

THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER
2013

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I Trustee and Advisers

Trustee Company Pilkington Brothers Superannuation Trustee Limited

Registered Office Prescott Road, St. Helens, Merseyside WA10 3TT

The Trustee is not a subsidiary of the Principal Employer (see below) or any of its subsidiaries. The shares in the Trustee are registered in the names of various directors of the Trustee.

In accordance with the provisions of paragraph 1(1)(a) of Schedule 36 of the Finance Act 2004, the Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. Its Pension Scheme Tax Reference number is 00274753RW and Pension Schemes Registry number is 10110999.

The Principal Employer ("the Company") is Pilkington Group Limited.

At 31 December 2013 the Allied Companies with employees contributing to the Scheme were:-

Pilkington Automotive Limited
Pilkington Retirement Services Limited
Pilkington Technology Management Limited
Pilkington United Kingdom Limited
Waterside Training Limited

The addresses of the above employers are available on request from the Secretary.

Directors of the Trustee (as at 31 December 2013):

Employer Directors

A.M. Robb (Chairman) 2
S.M. Gange*1
R.E.K. Greenfield 2
R.P. Hemingway* 1
B.J. Kay ^ 2
J. McKenna* 1
G. Nightingale* 1,2

Employee Directors

Directors elected by active members

D.P. Gilchrist 2
Mrs. J. Mafi
K.W. McKenna 1,2
N.J. Ellison 2

Directors elected by pensioner members

S.J. Beesley* 1
D. Corf* 1
G. Sayers* 2

Secretary to the Trustee Company

J.P. Halligan

The Directors asterisked are in receipt of pensions from the Scheme calculated in accordance with the Rules. All the Employee Directors elected by the active members and the Employer Director marked ^ are contributors accruing pension in accordance with the Scheme Rules.

The suffix '1' denotes the Director was a member of the Audit and Risk Committee; and '2' a member of the Investment Committee, in each case at the year end. Any two or more Directors (being at least one Employer and one Employee) can constitute an Ill Health or Death Benefit Committee.

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The Trustee's Articles of Association provide that the Trustee Board is to comprise Employer Directors and Employee Directors, with the latter to include those nominated and if necessary elected by each of the Active member and Pensioner member constituencies. Employer Directors are elected by the existing Employer Directors and there are no provisions for removal.

Changes to the Board

At 31 December 2013 there were no vacancies for Employer or Employee Directors.

At the elections during 2013, Mr. Gordon Sayers was elected by the Pensioner members who also re-elected Messrs Beesley and Corf. The Active member election resulted in the re-election of Messrs K. McKenna and Gilchrist and Mrs Mafi and the election of Mrs Ellison.

Mr. Andrew Robb retired both as Chairman and as a Director of the Trustee Company at midnight on 31 December 2013. Mr. Keith Greenfield, who joined the Board during 2012, has been duly elected by the Board as Chairman with effect from 1 January 2014.

The size and operation of the Board were reviewed in 2010 with a plan approved then for a reduction in the number of Directors to a maximum of 14 from 1 July 2013. This reduction was implemented from that date and at the end of 2013 the Board was as listed above. Andrew Robb, who had been a Trustee Director since February 1998 and had been Chairman of the Trustee for 14 years, together with Glen Nightingale who had also been a Director since February 1998, each retired on 31 December 2013. They each made a major contribution to the work of the Trustee and to the successful operation of the Scheme over many years.

BESTrustees have been appointed as an Employer Director of the Trustee in place of Mr. Robb with effect from 1 January 2014. Mr. Philip Wilkinson, Chief Information and Chief Procurement Officer of NSG Group was elected as an Employer Director with effect from 25 March 2014.

Several Employer Directors stood down from 30 June 2013, being Miss Kelleher, Messrs Pinder and Izzett, and Law Debenture Pension Trust Corporation plc ceased to be the independent trustee from the end of March 2013. This brought the number of Employer Directors to seven. Messrs Ingle and Luck stood for re-election as Employee Directors but were unsuccessful. Mr Jones did not stand for re-election. The terms of office of these Employee Directors ended at 30 June 2013.

Consulting Actuaries Aon Hewitt Limited

Appointed Actuary J. Curtis FIA of Aon Hewitt Limited

Investment Consultant Towers Watson Limited

Investment Managers State Street Global Advisors Limited
Rogge Global Partners plc
PIMCO Global Advisors (Ireland) Limited
CBRE Global Collective Investors UK Limited
Legal & General Assurance (Pensions Management) Limited

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Henderson Global Investors Limited
JP Morgan Alternative Asset Management Inc (until 30
June 2013)
Nephila Capital Limited
Insight Investment Management (Global) Limited

Investment Advisers H. Smart
J. Gibbon (until 31 July 2013)

Financial Adviser Gazelle Corporate Finance Limited

Legal Advisers Hogan Lovells International LLP

Auditors PricewaterhouseCoopers LLP

Bankers National Westminster Bank plc

Custodian J P Morgan Chase Bank

Enquiries about the Scheme should be addressed to:

Group Pensions Department
Pilkington Group Limited
Prescot Road
St Helens, WA10 3TT Fax 01744 737336

or by email to: Pensions.Administration@nsg.com

Board and Sub-Committee Activity

The Trustee Board met five times during 2013. A record of the attendance of Directors at Board meetings is maintained.

During the year the main focuses of attention for the Board were the timely completion of the Valuation of the Scheme as at 31 December 2011 together with the agreement with the Company of all the related documents and, since this was completed, the implementation of the de-risking plan as several of the triggers have been hit. Monitoring of the Employer Covenant remains an important issue for the Trustee especially given the difficult trading conditions of recent times. The regular presentation of annual and half year results by Company senior management to the Trustee is helpful to the Board and its covenant adviser, Gazelle Corporate Finance Limited.

The Audit and Risk Committee met three times in 2013 with its primary concerns being risk management for the Scheme through the application of the Governance Policy and the monitoring and review of the Risk register together with the completion of the Annual Report and Accounts in timely fashion to enable a revised s179 valuation of the Scheme to be completed by 31 March 2013. The completion and submission of this valuation secured a reduction in the levy payable to the PPF. In addition the Audit and Risk Committee approved the reports from Group Internal Audit and from the external auditors, PricewaterhouseCoopers (PwC). The Audit and Risk Committee also fully reviews and, where appropriate, revises the Audit Plan, the Risk Review Profile and the Business Continuity Plan and reports its conclusions to the Trustee Board.

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The Investment Committee met on five occasions during 2013 to review and monitor investment performance and to consider the appropriate implementation of the de-risking policy which had been agreed with the Company during the course of the Valuation discussions. In addition there were two full days during which the whole Board had the opportunity to meet representatives from each of the fund managers who are responsible for proportions of the Fund.

The Valuation Committee continued its work from 2012 until the Valuation and all associated documentation were finalised, agreed with the Company and submitted to the Pension Regulator within the statutory time limit. The final agreement between the Company and Trustee is documented in each of a Supplementary Agreement and a non-binding Memorandum of Understanding in addition to the Valuation Report, Schedule of Contributions, Recovery Plan and Statement of Funding Principles.

The Trustee Board's Ill Health Committee met three times in 2013. The Death Benefit Committee did not meet as there was no requirement for it.

