

Notes on the financial statements

	1997			1996		
	Turnover	Operating profit/(loss)	Net operating assets	Turnover	Operating profit/(loss)	Net operating assets
	£m	£m	£m	£m	£m	£m
1 Segmental analysis of continuing operations before exceptional items						
Flat and safety glass – Building products	1,547	80	988	1,598	161	1,134
– Automotive products	1,322	91	487	1,178	68	592
– Total	2,869	171	1,475	2,776	229	1,726
Other trading companies	9	–	13	14	2	35
Group licensing income	–	11	–	–	11	–
Group operations/technology management	–	(30)	(11)	–	(28)	(18)
	2,878	152	1,477	2,790	214	1,743
United Kingdom	464	29	234	456	57	257
Europe (excluding United Kingdom)	1,229	31	668	1,165	63	965
North America	752	66	229	737	59	191
Rest of the World	433	45	357	432	52	348
Group operations/technology management	–	(19)	(11)	–	(17)	(18)
	2,878	152	1,477	2,790	214	1,743
Flat and safety glass analysed by geographic segments						
Europe	1,696	61	902	1,618	119	1,216
North America	749	65	218	736	58	161
Rest of the World	424	45	355	422	52	349
Total	2,869	171	1,475	2,776	229	1,726

Net operating assets are analysed in note 5.

Turnover derived from intra segmental transactions between building products and automotive products amounted to £128 million in 1997 (1996 £138 million). Other intra segmental turnover is not material.

	1997			1996		
	Turnover	Operating (loss)	Net operating assets	Turnover	Operating profit/(loss)	Net operating assets
	£m	£m	£m	£m	£m	£m
2 Segmental analysis of discontinued operations before exceptional items						
Other trading companies	41	(4)	–	109	–	44
United Kingdom	4	–	–	11	3	16
Europe (excluding United Kingdom)	9	–	–	21	2	(2)
North America	23	(4)	–	61	(9)	29
Rest of the World	5	–	–	16	4	1
	41	(4)	–	109	–	44

Net operating assets are analysed in note 5.

Discontinued operations in 1997 comprise the Pilkington Barnes Hind contact lens business. Comparative figures also include the Pilkington Barnes Hind lenscare and Paragon Optical businesses.

3 Acquisitions

The profit and loss account on page 14 discloses the turnover and operating profit before exceptional items arising from acquisitions. Turnover on acquisitions amounted to £13 million (1996 £156 million) and operating profit amounted to £nil (1996 £13 million). The principal acquisitions in 1997 were the Plyglass business, Combiglas AB and Glastral Norr AB. Further details regarding acquisitions made in the year are disclosed in note 35.

	1997		1996	
	Group £m	%	Group £m	%

4 Geographical analysis of turnover by markets

This analysis of turnover shows the markets in which the Group's products are sold, whereas the regional analysis in notes 1 and 2 relates to the domicile of the Group undertakings making the sales.

Continuing operations

United Kingdom	393	14	375	14
Europe (excluding United Kingdom) – EU	1,066	37	1,094	39
– Non EU	153	5	83	3
North America	745	26	726	26
Australasia	234	8	235	8
South America	223	8	216	8
Rest of the World	64	2	61	2
	2,878	100	2,790	100

Discontinued operations

United Kingdom	4	10	7	6
Europe (excluding United Kingdom) – EU	9	22	22	20
North America	23	56	57	52
Australasia	2	5	5	5
Rest of the World	3	7	18	17
	41	100	109	100

5 Net operating assets

The net operating assets referred to in notes 1 and 2 comprise the following:

	Continuing operations		Discontinued operations	
	1997 £m	1996 £m	1997 £m	1996 £m
Tangible assets	1,596	1,824	–	21
Stocks	398	460	–	20
Debtors – falling due within one year	465	552	–	24
– falling due after more than one year	33	22	–	1
Creditors – falling due within one year	(499)	(540)	–	(17)
– falling due after more than one year	(5)	(5)	–	(1)
Provisions	(511)	(570)	–	(4)
	1,477	1,743	–	44

Creditors exclude loans and overdrafts, taxation on profits, finance leases and dividends. Debtors exclude taxation and deferred taxation recoverable. Provisions include post-retirement healthcare benefits but exclude deferred taxation.

6 Change in accounting policy

The company has changed its accounting policy on the carrying value of its subsidiary undertakings. Previously these were valued at the underlying net asset value of the subsidiaries concerned, the new policy is to carry its investment in subsidiary undertakings at their original historical cost less any permanent diminution in value. This change in policy is consistent with the treatment of fixed tangible assets and brings the company into line with the majority of public listed companies.

The effect of the change on the carrying value of subsidiaries is summarised as follows:

	New Policy £m	Old Policy £m
Investment – subsidiary undertakings		
At 31st March 1996	632	675
At 31st March 1997	537	414

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7 Exceptional items	1997			1996		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Restructuring costs charged to operating profit	(40)	-	(40)	(155)	-	(155)
Loss on disposal of fixed assets of continuing operations	(7)	-	(7)	(2)	-	(2)
Loss on disposal of operations	-	(8)	(8)	-	-	-
	(47)	(8)	(55)	(157)	-	(157)
Taxation			(2)			-
Attributable to minority interests			(1)			11
			(58)			(146)

The principal exceptional items in 1997 were a charge against operating profits of £40 million to cover asset write-downs and redundancies associated with restructuring of the Group's automotive glass operations in Europe, a loss on disposal of Pilkington Barnes Hind of £10 million and a loss on the sale of properties in Germany of £7 million.

The principal exceptional item in 1996 was a charge of £155 million, consisting of asset write-downs of £82 million and the costs of redundancy and restructuring of £73 million, in respect of a major restructuring programme covering the Group's automotive glass operations in Europe and North America and its building products business in Germany.

8 Statutory information	1997				1996		
	Continuing £m	Acquisitions £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	2,865	13	41	2,919	2,790	109	2,899
Cost of sales	(2,235)	(10)	(37)	(2,282)	(2,250)	(89)	(2,339)
Gross profit	630	3	4	637	540	20	560
Net operating expenses							
Distribution costs	(242)	(1)	(3)	(246)	(242)	(8)	(250)
Administrative expenses	(287)	(2)	(5)	(294)	(250)	(12)	(262)
Trading profit/(loss)	101	-	(4)	97	48	-	48
Group licensing income	11	-	-	11	11	-	11
Operating profit/(loss)	112	-	(4)	108	59	-	59

Cost of sales on continuing operations and acquisitions in 1997 include £40 million (1996 £155 million) of exceptional charges on restructuring (note 7).

