

# **THE PILKINGTON SUPERANNUATION SCHEME**

## **ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2008**

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# THE PILKINGTON SUPERANNUATION SCHEME

## Trustee's Report for the year to 31 December 2008

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 2008 the Allied Companies with employees contributing to the Scheme were:-

Pilkington Automotive Limited  
Pilkington Retirement Services Limited  
Pilkington Special Glass Limited  
Pilkington Technology Management Limited  
Pilkington United Kingdom Limited  
Ruskin Leisure Limited  
Waterside Training Limited

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

### Trustee

As at 31 December 2008 the Trustee of the Scheme was Pilkington Brothers Superannuation Trustee Limited.

The power of appointing and removing Trustee Directors is vested in the Trustee, Pilkington Brothers Superannuation Trustee Limited, under the Articles of Association of that company.

Pilkington Brothers Superannuation Trustee Limited is not a subsidiary of the Principal Employer or any of its subsidiaries. The shares in the Trustee are registered in the names of various individual directors of the Trustee.

### **Directors of the Trustee (as at 31 December 2008)**

#### **Employer Directors**

S.M. Gange ^  
J.K. Gillespie\* 1  
P.H. Grunwell\*  
R.P. Hemingway ^1,2  
T.R.J. Izzett ^  
B.J. Kay ^ 3  
Miss A.M. Kelleher ^ 1  
The Law Debenture Pension Trust  
Corporation plc 3  
J. McKenna\* 1,2  
G. Nightingale\* 2,3  
A.M. Robb 3

#### **Employee Directors**

R. Abbott 1,3  
A. Cunliffe 1  
P.A. Daley 1, 3  
P.R. Edholm 2, 3  
D.P. Gilchrist 1, 3  
T.R.B. Hague 3  
Mrs. J. Mafi 1  
K.W. McKenna 2,3  
Mrs. C. Wakefield 1,2,3

#### **Pensioner Directors**

S.J. Beesley\* 2  
D. Corf\*

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

The suffix '1' denotes the Director was a member of the Ill Health Committee; '2' a member of the Audit Committee; and '3' 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 a Death Benefit Committee.

The Trustee's Articles of Association provide that the Trustee Board is to comprise Employer Directors, Employee Directors and Pensioner Directors. The Employee Directors are elected by the Scheme's Contributory Membership and the two Pensioner Directors by the Scheme's pensioners. Employer Directors are elected by their fellow Employer Directors and there are no provisions for removal.

As at 31 December 2008 there remains one vacancy for an Employer and one for an Employee Director.

**Secretary** J P Halligan

**Investment Managers** Nomura Asset Management (UK) Limited  
State Street Global Advisors Limited  
UOB Global Capital (Dublin) Limited  
Rogge Global Partners plc  
PIMCO Europe Limited  
CB Richard Ellis Investors (appointed April 2008)  
Goldman Sachs Asset Management International  
(terminated November 2008)

**Investment Consultant** Watson Wyatt Limited

**Legal Advisers** Lovells LLP

**Consulting Actuaries** Hewitt Associates Limited

**Appointed Actuary** I. Watson FIA of Hewitt Associates Limited (retired  
28 February 2009)  
J. Curtis FIA of Hewitt Associates Limited (appointed  
1 March 2009)

**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

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## I Trustee Directors and Board Meetings

The Trustee Board met five times during 2008.

At the July and December Board meetings there was a presentation of the Company Results for the year end and half-year respectively. This practice will continue with a representative of the Company presenting the Company's results to the Trustee at the earliest Board meeting following the publication of the year-end and half-year results.

PricewaterhouseCoopers LLP (PwC) were instructed by the Trustee to carry out a review of the strength of the Employer Covenant. This was considered both in terms of the overall financial position of the sponsoring employers and also with particular regard to the impact of the fine from the European Commission resulting from its recent investigation into the Building Products business and the potential impact of a fine from the European Commission resulting from the recent investigation into the Automotive business.

PwC reported to the Trustee that the employer's covenant had weakened over the period since the 2007 review. They gave the covenant a neutral rating and advised the Trustee of areas of strength and weakness. Since the covenant review was completed the world economy has deteriorated further and notification of the fine from the European Commission resulting from its investigation into the Automotive business has been received by the Company. The Trustee and the Company continue to work together to improve the security of the Fund.

The Trustee has given its consent to a planned refinancing of part of the debt of the Company's parent company and in return has strengthened its own position by obtaining NSG's agreement to an extension of the existing letter of credit or the introduction of equivalent security at the end of the existing period in 2011.

Decisions on ill health retirement were delegated to a Trustee Committee, which met four times in 2008.

The Audit Committee met on five occasions in 2008 (two of which were by telephone) to consider the Annual Report, including the Financial Statements, and reports from each of the Auditors and the Pilkington Internal Audit Department and to consider the audit plan for 2009 together with the Risk Review Profile.

The Investment Committee of the Board met on six occasions during the year to review and monitor investment performance and to consider investment strategy for the Scheme funds.

The Trustee has implemented a training programme for the Trustee Directors. In 2008 this comprised three sessions run by the Trustee's professional advisers to cover legal, pensions administration, investment and valuation matters. A

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similar series of training sessions will be undertaken by the Trustee Directors in 2009 and all are encouraged to enrol in the Pension Regulator's 'e'learning facility. The Investment Committee members undertook several sessions of training about matters of specific interest in considering investment strategy.

### II Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2007	2,428	3,303	8,706	3,103
Adjustment for late notifications	(6)	3	(4)	(3)
	<u>2,422</u>	<u>3,306</u>	<u>8,702</u>	<u>3,100</u>
New contributors	258	-	-	-
New beneficiaries	-	-	204	158
Deaths	(5)	(4)	(349)	(195)
Retirements	(61)	(142)	-	-
Transfers out	(1)	(20)	-	-
Members leaving pensionable service prior to retirement	(69)	69	-	-
31 December 2008	<u>2,544</u>	<u>3,209</u>	<u>8,557</u>	<u>3,063</u>

Total membership = 17,373

### III Amendments to the Deed and Rules

During the calendar year 2008 changes were made to the Trust Deed and Rules agreed between the Trustee and the Company as detailed below.