The Trustee Board undergoes training on a regular basis. In addition, Trustee Directors are requested and encouraged to complete the Pension Regulator's online training. During 2013, the newly elected Trustee Directors had additional PSS specific and more general training whilst the sessions before the Board meetings covered Listed Infrastructure and Secure Income Asset Classes, Moral Hazard and Pensions Liberation, the Consolidated Trust Deed and Rules and Longevity Insurance and Derivative Instruments. A programme of training has been proposed for 2014 with further additional training available on request.

II Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2012	1,545	3,123	8,244	2,998
Adjustments	0	(7)	2	(1)
	<u>1,545</u>	<u>3,116</u>	<u>8,246</u>	<u>2,997</u>
Deaths	(6)	(2)	(299)	(208)
Dependent Child ceased	0	0	0	(5)
Retirements/New Dependents	(155)	(78)	233	155
No further liability e.g. CETV	0	(12)	0	0
Members leaving pensionable service prior to retirement	(136)	136	0	0
31 December 2013	<u>1,248</u>	<u>3,160</u>	<u>8,180</u>	<u>2,939</u>

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III Deeds Executed During 2013 and Articles of Association

During 2013 there was a deed which was executed supplemental to the agreement between the Trustee and NSG Company Ltd made in 2006 at the time of the takeover of Pilkington plc by NSG Company Limited, which updates the 2006 agreement in relation to provision of information to the Trustee and associated matters. There was one deed executed which was an amending deed to the Trust Deed and Rules which introduced an underpin for members of the PSS whose benefits would otherwise have fallen below the levels required by the Reference Scheme Test. The introduction of the cap to salary which can be counted as pensionable salary led to this being likely for PSS members accruing on the 80ths basis hence the amending deed was executed on 3 July 2013.

The Rules Committee was established to work with Aon Hewitt, Hogan Lovells and the Company and its advisers to complete a new consolidation of the Trust Deed and Rules to incorporate the provisions of the various deeds of amendment which had been executed since the 3 January 2006 consolidation. The Committee met several times during the year. The revision also made provision for the change to the definition of pensionable salary introduced in 2013. The new Consolidated Trust Deed and Rules was executed by the Trustee and the Company on 18 December 2013.

The Articles of Association of the Trustee Company were also revised and updated during 2013.

IV Scheme Funding Position

Valuation of the Scheme as at 31 December 2011

This Valuation was completed in early 2013. The technical provisions were valued at £1,601m. This does not include any allowance for non-statutory increases to pensions in payment. It does, however, reflect the fact that, subsequent to the valuation date, the Company implemented a cap on pensionable salary for PSS active contributing members. This means that, for the purposes of calculating benefits in PSS, any increases to salary effective after 30 April 2013 will not be taken into account. The Trustee has recognized that this will have an impact on the value of the technical provisions but has adopted the most cautious approach to valuing this reduction by assuming that all active members of PSS chose to opt out of the Scheme at the effective date of the salary cap, and become paid-up members whose benefits would henceforth attract statutory revaluation. During 2013, very few members opted out as a result of the cap and to the extent active members have remained active there will be further improvement of the overall funding position which may be recognized in the future.

The value of the Scheme's assets at the valuation date was £1.312bn resulting in a deficit of £289m and a funding level of 82%. This is a very similar position to that disclosed by the 2008 Valuation despite the injection of approximately £100m by the Company in the intervening period, largely due to the impact of lower gilt yields on the valuation of the liabilities.

A recovery plan has been agreed which continues cash contributions at the previously agreed levels through 2018. The Company and the Trustee share the

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ambition that the Scheme becomes more self-sufficient and less reliant on the Company. To this end, the parties have agreed a derisking plan for the Scheme which aims to reduce risk gradually as the funding position improves. The plan contains trigger points, being different funding levels assessed on a gilts only basis – i.e. more prudent than the Technical Provisions or ongoing basis – and once a trigger is hit then the portfolio of assets is reviewed and revised to target a lower level of overall return and therefore run a lower level of risk.

Since the Recovery Plan was put in place there have been several triggers hit such that the original portfolio target return of Gilts +2.5% has been reduced to a target return of Gilts +1.25%. This has helped to reduce the volatility of the Scheme from earlier levels. It is also indicative of how the funding level has improved on the various bases since the Valuation date.

The Scheme Actuary completed a 'roll forward' of the Scheme's assets and liabilities to 31 December 2012. The results of this were reported to the membership in June 2013 and, encouragingly, this demonstrated an improvement in the funding position on the Technical Provisions or 'ongoing' basis from 82% to 88% funded. On a discontinuation or solvency basis the improvement was from 65% to 73% funded.

As at 31 December 2013, again on a rolled forward basis, there has been further improvement in the funding position over the calendar year 2013. The estimates at 31 December 2013 are that on the ongoing basis the Scheme is now 95% funded and on a solvency basis the level has risen to 74%. All these are encouraging signs for all the Scheme's stakeholders given that the Scheme is now considerably ahead of the position assumed at this stage in the Recovery Plan. Self-sufficiency remains the target to reduce considerably the reliance of the Scheme on the participating employers.

V Increases in pensions

During 2013, only statutory increases to pensions in payment were awarded. These are made to pension accrued after 5 April 1997. Pension in respect of service from 6 April 1997 to 30 April 2005 received an increase of 2.8%. Pension in respect of service from 1 May 2005 received a capped increase of 2.5% with pension which had commenced in payment since 30 June 2012 receiving pro-rata increases. These increases were based on the Consumer Prices Index ('CPI') over the year to March 2013. The caps of 5% and 2.5% for the different service periods continue to apply.

There was also a statutory increase of 2.2% to post 5 April 1988 guaranteed minimum pension ('GMPs') in accordance with The Guaranteed Minimum Pension Increase Order 2013.

Apart from these said GMPs, pensions in payment which accrued before 6 April 1997 are awarded a non-statutory increase under the provisions of the Trust Deed only where 'in the opinion of the Actuary the financial state of the Scheme so permits ...'. During 2013, whilst the overall funding position of the Scheme improved it remained in deficit and the Scheme Actuary formally advised that in her opinion, the financial state of the Scheme did not permit a non-statutory increase in 2013.

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Paid up pensions, when becoming payable, are revalued in accordance with annual Revaluation Orders as required by legislation. In the case of paid up pensions coming into payment from 1 January 2013 this is by reference to the increases in the RPI up to September 2009 and in the CPI thereafter over the number of complete years in deferment subject to a maximum. The maximum is 5% per annum over the entire revaluation period for pension accrued before 6 April 2009 and 2.5% in the case of pension accrued after 5 April 2009.

VI Transfer Payments

Transfer payments made to other occupational schemes, qualifying registered overseas pension schemes, deferred annuity policies or personal pension contracts on behalf of members withdrawing from the Scheme during 2013 were calculated in accordance with factors set by the Trustee on the advice of the Actuary as being consistent with the requirements of Section 97 of the Pension Schemes Act 1993. The basis was amended in early 2011 to allow for revaluations to be linked to long-term assumptions for CPI rather than those for RPI. The factors used since 1 July 2003 do not include an allowance for discretionary pension increases in payment. Inasmuch as pension increases on benefit accrued before 6 April 1997 are subject to the Actuary certifying the Scheme has an adequacy of resources, this constitutes a discretionary benefit.

VII Pensions Act Compliance and Governance

A copy of the Actuarial Certificate dated 19 March 2013 confirming the adequacy of the contribution rates is included at page 19.