	1997 £m	1996 £m
<i>Operating profit is after charging/(crediting):</i>		
Depreciation of tangible fixed assets – normal	149	156
– exceptional	26	89
Net loss on disposal of tangible fixed assets	1	1
Operating lease costs – plant and machinery	34	40
– property	21	23
Total research and development expenditure	51	52
– financed directly by customers	(2)	(1)
<i>Auditors' remuneration:</i>		
Audit – Coopers & Lybrand	2	2
Audit of the company £237,000 (1996 £217,000)		
Other services provided by Coopers & Lybrand – United Kingdom	-	1
– Overseas	1	1

9 Associated undertakings	1997	1996
	£m	£m
<i>The financial statements include the following:</i>		
Share of profits included in the Group profit and loss account	23	43
Less share of distributions	(13)	(23)
	10	20
Taxation (note 12)	(4)	(8)
Share of profits retained by associated undertakings (notes 18 and 32)	6	12

The share of profits of associated undertakings in 1996, referred to above, includes the Group's 50% share of SIV for the period from 1st January 1995 to 31st October 1995.

	Group's share of profits		Group's share of net assets	
	1997	1996	1997	1996
	£m	£m	£m	£m
<i>Segmental analysis of associated undertakings:</i>				
Flat and safety glass – Europe	2	14	26	25
– Rest of the World	21	26	83	84
Other trading companies	–	3	–	4
	23	43	109	113
United Kingdom	3	2	6	4
Europe (excluding United Kingdom)	(1)	14	20	25
North America	–	–	1	1
Rest of the World	21	27	82	83
	23	43	109	113

The major associated undertaking is Cebrace (Rest of the World).

The above figures are based on audited financial statements with the exception of certain small associated undertakings where management statements have been used. In addition to Cebrace, there are 16 associated undertakings whose accounts are not co-terminous with those of Pilkington plc. The principal associated undertakings are noted on page 42.

10 Investment income	1997	1996
	£m	£m
Unlisted trade investments	19	21
Listed marketable investments	2	1
	21	22

11 Interest payable less receivable	1997	1996
	£m	£m
Interest payable on – bank loans and overdrafts	31	37
– other loans	38	43
– finance leases	6	4
Less – interest receivable	(15)	(16)
– interest capitalised	–	(1)
	60	67

Interest payable includes the results of interest rate swap transactions.

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12 Taxation	1997 £m	1996 £m
Profit and loss account		
<i>The taxation charge in the Group profit and loss account comprises:</i>		
United Kingdom corporation tax at 33% (1996 – 33%)	16	38
Less double taxation relief	(1)	(12)
	15	26
Overseas taxation	31	42
Deferred taxation	(1)	–
Advance corporation tax, previously written off, now written back	(3)	(8)
	42	60
Under/(over) provision in respect of prior years	3	(5)
	45	55
Associated undertakings (note 9)	4	8
	49	63

Overseas taxation includes a tax charge of £2 million in respect of exceptional items (1996 nil) (note 7).

The prior year's corporation tax charge arises from the shortfall of credits for overseas taxation.

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
Balance sheets				
Assets (notes 21 and 22)				
Debtors – amounts falling due within one year				
Advance corporation tax recoverable	1	7	–	18
Corporation tax recoverable	12	–	9	–
Overseas tax recoverable	11	–	10	–
	24	7	19	18
Debtors – amounts falling due after more than one year				
Advance corporation tax recoverable	9	8	7	7
Deferred taxation on post-retirement healthcare benefits	55	–	62	–
	64	8	69	7
Liabilities (note 24)				
United Kingdom corporation tax	15	–	10	–
United Kingdom advance corporation tax on dividends	13	11	10	10
Overseas taxation	22	–	23	–
	50	11	43	10

No provision has been made for additional taxation which would arise on the distribution of profits retained by overseas subsidiary and associated undertakings.

At 31st March 1997 certain United Kingdom and overseas subsidiary undertakings had accumulated tax losses estimated at £307 million (1996 £358 million) which are available for offset against future taxable profits in those companies. Advance corporation tax written off to date amounts to £19 million (1996 £22 million) and is available for offset against future United Kingdom corporation tax liabilities. The future benefit of these losses and advance corporation tax has not been accounted for in the provision for deferred taxation (note 28).

The taxation credit to profits for deferred taxation calculated on a full liability basis would amount to £26 million (1996 £4 million charge).

13 Minority interests (profit and loss account)	1997	1996
	£m	£m
Equity	15	3
Non equity	11	14
	26	17

14 Dividends	Net paid/payable per ordinary share		Gross equivalent* per ordinary share		Net paid/payable	
	1997	1996	1997	1996	1997	1996
	£m				£m	£m
<i>Equity shares:</i>						
Interim paid 14th February 1997	1.75p	1.75p	2.19p	2.19p	18	14
Final payable 15th August 1997	3.25p	3.25p	4.06p	4.06p	34	34
	5.00p	5.00p	6.25p	6.25p	52	48

*Gross equivalent receivable by ordinary shareholders

15 Earnings per share	1997	1996
Average number of shares	1,031m	869m
	£m	£m
Profit/(loss) for the financial year attributable to shareholders of Pilkington plc	2	(25)
Add exceptional items (note 7)	58	146
Profit for the financial year attributable to shareholders of Pilkington plc after adjusting for exceptional items	60	121
	pence	pence
Earnings/(loss) per share	0.2	(2.9)
Adjusted earnings per share excluding exceptional items	5.8	14.0

The adjusted earnings per share is disclosed as an alternative figure for earnings/(loss) per share. This measurement of earnings per share is considered by the directors to be a more meaningful indication of the Group's underlying performance.