During the calendar year 2008 there have been major changes to the Scheme. In May 2008 the Company embarked upon a consultation exercise with its employees and with the Trustee about changes which it proposed for the Scheme.

Consultations were lengthy and extensive resulting in implementation of the following changes:-

- (a) the closure of the Scheme to new members from 30 September 2008
- (b) the increase in the member contribution rate to 8% of pensionable salary from 1 January 2009 in order to maintain accrual at the existing level and with no alterations to the benefit structure. In this case the Company contributions will be 16% of pensionable salary
- (c) as an alternative to (b) and at the member's option, the maintenance of contributions at the level of 5.5% of pensionable salary with a reduced

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accrual rate from 1 January 2009. Accrual for future service from this date will be on the basis of  $\frac{1}{80}$ <sup>th</sup> of pensionable salary for each year of service. In this case the Company contribution will be 12.5% of salary.

In addition the Company gave an undertaking to the Trustee that if, and to the extent, the payment by the Company to the Scheme as a result of the increases in the Company contribution rate over and above the previous 10.5% pensionable salary is less than £4 million, then the Company will pay into the Scheme the amount required to bring this total to £4 million. The undertaking will operate in each of calendar years 2009, 2010 and 2011.

The Company has introduced a defined contribution plan for new employees who until September 2008 would have been offered the opportunity to join the Scheme.

In addition, during 2008 the Trustee and the Company sought clarification of certain aspects of the Trust Deed and Rules and, for the purposes of certainty, executed a Deed of Amendment setting out the interpretation of certain provisions which had been agreed by legal advisers for each of the Company and the Trustee. These are that:-

- (i) in the event that the Scheme Actuary believes that the fund cannot afford to pay an increase to pre 1997 pensions at the rate of RPI but is of the opinion that a lesser amount of increase may be affordable, and advises the Trustee that this is his opinion, then the Trustee then has a discretion whether to award this lower rate of increase
- (ii) the statutory rates of increase, which apply to post 1997 pension when no increase is awarded by the Trustee to pre 1997 pension, operate as a minimum increase and do not operate to limit any increase awarded by the Trustee
- (iii) in the event that the Trustee is able to award an increase to pensions the rate of increase will be the RPI published by the Office of National Statistics rounded to the nearest one-tenth of one per cent.

A change brought about by legislation was also accepted by the Company and the Trustee and for the purposes of clarity formally agreed between the parties. This change is to the limit of the Revaluation Percentage applied to paid-up pensions, that is the pensions of people who have left pensionable service in the Scheme but who continue to have benefits in the Scheme. Before April 2009 the limit of the Revaluation Percentage has been RPI up to 5% pa. For pensions in respect of pensionable service in the period after 5 April 2009 this will be RPI up to 2.5% pa.

There are currently several Deeds of Amendment to the 2006 Trust Deed and Rules. A full revision was postponed pending the outcome of the Company's proposed changes but this will now be progressed during 2009.

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## IV Valuation of the Scheme as at 31 December 2005

The last valuation of the Scheme was as at 31 December 2005 on the customary three year cycle. The valuation showed technical provisions at £1,224.3m without any allowance for non-statutory increases. The valuation of the assets was £1,300.6m – a surplus of £76.3m and a funding level of 106%. ‘Technical provisions’ is the term used to mean the level of assets agreed by the Trustee and Company as being appropriate to meet member benefits assuming the Scheme continues as a going concern.

In measuring the position in case of a buy-out of the Scheme’s liabilities by the purchase of insurance policies to cover the payment of benefits earned at the valuation date, there was a shortfall estimated at £369.1m. This is referred to as the ‘buy-out deficit’.

A Schedule of Contributions agreed with Pilkington Group Limited is in force. It covers the period until 2014 although a revised Schedule will be prepared as part of the 2008 valuation by 31 March 2010. Under the Deed the Principal Employer has no right of access to any investment surplus. Following the Pensions Act 2004, under certain circumstances the Company could be required to make additional contributions.

The final additional payment from the Company of £4m resulting from the Agreement reached with NSG Group at the time of the takeover of Pilkington plc was received for 2008.

The total fund value at 31 December 2008 was £1,035m, a decrease in the value of assets of £313m during 2008.

### Changes since the previous valuation

The previous valuation was as at 31 December 2005 and was completed in March 2007. Since then the Scheme Actuary has provided to the Trustee an Annual Report which updates the funding position of the Scheme since the last full valuation.

The Summary Funding Statement sent to members in March 2008 reflected this update as at 31 December 2007. At the time of writing the Scheme Actuary is undertaking the formal triennial valuation as at 31 December 2008. The Company and the Trustee are considering the method and assumptions which will be used for the valuation as these must be agreed between these parties. In determining the assumptions the Trustee is mindful of the strength of the employer covenant.

In the 2005 valuation the key financial assumptions used in calculating the technical provisions were as follows:-

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Discount Rate	4.8% p.a.
Rate of pay increases (including promotional increases)	3.9% p.a.
Rate of price inflation	2.9% p.a.
Rate of pension increases:	
on benefits accrued before 6 April 1997 in excess of post-88 GMPs	0.0% p.a.
on benefits accrued after 5 April 1997 and before 6 April 2005	2.9% p.a.
on benefits accrued after 5 April 2005	2.1% p.a.
Rate of pension increases on post-88 GMPs	2.4% p.a.
Rate of deferred pension increases	2.9% p.a.
Rate of GMP increases in deferment (variable – current rate indicated)	4.5% p.a.

The outcome of this valuation was a surplus relative to the technical provisions of £76.3m on an ongoing basis – i.e. assuming that the fund continues to operate. This represented a funding ratio of 106%. The position on an insolvency basis (i.e. the estimated level of assets needed to buy insurance policies for benefits earned to the valuation date) was an estimated shortfall of £369.1m. This corresponded to an estimated solvency ratio of 78%.