The Accounts forming part of this Report (at pages 28 - 39) have been prepared and audited in accordance with regulations made under Sections 41(1) and 41(6) of the Pensions Act 1995.

The Trustee has a formal Internal Disputes Resolution Procedure, which is available on request, and on the website (www.superpilk.com).

The Trustee continues to retain Gazelle Corporate Finance Limited ('Gazelle') to monitor the strength of the employer covenant and to report formally to the Trustee twice a year on this issue. During the valuation discussions, an information protocol was updated and is in place between the Company and Trustee to ensure that the Trustee and Gazelle have access to the information required to make a full assessment of the financial position of the sponsor. The Trustee continues to receive a presentation of full and half year results from a senior member of the finance function of the Company.

The Trustee has produced a Statement of Investment Principles ('SIP') as required by Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee reviewed its SIP during the year and consulted with the Company in relation to the various changes made. The SIP in force at year end was approved by the Trustee Board in July 2013. The SIP is regularly reviewed by the Investment Committee throughout the year and changes are approved by the Board, subject to or following consultation with the Company.

A copy of the SIP is posted at www.superpilk.com and is available on request from the Group Pensions Department, Pilkington Group Limited.

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Amongst the issues considered in the SIP are the Trustee's approaches to socially responsible investment and corporate governance. The Trustee has delegated decisions on both such issues to its investment managers. Social, environmental and ethical considerations are among the factors which the Trustee expects to be evaluated when an active investment manager is making decisions on the purchase, retention or sale of holdings.

With a large proportion of the Scheme's assets being in pooled funds and the segregated portfolios limited to investment in bonds, the ability of the Trustee to influence the investment managers about socially responsible investment and related matters is limited.

The Trustee expects its investment managers to vote the Scheme's equity holdings, where practical, and to advise it, quarterly, of issues on which they have voted against companies' managements.

The Trustee has adopted and implemented a Governance Policy together with a Business Plan as recommended by the Pensions Regulator. It regularly assesses the performance of its advisers and of itself and makes changes where this is considered appropriate.

The Trustee has a Conflict of Interests Policy and Register which are reviewed at least annually and has adopted a policy to identify and deal with any notifiable events or reportable breaches that might need to be reported to the Pensions Regulator.

The Trustee has developed and continues to review and update a Risk Register. Responsibility for this Register has been delegated to the Audit and Risk Committee which reviews it regularly with each of Group Internal Audit and PwC, the Scheme's external auditors.

A full pensioner existence check has always been carried out at the time of each formal valuation with additional interim checks carried out where necessary. From 2012 onwards such existence checks on UK pensioners are being undertaken annually and the exercise for overseas pensioners will take place every 18 months.

VIII Investment Management

As at 31 December 2013 the Scheme's investments were managed as follows:-

- i) UK equities (except venture capital/private equity – see below); US equities; European (ex UK) equities and Sterling Corporate Bonds by State Street Global Advisors Limited ('SSgA') on a passive basis.
- ii) Japanese, Asia Pacific (ex Japan), Emerging Market Equities and Infrastructure Equities, by Legal & General Assurance (Pensions Management) Limited ('L&G') on a passive basis.
- iii) Global bonds together with derivative contracts by Rogge Global Partners plc ('Rogge') and PIMCO Global Advisors (Ireland) Limited ('PIMCO') on an active basis.
- iv) Long dated sterling corporate bonds by Henderson Global Investors Limited ('Henderson') on an active basis.
- v) Strategic currency hedging by SSgA on a passive basis.
- vi) European property via property funds by CBRE Global Collective Investors UK Limited ('CBRE') on an active basis.

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- vii) Reinsurance via a pooled fund by Nephila Capital Limited ('Nephila') on an active basis.
- viii) Fixed Interest and Index Linked Gilts and Network Rail bonds and a Liability Driven Investment portfolio by Insight Investment Management (Global) Limited ('Insight') on a passive basis.

The investment in a Fund of Hedge Funds via a pooled fund managed by JP Morgan Alternative Asset Management Inc ('JPMAAM') on an active basis was terminated on 30 June 2013. At this time 2% of the investment was retained by JPMAAM until the completion of the fund's annual audit in case there was any restatement of the fund's net asset value. In fact the amount withheld was released by JPMAAM and received by the Scheme during December 2013.

A small amount of equity and venture capital investments previously managed by the in-house team and with no book value are still in the course of being liquidated.

Towers Watson Limited is the investment consultant of the Trustee.

At the beginning of 2012 the Scheme benchmark was 34% return seeking and 66% liability matching investments, but the Fund had moved to 30%/70% by the end of that year. The benchmark was updated to reflect this. During 2013 there were further moves to de-risk the portfolio by changes in allocation and increases in hedging such that by August 2013 the benchmark was 21% return seeking and 79% liability matching. In February 2014 this was altered again to 19%/81% respectively.

Further detail of the Scheme's investments is given below:

Equities

The passive index tracking equity funds managed by SSgA and L&G each have a target return equivalent to the relevant FTSE index (before fees).

Bonds

The sterling corporate bonds managed by SSgA are in passive index tracking funds with a target return equivalent to the relevant indices (before fees).

The active global bond portfolios are managed by Rogge, which operates a segregated fund of global bonds with use of derivative contracts, and PIMCO with whom the Scheme is invested in a pooled fund of global bonds with use of derivative contracts. The target return for Rogge is to outperform the Merrill Lynch Sterling Non-Gilts (All Stocks) index by 1.5% pa over rolling 3 year periods (before fees). The target return for PIMCO is to outperform the Merrill Lynch Sterling Non-Gilts (All Stocks) index by between 0.75% and 1.25% pa over rolling 3 year periods (before fees).

The bonds which are actively managed by Henderson form part of their Long Dated Credit Fund which is a pooled fund. The target return is to outperform the iBoxx Sterling Non-Gilts 15+ years index by 1% pa (before fees).

The Fixed Interest and Index Linked Gilts and Network Rail bonds managed by Insight are held on a buy and hold basis in a segregated portfolio.

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Liability Driven Investment

The Trustee has an Investment Management Agreement with Insight under which it will not only manage fixed interest and index-linked gilts and Network Rail bonds but also enter into and manage a portfolio of derivative instruments such as interest rate and inflation swaps and repurchase agreements on behalf of the Trustee. In order to enter into the swaps, the Trustee has completed a series of International Swap Dealers Association ('ISDA') Agreements with different banks with which Insight may now transact on behalf of the Trustee. In addition, and to afford the opportunity to enter into more cost effective arrangements to transact the desired interest rate and inflation hedging arrangements, the Trustee has also entered Gilt Master Repurchase Agreements ('GMRA') with a number of banks. These facilitate the use of gilt repurchase transactions as an alternative to interest rate and inflation swaps.

In using ISDA or GMRA arrangements collateral is posted by each party to reduce overall risk in the event of any default. Insight manages the collateral arrangements on behalf of the Trustee.

Property

The Trustee has had a mandate with CBRE since April 2008 to manage a pan-European portfolio of pooled property funds. The target return for CBRE is to outperform RPI +5% over a rolling 3 year period net of all fees, expenses, costs and taxes.

Reinsurance

The Trustee holds this investment as a diversifying asset in order to replace a part of the equity risk premium with insurance risk premium. These two risks have little correlation. The Trustee's mandate for reinsurance is with Nephila.

