

THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER
2015

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Trustee's Report

1. Chairman's Statement

2015 turned out to be another busy year for the Trustee and administration team at Pilkington Superannuation Scheme (the "Scheme").

The triennial valuation had an effective date of 31 December 2014; consequently completing this was the major focus for the first half of 2015. A Committee of the Trustee was established to discuss and negotiate the issues associated with the valuation with the Company's representatives. The groundwork done during the 2011 valuation negotiations resulted in a strategy for the future which is still robust and appropriate, and which enabled the parties to agree upon the assumptions, recovery plan and strategy for the future of the Scheme in a relatively short time. The Trustee Board was able to approve the agreement, which had been reached with the Company, at its June 2015 meeting and the Company obtained its internal approvals in July 2015. The approximate outcome of the valuation is known as the position is tracked and reported monthly. However, certain assumptions were updated, for example more up-to-date mortality tables were used, and these feed into the final figures. A full report can be read in Section 5 of the Trustee's Report

The results continue to disclose a deficit of assets over liabilities in the Scheme but the position has improved since the last valuation in 2011. On an ongoing basis – which assumes the Company and Scheme continue to operate as now – the deficit at 31 December 2014 was £126 million. This deficit has been reduced from £289m at 31 December 2011 through a combination of cash contributions from the Company and better investment returns than were anticipated in 2011. However, whilst progress is clearly being made, £126m is still a significant sum of money and the efforts of the Trustee are directed towards reducing this negative number and ultimately to achieving a position whereby the Scheme is effectively self sufficient and will no longer have to rely on the Company for additional cash contributions.

This is also the stated aim of the Company and the efforts of the Company in meeting all its obligations towards the Scheme in full and on time during its recent very difficult trading position should be recognised and appreciated by the Trustee and the membership. The Trustee reviews the strength of the Company covenant, that is the Company's ability to meet its obligations to the Scheme, on a regular basis after the publication of the annual and half-year results. It retains a specialist firm, Gazelle Corporate Finance Limited, to perform this review and this firm was an integral part of the Trustee's team of advisers during the valuation negotiations. The Trustee Board has the benefit of a presentation of the annual and half year results by the Company together with the opportunity to question senior members of the finance function and the Board is grateful to Mark Lyons, NSG Group director, who has attended one meeting a year to give the Board his views on the financial position of the Company and the outlook.

As well as completing the 2014 valuation during 2015, the Scheme has had to deal with a number of other issues during the year. The new pensions legislation that has resulted in individuals having more choice about how to take their pension in certain circumstances has also led to more work for the administration team in order to make those affected aware of the new possibilities. In addition the administration team was asked by the Actuaries advising each of the Trustee and the Company to obtain information about the marital status and where appropriate

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the spouses or partners of the retired membership. This information will enable more accurate assumptions to be made in valuing the Scheme's ongoing liabilities and can also be used to assist an insurance company in the event that the Trustee decides to add to the existing longevity insurance or insure any portion of the liabilities. The Trustee thanks the membership for the very high level of response to this request for information and the administration team for all its hard work in keeping the Scheme operating smoothly despite the changing landscape and these one-off exercises.

The Scheme's investment portfolio has remained largely stable throughout 2015 although there have been some changes. The valuation provides revised cashflows for the Scheme and these were shared with Insight, the manager that ensures the Scheme is appropriately hedged against interest rate and inflation rate movement. Insight manages a large proportion of the portfolio which is reviewed regularly. The Trustee has decided to allow Insight a limited level of discretion to reduce the cost of creating the hedge or to achieve a slightly higher yield whilst ensuring that the overall level of the hedge is maintained at the specified level. This change took quite some time to process but has now been agreed and implemented.

The full Board of Directors of the Trustee meet the fund managers (apart from State Street Global Advisers and Legal & General Investment Management who manage only index tracking funds for the Trustee) annually during a day of presentations by the managers at which they are asked about performance, procedures, governance and personnel, as well as any new ideas they may be developing for future investment.

Towards the end of the year, after the valuation had been agreed, the investment portfolio's expected return was slightly less than the assumption being used in the valuation. It was therefore decided to increase the allocation to an infrastructure equity fund run by Legal & General to 5% and to look again at possibly awarding a mandate to a Secure Income Investment manager. An allocation was made to each of Alpha Real Capital's Ground Rent Fund and Aviva Investors Property Fund which invest in long leases which benefit from fixed or inflation linked rental uplifts. These changes slightly increase the expected return on the Scheme's investment portfolio whilst ensuring they are in relatively secure and diversified assets.

The Board continues with a calendar of five meetings each year; both the Investment and the Audit & Risk Committees meet four times and the Ill Health Committee meets as required. The burden on the Trustee Directors does not get any lighter and there is constant change in the pensions environment whether legislative or governance with increasing regulation and guidance issued on a regular basis. The Directors work hard on behalf of the membership and are to be thanked and congratulated for their continuing diligence and application in keeping up-to-date with everything and attending the regular training provided for them.

This year, 2016, will doubtless bring new challenges and issues. There may be elections for two of the Member-Nominated Directors as the term for two, Darren Gilchrist and Kevin McKenna, finishes at the end of June. Both Darren and Kevin are now experienced Directors and sit on committees of the Board. They have contributed fully to the operation of the Board for many years and are eligible for re-election.

