538 | 110,834 |

For both FY2022 and FY2021, all revenue was recognised at a point in time, with no revenue being recognised over time.

## 5 Exceptional items

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Redundancy and Restructuring | (652) | (7,393) |
| (Impairment)/Reversal of fixed assets | (892) | (2,120) |
| Write down of current assets | - | (270) |
| (Loss)/Profit on disposals of redundant fixed assets | 15 | (21) |
| COVID 19 impact | - | (52) |
| Dilapidation provision / site closure costs | - | (1,033) |
| | (1,529) | (10,889) |

**Redundancy and restructuring**
Redundancy and restructuring relates to the closure of UK sites announced during FY22, and includes £33k relating to ongoing depreciation following site closure.

**Impairment of fixed assets and current assets**
Impairments relates to the fixed assets in the announced sites for closure.

**Profit on Disposal**
Relates to profit on sale of fixed assets from closed branches

## 6 Operating profit/(loss)

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Operating profit/(loss) for the year is stated after charging/(crediting): | | |
| Exchange gains | (58) | (34) |
| License and technical fees | 3,116 | 1,543 |
| Depreciation of property, plant and equipment | (8,582) | (9,708) |
| Loss on disposal of property, plant and equipment | 7 | 718 |
| Amortisation of intangible assets | 631 | 632 |
| Cost of inventories recognised as an expense | 37,812 | 40,138 |
| Write downs of inventories recognised as an expense | 613 | 1,169 |

## 7 Auditors' remuneration

| | 2022 | 2021 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £000 | £000 |
| **For audit services** | | |
| Audit of the financial statements of the company | 115 | 115 |

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:

| | 2022<br>Number | 2021<br>Number |
|---|---|---|
| United Kingdom | 567 | 648 |

Their aggregate remuneration comprised:

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Wages and salaries | 23,233 | 23,812 |
| Social security costs | 2,335 | 2,480 |
| Pension costs | 3,392 | 4,800 |
| | 28,960 | 31,092 |

Net redundancy payments in the year amount to £176 k (2021: £7,323 k).

## 9 Directors' remuneration

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Remuneration for qualifying services | 344 | 441 |
| Company pension contributions to defined contribution schemes | 22 | 70 |
| | 366 | 511 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 2).
The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2021 - 4)

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

| | 2022 | 2021 |
|---|---|---|
| Remuneration for qualifying services | 122 | 122 |
| Company pension contributions to defined contribution schemes | 22 | 32 |

The emoluments of Messrs Smith and Ravenscroft are paid by the immediate parent company Pilkington Group Limited and those of Mrs Lawrie-Simmons are paid by the fellow subsidiary company Pilkington Automotive Limited. The directors do not believe that it is practicable to apportion an amount to their services as directors of the company. Therefore their emoluments are considered to be wholly attributable to services to the parent or fellow subsidiary company.

## 10 Finance costs

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Interest on financial liabilities measured at amortised cost:** | | |
| Interest payable to group undertakings | 594 | 1,635 |
| Interest on other loans | 555 | 706 |
| | 1,149 | 2,341 |

## 11 Other gains and losses

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Amounts written off financial liabilities | (377) | (81) |
| Amounts written off fair value through profit or loss | (65,500) | - |
| | (65,877) | (81) |

The charge of £65,500k relates to an impairment of the Company's investment in Pilkington Automotive Finland Oy. This subsidiary has faced increasingly challenging market conditions in recent years, and the directors concluded that an impairment was appropriate based on current and forecasted levels of EBITDA within this subsidiary.

## 12 Income tax credit

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Current tax** | | |
| Current year taxation | - | (3) |
| **Deferred tax** | | |
| Current year | (6,981) | - |
| Total tax charge | (6,981) | (3) |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Loss before taxation | (64,093) | (26,002) |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2021 - 19%) | (12,178) | (4,940) |
| Expenses not deductible in determining taxable profit | 12,301 | 690 |
| Income not taxable | (90) | (69) |
| Adjustment in respect of prior years | - | (3) |
| Group relief | 597 | - |
| Movement in deferred tax unrecognised | (630) | 2,024 |
| Recognition of previously unrecognised deferred tax assets | (6,981) | - |
| Loss on which no deferred tax recognised | - | 2,295 |
| Tax credit for the year | (6,981) | (3) |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Reclassifications from equity to profit or loss: | | |
| Relating to cash flow hedges | 6,981 | - |

**(Continued)**

## 12 Income tax credit

The deferred tax credit of £6,981 in the profit of loss has been recognised in respect to derivative assets in the balance sheet This credit offsets an equal and opposite deferred tax liability which is recognised within comprehensive income. The deferred tax credit relates to previously unrecognised deferred tax assets, now expected to be utilised on the unwind of the recognised derivative assets.