The actuarial report on the Scheme at 31 December 2007 was completed in March 2008. The Scheme Actuary carried this out on the same basis as the 2005 valuation which led to an improved position with a funding surplus of £194m and a funding ratio of 117%. However during this interim period between the formal valuation and the update at end 2007 there had been changes in the economic assumptions and most particularly the yields on corporate bonds which acted to decrease the liabilities. At the same time the Scheme Actuary had advised the Trustee that expectations of future longevity were developing rapidly and had changed significantly since the assumptions were agreed for the 2005 valuation. He suggested that in fact there should be a greater allowance for future mortality improvements which led to a higher estimate for the liabilities.

At March 2008, the Scheme Actuary therefore also calculated the position of the Scheme using assumptions modified from the 2005 valuation to take account of the new economic conditions and knowledge of longevity. This led to results which were closer to the original position as at 2005 being a funding surplus of £108m and a funding ratio of 109%.

It is anticipated that the funding position would have worsened since that stated above at December 2007. The Trustee is discussing with the Company what are the appropriate method and assumptions for the current valuation. The outcome is likely to be a shortfall and the Trustee and Company will then address how this deficit will be eliminated by cash injections, anticipated recovery in asset values and possibly other means. The Scheme, as any pension scheme, is long-term in nature and the Trustee maintains a long-term view of the funding position.

Contributions into the Scheme were altered with effect from 1 January 2009 and the latest Schedule of Contributions is included at pages 23 and 24. The Scheme



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Actuary certified the adequacy of these rates of contributions in February 2009 and his certificate is included at page 22. The appropriate level of contributions will be revisited as part of the valuation process.

### **V Increases in pensions**

During 2008 pensions earned after 5 April 1997 and guaranteed minimum pensions were increased in payment only as required by legislation. In relation to other pensions in payment, Clause 19 of the Trust Deed states “providing that in the opinion of the Actuary the financial state of the Scheme so permits ... the Trustee shall increase pensions with effect from 1 July each year .....”

For 2008 the Actuary advised the Trustee that the funding position was such that the Scheme could not sustain an increase to pensions resulting from pre 1997 service. As a consequence no non-statutory increase was awarded in 2008.

Paid up pensions when becoming payable are revalued as required by legislation.

### **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 2008 were calculated in accordance with factors agreed by the Actuary as being consistent with the requirements of Section 97 of the Pension Schemes Act 1993. 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**

The Actuarial Certificate dated 4 February 2009 confirming the adequacy of the contribution rates is included at page 22.

The Financial Statements forming part of this Report (at pages 30 to 41) 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](http://www.superpilk.com)).

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 several times during the year. The SIP in

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force at year end was approved by the Trustee Board on 10 December 2008 and sent to the Company which raised no issues. The SIP is regularly reviewed by the Investment Committee throughout the year and changes notified to the Board and the Company.

The SIP is posted at [www.superpilk.com](http://www.superpilk.com) and is available on request from the Group Pensions Department, Pilkington Group Limited.

Amongst other 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 evaluated when an investment manager is making decisions on the purchase, retention or sale of holdings.

With a large proportion of the Scheme (approx 87%) now being in pooled funds, the ability of the Trustee to influence the investment managers about socially responsible investment and related matters has been greatly reduced. The investment managers who manage segregated funds for the Trustee, being Nomura Asset Management (UK) Ltd and Rogge Global Partners plc, have been asked to comply with the approach agreed by the Trustee to socially responsible investment and corporate governance.

The Trustee expects its investment managers to vote the Scheme's 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 making 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 Whistle Blowing Policy.

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

A full pensioner existence check is carried out at the time of each formal valuation with additional interim checks carried out where necessary.

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## VIII Investment Management

As at 31 December 2008 the investments were managed as follows:-

- i) UK equities (except venture capital/private equity – see below); US equities; European (ex UK) equities; Fixed Interest Gilts; Index Linked Gilts and Corporate Bonds by State Street Global Advisors Limited ('SSgA').
- ii) Japanese and Asia Pacific (ex Japan) equities by Nomura Asset Management (UK) Limited ('Nomura')
- iii) Global equities by UOB Global Capital (Dublin) Limited ('UOB').
- iv) Global bonds together with derivative contracts by Rogge Global Partners plc ('Rogge') and PIMCO Europe Limited ('PIMCO')
- v) Strategic currency hedging by SSgA
- vi) European property via property funds by CB Richard Ellis Investors ('CBREI').

A small amount of private 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.

Watson Wyatt Limited is the investment consultant of the Trustee. The Scheme benchmark was 50% return seeking and 50% liability matching investments at the Scheme year end but since then the benchmark has been altered to 47.5% return seeking and 52.5% liability matching investments.

In anticipation of the change of benchmark, at 31 December 2008 the Scheme was marginally outside the permitted deviation from the benchmark set out in the SIP. The permitted deviation is +/- 2.5% and at 31 December 2008 Liability Matching assets stood at 52.77% and Return Seeking at 47.23%.

### **Equities**

The passive index tracking equity funds managed by SSgA each have a target return equivalent to the relevant FTSE index.

The target return for Nomura is to outperform the FTSE All World Asia Pacific index (adjusted to exclude flat glass content) by 2% over a rolling 3-year period net of management fee.

### **Global absolute return equities**

UOB has entered into an agreement with Kinetics Asset Management to jointly develop and market Kinetics' investment management products outside of the USA. As such, the investment with UOB is managed by Kinetics Asset Management in its UOB Kinetics Paradigm Fund, which targets a return of RPI + 6% pa over rolling 5 year periods. The Paradigm Fund is invested in relatively few stocks and is concentrated in financial exchanges, utilities and oil sands companies.

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## **Active currency management**

The active currency management pooled funds, which were managed by GSAM until November 2008 and into which £50.4m was initially invested in December 2005, aimed to add 0.5% per annum to the total Scheme value on a rolling 3-year basis (where total Scheme value is currently based on the value at inception of £1,267m). In February 2008 it was decided to exit the Strategic Fund and to consolidate the entire investment in the Fundamental Fund on account of the relatively stronger future performance expectations of the Fundamental Fund. In October 2008 it was decided to exit the Fundamental Fund and the monies were transferred to SSgA US equity passive index tracking fund.