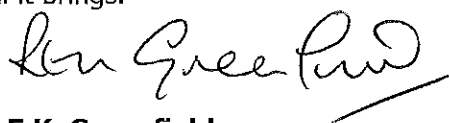
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The Statement of Recommended Practice ('SORP') for the financial reports of pension schemes is changing and the Scheme's financial statements at 31 December 2015 have been prepared in accordance with the new SORP. The preparation for this began mid-way through 2015 with the updating of last year's financial statements and familiarisation with the new requirements. The Scheme's independent auditors, PricewaterhouseCoopers LLP, gave training to the full Board on the difference from the previous practice and how the new regime will affect the financial statements. It is important that the accounting team is well prepared as the practice now is to have the financial statements approved and signed before the end of March – so within three months of the year end – in order that a new valuation on the Pension Protection Fund ('PPF') basis can be completed using the latest financial statements and filed before 31 March. In recent years, the completion of this revised valuation has led to significant savings in the PPF levy which is a major cost associated with the Scheme. In 2015 this work saved around £800,000 off the levy which was still around £1,000,000 – a substantial outlay for the Company.

The Trustee monitors the administration of the Scheme closely and has watched the levels of transfer requests, completed transfers, people opting out of the Scheme and those taking trivial commutations for any material change in behaviour. The new pensions freedoms were, and continue to be, widely covered in the press but it was unclear what the impact on the Scheme would be. In reality, whilst changes in outcome have been relatively limited, there has been a substantially increased volume of requests for information which have been absorbed into the ever increasing workload of the administration team. There have been a number of people whose level of pension meant they could take it as one taxable cash sum and they have done just that. The administrators have contacted anyone who is a dependant and who was likely to be able to take advantage of this, but take-up has not been huge to date. The same exercise for pensioners will be undertaken in the Spring of 2016. Whilst the Government, in announcing the new measures, acknowledged that most people in Defined Benefit schemes may be well advised to remain there, it was still thought that there would be those who would transfer out to a Defined Contribution scheme to avail themselves of the new freedoms. In fact, very few, if any, have done so and despite many requests for transfer values, these requests are rarely progressed.

This brings me to my final comments, which concern pension scams. The administration team makes every effort to investigate the bona fides of the schemes into which people request to transfer and that the financial adviser is appropriately authorised. However, if you are contemplating a transfer of a pension fund then I recommend that you visit the Pension Regulator's website and search for 'scams'. This will help you to recognise the warning signs of such pension scams.

So it remains for me to thank the remaining Trustee Directors for their work and support during the past year, the Scheme's advisers for their wise counsel and the Pensions Department for their hard work in 2015 and to look forward to 2016 with all it brings.



R.E.K. Greenfield

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2. Trustee and Advisers

Trustee Company Pilkington Brothers Superannuation Trustee Limited ('the Trustee')

Registered Office NSG European Technical Centre, Hall Lane, Lathom, Nr. Ormskirk, Lancashire L40 5UF

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. There is no provision for the removal of the Trustee.

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

At 31 December 2015 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

There are 14 Directors on the Board of the Trustee Company.

Overall there are 7 Employer Directors and 7 Employee Directors, the latter being elected by the membership – 4 by the active members and 3 by the pensioner members.

Directors of the Trustee (as at 31 December 2015):

Employer Directors

R.E.K. Greenfield (Chairman) 2
S.M. Gange*1
R.P. Hemingway* 1
B.J. Kay^2
J. McKenna* 1
P. Wilkinson ^2
BESTrustees 2 (an independent trustee director represented by P Thompson and/or R Tranter)

Employee Directors

Directors elected by active members

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

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 Directors marked ^ are contributors accruing pension in accordance with the Scheme Rules.

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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.

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

There have been no changes to the Board during 2015.

Consulting Actuaries Aon Hewitt Limited

Scheme Actuary J. Curtis FIA of Aon Hewitt Limited

Investment Consultant Willis Towers Watson plc (since 5.1.16 – previously Towers Watson Limited)

Investment Managers State Street Global Advisors Limited
CBRE Global Collective Investors UK Limited
Legal & General Assurance (Pensions Management) Limited
Henderson Global Investors Limited
Nephila Capital Limited
Insight Investment Management (Global) Limited
Alpha Real Capital LLP

Investment Adviser H. Smart

Financial Advisers Gazelle Corporate Finance Limited

Legal Advisers Hogan Lovells International LLP

Independent Auditors PricewaterhouseCoopers LLP

Bankers National Westminster Bank plc

Custodian J P Morgan Chase Bank

Administration Group Pensions Department, Pilkington Group Limited

Enquiries about the Scheme should be addressed to:

Group Pensions Department
Pilkington Group Limited
European Technical Centre
Hall Lane
Lathom L40 5UF Fax 01744 737336

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

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Director Attendance at Meetings

Attendance of the Directors at the Board and other meetings together with the maximum possible attendance was as follows:

Name	Board meetings	Investment Committee	Audit & Risk Committee	Valuation Committee	Investment Manager Presentations
K. Greenfield	5/5	3/4	n/a	4/4	1/1
BESTrustees	5/5	4/4	n/a	4/4	1/1
S. Beesley	4/5	n/a	4/4	3/4	1/1
D. Corf	5/5	n/a	3/4	3/4	1/1
N. Ellison	5/5	4/4	n/a	n/a	1/1
S. Gange	3/5	n/a	4/4	3/4	1/1
D. Gilchrist	4/5	3/4	n/a	4/4	0/1
R. Hemingway	5/5	n/a	4/4	n/a	1/1
B. Kay	4/5	3/4	n/a	n/a	1/1
J. McKenna	5/5	n/a	4/4	n/a	1/1
K. McKenna	4/5	4/4	1/4	n/a	1/1
J. Mafi	5/5	n/a	3/4	n/a	1/1
G. Sayers	5/5	4/4	n/a	n/a	1/1
P. Wilkinson	4/5	2/4	n/a	4/4	1/1

An Ill Health Committee may be formed by any two or more of the directors (being at least one Employer and one Employee).

3. Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2014	1,073	3,166	8,007	2,861
Adjustments	1	(6)	2	20
	<u>1,074</u>	<u>3,160</u>	<u>8,009</u>	<u>2,881</u>
Deaths	(1)	(7)	(318)	(207)
Retirements/New Dependents	(27)	(124)	151	177
Leavers - exited	-	(19)	(25)	(115)
Members leaving pensionable service prior to retirement	(60)	60	-	-
31 December 2015	<u>986</u>	<u>3,070</u>	<u>7,817</u>	<u>2,736</u>

4. Deeds Executed During 2015

During 2015, one Amending Deed was executed on 14 April 2015 to facilitate the introduction of the Company's salary exchange arrangement and to maintain the benefit structure within the Scheme. There was also a resolution dated 3 September 2015 which aligned the requirements for members to obtain advice from an authorised Independent Financial Adviser whether the transfer was a statutory transfer or one under the Rules of the Scheme.

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5. Actuarial Liabilities

Valuation of the Scheme as at 31 December 2014.

The valuation of the Scheme was agreed between the Company and the Trustee in June 2015. It was authorised by the Trustee on 26 June 2015 and the Company approval was granted on 28 July 2015. The Pensions Regulator had chosen the Scheme for proactive early intervention and made contact with the Secretary on 6 March 2015. Whilst there have been conference calls between the Trustee and the Regulator about corporate restructurings which took place in 2011/12, and additional information has been provided to the Regulator about this issue, the Regulator has raised no questions about the 2014 valuation since the final draft documentation was sent on 30 June 2015. The valuation documentation was signed by the Trustee and Company in January 2016 and then formally submitted to the Regulator.

The principal assumptions used in the valuation were as follows:

Discount rate	Gilt yield curve + 0.5% p.a.
RPI inflation	RPI inflation curve derived from gilt market
CPI inflation	RPI inflation less 0.7% p.a.
Pensionable Salary Increases	0.0% p.a.
Post-retirement mortality assumption – base table	100% of the standard S2 tables
Post-retirement mortality assumption – future improvements	CMI 2013 core projections with long-term rate of 1.5% p.a.

To reach full funding on the basis of these assumptions has been agreed between the Trustee and the Company to be the Primary Funding Target. The Technical Provisions (or liabilities) were valued at £1.77bn. This does not include any allowance for non-statutory increases to pensions in payment.

The Scheme's assets at the valuation date totalled £1.644bn resulting in a deficit of £126m and a funding level of 93%. This position is improved from the deficit of £289m and funding level of 82% disclosed at the 2011 valuation. This improvement has arisen, despite the adverse impact of falling gilt yields and is largely attributable to investment returns being better than assumed and the deficit repair contributions paid by the Company. Between the two valuations the Company has paid £71m of such contributions into the Scheme.

The Recovery Plan agreed at the previous valuation is continuing and the Company has agreed to maintain payments at £25m per year. Since the expiry of the Letter of Credit on 1 March 2014, the Company had paid £2m p.a. in addition to the £23m p.a. required under the Recovery Plan. The new Recovery Plan resulting from the 2014 valuation reflects this and the deficit repair contributions remain at £23m p.a. plus £2m p.a. in lieu of the Letter of Credit. Until the deficit on a technical provisions basis is eliminated, the Company remains under a best endeavours obligation to procure a replacement Letter of Credit but, until such time as it does, the additional £2m p.a. will continue to be paid.

These cash contributions will continue until October 2018. In order for the secondary and final funding targets to be met within the timescales agreed between the Company and Trustee, the parties have agreed a de-risking plan under which the level of investment risk taken by the Trustee will reduce as the

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funding level improves. The basis for measuring this funding (the Gilts Only Basis) is using a discount rate equivalent to the gilt yield curve with no margin and all other assumptions being the same as used in the Technical Provisions Basis.

The Company has also indicated its intention, subject to affordability, of continuing shortfall contributions beyond the requirements of the Recovery Plan at a rate to be agreed as part of future actuarial valuations and until such time as the Secondary Funding Target is met. The Secondary Funding Target is to be fully funded on the Gilts Only Basis.

The Final Funding Target is to achieve a funding ratio of 110% on the Gilts Only Basis which is intended to represent a broad proxy for the full buy-out cost of the liabilities including a margin for the expenses of wind-up.

Between the valuation date (31 December 2014) and 31 December 2015, the funding position assessed by the asset value from the fund managers together with the 'roll forward' of the liabilities carried out by the Scheme Actuary, shows that the funding level had improved slightly to 94.5% with a deficit of £94m.

The Scheme Actuary is also required to calculate the funding of the Scheme on a solvency or buy-out basis, looking at the amount of additional money required to be able to buy out the obligations of the Scheme with an insurance company. At the valuation date, the funding position on this basis was 76% with a deficit estimated at £509m. At 31 December 2015 the position on this basis had worsened slightly to a ratio of 74%, a deficit of £562m.

Both the Trustee and Company seek stability for the Scheme and the de-risking plan results from this strategy. The funding position in 2015 has remained reasonably steady despite some volatility in investment markets and this stability results from the liability hedging programme in place that protects against movements in interest and inflation rates.

6. Increases in pensions

During 2015, only statutory increases to pensions in payment were awarded. The increase on different elements of pension is shown in the table below.

	basis	increase
Pension accrued between 5 April 1997 and 30 April 2005	CPI to March 2015 capped at 5%	0%
Pension accrued after 30 April 2005	CPI to March 2015 capped at 2.5%	0%
Post 5 April 1988 guaranteed minimum pension ('GMPs')	The Guaranteed Minimum Pension Increase Order 2015.	1.2%
Other pensions in payment	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'	0%

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 2015 this was by reference to the increases in the RPI up to September 2009 and in the CPI thereafter over the number of

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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.

7. 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 2015 were calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993. There were no discretionary benefits. 14 payments were made during the year.

8. Pensions Act Compliance and Governance

A copy of the Actuarial Certificate dated 18 February 2016 confirming the adequacy of the contribution rates is included at page 39.