(Loss)/earnings per share on a nil distribution basis	(0.1)	5.5
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16 Tangible assets	Group			Company		
	Land and buildings £m	Plant, machinery and vehicles £m	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
For the year ended 31st March 1997						
At cost or valuation						
At beginning of year	1,006	2,350	3,356	8	4	12
Exchange rate adjustments	(126)	(241)	(367)	-	-	-
Changes in composition of the Group	(20)	(41)	(61)	-	-	-
Additions during year	14	172	186	-	-	-
Revaluation	(1)	-	(1)	-	-	-
Assets sold or scrapped during year	(55)	(64)	(119)	(1)	-	(1)
At end of year	818	2,176	2,994	7	4	11
Accumulated depreciation						
At beginning of year	355	1,156	1,511	2	2	4
Exchange rate adjustments	(53)	(125)	(178)	-	-	-
Changes in composition of the Group	(8)	(28)	(36)	-	-	-
Depreciation for year	24	151	175	-	-	-
Revaluation	-	-	-	-	-	-
Assets sold or scrapped during year	(11)	(63)	(74)	-	-	-
At end of year	307	1,091	1,398	2	2	4
Written down book value at end of year	511	1,085	1,596	5	2	7
<i>Cost or valuation at 31st March 1997 represented by:</i>						
Valuations in 1996/97	33	37	70	-	-	-
Cost	478	1,048	1,526	5	2	7
	511	1,085	1,596	5	2	7
<i>Land and buildings at net book value comprises:</i>						
Freehold	494			5		
Long leasehold	4			-		
Short leasehold	13			-		
	511			5		

Tangible assets include the cost of assets in the course of construction and payments on account amounting to £35 million (1996 £82 million).

Plant, machinery and vehicles include items acquired under finance leases comprising cost of £129 million (1996 £130 million), accumulated depreciation of £38 million (1996 £41 million) and written down value of £91 million (1996 £89 million). Depreciation charged in the year on these assets amounted to £8 million (1996 £9 million).

If the revalued tangible assets, totalling a net book value of £70 million (1996 £83 million), all of which were last revalued in 1997 by officers of the companies owning the assets, had been accounted for on an historical cost basis, their historical cost would have been £98 million (1996 £88 million), accumulated depreciation £38 million (1996 £32 million), and written down value at 31st March 1997 of £60 million (1996 £56 million).

Additions during the year include finance leases entered into amounting to £15 million (1996 £16 million). Interest capitalised during the year was nil (1996 £1 million). Cash expenditure was £170 million (1996 £215 million).

16 Tangible assets continued

Additions during the year to tangible assets are analysed into the following business segments:

	1997 £m	1996 £m
Flat and safety glass – Europe	86	105
– North America	49	59
– Rest of the World	45	56
.....		
– Total	180	220
Other trading companies	4	9
Group operations/technology management	2	3
.....		
	186	232

The depreciation charge for the year amounting to £175 million (1996 £245 million) includes exceptional asset write-downs of £26 million (1996 £89 million).

17 Investments – subsidiary undertakings (company)

	Shares Restated £m	Loans £m	Total Restated £m
Cost			
At beginning of year	632	525	1,157
Additions	–	31	31
Disposals	(95)	–	(95)
.....			
At end of year	537	556	1,093

Principal subsidiary undertakings are listed on pages 41 and 42.

The shares in subsidiary undertakings, formerly revalued to reflect the underlying net asset values of the companies, have been restated to historical cost, following the change in the accounting policy, detailed in note 6.

18 Investments – associated undertakings

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
Cost or valuation				
At beginning of year	87	–	112	–
Exchange rate adjustments	(3)	–	4	–
Additions	–	–	16	–
Disposals	(4)	–	(1)	–
Transfer to subsidiary undertakings	(4)	–	(45)	–
Transfer from trade investments	1	–	–	–
Other movements	(2)	–	1	–
.....				
	75	–	87	–

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	1997		1996	
	Group £m	Company £m	Group £m	Company £m
18 Investments – associated undertakings <i>continued</i>				
Share of post-acquisition profits less losses				
At beginning of year	30	-	30	-
Exchange rate adjustments	(2)	-	2	-
Retained profits less losses (note 32)	6	-	12	-
Capitalisation of pre-acquisition profits of SIV	-	-	(14)	-
	34	-	30	-
Provisions				
At beginning of year	(4)	-	(4)	-
Released on disposal	4	-	-	-
	-	-	(4)	-
At end of year	109	-	113	-

Investments in associated undertakings are valued by the directors at the Group's share of their underlying net asset value. All the investments are unlisted except for Hankuk Safety Glass Co Ltd, which is listed on the Korean Stock Exchange. The market value of this investment at 31st March 1997 amounted to £8 million (1996 £17 million), compared with the underlying net asset value of £7 million (1996 £9 million).

No additional taxation would be payable if the investments were sold at valuation.

Principal associated undertakings are listed on page 42 together with further details thereon.

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
19 Investments – trade investments				
Cost or valuation				
At beginning of year	87	-	86	-
Exchange rate adjustments	(16)	-	-	-
Additions	2	-	2	-
Disposals	-	-	(1)	-
Transfer to associated undertakings	(1)	-	-	-
At end of year	72	-	87	-
Trade investments at end of year:				
Listed investment at cost	9	-	11	-
Unlisted investments at cost	11	-	13	-
Unlisted investment at 1985 directors' valuation	52	-	63	-
	72	-	87	-
Market value of listed investment	12	-	20	-
Directors' current valuation of unlisted investments	111	-	113	-
Historical cost of investments	30	-	29	-

No additional taxation would be payable if the investments were sold at the valuation stated above.

Principal trade investments are noted on page 42 together with further details thereon. The largest investment is Vitro Plan SA de CV and is included in the financial statements at a valuation made in 1985. The listed investment is Shanghai Yaohua Pilkington Glass Co Ltd, which is quoted on the Shanghai Stock Exchange.

Investments are valued by the directors taking account of profits and cash flows and using an appropriate multiple.

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
20 Stocks				
Raw materials	73	-	84	-
Stores	37	-	40	-
Work in progress	39	-	53	-
Value of work done on long term contracts	2	-	2	-
Finished goods	248	-	301	-
	399	-	480	-
Less progress payments	(1)	-	-	-
	398	-	480	-

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
21 Debtors – amounts falling due within one year				
Trade debtors	368	-	470	1
Amounts owed by – Group undertakings	-	3	-	2
– associated undertakings	34	-	15	-
Other debtors	37	2	68	1
Advance corporation tax recoverable	1	7	-	18
Corporation tax recoverable	12	-	9	-
Overseas tax recoverable	11	-	10	-
Prepayments and accrued income	23	-	23	1
	486	12	595	23
Trade debtors subject to factoring arrangements	25	-	-	-
Less non-returnable amounts received	(22)	-	-	-
Total debtors falling due within one year	489	12	595	23

Certain trade debtors, subject to factoring arrangements, are discounted, whereby 90% of the outstanding balance is discounted without recourse by banks in the ordinary course of business. The non-returnable amount of the factoring arrangement is deducted from the trade debtors concerned.