## **Bonds**

The bonds managed by SSgA are in passive index tracking funds.

The active 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 each of PIMCO and Rogge is to outperform the Merrill Lynch Sterling Non-Gilts (All Stocks) index by 1.5% pa over rolling 3 year periods.

## **Property**

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

## **General**

The Scheme has suffered from the severe downturn in the markets and reduced market liquidity, and has experienced increased volatility as have most funds holding assets such as equities and corporate bonds.

There was no direct employer-related investment during the year although certain of the pooled funds may hold NSG shares.

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, deal regularly and are easily bought or sold. The Property Funds are recognised as being less liquid.

The Scheme bears the cost of purchasing and realising assets within the portfolio. Net Investment Manager and custodial fees charged to the Scheme in 2008 were £837,000 (2007: £986,000). This figure includes the payments for the past year to the investment managers, which are largely based on the value of funds under management for the Trustee. The figure also includes the fees

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for custodial services from JP Morgan Chase Bank. A contribution towards administration costs is paid by the Company.

The review of investment performance in 2008 is set out on pages 15 to 21.

### IX Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2008:-

- 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 2008 the number of contributors to each of the AVC options was:-

• Additional service	177
• Prudential with profits and deposit	10
• Prudential unit linked	10

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 development

This table records the movements in various key Scheme values and numbers in the period from 2004-2008, to illustrate the Scheme's development.

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
<b>Contributions and benefits</b>					
Contributions receivable	16,977	20,396	18,208	14,378	14,438
Transfers in	124	6	42	180	127
Other income	7	9	5	6	14
	<b>17,108</b>	<b>20,411</b>	<b>18,255</b>	<b>14,564</b>	<b>14,579</b>
<b>Benefits payable</b>					
Benefits payable	69,776	78,084	72,633	62,108	61,433
Payments to and on account of leavers	851	1,403	2,340	174	125
	<b>70,627</b>	<b>79,487</b>	<b>74,973</b>	<b>62,282</b>	<b>61,558</b>
<b>Net withdrawals from dealings with members</b>	<b>(53,519)</b>	<b>(59,076)</b>	<b>(56,718)</b>	<b>(47,718)</b>	<b>(46,979)</b>
<b>Returns on investments</b>					
Investment income*	8,371	11,163	5,626	1,742	3,422
Change in market value of investments	(266,521)	65,031	83,522	194,243	97,920
Net Investment management expenses†	(1,402)	(1,400)	(1,203)	(1,345)	(1,005)
<b>Net returns on investments</b>	<b>(259,552)</b>	<b>74,794</b>	<b>87,945</b>	<b>194,640</b>	<b>100,337</b>
<b>Net change in the Scheme value during the year</b>	<b>(313,071)</b>	<b>15,718</b>	<b>31,227</b>	<b>146,922</b>	<b>53,358</b>
<b>Net assets of the Scheme brought forward</b>	<b>1,348,366</b>	<b>1,332,648</b>	<b>1,301,421</b>	<b>1,154,499</b>	<b>1,101,141</b>
<b>Net assets of the Scheme carried forward</b>	<b>1,035,295</b>	<b>1,348,366</b>	<b>1,332,648</b>	<b>1,301,421</b>	<b>1,154,499</b>

Contributions receivable in 2006, 2007 and 2008 include an amount of £4 million per annum relating to the additional contribution agreed by NSG UK Enterprises Limited.

\* No income is received from those funds invested in the managed funds held with SSgA, UOB, GSAM or PIMCO. Investment returns from these funds are included in the change in market value of these funds.

† In addition to the net investment management expenses disclosed above, since 2005 UOB have received a management fee which is deducted from the assets they hold. PIMCO has received a management fee deducted from the pooled fund it has held since 28 September 2007.

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## Investment Report

The Statement of Investment Principles sets out the asset allocation of the fund.  
At 31 December 2008 it was as follows:

Asset Class	Allocation (%)	Permitted Deviation/ Band Width (%)
<b>RETURN-SEEKING</b>	<b>50</b>	<b>+/- 2.5</b>
UK Equities	10	+/- 1.5
European Equities (ex UK)	10.25	+/- 1.5
N.America Equities	8.5	+/- 1.5
Global absolute return <sup>(1)</sup> Equities	6	+/- 1.5
Pacific Basin incl. Japan Equities	10.25	+/- 1.5
Property Funds <sup>(2)</sup>	5	
<b>LIABILITY MATCHING</b>	<b>50</b>	<b>+/-2.5</b>
UK Index linked gilts	14.6	+/- 1.5
UK fixed interest gilts	10.4	+/- 1.5
UK Corporate Bonds		
All Stocks Index	7.5	+/- 1.5
Over 15 years Index	5.1	+/- 1.5
Global Bonds	12.4	+/- 1.5

(1) This was the approximate weight at the commencement of this mandate. This holding is not subject to normal rebalancing.

(2) This holding is not subject to normal rebalancing.

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It also sets out the benchmark index and target return for each asset class as follows:

Asset Class	Index	Target Returns
<p><b><u>Return-Seeking</u></b>      <b>50%</b></p> <p><u>SSgA</u>            UK Equities            N. American Equities            European Equities</p> <p><u>Nomura</u>            Pacific including Japan</p> <p><u>UOB / Kinetics</u>            Global Absolute Return            Equities</p>	<p>FTSE All-Share            FTSE AW North America            FTSE AW Developed            Europe ex UK</p> <p>FTSE AW Asia Pacific            (adjusted to exclude flat            glass content)</p> <p>No Index</p>	<p>In-line with index            In-line with index            In-line with index</p> <p>+ 2% pa on rolling 3            year basis</p> <p>RPI + 6% p.a. on            rolling 5 yr basis</p>
<p><u>CBREI</u>            Pan-European property funds</p>	<p>No Index</p>	<p>RPI + 5% p.a. on            rolling 3 year periods            net of costs, fees and            taxes</p>
<p><b><u>Liability Matching</u></b>      <b>50%</b></p> <p>Fixed Interest            Index Linked            UK Corporate Bonds            Global Bonds</p>	<p>FTSE A over 15 years Gilts            FTSE A Index Linked Gilts            over 5 years</p> <p>Merrill Lynch Sterling            Non-Gilts 15+ yrs            Merrill Lynch Sterling            Non-Gilts Index</p> <p>Merrill Lynch Sterling            Non-Gilt All Stocks</p>	<p>In-line with index            In-line with index</p> <p>In-line with index            In-line with index</p> <p>+ 1.5% p.a. on a            rolling 3 yr basis</p>

**Note:** Non-UK Equities are partially hedged back to Sterling but this does not affect the indices or target returns of the equity managers' funds.