The Financial Statements forming part of this Report (at pages 21 - 36) 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 2014 valuation discussions, the information protocol was renewed and remains 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 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 Board and Advisers also assess the performance of the Chairman and the Scheme Secretary.

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 independent auditors. These parties, together with Group Pensions Department, have been developing a more detailed risk and assurance mapping process to ensure there is adequate assurance that the controls are in place and operating fully.

A full pensioner existence check is carried out annually on UK based pensioners and every 18 months for pensioners who are based overseas.

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9. Scheme developments

This table records the movements in various key Scheme values in the period from 2011-2015, to illustrate the Scheme's development.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Contributions and benefits					
Deficit contributions	25,000	25,166	23,000	23,000	40,000
Other Contributions receivable	8,533	11,780	12,110	19,063	15,462
	33,533	36,946	35,110	42,063	55,462
Benefits payable	76,529	77,916	83,054	78,431	70,702
Payments to and on account of leavers	1,963	2,743	1,943	1,237	1,155
	78,492	80,659	84,997	79,668	71,857
Net withdrawals from dealings with members	(44,959)	(43,713)	(49,887)	(37,605)	(16,395)
Returns on investments					
Investment income*	25,591	24,955	26,451	24,377	20,640
Change in market value of investments	(5,473)	256,532	11,975	127,536	44,195
Net investment management expenses	(2,231)	(1,917)	(2,613)	(3,187)	(3,202)
Net returns on investments	17,887	279,570	35,813	148,726	61,633
Net change in the Scheme value during the year	(27,072)	235,857	(14,074)	111,121	45,238
Net assets of the Scheme brought forward	1,644,806	1,408,949	1,423,023	1,311,902	1,266,664
Net assets of the Scheme carried forward	1,617,734	1,644,806	1,408,949	1,423,023	1,311,902

* No income is received from the managed funds held with SSgA, L&G or Nephila. Investment returns from these funds are included in the change in market value.

10. Strategy Update

There had been significant changes to the portfolio in 2014, with a major reduction in the allocation to credit. Whilst there were some notable changes during 2015, the overall impact was to restore a position where the expected return on the assets is gilts +1.25% pa. The Scheme also hedges 80% of the liabilities movements against interest and inflation rate volatility.

The CBRE property portfolio continues to be reduced and as funds reach maturity and are sold down, the proceeds are paid back to the Trustee. It is expected that the disinvestment will be largely concluded by the end of 2017 with maybe around £0.5m to complete the withdrawal in 2018.

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60% of the Scheme assets are held with Insight who manage the liability hedging for the Trustee. Overall during the year the liability matching part of the portfolio has reduced slightly from 80% to 78.75% of total assets and there has been a corresponding increase in the return-seeking part of the portfolio within which the investment in the LGIM Infrastructure fund has increased to 5% of the Fund.

In the latter part of 2015 the mandate for Insight was broadened slightly to allow Insight greater scope to enhance returns or reduce costs whilst maintaining the hedge ratio at the requisite level.

At the final meeting of 2015, the Investment Committee decided to appoint Alpha Real Capital and Aviva Investors to each manage 2.5% of the portfolio in ground rent and long lease investments respectively. The appointment of Alpha Real Capital was effected in December 2015 and that of Aviva Investors will be completed in early 2016. It is recognised that this will add to the proportion of the Fund that is illiquid but this still remains only a relatively small proportion of the whole assets. It will take a long time – possibly several years - before these investments are fully funded but as and when opportunities arise, the Scheme is now ready to participate.

The allocation of assets as at year end was as follows:

Asset Class and Investment Manager	Strategic Asset Allocation (%)	Tolerance Range
Return-seeking assets	21.25	-6.5% / +2.5%
UK equities (SSgA)	1.50	-1.5% / +1.5%
North America equities (SSgA)	5.00	-2.5% / +2.5%
Europe (ex UK) equities (SSgA)	2.00	-1.0% / +1.0%
Asia Pacific (inc Japan) equities (LGIM)	1.50	-0.75% / +0.75%
Emerging market (EM) equities (LGIM)	1.75	-0.75% / +0.75%
Property (CBRE GIP)	2.50	-1.5% / +1.5%
Listed infrastructure (LGIM)	5.00	-1.5% / +1.5%
Reinsurance (Nephila)	2.00	-2.0% / +2.0%
Liability matching assets	78.75	-2.5% / +6.5%
UK corporate bonds (over 15 years) (Henderson)	8.00	-8.0% / +2.5%
UK corporate bonds (all stocks) (SSgA)	8.00	-8.0% / +2.5%
LDI portfolio* (Insight)	61.75	-2.5% / +17.0%
Cash (JP Morgan)	1.00	-1.0% / +4.0%

* Please note that the LDI portfolio includes an allocation to index-linked gilts held with JP Morgan as collateral for the Scheme's longevity swap transaction

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.

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 SIP in force at the year end was approved by the Trustee Board in September 2014. 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 that the Trustee expects to be evaluated when an active investment manager is making decisions on the purchase, retention or sale of holdings. The Trustee monitors the Scheme's managers in relation to active ownership policy and practice, including how investment risks arising from environmental, social and corporate governance issues are addressed via annual active ownership reports provided by the Scheme's investment consultant.

The Trustee has developed a Statement on the UK Stewardship Code and this has been registered and is available to view on the website of the Financial Reporting Council.

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.

Willis Towers Watson plc is the investment consultant of the Trustee.

11. Performance

The value of the Scheme assets at 31 December 2015 was £1,618m compared to £1,645m the previous year. Within the change in value of the Scheme are the cash withdrawals to pay benefits, monthly contributions and deficit repair contributions received from the Company.