The fund into which the Trustee invested offers investors diversified exposure to natural catastrophe insurance risk through investments in insurance-linked securities (e.g. catastrophe bonds and equivalent derivatives) and direct reinsurance contracts. The fund is designed to have a similar expected return to a pooled catastrophe bond portfolio over a full market cycle but lower downside risk as a result of the greater diversification across risks. The fund targets performance of 3 month Treasury bills + 4 to 6%.

Longevity swap

The Trustee entered into a longevity insurance contract with Legal & General Assurance Society Limited to cover the majority of pensioners at the end of 2011. The arrangement covers approximately 11,500 pensions and liabilities to a value of approximately £800m on the Scheme's technical provisions basis. It protects the Scheme from the financial risk of pensioners living longer than expected and is intended to reduce the overall level of risk of the Scheme. It fixes the cost of liability for the pensioners covered by the contract at an assumed level of life expectancy. To the extent people live longer, L&G cover the cost of additional pension payments. To the extent members die before the assumed time, L&G benefit from the insurance contract.

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A collateral pool of assets backing the swap was set up in January 2012 and is managed for the Trustee by Insight.

General

There was no direct employer-related investment during the year although certain of the pooled funds hold NSG shares (as detailed in note 12).

The majority of the equity holdings, government bonds and corporate bonds are currently quoted on the main world-wide stock exchanges and are easily bought or sold. The unitised vehicles in which the Scheme invests, with the exception of certain property funds and the re-insurance funds, deal regularly and are easily bought or sold. The property funds are recognised as being less liquid. The re-insurance fund is subject to a three year lock in period from the date of investment and a 180 day notice period.

The Scheme bears the cost of purchasing and realising assets within the portfolio. The total net cost of investment manager and custodial fees charged to the Scheme in 2013 was £2,613,000 (2012: £3,187,000). This figure includes the payments for the past year to the investment managers, which are largely calculated on the value of funds under management for the Trustee. The figure also includes the fees for custodial services from JP Morgan Chase Bank. A contribution towards administration costs is paid by the Company.

The review of investment performance in 2013 is set out on page 15.

IX Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2013:-

- to purchase additional service according to a formula determined in accordance with the provisions of Rule 21(a) of the Scheme's Rules, and/or
- to have contributions invested in with profits and/or unit linked funds offered by Prudential.

As at 31 December 2013 the number of contributors to each of the AVC options was:-

- | | |
|----------------------|----|
| • Additional service | 46 |
| • Prudential | 7 |

From 6 April 2006 the maximum contribution to the Scheme AVC option, whichever is selected, has been 10% of pensionable salary.

Some members retain an investment with Equitable Life but this is no longer offered as an option for those investing in AVCs.

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X Scheme developments

This table records the movements in various key Scheme values in the period from 2009-2013, to illustrate the Scheme's development.

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Contributions and benefits					
Deficit contributions	23,000	23,000	40,000	55,321	4,679
Other Contributions receivable	12,110	19,063	15,462	18,806	28,016
Transfers in	-	-	-	-	34
	35,110	42,063	55,462	74,127	32,729
Benefits payable	83,054	78,431	70,702	77,347	90,457
Payments to and on account of leavers	1,943	1,237	1,155	564	591
	84,997	79,668	71,857	77,911	91,048
Net withdrawals from dealings with members	(49,887)	(37,605)	(16,395)	(3,784)	(58,319)
Returns on investments					
Investment income*	26,451	24,377	20,640	14,973	7,956
Change in market value of investments	11,975	127,536	44,195	108,353	166,081
Net investment management expenses	(2,613)	(3,187)	(3,202)	(1,925)	(1,966)
Net returns on investments	35,813	148,726	61,633	121,401	172,071
Net change in the Scheme value during the year	(14,074)	111,121	45,238	117,617	113,752
Net assets of the Scheme brought forward	1,423,023	1,311,902	1,266,664	1,149,047	1,035,295
Net assets of the Scheme carried forward	1,408,949	1,423,023	1,311,902	1,266,664	1,149,047

* No income is received from the managed funds held with SSgA, UOB Global Capital (Dublin) Limited, PIMCO, L&G, Nephila or JPMAAM. Investment returns from these funds are included in the change in market value.

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Investment Report

I Strategy Update

The Statement of Investment Principles ('SIP') sets out the objectives and long term policy of the Trustee with regard to investment together with its asset allocation policy. These policies are closely linked to the de-risking plan agreed with the Company as part of the 2011 valuation.

The Trustee has removed the detail of the asset allocation from time to time from the SIP and this is now set out in a document entitled 'Asset allocation, benchmark indices and performance objectives'. This document acknowledges the expectation that the allocation will change over time according to which de-risking triggers are met. It includes the target return for the portfolio described within the document.

The Trustee intends that the portfolio remains within a reasonable tolerance of the portfolio set out in this asset allocation document. It would consider rebalancing if the portfolio deviated materially but only if to do so would be consistent with movement towards the next portfolio planned with the de-risking strategy.

During 2013 the main change within the portfolio was to terminate the Fund of Hedge Funds mandate of JP Morgan Alternative Asset Management. A proportion of the monies from this have been transferred to the LGIM Infrastructure Equity MFG Fund. This fund is run by LGIM but designed by a firm called Magellan. Its underlying investments are in physical assets which provide essential services to the community e.g. National Grid; United Utilities; Auckland Airport; Transcanada. The remainder of the proceeds were transferred to the SSgA North America passive equity fund.

Whilst the Investment Committee and Board deliberated upon other asset classes none was selected. The level of hedging was gradually increased over the year. This was undertaken to keep pace with the stages taken under the de-risking plan as several funding level triggers were met. Each time a trigger is met the return target for the portfolio and consequently the level of risk being undertaken is reduced.

Performance overall in 2013 was positive at 3% at total Scheme level. The benchmark for 2013 was 3.5% so the Scheme underperformed the benchmark by 0.5%. The value of the Scheme assets at 31 December 2013 was £1,409m against £1,423m the previous year. Within these amounts are the cash withdrawals to pay benefits, monthly contributions and deficit repair contributions received from the Company.

The three and five year performance figures are as follows:-

	Scheme	Benchmark	Difference
	%	%	%
3 year annualised	6.4	6.9	(0.5)
5 year annualised	9.1	9.1	0.0

2013 saw a year in which the Investment Committee was focussed on derisking in accordance with the plan agreed with the Company during the valuation. Several triggers were met and the Committee was engaged in planning the portfolio design to be implemented as and when the next trigger is met having regard always to the potential design of the portfolio once derisking is completed.

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The interest and inflation rate hedging was also increased over the year to keep it in step with the movement in the whole portfolio.

The Investment Committee continues to monitor the performance of the managers against the return requirements of the Scheme and the target return for their respective asset classes.

In addition the full membership of the Board has the opportunity to meet the managers each year and did so in 2013. At these meetings which have taken place over two days, the Board has the chance to question them about past performance, strategy and changes to their organisation or investment philosophy or practice. These meetings are well attended by the Directors and do assist in maintaining the knowledge of the Board about the features of the different investments and in maintaining the relationships between the Board and its fund managers.

II Remuneration of Investment Managers

The remuneration of SSgA for the passively managed funds is calculated as 0.03% per annum of the first £300 million of assets under management and 0.025% thereafter.