The property investment is hedged by the property manager.



## THE PILKINGTON SUPERANNUATION SCHEME

The calendar year 2008 was a torrid time for investments and the substantial falls in equity markets worldwide had a significant impact on the Scheme. The fund value at 31 December 2007 was £1.348bn. At 31 December 2008, accepting that benefits paid out exceeded contributions received by £54m, the fund was valued at £1.035bn representing an 18% (£259m) fall in value.

The overall return including income for the Scheme in 2008 was -12.6% against a benchmark return of -9.1% as reported by WM Performance Services (WM). During the year RPI rose by 0.9% (per WM).

For the 5 years to December 2008 the annualised return on Scheme investments was 5.0% per annum (per WM) against a benchmark performance of 5.8% per annum (per WM). Over the same period retail price inflation was 3.2% per annum.

In 2008 the Investment Committee ('IC') met on six occasions and with advice from Investment Consultant, Watson Wyatt Ltd, and with the approval of the Trustee Board took several steps to manage the Fund through what became and continues to be a very difficult period.

Taking these steps in chronological order the first was in March 2008 when there began a move of £85m in total from the Fixed Interest Gilts passive tracking fund managed by SSgA into an All Stocks Corporate Bonds Fund also managed on a passive basis by SSgA. This transfer of funds took place in two tranches and was completed by 14 May 2008.

In June 2008 CB Richard Ellis Investors was awarded a mandate to invest up to 5% of the fund in Pan European property funds. There will be no direct property ownership by the Scheme but rather investment in property funds. Given the economic climate and more particularly the pressures on the property markets the investment has been progressed more slowly and cautiously than had been anticipated. At the end of 2008 CBREI managed approximately 1% of the Fund. The target return for this part of the portfolio is RPI+5%.

The level of hedging against currency movement was under review throughout the year to ensure that it matched the Fund's exposure appropriately. The total hedged was reduced in September 2008 and has in fact been further reduced in January 2009. This continues to be monitored and when necessary the total will be adjusted. In broad terms the hedge is against fluctuations in the value of £ sterling against the US Dollar, the Euro and the Japanese Yen as these currencies represent the largest part of the Fund's exposure to foreign currencies.

Following a further period of disappointing performance of the UK and US investments held in the SSgA Enhanced Indexation equity funds, the Trustee decided to return the entire equity portfolio managed by SSgA into the passively managed tracker funds from the enhanced indexation funds. Thus the UK, US and European funds were transferred in November and are now in the passively tracking pooled funds.

## THE PILKINGTON SUPERANNUATION SCHEME

Whilst there was a fall in the value of the fund in the early part of 2008, there were then several months of almost static value until early summer. The major falls were seen after August 2008 and whilst there was a small positive spike at year end, there was a further fall in early 2009. Given this volatility the Trustee decided to suspend the usual rebalancing practice. Otherwise it would operate automatically when the asset class values moved beyond the ranges set out in the table on page 15. This would have led to bonds being sold to fund purchases of equities. Clearly in a market which was falling this would not have made sense so one-way rebalancing was put in place i.e. in the event that the liability matching assets fall below their benchmark weight, equities would be sold to rebalance but no automatic rebalancing is made in the other direction. This continues to be the Trustee's instruction to the managers and the position is regularly reviewed to ensure that it remains appropriate.

In October 2008, the IC decided that, despite the move from the GSAM blended funds to the fundamental fund which took place on 29 February 2008, performance had not improved and it was decided to terminate the mandate with GSAM and to transfer the funds into the passive tracking US equity fund managed by SSgA. This was completed by 12 November 2008.

During December there was a meeting with representatives of Kinetics/UOB who continue to manage the absolute return equity fund. This fund does not track any index and targets a return of RPI +6% over rolling 5 year periods. It was a very successful investment from the time the fund invested (in 2005) until late 2007 at which point £26m was transferred out from the fund to bring it back to benchmark weighting. In 2008 however like the other equity investments, it has lost considerable value. The Trustee or its IC spoke with Peter Doyle, the Chief Investment Officer, on several occasions in 2008 to challenge the investment philosophy and whether it continues to hold good. Further meetings have taken place since the end of 2008 and at present the Trustee is continuing with its mandate and Watson Wyatt continue to rate UOB/Kinetics as a class 1 manager. The investment will continue to be monitored closely.

Whilst these specific changes have been effected during 2008, the IC and the Trustee Board have undertaken a full review of the existing Investment Strategy and whether this remains appropriate given the situation of the Fund and the global economic conditions. The reduction in value of the Fund has been significant and has shifted focus from generation of cash to pay non-statutory increases to pre 1997 pensions in payment, and more towards the preservation and security of the Fund as a whole.

The overall strategy has been under review since mid 2008 and has been discussed with the Company. It continues to be the primary focus of the Trustee's attention and further movement of assets has been sanctioned by the Trustee Board to further secure the assets. This includes a movement from equities to corporate bonds and a shift in the overall benchmark of the fund from 50% return seeking:50% liability matching to 47.5% return seeking:52.5% liability matching which was implemented in January 2009. Further movement in this direction is being contemplated and may be undertaken during 2009.

# THE PILKINGTON SUPERANNUATION SCHEME

## Relative performance

	2004 %	2005 %	2006 %	2007 %	2008 %	3yrs %	5yrs %
Scheme Annual Return	9.5	17.5	6.9	6.2	-12.6	-0.3	5.0
Benchmark Annual Return	9.8	16.9	6.4	6.9	-9.1	1.1	5.8

## Remuneration of External Investment Managers

The remuneration of SSgA for the passively managed funds is calculated as 0.03% per annum of the total funds.