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

	Scheme	Scheme Specific Benchmark	Difference
	%	%	%
1 year	0.9	1.0	-0.1
3 year pa	7.8	8.1	-0.3
5 year pa	7.9	8.3	-0.4

The Scheme specific benchmark is a combination of the benchmarks against which individual managers are compared.

12. 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 that are managed in pooled funds have the following custodians all of whom have been appointed by the investment managers:

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

THE PILKINGTON SUPERANNUATION SCHEME

13. Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2015:-

- 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 2015 the number of contributors to each of the AVC options was:-

- | | |
|----------------------|----|
| • Additional service | 32 |
| • Prudential | 8 |

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.

THE PILKINGTON SUPERANNUATION SCHEME

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements 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;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 financial statements 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 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 www.superpilk.com website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

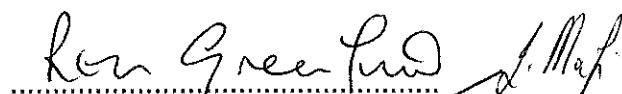
Trustee's responsibilities in respect of contributions

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 adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme 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.

24 March 2016



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 2015 as reported in Pilkington Superannuation Scheme's summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Scheme actuary on 19 March 2013.

What we have examined

Pilkington Superannuation Scheme's summary of contributions for the Scheme year ended 31 December 2015 is set out on the following page.

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.

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, in all material respects, 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.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

21st March 2016

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	1,283	6,853
Deficit funding	-	25,000
	<hr/>	<hr/>
Total	1,283	31,853
 Other contributions payable		
Augmentations of individual members' benefits	-	343
AVCs	54	-
	<hr/>	<hr/>
Total (as per Fund Account)	1,337	32,196

Employer normal contributions include £1,365,000 in respect of contributions paid under the Company's salary exchange arrangement.

Signed on behalf of the Trustee:



R. Green

24 March 2016

THE PILKINGTON SUPERANNUATION SCHEME

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

Report on the financial statements

Our opinion

In our opinion, Pilkington Superannuation Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, 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.

What we have audited

Pilkington Superannuation Scheme's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, it has made assumptions and considered future events.

Responsibilities for the financial statements 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 financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

THE PILKINGTON SUPERANNUATION SCHEME

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

24 March 2016

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Contributions and benefits			
Employer contributions	4	32,196	33,873
Employee contributions	4	1,337	3,073
Total contributions		33,533	36,946
Benefits	5	(76,529)	(77,916)
Transfers to other plans	6	(1,963)	(2,743)
		(78,492)	(80,659)
Net withdrawals from dealings with members		(44,959)	(43,713)
Returns on investments			
Investment income	8	25,591	24,955
Change in market value of investments	9	(5,473)	256,532
Net investment management expenses	10	(2,231)	(1,917)
Net return on investments		17,887	279,570
Net (decrease)/ increase in the fund during the year		(27,072)	235,857
Opening net assets		1,644,806	1,408,949
Closing net assets		1,617,734	1,644,806

The notes to the financial statements on pages 23 to 36 form a part of these financial statements.

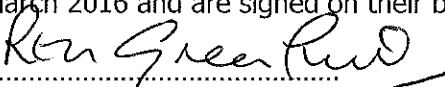
THE PILKINGTON SUPERANNUATION SCHEME

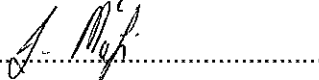
Statement of net assets available for benefits as at 31 December 2015

	Notes	2015 £'000	2014 £'000
Investment assets	9		
Bonds		1,216,217	830,372
Pooled investment vehicles		600,937	584,932
Derivatives		8,313	42,401
Insurance policy		3,000	-
AVC investments		667	632
Cash		14,451	194,860
Other investment balances		7,776	4,067
		1,851,361	1,657,264
 Investment liabilities	 9		
Derivatives		(7,275)	(3,789)
Insurance policy		-	(8,400)
Amounts due under repurchase agreements		(225,348)	-
		(232,623)	(12,189)
 Total net investments		 1,618,738	1,645,075
 Current assets	 18	 776	 1,449
 Current liabilities	 19	 (1,780)	 (1,718)
 Net assets available for benefits		 1,617,734	1,644,806

The financial statements 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 into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 9 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 24 March 2016 and are signed on their behalf by:





Directors of Pilkington Brothers
Superannuation Trustee Limited

THE PILKINGTON SUPERANNUATION SCHEME

Notes to the Financial Statements 31 December 2015

1 General Information

The Scheme is a defined benefit scheme established in 1965 by the combination of the Pilkington Superannuation Fund, the Augmentation Fund and the Chance Superannuation Fund. The registered office of the Trustee is European Technical Centre, Hall Lane, Lathom L40 5UF.

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 Scheme closed to new members in 2008 but is still open to future accrual. The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

2 Statement of Compliance

The financial statements of the Pilkington Superannuation Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ("FRS 102") – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised November 2014) ("the SORP").

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Scheme has adopted FRS102 in the financial statements for the first time. Details of the transition to FRS102 are detailed in note 25.

(i) Contributions

- (a) Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.
- (b) Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.
- (c) Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.
- (d) Employer deficit funding contributions are accounted for on the due dates on which they are receivable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

(ii) Benefits

- (a) Pensions in payment are accounted for in the period to which they relate.
- (b) Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

THE PILKINGTON SUPERANNUATION SCHEME

(iii) Transfers to other plans

Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

(iv) Investment income

- (a) Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- (b) Income from pooled investment vehicles is accounted for when declared by the fund manager.
- (c) Income from cash and short term deposits is accounted for on an accruals basis.
- (d) Income on derivatives is accounted for when received.

- (v) 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. For pooled investment vehicles which do not distribute income the change in market value includes any income which is reflected in the unit price.