The remuneration of SSgA in respect of the currency hedging is calculated as 0.03% per annum of the notional portfolio net asset value from time to time with a minimum annual fee of £50,000. At 31 December 2013 the value of the notional portfolio was £120m.

The remuneration of L&G is calculated as a percentage per annum of the assets under management and the charges vary between the five funds.

For the L&G Japan Equity Index Fund, the fees are 0.125% per annum of the value of assets under management.

For the L&G Japan Equity Index Fund (GBP Currency hedged) the fees are 0.150% per annum of the value of assets under management.

For the L&G Asia Pacific (ex Japan) Equity Index Fund the fees are 0.125% per annum of the value of assets under management.

For the L&G World Emerging Markets Equity Index Fund the fees are 0.3% p.a. of the value of assets under management.

For the L&G Infrastructure Equity Fund the fees are structured according to the holdings of all Towers Watson clients. Fees are 0.38% per annum for the first £250 million, 0.305% for the next £100 million and 0.245% thereafter. For the quarter ended 31 December 2013 the Scheme's fee was 0.289% of the average value of assets under management.

The remuneration of Rogge is calculated as an annual fee of 0.20% of the value of assets under management.

The remuneration of PIMCO Europe Limited is a performance related fee arrangement of 0.15% pa basic fee +15% performance fee (above index + basic fee) on a 3 year rolling basis and capped at 0.50% pa. Administrative costs are payable in addition and are capped at 0.1%.

THE PILKINGTON SUPERANNUATION SCHEME

The remuneration of Henderson is calculated as a base fee of 0.14% pa until 30 June 2013 and 0.12% pa thereafter, together with a performance fee calculated at 13.5% pa on the excess return over the benchmark index net of the base fee with positive performance over benchmark capped at 2% pa until 30 June 2013 and 13% thereafter. Any negative performance in the prior year(s) is offset against the positive excess before the performance fee is calculated. No performance related fee was incurred during the year.

The remuneration of JPMAAM is calculated in part as a fixed management fee of approximately 0.775% on an annualised basis. There is also a performance fee which accrued monthly but was payable annually equal to 10% of the increase in value of the shares in excess of three month US T-bills, subject to a high watermark.

The remuneration of CBRE is 0.25% of the net asset value. In addition a performance related fee may be payable. No such performance related fee was paid in 2013.

The remuneration of Nephila is approximately 1% of the net asset value on an annualised basis.

The remuneration of Insight is 0.06% per annum on the holding in the liquidity fund, 0.05% per annum on the market value of the overlay benchmark and on the value of cash collateral received from counterparties, and 0.03% per annum on the value of the remaining assets under management. Insight also receives a fee of £25,000 per annum for managing the collateral movements required in respect of the longevity insurance policy.

III Custodianship

The Trustee has appointed a single custodian for the Scheme's assets managed on a segregated basis (rather than in pooled funds), J P Morgan Chase Bank, thereby separating investment settlement procedures from the managers' decisions to make or realise investments. The assets which are managed in pooled funds have the following custodians:

SSgA managed funds	State Street
PIMCO managed fund	Brown Brothers Harriman
Henderson managed fund	BNP Paribas Securities Services
L&G managed funds	Citibank
Nephila	Bank of New York Mellon

IV Performance Measurement

The Trustee has appointed State Street Investment Analytics (formerly known as WM Performance Services) to provide independent analysis on the performance of the Scheme's investments and investment managers over the short and the longer term.

THE PILKINGTON SUPERANNUATION SCHEME

V Analysis of Investment Management Expenses

	2013 £'000	2012 £'000
External Investment Managers		
L&G	194	176
State Street	129	146
CBRE	145	147
Rogge	234	233
Insight	317	141
PIMCO performance fee	98	111
PIMCO product fee	578	557
PIMCO rebate	(263)	(243)
Henderson product fee	777	1,107
Henderson rebate	(578)	(692)
UOB product fee	-	169
UOB rebate	-	(96)
JPMAAM product fee	328	621
JPMAAM rebate	(74)	(140)
Nephila	296	282
	2,181	2,519
Custodial Fees	97	80
Contribution from Pilkington Group Ltd towards expenses	(503)	(486)
Investment advice	538	512
Irrecoverable VAT	270	290
Other expenses	30	272
Net expenses	2,613	3,187

VI Allocation Benchmarks as at 31 December 2013

Asset Class and Investment Manager	Current Benchmark (%)
<i>Return-seeking assets</i>	<i>19.00</i>
UK equities (SSgA)	1.50
North America equities (SSgA)	4.25
Europe (ex UK) equities (SSgA)	2.00
Asia Pacific (inc Japan) equities (LGIM)	1.50
Emerging market (EM) equities (LGIM)	1.75
Property (CBREGI)	3.00
Listed infrastructure (LGIM)	3.00
Reinsurance (Nephila)	2.00
<i>Liability matching assets</i>	<i>81.00</i>
UK corporate bonds (over 15 years) (Hendersons)	9.50
UK corporate bonds (all stocks) (SSgA)	8.25
Global bonds (PIMCO)	8.25
Global bonds (Rogge)	4.00
LDI portfolio (Insight)	50.00
Cash (JP Morgan)	1.00

Notes:

The benchmark will change over time in line with the Trustee's de-risking plan.

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2011 to be met by the end of the period specified in the recovery plan dated 19 March 2013.

Adherence to statement of funding principles

I certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 March 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

J. E. M. Curtis

Date 19 March 2013.

Name

Jane Curtis

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point
Stallon Way
St. Albans
AL1 5HE

Name of employer

Aon Hewitt Limited

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by section 227 of the Pensions Act 2004. It comes into effect on the date of its certification by the Scheme Actuary and covers the period to 31 October 2021. The Trustee is responsible for preparing a revised schedule no later than 31 March 2016.

Participating Employers

This schedule covers contributions to the Scheme from all employers who participate in the Scheme from time to time.

Employer Contributions

The participating employers will contribute to the Scheme as follows:

Type	Amount
Regular	<ul style="list-style-type: none"> ▪ 16.0% of Pensionable Salaries in respect of Higher Accrual Members ▪ 12.5% of Pensionable Salaries in respect of Lower Accrual Members <p><i>Note: The above contributions are payable in respect of all members (including PEPS members, for whom the contributions below are payable in addition).</i></p>
PEPS top-up	<p>Over the period to 31 March 2013:</p> <ul style="list-style-type: none"> ▪ 7.1% of Pensionable Salaries in respect of PEPS Members <p>Over the period from 1 April 2013:</p> <ul style="list-style-type: none"> ▪ 7.4% of Pensionable Salaries in respect of PEPS Members
Additional contributions to satisfy the recovery plan dated 19 March 2013	<ul style="list-style-type: none"> ▪ £23M per annum, payable in equal half yearly instalments on 1 April and 1 October each year, commencing on 1 April 2013 with the last payment due on 1 October 2016 <p>In addition, in the event that the letter of credit for £120 million is not extended beyond its current expiry on 28 February 2014, the following contributions are payable:</p> <ul style="list-style-type: none"> ▪ £2M per annum, payable in equal half yearly instalments on 1 April and 1 October each year, commencing on 1 April 2014 with the last payment due on 1 October 2016.