The directors report that the Group is not obliged to support any losses on the portion of the debt factored, nor does it intend to do so, and the relevant banks have confirmed their agreement to this position in writing.

The factoring charge in the year, in respect of the above transaction, amounted to nil (1996 nil).

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
22 Debtors – amounts falling due after more than one year				
Amounts owed by associated undertakings	-	-	5	-
Other debtors	33	-	18	-
Advance corporation tax recoverable	9	8	7	7
Deferred taxation	55	-	62	-
	97	8	92	7

Deferred taxation represents the tax relief calculated at a tax rate of 34% (1996 – 35%) on the US post-retirement healthcare benefits.

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	1997		1996	
	Group £m	Company £m	Group £m	Company £m
23 Investments – marketable				
<i>Listed investments at cost:</i>				
– London Stock Exchange	17	–	14	–
– Other Stock Exchanges	9	–	10	–
	26	–	24	–
Unlisted investments at cost and at directors' valuation	11	–	17	–
Short term loans	2	–	1	–
	39	–	42	–

The market value of the listed investments at 31st March 1997 amounted to £26 million (1996 £24 million).

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
24 Creditors – amounts falling due within one year				
Bank overdrafts	44	–	81	–
Current portion of – long term bank loans	38	–	24	–
– other long term loans	17	–	17	–
	99	–	122	–
Loans and overdrafts (note 26)				
Payments received on account	3	–	5	–
Trade creditors	289	3	300	3
Amounts owed to – Group undertakings	–	3	–	3
– Associated undertakings	6	–	10	–
Social security	20	–	21	–
Pension fund contributions	1	–	1	–
Taxation – on profits	50	11	43	10
– other than on profits	23	–	22	–
Amounts owing under finance leases	11	–	10	–
Other creditors	48	3	48	3
Accruals	109	5	150	6
Dividends	34	34	34	34
	594	59	644	59
	693	59	766	59
Amounts secured on certain assets of undertakings in the Group	35	–	39	–

	1997		1996	
	Group £m	Company £m	Group £m	Company £m
25 Creditors – amounts falling due after more than one year				
Bank loans	97	–	214	–
Other loans	393	72	487	79
	490	72	701	79
Loans (note 26)				
Amounts owed to Group undertakings	–	–	–	95
Amounts owing under finance leases – within five years	40	–	32	–
– over five years	38	–	50	–
Other creditors	5	–	6	–
	83	–	88	95
	573	72	789	174
Amounts secured on certain assets of undertakings in the Group	124	–	160	–

26 Analysis of bank loans, overdrafts and other loans shown in notes 24 and 25

			1997		1996	
	m	Repayable	Group £m	Company £m	Group £m	Company £m
Sterling		unsecured 7.5% bond 1998	72	72	79	79
		unsecured loans* 1997/1999	1	-	1	-
		currency swaps*	2	-	50	-
			75	72	130	79
US\$	300	unsecured 8.17% to 9.39% loans* 1998/2012	184	-	196	-
	150	unsecured 9.27% to 9.91% loans* 2000/2010	92	-	98	-
	60	unsecured 9.95% loan 1997/2002	37	-	46	-
	7	unsecured loans 1997/1998	4	-	4	-
	30	unsecured variable rate loan 2003	18	-	-	-
	(30)	back to back currency deposit 2003	(18)	-	-	-
	1	secured loan 1997	1	-	1	-
	25	unsecured overdrafts	15	-	23	-
	(120)	currency swaps	(74)	-	(78)	-
			423	-	290	-
D Mk	27	unsecured loans 1998	10	-	66	-
	32	secured loans 1998	11	-	33	-
	-	unsecured overdrafts	-	-	2	-
	75	currency swaps*	28	-	33	-
			134	-	134	-
Aus \$	110	unsecured variable rate loan 1998	53	-	77	-
	(110)	back to back currency deposit 1998	(53)	-	(77)	-
	76	unsecured loans 1998/2000	37	-	26	-
			76	-	26	-
Italian	320,500	unsecured variable rate loans 1997	117	-	134	-
Lira	(320,500)	back to back currency deposit 1997	(117)	-	(134)	-
	12,000	secured fixed rate loan 1997	4	-	-	-
	(12,000)	back to back currency deposit 1997	(4)	-	-	-
	17,900	unsecured loans 1997/2000	7	-	16	-
	115,106	secured loans 1997/2005	42	-	43	-
	20,541	unsecured overdrafts	7	-	32	-
			153,547	-	91	-
Other currencies		unsecured loans	32	-	96	-
		secured loans	14	-	32	-
		secured fixed rate loan 1997	9	-	-	-
		back to back currency deposit 1997	(9)	-	-	-
		unsecured overdrafts	17	-	17	-
		secured overdrafts	3	-	7	-
		currency swaps	47	-	-	-
			113	-	152	-
			589	72	823	79

*also guaranteed by Pilkington plc

The Group has re-balanced the currency allocation of its loan book using the swaps market.

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26 Analysis of bank loans, overdrafts and other loans shown in notes 24 and 25 continued	1997		1996	
	Group £m	Company £m	Group £m	Company £m
<i>Loans and overdrafts:</i>				
Wholly repayable within five years	249	72	353	79
Repayable by instalments wholly or partly after five years	335	-	454	-
Wholly repayable after five years other than by instalments	5	-	16	-
	589	72	823	79
<i>Loans and overdrafts:</i>				
Due for repayment within one year	99	-	122	-
Due for repayment after one year and before two years	140	72	53	-
Due for repayment after two years and before five years	144	-	384	79
Due for repayment after five years	206	-	264	-
Total due for repayment after more than one year	490	72	701	79
	589	72	823	79

As a result of changes in exchange rates during the year, Group foreign currency borrowings, expressed in sterling, have reduced by £67 million (1996 increase £33 million).