The remuneration of SSgA in respect of the assets in the enhanced indexation funds was calculated at 0.2% per annum of the value of the funds under management but on return of these funds to passively managed funds the remuneration of SSgA has reverted to 0.03% per annum of these assets.

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. At 31 December 2008 the value of the notional portfolio was £195m.

The remuneration of Nomura was calculated as 0.585% per annum on the first £16m of assets under management, 0.45% per annum on the next £16m and 0.36% per annum on the balance.

The remuneration of UOB is calculated as 0.65% per annum on the assets under management.

The remuneration of GSAM was calculated in part as a base fee of 0.8% of the value of the pooled active currency funds and in addition a performance related fee may be payable. No performance related fee was paid in 2008.

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 calculated as an annual fee of 0.27% per annum on the first £50 million of assets under management, 0.25% p.a. on the next £100 million and 0.20% p.a. on the balance. In addition, an administration charge of no more than 0.10% per annum is payable.

The remuneration of CBREI is calculated as an annual fee of 0.25% on the total mandate size of £70m during 2008. The fees for the first two quarters of 2009 will be 0.25% of total capital committed and thereafter the fees will be 0.25% of the net asset value. In addition a performance related fee may be payable. No such performance related fee was paid in 2008.

# THE PILKINGTON SUPERANNUATION SCHEME

## 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 (previously Investor Fund Services (Ireland) Ltd)
UOB managed fund	Bank of Ireland Securities Services Limited
Nomura managed fund	Brown Brothers Harriman

## 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.

## Analysis of investment management expenses

	£'000
External Investment Managers	
State Street	880
Nomura	470
Goldman Sachs Asset Management	181
CBREI	123
Rogge	167
PIMCO rebate	(67)
UOB rebate	(577)
Contribution from Pilkington Group Ltd towards expenses	(427)
	<hr/>
	750
Custodial Fees	87
	<hr/>
	837
Investment advice	395
Fees on Issue of Derivatives	27
Other expenses	34
Irrecoverable VAT	109
	<hr/>
	1,402
Fees paid by way of deduction from assets in funds	
UOB	1,018
PIMCO	351
	<hr/>
	2,771
	<hr/>

# THE PILKINGTON SUPERANNUATION SCHEME

## Myners Compliance

There are now fewer and more general principles which are drafted to provide greater flexibility to the Trustee whilst continuing to promote higher standards of governance within the administration of pension schemes.

Compliance continues to be optional with a 'comply or explain' approach so the trustees of any scheme can demonstrate consideration of the Principles and decide about whether to comply or not and why their action is appropriate.

The Trustee has considered its position in relation to the new principles and there is now only one aspect in which it does not comply with the Principles. This is as follows:

“Performance Assessment .....Trustees should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members”.

Response: The Trustee assesses its own operation and performance annually and its advisers contribute to this process. The Trustee has decided not to post the results of this self assessment and adviser assessment since it believes this would inhibit frank and open debate about issues and also goes beyond the level of disclosure required by corporate governance.

The Trustee has revisited the issue of whether it ought to make public the results of its annual self assessment but for the reasons stated above believes this would not be advantageous to free discussion.

# THE PILKINGTON SUPERANNUATION SCHEME

## Certification of schedule of contributions

### Pilkington Superannuation Scheme


#### Adequacy of rates of contributions

1. 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 2005 to continue to be met for the period for which the schedule is to be in force.

#### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2007.

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		Date	4 February 2009
Name	Ian Watson	Qualification	Fellow of the Institute of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of employer	Hewlett Associates Limited

# THE PILKINGTON SUPERANNUATION SCHEME

## Pilkington Superannuation Scheme

### Schedule of Contributions for the period commencing 1 January 2009

#### Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the scheme actuary and covers a 5 year period from that date. The scheme's trustee is responsible for preparing a revised schedule no later than 31 March 2010.

#### 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	Period	Amount (% of pensionable salaries) In respect of
Normal	The five year period commencing with the date of certification of this schedule by the scheme actuary.	16.0% - Higher Accrual Members; plus 12.5% - Lower Accrual Members; plus an additional 6.0% of pensionable salaries in respect of PEPS Members.
Additional	The three calendar years 2009, 2010 and 2011.	As necessary in order to bring the above normal contributions in respect of Higher and Lower Accrual Members (i.e. excluding the additional contributions in respect of PEPS Members) up to an annual minimum of 10.5% of pensionable salaries plus £4,000,000.

The participating employers will ensure that the trustee receives the normal contributions within 19 days of the end of the calendar month to which the contributions relate, and receives any additional contributions within two months of the end of the calendar year to which the contributions relate.

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

#### Employee Contributions

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

Period	Amount (% of pensionable salaries)
The five year period commencing with the date of certification of this schedule by the scheme actuary.	8.0% - Higher Accrual Members 5.5% - 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.

# THE PILKINGTON SUPERANNUATION SCHEME

Signed on behalf of the scheme's trustee

Signature: C. Wakefield.

Name: C. WAKEFIELD

Capacity: TRUSTEE DIRECTOR

Date: 02-02-09

Signed on behalf of the employers

Signature: Mark Lyons

Name: MARK LYONS

Capacity: DIRECTOR

Date: 2.2.09



# **THE PILKINGTON SUPERANNUATION SCHEME**

## **FINANCIAL STATEMENTS – YEAR ENDED**

**31 DECEMBER 2008**

### **STATEMENT OF TRUSTEE’S RESPONSIBILITIES**

The financial statements 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:

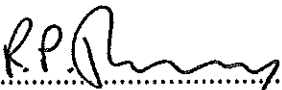

- show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), of the financial transactions of the Scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets 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, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice “Financial Reports of Pension Schemes”.

The Trustee has supervised the preparation of the financial statements and has agreed 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 ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions (other than voluntary 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.

.....  .....   
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

We have examined the Summary of Contributions to the Pilkington Superannuation Scheme for the year ended 31 December 2008, which is set out on the following page.