With the exception of the recovery plan contributions shown above, which are payable on or before the dates shown, the participating employers will ensure that the Trustee receives these contributions within 19 days of the end of the calendar month to which the contributions relate.

Employee Contributions

Employees who are active members of the Scheme will contribute to the Scheme as follows:

Type	Amount
Regular	<ul style="list-style-type: none"> ▪ 8.0% of Pensionable Salaries in respect of Higher Accrual Members ▪ 5.5% of Pensionable Salaries in respect of Lower Accrual Members

These amounts do not include members' Additional Voluntary Contributions.

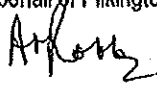
THE PILKINGTON SUPERANNUATION SCHEME

The employers will ensure that the Trustee receives the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Expenses

The costs of administration, professional fees and the Pension Protection Fund levy are met directly by the employers and do not appear on this schedule.

Signed on behalf of Pilkington Brothers Superannuation Trustee Limited

Name: 

A. M. ROBA

Position: DIRECTOR

Date: 19 MARCH 2013



R. E. GREENFIELD

DIRECTOR

19 MARCH 2013

Signed on behalf of Pilkington Group Limited

Name: 

J. A. MASSA

Position: DIRECTOR

Date: 19 MARCH 2013

Note: Pilkington Group Limited has been nominated as the employers' representative for this purpose.

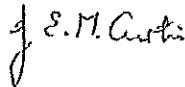
THE PILKINGTON SUPERANNUATION SCHEME

Appendix 6: Certificate of technical provisions

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Pilkington Superannuation Scheme ('the Scheme')

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 19 March 2013



Jane Curtis

Fellow of the Institute and Faculty of Actuaries

19 March 2013

Aon Hewitt Limited
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

THE PILKINGTON SUPERANNUATION SCHEME

ACCOUNTS – YEAR ENDED 31 DECEMBER 2013

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited Accounts for each scheme year which :

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the Accounts and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

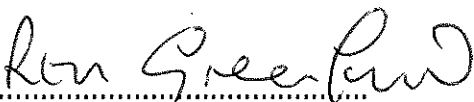
The Trustee is also responsible for making available certain other information about the scheme in the form of an annual report.

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

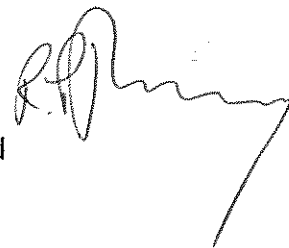
The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the Pilkington Superannuation Scheme website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

25 March 2014



.....
Directors of Pilkington Brothers Superannuation Trustee Limited
Trustee of the Pilkington Superannuation Scheme



THE PILKINGTON SUPERANNUATION SCHEME

Independent auditors' statement about contributions to the Trustee of the Pilkington Superannuation Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedule of contributions for the scheme year ended 31 December 2013 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the scheme actuary on 1 March 2010 and 19 March 2013.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

The summary of contributions for the scheme year ended 31 December 2013, which has been prepared by Pilkington Superannuation Scheme, is set out on the following page.

What an examination of the summary of contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25 March 2014

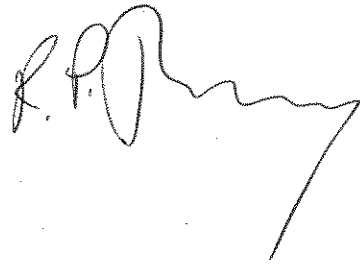
THE PILKINGTON SUPERANNUATION SCHEME

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	Employees £'000	Employer £'000
Required by the schedule of contributions		
Normal contributions	3,481	7,355
Deficit funding	-	23,000
Total	3,481	30,355
Other contributions payable		
Augmentations of individual members' benefits	-	1,127
AVCs	147	-
Total (as per Fund Account)	3,628	31,482

Signed on behalf of the Trustee:



25 March 2014

THE PILKINGTON SUPERANNUATION SCHEME

Independent auditors' report to the Trustee of the Pilkington Superannuation Scheme

Report on the Accounts

Our opinion

In our opinion the Accounts, defined below:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2013, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Accounts, which are prepared by Pilkington Superannuation Scheme, comprise:

- the net assets statement as at 31 December 2013;
- the fund account for the year then ended; and
- the notes to the Accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the Accounts.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

THE PILKINGTON SUPERANNUATION SCHEME

Responsibilities for the accounts and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the Accounts and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

25 March 2014

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Contributions and benefits			
Contributions receivable	3	35,110	42,063
Benefits payable	4	83,054	78,431
Payments to and on account of leavers	5	1,943	1,237
		84,997	79,668
Net withdrawals from dealings with members		(49,887)	(37,605)
Returns on investments			
Investment income	7	26,451	24,377
Change in market value of investments	8	11,975	127,536
Net investment management expenses	9	(2,613)	(3,187)
Net returns on investments		35,813	148,726
Net (decrease)/ increase in the Scheme during the year		(14,074)	111,121
Net assets of the Scheme brought forward		1,423,023	1,311,902
Net assets of the Scheme carried forward		1,408,949	1,423,023

The notes to the accounts on pages 30 to 39 form a part of these Accounts.


THE PILKINGTON SUPERANNUATION SCHEME


Net assets statement as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Investment assets	8	1,446,798	1,563,834
Investment liabilities	8	(38,071)	(141,647)
		<hr/> 1,408,727	1,422,187
Current assets	10	1,744	3,233
Current liabilities	11	(1,522)	(2,397)
Net assets of the Scheme carried forward		<hr/> 1,408,949	1,423,023

The Accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the section on the Actuarial Valuation on pages 7 to 8 and the statement by the Actuary on page 19 of the annual report and these Accounts should be read in conjunction with this information.

The Accounts on pages 28 to 39 were approved by the Trustee on 25 March 2014 and are signed on their behalf by:





Directors of Pilkington Brothers
Superannuation Trustee Limited

THE PILKINGTON SUPERANNUATION SCHEME

Notes to the Accounts 31 December 2013

1 Basis of preparation

The Accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and in accordance with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007 ("SORP")).

2 Accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below:

(a) Investments and cash deposits

- (i) Fixed interest securities, index-linked securities and UK equities and convertibles are valued at bid prices at the year end date. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Market values of investments listed in overseas currencies are translated into sterling at the rates of exchange ruling at the year end date.
- (ii) Pooled investment vehicles are valued at bid prices, provided by the investment manager where an independent price feed is not available, at the year end date.
- (iii) Cash deposits in overseas currencies are translated into sterling at the relevant rates of exchange ruling at the year end date.
- (iv) Unlisted securities are valued at valuations provided by the investment managers.
- (v) Futures and options are valued at market prices at the year end and are reflected in the Accounts on the basis of net worth. Money market futures and short dated interest rate swaps have been valued using market values rather than notional (par) values.

The longevity insurance policy is valued as the difference between the projected payments on the fixed and variable legs discounted using assumptions advised by the actuary and agreed by the Trustee, and accordingly the risk premium built into the product is effectively expensed on inception through the change in market value rather than spread over the potential life of the product, which is itself uncertain.

Future variations in the value of the longevity swap will be credited or expensed as they arise. This treatment accords with the guidance set out in the PRAG Insurance Working Party discussion paper "Accounting for New Risk Transfer Products" issued in March 2012.

Forward foreign currency contracts are included at market value. Surpluses and deficits arising are applied to increase or decrease the Scheme's accumulated fund.