The company has tax losses of £150,385 (2021: £156,863k) 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 their recoverability.

## 13 Impairments

Impairment tests have been carried out where appropriate and the following impairment (gains)/losses have been recognised in profit or loss:.

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| In respect of: | | |
| Intangible assets | - | 240 |
| Property, plant and equipment | 1,009 | 1,982 |
| Financial assets - fair value through profit or loss | 65,500 | - |
| Recognised in: | | |
| Administrative expenses | 117 | 102 |
| Exceptional items | 892 | 2,120 |
| Other gains and losses | 65,500 | - |

## 14 Intangible fixed assets

| | Software | Trademarks and licenses | Customer Relationships | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost** | | | | |
| At 31 March 2021 | 25,003 | 263 | - | 25,266 |
| At 31 March 2022 | 25,003 | 263 | - | 25,266 |
| **Amortisation and impairment** | | | | |
| At 31 March 2021 | 23,078 | 263 | - | 23,341 |
| Charge for the year | 631 | - | - | 631 |
| Foreign currency adjustments | (1) | - | - | (1) |
| At 31 March 2022 | 23,708 | 263 | - | 23,971 |
| **Carrying amount** | | | | |
| At 31 March 2022 | 1,295 | - | - | 1,295 |
| At 31 March 2021 | 1,925 | - | - | 1,925 |

## 15 Property, plant and equipment

| | Freehold buildings | Leasehold buildings | Glass making plant | Leasehold glass making plant | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Cost** | | | | | |
| At 31 March 2021 | 52,396 | 4,303 | 240,884 | 4,701 | 302,284 |
| Additions | - | - | 2,897 | 211 | 3,108 |
| Disposals | (25) | (1,100) | (1,065) | (1,873) | (4,063) |
| At 31 March 2022 | 52,371 | 3,203 | 242,716 | 3,039 | 301,329 |

## 15 Property, plant and equipment (Continued)

| | Freehold buildings | Leasehold buildings | Glass making plant | Leasehold glass making plant | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Accumulated depreciation and impairment** | | | | | |
| At 31 March 2021 | 36,544 | 1,697 | 199,471 | 2,371 | 240,083 |
| Charge for the year | 989 | 744 | 5,853 | 1,029 | 8,615 |
| Impairment loss | - | - | 1,009 | - | 1,009 |
| Eliminated on disposal | (25) | (1,099) | (1,058) | (1,874) | (4,056) |
| At 31 March 2022 | 37,508 | 1,342 | 205,275 | 1,526 | 245,651 |
| **Carrying amount** | | | | | |
| At 31 March 2022 | 14,863 | 1,861 | 37,441 | 1,513 | 55,678 |
| At 31 March 2021 | 15,852 | 2,606 | 41,413 | 2,330 | 62,201 |

More information on impairment movements in the year is given in note 13.

## 16 Investments

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Investments in subsidiaries | - | - | 16,119 | 81,619 |

## 16 Investments (Continued)

### Movements in non-current investments

| | Shares £000 |
|---|---|
| **Cost or valuation** | |
| At 31 March 2022 | 81,619 |
| **Impairment** | |
| At 1 April 2021 | - |
| Impairment losses | (65,500) |
| At 31 March 2022 | (65,500) |
| **Carrying amount** | |
| At 31 March 2022 | 16,119 |
| At 31 March 2021 | 81,619 |

Investments are held at historic cost less cumulative impairment. The accounting value of investments has fallen during the year due to impairment charges as set out in note 11.