### **Respective responsibilities of Trustee and Auditors**

The Trustee's responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions are set out in the Statement of Trustee's Responsibilities.

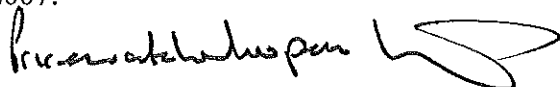
Our responsibility is to provide a statement about contributions to the Scheme in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Scheme's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, 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.

### **Basis of statement about contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that contributions reported in the attached summary have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule of contributions which we consider to be material for this statement and which come to our attention in the course of our work.

### **Statement about contributions to the Scheme**

In our opinion, the contributions payable to the Scheme required by the schedule of contributions during the year ended 31 December 2008 as reported in the Summary of Contributions on the following page have been paid in all material respects in accordance with the schedule of contributions certified by the Actuary on 31 March 2007.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Manchester

16 July 2009

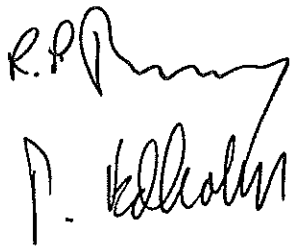
# THE PILKINGTON SUPERANNUATION SCHEME

## Summary of Contributions payable in the year

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

	Employees £'000	Employer £'000
<b>Required by the schedule of contributions</b>		
Normal contributions	3,847	7,992
Special contribution	-	4,000
<b>Total</b>	<u>3,847</u>	<u>11,992</u>
<b>Other contributions payable</b>		
AVCs	496	-
Augmentations of individual members' benefits	-	642
<b>Total (as per Fund Account)</b>	<u>4,343</u>	<u>12,634</u>

Signed on behalf of the Trustee:



7 July 2009

# THE PILKINGTON SUPERANNUATION SCHEME

## **Independent Auditors' report to the Trustee of the Pilkington Superannuation Scheme**

We have audited the financial statements of the Pilkington Superannuation Scheme for the year ended 31 December 2008 which comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the Trustee and Auditors**

The Trustee's responsibilities for obtaining an Annual Report and audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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.

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the other information detailed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# THE PILKINGTON SUPERANNUATION SCHEME

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 December 2008, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- the financial statements 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.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Manchester

16 Jul 2009

## THE PILKINGTON SUPERANNUATION SCHEME

### Fund Account for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Contributions and benefits</b>			
Contributions receivable	3	16,977	20,396
Transfers in	4	124	6
Other income	5	7	9
		17,108	20,411
Benefits payable	6	69,776	78,084
Payments to and on account of leavers	7	851	1,403
		70,627	79,487
<b>Net withdrawals from dealings with members</b>		<b>(53,519)</b>	<b>(59,076)</b>
<b>Returns on investments</b>			
Investment income	9	8,371	11,163
Change in market value of investments	10	(266,521)	65,031
Investment management expenses		(1,402)	(1,400)
		(259,552)	74,794
<b>Net returns on investments</b>		<b>(259,552)</b>	<b>74,794</b>
<b>Net (decrease)/increase in the Scheme during the year</b>		<b>(313,071)</b>	<b>15,718</b>
<b>Net assets of the Scheme brought forward</b>		<b>1,348,366</b>	<b>1,332,648</b>
<b>Net assets of the Scheme carried forward</b>		<b>1,035,295</b>	<b>1,348,366</b>

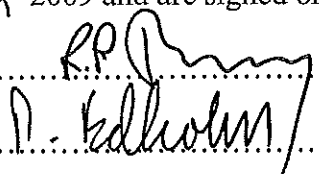
# THE PILKINGTON SUPERANNUATION SCHEME

## Net assets statement as at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Investment assets</b>	10	1,114,585	1,362,980
<b>Investment liabilities</b>	10	(77,881)	(13,847)
		1,036,704	1,349,133
<b>Current assets</b>	11	1,223	2,450
<b>Current liabilities</b>	12	(2,632)	(3,217)
<b>Net assets of the Scheme carried forward</b>		1,035,295	1,348,366

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 account of such obligations, is dealt with in the section on the Actuarial Valuation on pages 7 to 9 and the statement by the Actuary on page 22 of the annual report and these financial statements should be read in conjunction with that statement.

The financial statements on pages 30 to 41  
were approved by the Trustee on  
7 July 2009 and are signed on their behalf by:

.....  
  
 .....

Directors of Pilkington Brothers  
Superannuation Trustee Limited

## Notes to the financial statements 31 December 2008

### 1 Basis of preparation

The Financial Statements 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" (as 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 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 financial statements 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.

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



## THE PILKINGTON SUPERANNUATION SCHEME

### (b) **Income from Investments**

- (i) Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.
- (ii) Income from UK equities and overseas securities and 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.

### (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 11). Augmentations and special contributions are accounted for in accordance with the agreement made by the Principal Employer under which they are being paid.

### (e) **Investment management expenses**

Investment management expenses are accounted for on an accruals basis.

### (f) **Transfer values**

Transfer values represent the capital sums either received in respect of newly-joined members from the pension schemes of their previous employers or paid to the pension schemes of new employers for members who have left service.

Transfers to and 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.

### (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.

## THE PILKINGTON SUPERANNUATION SCHEME

### 3 Contributions receivable

	2008 £'000	2007 £'000
<b>From employers</b>		
Normal	7,992	7,630
Augmentations	642	4,566
Other	4,000	4,000
	12,634	16,196
<b>From members</b>		
Normal	3,847	3,697
Additional Voluntary Contributions		
- added years	423	435
- money purchase	73	68
	4,343	4,200
<b>Total contributions</b>	16,977	20,396

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

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

The other contributions of £4m relate to payments made according to the agreement reached with NSG Group at the time of the takeover of Pilkington plc.