27 Provisions for liabilities and charges For the year ended 31st March 1997	Deferred taxation £m	Pensions and similar obligations £m	Post retirement healthcare benefits £m	Other provisions £m	Total £m
Group					
At beginning of year	4	202	176	196	578
Exchange rate adjustments	-	(24)	(10)	(16)	(50)
Provided during year	(3)	12	13	37	59
Utilised during year	-	(17)	(18)	(43)	(78)
Changes in composition of the Group	-	-	-	3	3
At end of year	1	173	161	177	512
Company					
At beginning of year	-	6	2	5	13
Provided during year	-	2	-	-	2
Utilised during year	-	(2)	-	-	(2)
At end of year	-	6	2	5	13

Other provisions at 31st March 1997 include £17 million (1996 £16 million) for tank repairs, £64 million (1996 £83 million) for exceptional provisions on the termination of operations and the restructuring of continuing operations, £18 million (1996 £17 million) for holiday pay provisions, £10 million (1996 £9 million) for insurance claims provisions, £22 million (1996 £20 million) for warranty claims and £25 million (1996 £33 million) for personnel leaving indemnity re SIV's Italian employees.

28 Deferred taxation	1997		1996	
	Group £m	Company £m	Group £m	Company £m
<i>The balances included in provisions relate to:</i>				
Capital allowances in excess of related depreciation	1	-	3	-
<i>Other timing differences:</i>				
Provisions and accruals	-	-	1	-
	1	-	4	-
<i>Deferred taxation which has not been provided amounted to:</i>				
Capital allowances in excess of related depreciation	137	-	160	-
Revaluation of fixed assets and capital gains	73	-	88	-
Other timing differences	(44)	-	(25)	-
	166	-	223	-

29 Deferred income	1997		1996	
	Group £m	Company £m	Group £m	Company £m
At beginning of year	21	22	11	25
Exchange rate adjustments	(2)	-	-	-
Changes in composition of the Group	-	-	12	-
Investment grants receivable	5	-	1	-
	24	22	24	25
<i>Released to profit and loss account in the year:</i>				
Investment grants	(5)	-	(3)	-
Other deferred income	(5)	(4)	-	(3)
At end of year	14	18	21	22

30 Commitments and contingent liabilities	1997		1996	
	Group £m	Company £m	Group £m	Company £m
(a) Capital expenditure				
Contracts placed but not provided for in the financial statements	37	-	39	-

(b) Operating lease commitments	1997		1996	
	Property £m	Other £m	Property £m	Other £m
<i>The Group's operating lease commitments for the following financial year are as follows:</i>				
For leases expiring				
Within one year	2	13	5	7
Between two and five years	12	12	20	16
After five years	10	1	19	-
	24	26	44	23

Notes on the financial statements

30 Commitments and contingent liabilities *continued***(c) Minority interests in German subsidiary undertakings**

Pilkington Deutschland GmbH has made an offer to acquire the minority interests in Flachglas AG and Dahlbusch AG. If the remaining minority shareholders in these companies at 31st March 1997 accept, the cost will be £27 million in addition to the £98 million paid to shareholders accepting the offer prior to 31st March 1997. Certain minority shareholders have legally challenged the offer as insufficient. The matter is before the German Courts who have asked an independent expert to provide valuation opinions. These valuation opinions have been prepared and propose an increase in the offer price in respect of Flachglas AG of approximately 22% and in respect of Dahlbusch AG of approximately 19% and an increase in the guaranteed dividend in respect of Flachglas AG of approximately 8% and in respect of Dahlbusch AG of approximately 14%. These valuation opinions do not constitute rulings and are not binding on the Courts, who have asked the parties to review and comment on them. There are unlikely to be decisions by the Courts in the Flachglas AG case before mid-1998 and in the Dahlbusch AG case before mid-1999. Any such decisions would be capable of being the subject of an appeal.

(d) Libbey-Owens-Ford Co minority holding

In the event of a change of control of Pilkington plc, Nippon Sheet Glass has the option to require Pilkington to buy its 20% shareholding in Libbey-Owens-Ford Co at a price of \$230 million (£141 million).

(e) Triplex Safety Glass Limited minority holding

In the event of a change of control of Pilkington plc, Nippon Sheet Glass has the option to require Pilkington to buy its 20% shareholding in Triplex Safety Glass Limited at a price of £13 million.

(f) Pilkington Deutschland GmbH preference shares

In the event of a change of control of Pilkington plc, the preference shareholders of Pilkington Deutschland GmbH have the option to require Pilkington to buy these preference shares at a total price of DM 320 million (£117 million).

(g) Other guarantees and contingent liabilities

At 31st March 1997 the Group has guaranteed, in the ordinary course of business, secured bank loans of £24 million to third parties (1996 £20 million). The Group had other contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions, some of which are the subject of litigation. In the opinion of the directors, the outcome of such litigation will not have a material effect on the Group's consolidated financial position.

31 Called up share capital

	1997 Company £m	1996 Company £m
Ordinary shares of 50p each		
Authorised	750	750
Issued and fully paid	518	502

(a) Ordinary shares

During the year 28 million shares were issued to warrant holders exercising their entitlements to procure shares, 1 million ordinary shares were allotted to shareholders in lieu of cash dividends, 1 million ordinary shares were issued to employees under the savings related and worldwide share option schemes and 2 million ordinary shares were issued on the exercise of options under the senior executives' share option schemes.

(b) Options

Under the company's savings-related share option schemes, options were outstanding over a total of 14 million ordinary shares at prices between 73.42p and 180.21p, exercisable between 1997 and 2003.

Under the company's senior executives' share option schemes, options were outstanding over a total of 19 million ordinary shares at prices between 82.95p and 295.57p, exercisable between 1997 and 2006. There are currently 289 executives with outstanding options, of whom 71 are overseas.

Under the company's worldwide share option scheme, options were outstanding over a total of 5 million ordinary shares at prices between 145.88p and 231.69p, exercisable between 1997 and 2001. There are currently 6,216 employees with these options, of whom 2,287 are overseas.

Of the 38 million options outstanding under the company's various option schemes, 32 million have an exercise price above the share price of 120p at 31st March 1997.

(c) Warrants

At 31st March 1997 there were 53 million warrants in issue, each warrant entitling the holder to procure up to 4th May 1998 the allotment of one ordinary share in Pilkington plc at a price of 116p.