## 17 Subsidiaries

Details of the company's subsidiaries at 31 March 2022 are as follows:

| Name of undertaking | Registered office | Ownership interest (%) | Voting power held (%) | Nature of business |
|---|---|---|---|---|
| Pilkington AG Limited | UK | 100.00 | 100.00 | Dormant |
| Pilkington Automotive Finland Oy | Finland | 100.00 | 100.00 | Trading |
| Pilkington Sverige AB | Sweden | 100.00 | 100.00 | Trading |
| Pilkington Automotive Sweden AB | Sweden | 100.00 | 100.00 | Trading |
| Pilkington Norge AS | Norway | 100.00 | 100.00 | Trading |
| Pilkington Autoglass Oy | Finland | 100.00 | 100.00 | Trading |

## 18 Inventories

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Raw materials | 5,228 | 5,007 |
| Work in progress | 4,178 | 3,954 |
| Finished goods | 14,798 | 10,536 |
| | 24,204 | 19,497 |

## 19 Trade and other receivables

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Trade receivables | 9,978 | 9,168 | - | - |
| Provision for bad and doubtful debts | (5) | (42) | - | - |
| | 9,973 | 9,126 | - | - |
| Other receivables | 2,611 | 781 | 150 | 150 |
| Amounts owed by related parties | 870 | 566 | - | - |
| Prepayments | 633 | 695 | - | - |
| | 14,087 | 11,168 | 150 | 150 |

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

## 20 Assets and liabilities classified as held for sale

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Property, plant and equipment | 176 | 176 |

## 21 Borrowings

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Unsecured borrowings at amortised cost** | | |
| Loans from related parties | 17,182 | 139,106 |
| Lease liability | 3,589 | 5,285 |
| | 20,771 | 144,391 |

## 21 Borrowings (Continued)

**Analysis of borrowings**

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Current liabilities | 18,218 | 1,869 |
| Non-current liabilities | 2,553 | 142,522 |
| | 20,771 | 144,391 |

| Maturity profile of lease liability | 2022 £000 | 2021 £000 |
|---|---|---|
| Within one year | 1,036 | 1,869 |
| One to two years | 961 | 988 |
| Two to three years | 683 | 913 |
| Three to four years | 360 | 634 |
| Four to five years | 241 | 332 |
| After five years | 308 | 549 |
| | 3,589 | 5,285 |

## 22 Trade and other payables

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade payables | 17,726 | 19,453 |
| Amounts owed to related parties | 7,527 | 2,442 |
| Accruals and deferred income | 4,745 | 3,097 |
| Other payables | 15,296 | 18,904 |
| | 45,294 | 43,896 |

## 23 Provisions for liabilities

| Movements on provisions: | Warranty | Redundancy and restructuring | Claims and litigation | Other | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2021 | 86 | 8,143 | 1,135 | 4,017 | 13,381 |
| Additional provisions in the year | 72 | 863 | 102 | 1,297 | 2,334 |
| Reversal of provision | (3) | (712) | (25) | (2) | (742) |
| Utilisation of provision | (45) | (4,778) | (84) | (435) | (5,342) |
| At 31 March 2022 | 110 | 3,516 | 1,128 | 4,877 | 9,631 |

Other provisions includes cumulative leave provision £132 k (2021: £158 k), bonus provision £1,256 k (2021: £0 k), a provision for a pension scheme not subject to defined benefit accounting of £837 k (2021: £1,100 k), an onerous lease provision £1 k (2021: £168 k), a dilapidation provision for leased right of use assets £2,591 k (2021: £2,591 k) and an Employers liability provision of £60k (2021: £0k).

## 24 Deferred revenue

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Arising from government grants | 2,843 | 3,206 |

## 25 Retirement benefit schemes

### Defined contribution schemes

The majority 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 £3,392 k (2021 - £4,800 k).

## 26 Share capital

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 428,483,392 (2021: 328,483,392) Ordinary shares of £1 each | 428,483 | 328,483 |

## 27 Other Reserves

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

## 28 Leases

### Amounts recognised in profit or loss

| Lease under IFRS 16 | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest on lease liabilities | 189 | 281 |
| Expenses relating to short term leases | 575 | 307 |

### Amounts recognised through cash flow

| | 2022 £000 | 2022 £000 |
|---|---|---|
| Total cash outflow for leases | 2,671 | 2,730 |

## 29 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.

## 30 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 2022, 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.