Some of the overseas currency exposure is hedged via the purchase of forward currency contracts. Any unrealised profit or loss on these contracts at the year-end date, measured by the difference between the spot rate and the contract rate, is included in the change in market value of investments. Any realised

THE PILKINGTON SUPERANNUATION SCHEME

gains and losses on forward contracts are also included in the change in market value of investments.

The fair value of the interest rate swaps is calculated using discounted cash flow pricing models based on the current value of future expected net cash flows arising over the swap, taking into account the time value of money, or the market price of comparable instruments at the year end date, if they are publicly traded. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts.

(b) **Income from Investments**

- (i) Income from cash and short term deposits is dealt with in these Accounts on an accruals basis.
- (ii) Income from any pooled investment vehicles which distribute income is accounted for on the date stocks are quoted ex-dividend/interest. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.
- (iii) Interest from fixed interest and index linked gilts is dealt with in these Accounts on an accruals basis.

(c) **Benefits**

Refunds on withdrawal and single cash sums on retirement are accounted for on an accruals basis based on the date of leaving or retirement.

Retirement benefits where a member has, and has exercised, a choice of either a full pension or a lump sum plus reduced pension are accounted for on an accruals basis based on the later of the retirement date or the date the option was exercised.

(d) **Contributions**

Current service and other contributions are accounted for on an accruals basis (see Notes 3 and 10). Augmentations and special contributions are accounted for in accordance with the agreement made with the Principal Employer under which they are being paid. Deficit funding contributions are accounted for in accordance with the agreement under which they are being made or, in the absence of an agreement, on a cash receipts basis.

(e) **Investment management expenses**

Investment management expenses are accounted for on an accruals basis.

(f) **Transfer values**

Transfer values represent the capital sums paid to the pension schemes of new employers for members who have left service:

Transfers from the Scheme are accounted for when the trustee of the receiving scheme has agreed to accept the liabilities in respect of the transferring members or payment is made to a personal pension.

THE PILKINGTON SUPERANNUATION SCHEME

(g) Foreign currencies

Income received in foreign currency is translated into sterling at the exchange rate ruling on the date of receipt. Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Surpluses and deficits arising on conversion or translation of investments are dealt with as part of realised and unrealised investment gains and losses.

3 Contributions receivable

	2013	2012
	£'000	£'000
From employers		
Normal	7,355	9,240
Augmentations	1,127	5,283
Deficit Funding	23,000	23,000
	31,482	37,523
From members		
Normal	3,481	4,334
Additional Voluntary Contributions		
- added years	112	167
- money purchase	35	39
	3,628	4,540
Total contributions	35,110	42,063

Contributions are being made by the employer in respect of augmentations of certain benefits to individuals.

The employer contribution described as "Deficit funding" relates to contributions made in accordance with the funding agreement between the Trustee and the Company dated 19 March 2013. Further deficit funding contributions of £23 million per annum from 2014 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year.

Members are permitted to make additional voluntary contributions into money purchase type arrangements under which contributions received are invested on behalf of the individuals concerned to provide additional benefits within the overall limits laid down by the Scheme's Rules (see also note 8). Members are also entitled to purchase additional defined benefits under the provisions of the Scheme.

4 Benefits payable

	2013	2012
	£'000	£'000
Pensions payable	70,020	68,284
Payments on retirement of members		
- commutations	12,054	8,934
Payments on death of members		
- lump sums	980	1,213
	83,054	78,431

THE PILKINGTON SUPERANNUATION SCHEME

5 Payments to and on account of leavers

	2013 £'000	2012 £'000
Individual transfers to other schemes	1,943	1,237
	1,943	1,237

6 Administrative expenses

All costs of administration, other than Scheme investment expenses, were borne by Pilkington Group Limited.

7 Investment Income

	2013 £'000	2012 £'000
Income from fixed interest securities	11,910	8,562
Income from index-linked securities	5,403	3,959
Interest receivable on cash deposits	340	130
Distributions from pooled investment vehicles	9,237	11,907
	26,890	24,558
Class actions	9	-
Withholding tax adjustment	(2)	58
Financing cost for gilt re-purchase transactions	(446)	(239)
	26,451	24,377

8 Investments

	Market value at 1 Jan 2013	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	Market Value at 31 Dec 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	207,829	251,026	(162,315)	(23,675)	272,865
Index linked securities	386,153	53,512	(9,382)	(4,708)	425,575
Pooled investment vehicles - managed and unitised funds	938,197	60,434	(389,403)	55,444	664,672
Derivatives	1,442	25,279	(20,004)	(13,016)	(6,299)
Longevity insurance policy	(9,200)	2,439	-	(2,239)	(9,000)
AVC investments	660	35	(89)	170	776
	1,525,081	392,725	(581,193)	11,976	1,348,589
Cash and cash equivalents	23,087			(1)	74,365
Investment creditor	(131,340)			-	(18,849)
Investment debtor	1,400			-	-
Accrued investment income	3,959			-	4,622
	1,422,187			11,975	1,408,727

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The negative value of the longevity insurance policy reflects the fact that under current assumptions the payments made by the Scheme are expected to be higher than the claims received under the contract.

The cash balance at 31 December 2013 was elevated due to the liquidation of £60 million of assets from the Rogge portfolio. The proceeds of this liquidation were transferred to Insight but had not all been reinvested at year end.

The investment creditor of £18,849,000 referred to above is the agreed commitment required to close out the 2 gilt re-purchase transactions outstanding at the year end. The gilts subject to these re-purchase transactions are included within the Fixed Interest and Index Linked Gilts line. These transactions will settle within four months of the year end.

The preceding figures comprise:

	2013	2012
	£'000	£'000
Fixed interest securities	272,865	207,829
Index linked securities	425,575	386,153
Pooled investment vehicles	664,672	938,197
Derivatives – assets	3,923	2,549
AVC investments	776	660
Cash and cash equivalents	74,365	23,087
Accrued investment income	4,622	3,959
Investment debtor	-	1,400
Investment assets	1,446,798	1,563,834
Investment creditor	(18,849)	(131,340)
Derivatives – liabilities	(10,222)	(1,107)
Longevity insurance policy	(9,000)	(9,200)
Investment liabilities	(38,071)	(141,647)
Total market value of investments	1,408,727	1,422,187

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £NIL (2012: £NIL). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. Information about the amount of indirect costs is not separately provided to the Scheme.

Fixed Interest Securities (held directly by the Scheme)	2013	2012
	£'000	£'000
UK quoted	24,594	45,139
Overseas quoted	27,962	62,297
UK government	218,249	96,014
Overseas government	2,060	4,379
	272,865	207,829

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Index Linked Securities (held directly by the Scheme)	2013 £'000	2012 £'000
UK Government	424,339	383,205
UK quoted	620	905
Overseas quoted	616	2,043
	<u>425,575</u>	<u>386,153</u>

This includes £42,708,000 held as collateral for the longevity insurance policy which is therefore not liquid.