32 Movements on share premium account and reserves	Share premium account	Revaluation reserves	Other reserves	Goodwill reserve	Profit and loss account	Total
For the year ended 31st March 1997	£m	£m	£m	£m	£m	£m
Group						
At beginning of year	274	360	236	(406)	5	469
Retained loss for year	-	-	-	-	(50)	(50)
Premium on shares issued	21	-	-	-	-	21
Revaluations in the year	-	(3)	-	-	-	(3)
Goodwill written off (note 35)	-	-	-	(7)	-	(7)
Unrealised exchange rate adjustments	-	(175)	(19)	36	47	(111)
Transfers between reserves	1	(6)	(4)	-	9	-
At end of year	296	176	213	(377)	11	319
Company (restated)						
At beginning of year – as previously reported	274	73	16	(6)	112	469
Prior year adjustment	-	(43)	-	-	-	(43)
At beginning of year – as restated	274	30	16	(6)	112	426
Retained loss for year	-	-	-	-	(6)	(6)
Goodwill written back	-	-	-	1	-	1
Premium on shares issued	21	-	-	-	-	21
Transfers between reserves	1	(30)	29	-	-	-
At end of year	296	-	45	(5)	106	442

The reserves of the parent company have been restated following the change in accounting policy, as set out in note 6. The profit for the year attributable to shareholders of the company was £46 million (1996 £34 million). As permitted by Section 230 of the Companies Act 1985 (as amended), the profit and loss account of the company has not been included in these financial statements.

At 31st March 1997 the share of profits less losses retained by associated undertakings included within the Group's profit and loss account balance amounted to £34 million (1996 £30 million) of which £3 million (1996 £4 million) is considered to be distributable, the remainder being subject to restriction within the countries in which the associated undertakings operate.

The net exchange gains and losses on foreign currency borrowings less deposits included within revaluation reserve amounted to a profit of £5 million (1996 profit £17 million).

The goodwill reserve represents goodwill on acquisitions arising over the past 11 years. The reserve excludes goodwill on acquisitions made more than 11 years ago and no longer identifiable.

The parent company's goodwill adjustment of £1 million in the year arises from goodwill transferred to Profit and Loss Account on the transfer of that goodwill to other Pilkington subsidiary companies.

	1997 £m	1996 £m
Group		
Analysis of the retained (loss)/profit for the year		
<i>Retained by:</i>		
Pilkington plc	(6)	(14)
Subsidiary undertakings	(50)	(71)
	(56)	(85)
Associated undertakings (note 9)	6	12
	(50)	(73)

The distributable reserves of the parent company amount to £101 million. The share premium account and other reserves of the parent company are not available for distribution to shareholders in normal circumstances.

Notes on the financial statements

33 Minority interests (balance sheet)	1997	1996
	£m	£m
Equity minority interests	122	113
Non equity minority interests	164	190
	286	303

The non equity minority interests relate principally to the preference shareholders in Pilkington Deutschland GmbH and such shareholders have the right to a gross dividend of 6.7% and have the right to require Pilkington to buy the preference shares, in the event of a change of control of Pilkington plc, at a total price of DM 320 million (£117 million).

34 Reconciliation of operating profit to net cash inflow from operating activities	1997		1996	
	£m	£m	£m	£m
Operating profit		108		59
Exceptional items (included in operating profit)		40		155
Operating profit before exceptional items		148		214
Depreciation		149		156
Deferred income release less receivable		(5)		(2)
Loss on disposal of tangible fixed assets (included in operating profit)		1		1
Loss on disposal of investments (included in operating profit)		-		1
Others (net)		(3)		(2)
<i>Cash inflow/(outflow) arising from changes in working capital:</i>				
Stocks and work in progress	19		(3)	
Debtors	19		(30)	
Creditors	(4)	34	(53)	(86)
Provisions		(1)		(8)
Exceptional costs – restructuring and disposal of operations		(35)		(57)
Net cash inflow from operating activities		288		217

Changes in working capital and provisions exclude balances relating to dividends, finance leases, taxation on profits and exceptional items.

35 Acquisitions and disposals	Acquisitions		Disposals	
	1997 £m	1996 £m	1997 £m	1996 £m
<i>Net assets of subsidiary undertakings comprised:</i>				
Tangible assets	(8)	(204)	33	32
Investments	-	(17)	-	-
Stocks	(2)	(63)	20	12
Debtors	(4)	(110)	26	6
Loans and finance leases	1	89	-	-
Creditors and provisions	8	155	(12)	(1)
	(5)	(150)	67	49
Costs incurred on disposals	-	-	9	3
Provision/(release) for costs	-	-	(7)	11
Goodwill	(7)	(110)	-	-
Loss on disposal	-	-	(8)	(1)
	(12)	(260)	61	62
Satisfied by				
– cash	(8)	(215)	61	62
– transfer from associated undertakings	(4)	(45)	-	-
	(12)	(260)	61	62

The principal acquisitions were the Plyglass business, Combiglas AB, Glastral Norr AB and additional shares acquired from the minority shareholders of Flachglas AG and Dahlbusch AG.

The principal disposal was the Pilkington Barnes Hind contact lens business.

	Acquisitions		Disposals	
	1997 £m	1996 £m	1997 £m	1996 £m
<i>Other investments comprised:</i>				
(Purchased)/sold – associated undertakings	-	(8)	4	47
– trade investments	(2)	(2)	-	1
	(2)	(10)	4	48
Goodwill	-	-	-	-
	(2)	(10)	4	48
Satisfied by				
– cash	(2)	(10)	-	3
– transfer to subsidiary undertakings	-	-	4	45
	(2)	(10)	4	48

There were no material fair value adjustments attributable to the acquisition of subsidiary undertakings in the year.

Notes on the financial statements

	Cash	Overdrafts	Marketable investments	Bank and other loans	Finance leases	Net debt
	£m	£m	£m	£m	£m	£m
36 Analysis of changes in net debt						
Balance at the year ended 31st March 1995	185	(91)	76	(696)	(76)	(602)
Net cash movement	(17)	13	(49)	76	–	23
Subsidiaries acquired	–	–	12	(89)	–	(77)
New finance leases undertaken	–	–	–	–	(16)	(16)
Exchange rate adjustments	6	(3)	3	(33)	–	(27)
Balance at the year ended 31st March 1996	174	(81)	42	(742)	(92)	(699)
Net cash movement	(49)	31	1	136	16	135
Subsidiaries sold	–	–	(1)	–	–	(1)
New finance leases undertaken	–	–	–	–	(15)	(15)
Exchange rate adjustments	(10)	6	(3)	61	2	56
Balance at the year ended 31st March 1997	115	(44)	39	(545)	(89)	(524)