(vi) Valuation and classification of investments

Investments are included at fair value as described below:

- (a) Quoted securities in active markets are usually valued at the end of day bid prices at the reporting date.
- (b) Unquoted securities are included at fair value estimated by the Trustee using appropriate valuation techniques. Bonds are valued by valuation techniques that use observable market data.
- (c) Accrued interest is excluded from the market value of fixed interest securities and is included in investment income receivable.
- (d) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
- (e) Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.
- (f) Over the counter (OTC) derivatives are valued using the following valuation techniques:
 - Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
 - Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date
- (g) With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.
- (h) Repurchase agreements are accounted for as follows:
 - Repurchase agreements (repo) – the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

THE PILKINGTON SUPERANNUATION SCHEME

- (i) 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 Scheme 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 Statement of Recommended Practice (Revised November 2014) ("the SORP").

(vii) Currency

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Gains and losses on currency valuation are recognised in the change in market value.

(viii) 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.

4 Contributions

	2015	2014
	£'000	£'000
Employers contributions		
Normal	6,853	6,252
Augmentations	343	2,455
Deficit Funding	25,000	25,166
	32,196	33,873
Employee contributions		
Normal	1,283	2,957
Additional Voluntary Contributions		
- added years	41	89
- money purchase	13	27
	1,337	3,073
Total contributions	33,533	36,946

Included within Employer normal contributions in 2015 is £1,365,000 in respect of contributions paid under the Company's salary exchange arrangement.

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 £25 million per annum from 2016 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year under a schedule certified on 18 February 2016.

THE PILKINGTON SUPERANNUATION SCHEME

Employees 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 14). Members are also entitled to purchase additional defined benefits under the provisions of the Scheme.

5 Benefits

	2015	2014
	£'000	£'000
Pensions	70,136	70,869
Commutations of pensions and lump sum retirement benefits	5,560	5,931
Lump sum death benefits	833	913
Taxation where lifetime or annual allowance exceeded	-	203
	76,529	77,916
	76,529	77,916

The commutation of pensions figure in 2015 includes £1,412,000 in respect of full commutation of trivial pensions.

6 Transfers to other plans

	2015	2014
	£'000	£'000
Individual transfers out to other plans	1,963	2,743
	1,963	2,743
	1,963	2,743

7 Administrative expenses

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

8 Investment income

	2015	2014
	£'000	£'000
Income from bonds	16,468	16,451
Income from pooled investment vehicles	8,312	8,214
Interest on cash deposits	840	294
Income from swaps	67	-
	25,687	24,959
Other income and financing cost	(96)	(4)
	25,591	24,955
	25,591	24,955

THE PILKINGTON SUPERANNUATION SCHEME

9 Reconciliation of net investments

	Market value at 1 Jan 2015	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	Market Value at 31 Dec 2015
	£'000	£'000	£'000	£'000	£'000
Bonds	830,372	682,628	(265,327)	(31,456)	1,216,217
Pooled investment vehicles	584,932	158,173	(150,808)	8,640	600,937
Derivatives	38,612	15,464	(61,187)	8,149	1,038
Longevity insurance policy	(8,400)	2,225	-	9,175	3,000
AVC investments	632	31	(15)	19	667
	<u>1,446,148</u>	<u>858,521</u>	<u>(477,337)</u>	<u>(5,473)</u>	<u>1,821,859</u>
Cash and cash equivalents	194,860				14,451
Amounts due under repurchase agreements	-				(225,348)
Accrued investment income	4,067				7,776
	<u><u>1,645,075</u></u>				<u><u>1,618,738</u></u>

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. There were no transaction costs incurred during the year (2014: £NIL). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

At the year-end £218,411,000 of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

The majority of the Government bonds are easily bought or sold. The unitised vehicles in which the Scheme invests, with the exception of the reinsurance and certain property funds, deal regularly and are easily bought or sold. The reinsurance and property funds are recognised as being less liquid. These funds amounted to £66,638,000 as at 31 December 2015 or 4% of the Scheme assets (2014: £79,876,000; 5%).

At the beginning of 2015 the Scheme benchmark was 20% return seeking and 80% liability matching investments. At the end of 2015 the benchmark was 21.25%/78.75% return seeking/liability matching, having changed in June.

The cash balance at 31 December 2014 included proceeds from the disposal of corporate bonds which had not been reinvested.

10 Net 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.

THE PILKINGTON SUPERANNUATION SCHEME

	2015	2014
	£'000	£'000
External Investment Managers	2,019	1,842
Custodial Fees	92	89
Contribution from Pilkington Group Ltd towards expenses	(531)	(518)
Investment advice	386	312
Irrecoverable VAT	227	172
Other expenses	38	20
Net expenses	2,231	1,917

11 Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2015	2014
	£'000	£'000
Equity	271,556	238,537
Bond	262,743	267,519
Property	32,136	47,430
Reinsurance	34,502	31,446
	600,937	584,932

All pooled investment vehicle managers are registered in the UK with the exception of Nephila, who manage the reinsurance fund, which is registered in Bermuda.

12 Derivatives

Objectives and Policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows:

Swaps – the Trustee's aim is to match as far as possible the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustee has entered into interest rate swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

The profit on derivatives during the year is due to the change in market value of the interest rate swaps (as a consequence of the market expectation that interest rates will remain at low levels for a longer period).

Forward FX - The policy is to hedge 100% of the value of the reinsurance and property funds and 50% of the value of European and North American equity funds through FX contracts and 50% of the value of Japanese yen equity funds through a hedged fund.