Pooled investment vehicles - Managed and unitised funds	2013 £'000	2012 £'000
Bond based funds		
SSgA managed – Sterling Corporate Bonds All Stocks	119,470	157,775
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	125,415	123,821
Henderson managed – Global Investors Long Dated Credit	133,993	235,161
	<u>378,878</u>	<u>516,757</u>
Equity based funds		
L&G Managed – Asia Pacific ex Japan Equity Index	11,588	35,285
L&G Managed –Japan Equity Index	5,767	12,832
L&G Managed –Japan Equity Index GBP Hedged	6,399	12,965
L&G Managed – World Emerging Markets Equity	24,235	35,615
L&G Managed – Infrastructure Equity	43,805	-
SSgA managed – UK Equity Index	21,758	49,872
SSgA managed – North American Index	62,327	74,556
SSgA managed – Europe ex UK Equity	30,608	57,829
	<u>206,487</u>	<u>278,954</u>
Property based funds		
Pooled Property Funds	50,912	54,904
Hedge funds		
JPMAAM managed – Multi Strategy Fund Class C	-	59,900
Reinsurance funds		
Nephila managed – Iron Catastrophe Fund Class C	28,395	27,682
Total Pooled Investment Vehicles	<u>664,672</u>	<u>938,197</u>

All pooled investment vehicle managers are registered in the UK with the exception of PIMCO, which is registered in the Republic of Ireland, Nephila, which is registered in Bermuda, and JPMAAM, which is registered in the United States of America.

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Derivatives	2013	2012
	£'000	£'000
Interest rate swaps	(9,073)	431
Inflation rate swaps	20	-
Futures - assets	331	137
Futures - liabilities	(92)	(61)
Derivatives excluding forward foreign exchange contracts	(8,814)	507
 Forward foreign exchange contracts		
Contracts entered into for the purpose of hedging	3,062	975
-assets		
-liabilities	(787)	(647)
Contracts entered into for tactical purposes	510	1,006
-assets		
-liabilities	(270)	(399)
Forward foreign exchange contracts	2,515	935
Total Derivatives	(6,299)	1,442

All investments in derivatives are in order to contribute to a reduction of risks or to facilitate efficient portfolio management by the Scheme's investment managers within their delegated investment mandates (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk). The economic exposure represents the notional value of stock purchased under derivative contracts and therefore the value subject to market movements.

Derivatives excluding forward foreign exchange contracts

Type of derivative	Expiration	2013	2013	2012	2012
		Economic	Market	Economic	Market
		exposure	Value	exposure	Value
		£'000	£'000	£'000	£'000
Interest rate swaps	2019-2062	147,838	(9,073)	101,061	431
Inflation swaps	2032	3,322	20	-	-
Futures	Less than 1 year	44,127	239	45,194	76
		195,287	(8,814)	146,255	507

At 31 December 2013 the Scheme held 20 sterling denominated zero coupon floating for fixed interest rate swaps (2012: 15) which are analysed as follows:

Duration	2013	2013	2013	2012	2012	2012
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
	Principal			Principal		
	£'000	£'000	£'000	£'000	£'000	£'000
0-10 years	45,489	-	(2,433)	-	-	-
10-20 years	72,479	-	(2,977)	38,289	40	-
20-30 years	59,508	-	(2,015)	18,483	59	-
30-40 years	86,022	-	(1,523)	35,871	229	-
40-50 years	39,097	-	(125)	8,418	103	-
	302,595	-	(9,073)	101,061	431	-

At 31 December 2013 the Scheme had one sterling denominated fixed (3.625%) for floating (UK RPI index) RPI swap with a notional principal of £6,200,000 and a value of £20,000.

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Currency Forward Contracts

Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought '000	Currency Sold '000	2013 Net Asset £'000	2013 Net Liability £'000	2012 Net Asset £'000	2012 Net Liability £'000
2	EUR 18,000	GBP 15,051		(76)	-	(113)
5	USD 97,500	GBP 59,566		(698)	63	-
6	GBP 59,232	EUR 70,521	561		-	(231)
11	GBP 120,237	USD 195,000	2,501		621	-
1	GBP 1,689	SEK 18,097		(13)	-	(12)
			3,062	(787)	684	(356)

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £113million of US dollars, Euro, Yen and Swedish Krona (representing approximately 59% of the Scheme's total exposure to assets denominated in currencies other than sterling) is hedged back to sterling. The US dollar, Euro and Swedish Krona exposures are hedged by means of foreign currency contracts, all of which are due to expire within 6 months. The yen exposure is hedged by investment in a hedged pooled fund.

In accordance with individual mandates, one of the Scheme's investment managers has entered into forward currency contracts during the year for tactical purposes. At 31 December 2013 there were 44 such contracts open in 19 currencies, all expiring within 6 months. Unrealised gains on these contracts amounted to £510,000 (2012 £1,006,000) with unrealised losses of £270,000 (2012 £399,000).

Longevity Insurance Policy

The longevity insurance policy has been entered into in order to reduce the impact on the Scheme of pensioners living longer than forecast.

AVC Investments

The Trustee holds assets invested separately from the main Scheme in the form of insurance policies (with-profits and/or unit-linked), securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2013 £'000	2012 £'000
Equitable Life Assurance Society	211	207
Prudential	565	453
	776	660
Cash and cash equivalents	2013 £'000	2012 £'000
Sterling	4,113	3,124
Foreign currency	3,326	6,203
Sterling Term Deposits	66,926	13,760
	74,365	23,087

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9 Investment Management Expenses

Investment management expenses include fees deducted directly from pooled funds, rebates received and the contribution towards expenses received from Pilkington Group Limited. A full breakdown is shown on page 18.

10 Current assets

	2013	2012
	£'000	£'000
Due from participating companies :-		
Contributions - Normal Employee	-	12
Contributions – Normal Employer	-	24
Contributions – Augmentations	260	1,135
Other	8	55
	268	1,226
Bank balance	724	1,260
Other debtors	752	747
	1,744	3,233

The contributions due at the year-end were subsequently received in accordance with the schedule of contributions.

11 Current liabilities

	2013	2012
	£'000	£'000
Unpaid benefits	1,066	1,916
Investment management expenses	385	466
Other	71	15
	1,522	2,397

12 Self-investment

There was no direct employer-related investment during the year. Exposure to NSG securities via pooled funds amounted to £5,000 at 31 December 2013 (2012 £13,000).

13 Concentration of investments

The following investments represent more than 5% of the net assets of the Scheme at the year end or prior year end:

	2013	2012
Henderson managed – Global Investors Long Dated Credit	9.5%	16.5%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	8.9%	8.7%
SSgA managed – Sterling Corporate Bonds	8.5%	11.1%
SSgA managed – North American Equity Index	4.4%	5.2%

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14 Related party transactions

The Scheme has received contributions in respect of directors of the Trustee who are also contributing members of the Scheme.

The Scheme has paid benefits to directors of the Trustee who are also beneficiaries of the Scheme.

All of the above transactions are in accordance with the rules of the Scheme.

Administration and accountancy services were provided and paid for by Pilkington Group Limited.

Certain investment management expenses, incurred on behalf of the Scheme, were paid for by Pilkington Group Limited and subsequently recharged to the Scheme. The expenses charged during the year were £nil (2012 £250,000), and the amount owed to Pilkington Group Limited at 31 December 2013 for expenses not yet recharged was £nil (2012 £nil).

15 Contingent liabilities and Contractual Commitments

Other than the liability to pay future pensions, there were no material contingent liabilities of the Scheme at 31 December 2013 or at 31 December 2012. As at 31 December 2013, the Scheme had commitments to the property funds managed by CBRE totalling £2 million (2012 £3 million).