Marketable investments are liquid resources and consist of:

– government bonds	24
– other investments	15
	39

37 Employee pay and numbers (excluding directors)

	1997 £m	1996 £m		1997 £m	1996 £m
United Kingdom			Overseas		
<i>Remuneration – aggregate for the year</i>			<i>Remuneration – aggregate for the year</i>		
Wages and salaries	145	150	Wages and salaries	651	630
Social security costs	11	12	Social security costs	99	101
Pension costs	12	11	Pension costs	43	44
	168	173		793	775

	Number 1997	Number 1996
<i>Location of employees – average number employed</i>		
United Kingdom	7,900	8,200
Europe (excluding United Kingdom)	16,300	12,400
North America	8,500	8,800
Australasia	3,600	3,600
South America	2,800	2,800
	39,100	35,800

At 31st March 1997 total numbers employed were: United Kingdom 7,500 (1996 – 8,100), and overseas 30,700 (1996 – 31,000).

38 Directors' emoluments

The basis of executive directors' remuneration is set out in the Report of the Remuneration Committee on pages 5 to 6.

<i>Directors' emoluments were:</i>	Base salary £000	Performance bonus £000	Taxable benefits £000	1997 Total £000	Base salary £000	Performance bonus £000	Taxable benefits £000	1996 Total £000
Executive directors								
Roger Leverton*	416	–	26	442	375	60	12	447
Peter Grunwell*	472	–	10	482	333	53	11	397
Glen Nightingale	260	–	16	276	239	45	16	300
Andrew Robb	260	–	16	276	239	45	12	296
Sir Robin Nicholson*	132	–	5	137	218	42	10	270
Sir Antony Pilkington*	–	–	–	–	251	217	5	473
Non executive directors								
Sir Nigel Rudd (Chairman)**	120	–	–	120	85	–	–	85
Sir Michael Quinlan	25	–	–	25	22	–	–	22
John Macomber	22	–	–	22	20	–	–	20
George Simpson	25	–	–	25	22	–	–	22
Hans-Peter Keitel	22	–	–	22	13	–	–	13
Hilmar Kopper*	–	–	–	–	6	–	–	6
Total emoluments	1,754	–	73	1,827	1,823	462	66	2,351
Pension costs				1,064				1,040
				2,891				3,391

*Roger Leverton resigned from the board on 20th May 1997, Peter Grunwell retired from the board on 31st March 1997, Sir Robin Nicholson retired from the board on 31st July 1996 and Sir Antony Pilkington and Hilmar Kopper retired from the board on 20th July 1995.

**Sir Nigel Rudd's remuneration as chairman amounting to £120,000 (1996 £80,000) was paid to Williams PLC, his employer.

- Roger Leverton was the highest paid director in 1997 after taking into account the gains of £372,000 made on the exercise of share options. (1996 Sir Antony Pilkington).
- Peter Grunwell, as director of the Group's operations in North America, was based in the United States throughout the year. His base salary takes account of United States conditions.
- The base salaries of Peter Grunwell and Sir Robin Nicholson include £126,000 and £55,000 respectively of non-pensionable payments for untaken leave.
- Bonuses are payable on the Group achieving specific profit and cash flow targets. No bonuses were paid in 1997. In the event that all targets had been fully achieved, the maximum performance bonus payable would have been £509,000 (1996 £760,000).
- Only the basic salary of the executive directors is pensionable.

In 1996/97, apart from Roger Leverton and Andrew Robb, executive directors were members of the Pilkington Executive Pension Scheme which entitles them to a pension on retirement of two thirds of pensionable salary. The company paid an annual contribution to the pension scheme of 30% of salary.

The pension arrangements of Roger Leverton and Andrew Robb are affected by the Inland Revenue earnings cap on approved pension benefits. Their pension arrangements entitle them to similar retirement pensions to the other executive directors. They are partly funded through personal plans and the balance is unfunded but fully provided in the financial statements. The aggregate cost of these arrangements was £883,000 (1996 £791,000), of which £675,000 (1996 £602,000) was attributable to Roger Leverton.

The increases in annual accrued pension entitlements for each director during the year and the total annual accrued pension payable at the normal retirement age of 60 are set out in the following table:

Notes on the financial statements

38 Directors' emoluments continued

	Years of service	Accrued annual pension payable		
		During 1997 £000	At 31st March 1997 £000	At 31st March 1996 £000
Roger Leverton	4	37	147	110
Peter Grunwell	35	3	167	164
Glen Nightingale	34	9	164	155
Andrew Robb	7	12	69	57
Sir Robin Nicholson	11	11	143	132

(f) Directors have been granted options to subscribe for ordinary shares under the company's share option schemes, and to participate in the deferred bonus plan, details of which are given in note 39.

39 Directors' interests in share capital and options

The interests of the directors and their immediate families in the share capital of the company at 31st March were:

Shareholdings	1997	1996
Personal interests (including holdings, if any, of the director's wife and children under 18)		
Sir Nigel Rudd	156,250	6,250
Roger Leverton	52,005	32,609
Glen Nightingale	29,696	28,882
Andrew Robb	75,000	37,838
Sir Michael Quinlan	2,827	2,750
John Macomber	31,250	31,250
George Simpson	26,702	25,900
Hans-Peter Keitel	-	-

There have been no changes in directors' interests between 31st March 1997 and 5th June 1997.

Options

The directors also held the following options under the senior executives' share option scheme and the savings-related share option schemes. In order to provide concise disclosure and to accord with the requirements of UITF 10, a weighted average exercise price for the options has been calculated, identified separately for those options where the exercise price exceeds the market price of the shares at the year end designated (i), and where the exercise price is below the market price of the shares at the year end designated (ii), as set out below:

		At 1st April 1996	Granted during year		Exercised during year	At 31st March 1997	Weighted average exercise price	Earliest date from which exercisable	Last expiry date
			SAYE share options	Senior executives' share options					
Roger Leverton	(i)	69,864	-	180,869	-	250,733	179.26p	23.6.97	1.7.2006
	(ii)	1,135,070	-	-	400,000	735,070	102.02p	10.8.95	10.8.2002
Glen Nightingale	(i)	415,992	3,286	112,274	-	531,552	195.32p	9.7.90	1.7.2006
	(ii)	15,588	-	-	-	15,588	92.12p	10.8.95	10.8.2002
Andrew Robb	(i)	394,549	-	100,535	5,797	489,287	205.57p	12.1.93	1.7.2006
	(ii)	44,358	-	-	31,365	12,993	73.42p	15.1.98	15.7.1998
		2,075,421	3,286	393,678	437,162	2,035,223	160.54p		

Analysis of total

(i) Exercise price exceeds the market price at 31st March 1997	880,405	3,286	393,678	5,797	1,271,572	196.10p
(ii) Exercise price is below market price at 31st March 1997	1,195,016	-	-	431,365	763,651	101.33p
	2,075,421	3,286	393,678	437,162	2,035,223	160.54p

39 Directors' interests in share capital and options *continued*

Options were granted under the senior executives' share option scheme on 1st July 1996 at 184p per share and under the SAYE share option scheme on 5th July 1996 at 159p per share. No options were granted to Peter Grunwell and Sir Robin Nicholson during the year.