At the year-end the Scheme had the following over the counter derivatives:

THE PILKINGTON SUPERANNUATION SCHEME

	2015			2014		
	Assets £'000	Liabilities £'000	Total £'000	Assets £'000	Liabilities £'000	Total £'000
Swaps	7,830	(4,283)	3,547	41,022	(610)	40,412
Forward FX contracts	483	(2,992)	(2,509)	1,379	(3,179)	(1,800)
	8,313	(7,275)	1,038	42,401	(3,789)	38,612

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

(i) OTC swaps

Nature	2015 Principal £'000	Expires	Fair Value	
			Asset £'000	Liability £'000
Interest rate swaps(sterling denominated 6m coupon floating for fixed)	87,239	2022-2065	5,571	-
Interest rate swaps (sterling denominated 6m coupon fixed for floating)	40,176	2020-2061	43	(589)
Interest rate swaps (sterling denominated zero coupon fixed for floating)	42,113	2023-2025	1,998	-
Total return swaps(sterling denominated floating for UK treasury return)	168,508	2016-2018	-	(3,205)
Inflation swaps (sterling denominated fixed for floating (UK RPI index))	56,663	2022-2046	-	(489)
Inflation swaps (sterling denominated floating (UK RPI index) for fixed)	9,244	2055	218	
Total 2015	403,943		7,830	(4,283)
Total 2014	425,878		41,022	(610)

At the end of the year the Scheme held collateral of £11,414,000 in respect of OTC Swaps.

(ii) Forward FX

Contract	Number of contracts	GBP Nominal '000	Currency Forward exchange contracts entered into for the purpose of hedging	
			Net Asset £'000	Net Liability £'000
Sell GBP for EUR	3	10,988	1	(5)
Sell GBP for USD	6	76,351	407	-
Sell EUR for GBP	7	39,967	75	(358)
Sell USD for GBP	12	150,692	-	(2,615)
Sell SEK for GBP	1	407	-	(14)
Total 2015			483	(2,992)
Total 2014			1,379	(3,179)

THE PILKINGTON SUPERANNUATION SCHEME

13 Longevity Insurance Policy

The Scheme held a longevity insurance policy at year end as follows:

	2015	2014
	£'000	£'000
Longevity insurance policy with Legal & General	3,000	(8,400)
	3,000	(8,400)

The longevity insurance policy has been entered into in order to reduce the impact on the Scheme of pensioners living longer than forecast. It covers the lives of people in receipt of a pension from the Scheme as at 31 March 2011, whether as a member or a dependent.

14 AVC Investments

The Trustee holds assets invested separately from the main Scheme to secure 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:

	2015	2014
	£'000	£'000
Equitable Life Assurance Society	213	221
Prudential	454	411
	667	632

15 Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Category (a) The quoted price for an identical asset in an active market at the reporting date.
- Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.
- Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

THE PILKINGTON SUPERANNUATION SCHEME

	At 31 December 2015				Nature of risk			
	Category	Category	Category	Total	currency	credit	interest	other
	(a) £'000	(b) £'000	(c) £'000	£'000				
Bonds		1,112,162	104,055	1,216,217		✓	✓	✓
Pooled investment vehicles	127,967	440,834	32,136	600,937	✓	✓	✓	✓
Derivatives			1,038	1,038	✓	✓	✓	✓
Insurance policies			3,000	3,000		✓		✓
AVC investments	667			667		✓		✓
Cash	14,451			14,451	✓	✓		
Other investment balances	(217,572)			(217,572)		✓		
				1,618,738				
	At 31 December 2014				Nature of risk			
	Category	Category	Category	Total	currency	credit	interest	other
	(a) £'000	(b) £'000	(c) £'000	£'000				
Bonds		830,372		830,372		✓	✓	✓
Pooled investment vehicles	133,452	404,050	47,430	584,932	✓	✓	✓	✓
Derivatives			38,612	38,612	✓	✓	✓	✓
Insurance policies			(8,400)	(8,400)		✓		✓
AVC investments	632			632		✓		✓
Cash	194,860			194,860	✓	✓		
Other investment balances	4,067			4,067		✓		
				1,645,075				

The longevity insurance policy is valued at the net present value of the fixed and floating legs. In calculating the value of each leg assumptions on inflation and interest rates are made, which impact both legs and therefore have little overall impact on the net present value of the contract. An estimate is also made of future levels of mortality, this assumption only impacts the floating leg of the contract and accordingly an increase in the expected longevity of members will increase the value of the longevity insurance policy, and vice versa.

Derivatives, property funds and bonds are valued by the manager or an independent price feed in accordance with market convention. Implicit within these valuations are assumptions which are not provided to the Scheme by the managers.

THE PILKINGTON SUPERANNUATION SCHEME

16 Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the longevity insurance policies nor AVC investment as these are not considered significant in relation to the overall investments of the Scheme.

(i) Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreement with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

- 78.75% in investments that move in line with the long term liabilities of the Scheme. This is referred to as LDI and comprises UK Government bonds, pooled investment vehicles and interest and inflation rate swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long term liabilities.
- 21.25% in return seeking investments comprising pooled investment vehicles to give exposure to global equities, reinsurance and European property.

THE PILKINGTON SUPERANNUATION SCHEME

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives, has cash balances and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or quasi-governmental bonds.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 12(i)). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the year-end.

Cash is held within financial institutions which are at least investment grade credit rated. This is the position at the year-end.

Credit risk on repurchase agreements is mitigated through collateral arrangements.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts and authorised unit trusts.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The information about exposure to and mitigation of credit risk above applied at the current and previous year end.

(iii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. This risk is mitigated by the purchase of forward foreign currency contracts and by investing in a fund which is hedged back to sterling.

THE PILKINGTON SUPERANNUATION SCHEME

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and interest rate swaps (either as segregated investments or through pooled vehicles) and cash. The Trustee has set a benchmark for total investment in bonds and interest rate swaps of 78.75% of the total investment portfolio, as part of its LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 78.76% of the total investment portfolio (2014: 80.59%).

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities, property and reinsurance, held in pooled vehicles. The Scheme has set a target asset allocation of 21.25% of investments being held in return seeking investments. The actual allocation at the year-end was 21.24% (2014 19.41%).