Roger Leverton exercised 400,000 options under the senior executives' share option scheme on 14th June 1996 at an exercise price of 102.02p per share; the market price on the date of exercise was 195p per share. Andrew Robb exercised 31,365 and 5,797 options under the senior executives' share option scheme on 14th June 1996 at an exercise price of 102.02p and 144.93p respectively; the market price on the date of exercise was 195p per share. On 7th June 1996 Peter Grunwell exercised options under the senior executives' share option scheme on 33,119 shares at an exercise price of 144.93p per share, 70,210 shares at an exercise price of 133.17p and 30,973 shares at an exercise price of 102.02p; the market price on the date of exercise was 197.50p.

The aggregate gains made by directors exercising options during the year was £496,000 including gains made by Roger Leverton of £372,000.

Following their retirements during the year, the exercise period for options granted to Sir Robin Nicholson and Peter Grunwell expire on 9th July 1999 and 6th December 1999 respectively.

7,723 of Sir Robin Nicholson's options lapsed during the year. He retains 266,981 options, with a weighted average exercise price of 213.68p, the exercise price of which exceeds the market price at 31st March 1997 and 31,365 options, with a weighted average exercise price of 102.02p, the exercise price of which is below the market price at 31st March 1997.

Peter Grunwell holds 321,015 options, with a weighted average exercise price of 207.28p, the exercise price of which exceeds the market price at 31st March 1997 and 7,926 options, with a weighted average exercise price of 73.42p, the exercise price of which is below the market price at 31st March 1997.

The market price of a Pilkington share at close of business on 31st March 1997 was 120p (1996 – 209p) and the range during 1996/97 was 120p to 219p (1996 – 161p to 222p).

Apart from Sir Robin Nicholson's options, no other options lapsed during the year.

The company's Register of Directors' Interests, which is open to inspection, contains full details of directors' shareholdings and share options.

Deferred bonus plan

Directors are entitled to invest half or all of their performance-related bonus in the company's shares which, if deposited with the deferred bonus plan trustees for three years, will be matched by the company on a one-for-one basis. The company funds the trustees of the plan to enable them to purchase the matching shares at the same time as the director purchases his shares.

Shares purchased by directors for the deferred bonus plan are included in the list of directors' shareholdings above.

The following directors held options to acquire, at no additional cost, the following number of matching shares under the plan:

	Options held at 1st April 1996	Granted during year	Options held at 31st March 1997
Roger Leverton	15,910	12,071	27,981
Andrew Robb	21,214	8,055	29,269

The trustees have waived the dividend on the company's matching shares.

The aggregate cost of the shares purchased by the trustees for the directors' matching shares during the year was £39,000. In accordance with UITF 13, the cost of these shares is charged against profits over the three year option life.

Notes on the financial statements

40 Pensions and similar obligations**Pensions**

The Group operates a number of pension schemes throughout the world. The total pension cost for the Group in 1997 was £55 million (1996 £55 million). Almost two-thirds of employees in the United Kingdom are members of the Pilkington Superannuation Scheme or the Pilkington Pension Scheme, both of which are in the nature of defined contribution schemes. The pension cost charge for the year in respect of those schemes amounted to £12 million (1996 £11 million) and represents contributions payable to the funds for the year. The rest of the schemes operated by the Group are generally defined benefit schemes under which benefits are based on employees' years of service and average final remuneration. With the exception of the main schemes in Germany, assets of the schemes are held in separate trustee administered funds. The method of accounting for pensions is set out under the accounting policies on page 12.

Independent actuarial valuations of the Group's main plans are undertaken at least triennially on varying dates. The actuarial assumptions used to calculate the projected benefit obligation of the Group's pension plans vary according to the economic conditions of the country in which they are situated. The actuarial valuations, based on the projected unit method, assume, on a weighted average basis that the investment return will exceed the increase in the future earnings by 4.2% (1996 – 3.9%). The actuarial value of the fund assets of these plans was sufficient to cover 109% (1996 – 102%) of the benefits that had accrued to members. This surplus is net of a £9 million deficit on the unfunded German pension arrangements, which is being charged over the remaining service lives of the German employees at £1 million per annum. In Germany, the annual charge to the profit and loss account amounted to £12 million (1996 £15 million). The charge is based on an assumed 6% investment return which is fixed by law but salary and pension increase assumptions are not permitted.

The market value of the assets of the major defined benefit plans in the Group at the date of the latest valuations was £477 million (1996 £454 million). Accrued pension costs amounted to £1 million (1996 £1 million) and are included in creditors (note 24), provisions for the benefit obligation of the unfunded plans mentioned above amounted to £173 million (1996 £202 million) and are included in provisions (note 27).

Healthcare benefits

Accounting for unfunded post-retirement healthcare and life insurance benefits of approximately 2,800 employees and 7,100 retirees and their dependants of Libbey-Owens-Ford Co in the USA, and 200 employees and 1,500 retirees and their dependants in the UK, accords with the requirements of UITF Abstract 6.

The Group's obligation for these benefits, principally at Libbey-Owens-Ford Co, were assessed by independent qualified actuaries at 1st April 1996 using the projected unit credit method. The underlying assumptions used in this actuarial review were healthcare costs increasing at 4% per annum and the discount rate to determine the liability of 7.75%.

41 Related party transactions

	1997 £m	1996 £m
<i>Transactions with associated undertakings in the year were:</i>		
Sales of goods	6	9
Purchases of goods	53	40

Amounts owed by and owing to associated undertakings are given in notes 21 and 24 respectively.