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

17 Self investment

There was no direct employer-related investment during the year or at the year-end. The Scheme had no indirect holdings in NSG through its pooled investment vehicles at 31 December 2015 (2014: £4,000).

18 Current assets

	2015	2014
	£'000	£'000
Contributions due from employer in respect of:		
Augmentations	-	101
Cash balances	245	725
Other debtors	531	623
	776	1,449

19 Current liabilities

	2015	2014
	£'000	£'000
Unpaid benefits	1,213	1,320
Investment management expenses	511	362
Other accrued expenses	56	36
	1,780	1,718

THE PILKINGTON SUPERANNUATION SCHEME

20 Related party transactions

The Scheme has received contributions (included in note 4) in respect of Directors of the Trustee who are also contributing members of the Scheme.

The Scheme has paid benefits (included in note 5) 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. Pilkington Group Limited also contributed £531,000 (2014: £518,000) towards investment management expenses.

The Trustee Directors received total fees of £85,000 (2014: £84,000) from Pilkington Group Limited for their services to the Scheme.

21 Subsequent events

There have been no material subsequent events.

22 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:

	2015	2014
Henderson managed – Global Investors Long Dated Credit	7.9%	8.1%
SSgA managed – Sterling Corporate Bonds	8.3%	8.2%
SSgA managed – North American Equity Index	5.5%	5.1%
L&G managed – Infrastructure Equity	5.2%	3.4%

23 Contingencies and commitments

Other than the liability to pay future pensions, there were no material contingent liabilities of the Scheme at 31 December 2015 or at 31 December 2014. As at 31 December 2015, the Scheme had a commitment of £40,000,000 to Alpha Real Capital LLP (2014: £nil) and no commitments to the property funds managed by CBRE (2014 £371,000).

24 Investment analysis

The Audited Accounts Regulations require presentation of the following information in respect of investments.

Bonds	2015	2014
	£'000	£'000
UK government	1,216,217	830,372
	<u>1,216,217</u>	<u>830,372</u>

THE PILKINGTON SUPERANNUATION SCHEME

Pooled investment vehicles	2015	2014
- Managed and unitised funds	£'000	£'000
SSgA managed – Sterling Corporate Bonds All Stocks	134,775	134,067
Henderson managed – Global Investors Long Dated Credit	127,967	133,453
L&G managed – Asia Pacific ex Japan Equity Index	11,963	12,517
L&G managed –Japan Equity Index	7,343	6,234
L&G managed –Japan Equity Index GBP Hedged	7,060	6,363
L&G managed – World Emerging Markets Equity	23,424	26,119
L&G managed – Infrastructure Equity	83,529	55,555
SSgA managed – UK Equity Index	17,715	17,510
SSgA managed – North American Index	88,194	83,685
SSgA managed – Europe ex UK Equity	32,329	30,554
Pooled property funds	32,136	47,430
Nephila managed – Iron Catastrophe Fund Class C	34,502	31,446
Total Pooled Investment Vehicles	600,937	584,933

25 Transition adjustments

This is the first year that the Scheme has adopted FRS102. No adjustments were required to the balances reported in the 2014 financial statements.

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 the fifth anniversary of the date of certification. The Trustee is responsible for preparing a revised schedule no later than 31 March 2019.

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 January 2016:</p> <ul style="list-style-type: none"> * 7.4% of Salaries in respect of PEPS Members <p>Over the period from 1 February 2016:</p> <ul style="list-style-type: none"> * 8.7% of Salaries in respect of PEPS Members
Additional contributions to satisfy the recovery plan dated 20 January 2016	<ul style="list-style-type: none"> * Fixed monetary contributions of £23M p.a., and * Fixed monetary contributions of £2M p.a. payable in lieu of the renewal of the letter of credit. <p>Both payments are payable in equal half yearly instalments on 1 April and 1 October, with the last payment due on 1 October 2018.</p>

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 18 days of the end of the calendar month to which the contributions relate.

THE PILKINGTON SUPERANNUATION SCHEME

Employee Contributions

Employees who are active members of the Scheme will contribute to the Scheme as follows (see "Salary Sacrifice Arrangement" below):

Type	Amount
Regular	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 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.

Salary Sacrifice Arrangement

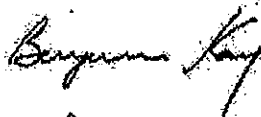
Active members who participate in the Salary Sacrifice arrangement will not pay contributions to the Scheme (except possibly AVCs). Instead participating employers will contribute an additional amount to the Scheme on the members' behalf equal to the contributions the members would have paid had they not participated in the Salary Sacrifice Arrangement.

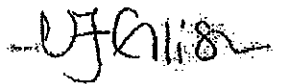
Expenses

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

Signed on behalf of Pilkington Brothers Superannuation Trustee Limited

Name:





Position:

DIRECTOR

DIRECTOR


Date:

10/2/2016

10/2/2016

Signed on behalf of Pilkington Group Limited

Name:

 IAIN SMITH

Position:

DIRECTOR

Date:

10/02/2016

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

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 2014 to be met by the end of the period specified in the recovery plan dated 20 January 2016.

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 20 January 2016.

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

18 February 2016

Name

Jane Curtis

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point
Station Way
St. Albans
AL1 5HE

Name of employer

Aon Hewitt Limited

THE PILKINGTON SUPERANNUATION SCHEME

Aon Hewitt

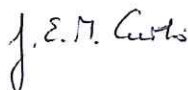
Appendix 5: Certificate of technical provisions

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')

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2014 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 20 January 2016.



Jane Curtis

Fellow of the Institute and Faculty of Actuaries

20 January 2016

Aon Hewitt Limited

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Hertfordshire
AL1 5HE