### 4 Transfers in

	2008 £'000	2007 £'000
Individual transfers in from other schemes	124	6
	124	6

### 5 Other income

	2008 £'000	2007 £'000
Claims on term insurance policies	7	9
	7	9

## THE PILKINGTON SUPERANNUATION SCHEME

### 6 Benefits payable

	2008 £'000	2007 £'000
Pensions payable	63,420	62,839
Payments on retirement of members - commutations	5,143	13,984
Payments on death of members - lump sums	1,213	1,261
	69,776	78,084

### 7 Payments to and on account of leavers

	2008 £'000	2007 £'000
Refunds to members	7	8
State scheme payments	6	5
Individual transfers to other schemes	838	1,390
	851	1,403

### 8 Administrative expenses

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

### 9 Investment Income

	2008 £'000	2007 £'000
Dividends receivable from equities	3,058	2,132
Income from fixed interest securities	4,342	7,002
Income from index-linked securities	293	735
Interest receivable on cash deposits	617	1,427
Distributions from pooled investment vehicles	200	-
	8,510	11,296
Non-recoverable overseas tax	(139)	(133)
	8,371	11,163

## THE PILKINGTON SUPERANNUATION SCHEME

### 10 Investments

	Market value at 1 Jan 2008 (restated)	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	Market Value at 31 Dec 2008
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	77,550	57,646	(62,151)	2,863	75,908
Equities	125,763	41,452	(38,679)	(29,387)	99,149
Index linked securities	3,250	3,423	(917)	(99)	5,657
Pooled investment vehicles - managed and unitised funds	1,122,005	628,212	(728,810)	(120,720)	900,687
Derivatives	(8,617)	229,901	(161,777)	(115,791)	(56,284)
AVC investments	791	73	(30)	(95)	739
	<u>1,320,742</u>	<u>960,707</u>	<u>(992,364)</u>	<u>(263,229)</u>	<u>1,025,856</u>
Cash deposits	25,833			(3,292)	9,560
Investment creditor	(1,662)			-	(755)
Investment debtor	2,530			-	63
Accrued investment income	1,690			-	1,980
	<u>1,349,133</u>			<u>(266,521)</u>	<u>1,036,704</u>

The preceding figures comprise:

	2008 £'000	2007 £'000
Fixed interest securities	75,908	77,550
Equities	99,149	125,763
Index linked securities	5,657	3,250
Pooled investment vehicles	900,687	1,122,005
Derivatives – assets	20,842	3,568
AVC investments	739	791
Cash deposits	9,560	25,833
Investment debtor	63	2,530
Accrued investment income	1,980	1,690
Investment assets	<u>1,114,585</u>	<u>1,362,980</u>
Investment creditor	(755)	(1,662)
Derivatives - liabilities	(77,126)	(12,185)
Investment liabilities	<u>(77,881)</u>	<u>(13,847)</u>
Total market value of investments	<u>1,036,704</u>	<u>1,349,133</u>

## THE PILKINGTON SUPERANNUATION SCHEME

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. Transactions costs incurred during the year amounted to £172,000 (2007: £163,000). 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.

	2008	2007
	£'000	£'000
<b>Fixed Interest Securities (held directly by the Scheme)</b>		
UK quoted	19,127	18,682
Overseas quoted	50,323	44,444
UK government	894	5,731
Overseas government	5,564	8,693
	75,908	77,550

	2008	2007
	£'000	£'000
<b>Equities (held directly by the Scheme)</b>		
UK quoted	16	-
UK unquoted	-	59
Overseas quoted	99,133	125,704
	99,149	125,763

	2008	2007
	£'000	£'000
<b>Index Linked Securities (held directly by the Scheme)</b>		
UK quoted	3,828	2,355
Overseas quoted	1,829	895
	5,657	3,250

## THE PILKINGTON SUPERANNUATION SCHEME

	2008	2007
	£'000	£'000
<b>Pooled investment vehicles</b>		
<b>- Managed and unitised funds - other</b>		
GSAM managed - Class A USD Institutional	-	13,561
GSAM managed - GTAA Currency Strategy Fund	-	13,514
UOB managed – UOB Kinetics Paradigm Fund	47,036	82,580
Nomura managed - India Equity Fund – Class A	5,122	9,386
SSgA managed – UK Equity Index (2007 Enhanced Index)	145,108	187,043
SSgA managed – North American Index (2007 Enhanced Index)	90,340	65,678
SSgA managed – Europe ex UK Equity (2007 Enhanced Index)	112,323	138,772
SSgA managed – >5 year Index Linked	165,794	205,345
SSgA managed – >15 year Gilts	136,071	253,432
SSgA managed – >15 year Corporate Bonds	51,930	68,776
SSgA managed – Sterling Corporate Bonds All Stocks	58,327	-
PIMCO managed - UK Corporate Bond Fund Institutional	76,878	83,918
Accumulation		
Pooled Property Funds	11,758	-
	900,687	1,122,005

All pooled investment vehicle managers are registered in the UK with the exception of UOB, which is registered in the Republic of Ireland.

<b>Derivatives</b>	2008	2007
	£'000	£'000
UK government derivatives	319	-
Overseas government derivatives	(1,498)	23
GSAM S&P 500 Futures	-	(467)
Derivatives excluding forward foreign exchange contracts	(1,179)	(444)
<b>Forward foreign exchange contracts</b>		
Contracts entered into for the purpose of hedging		
-assets	16,569	2,518
-liabilities	(69,447)	(10,723)
Contracts entered into for tactical purposes		
-assets	3,954	1,027
-liabilities	(6,181)	(995)
Forward foreign exchange contracts	(55,105)	(8,173)
Total Derivatives	(56,284)	(8,617)

### Derivatives excluding forward foreign exchange contracts

Type of derivative	Expiration	Economic exposure	Market Value
		£'000	£'000
Overseas government bonds exchange traded futures	Less than 1 year	84,460	(1,498)
UK government bonds exchange traded futures	Less than 1 year	6,791	319
		91,251	(1,179)

## THE PILKINGTON SUPERANNUATION SCHEME

All the above investments in derivatives are in order 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.

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £203million of US dollars, Euro and yen (representing approximately 60% of the Scheme's total exposure to assets denominated in currencies other than sterling) is hedged back to sterling. All contracts are due to expire within 6 months.

### Currency Forward Contracts

#### Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought		Currency Sold		2008 Asset £'000	2008 Liability £'000	2007 Asset £'000	2007 Liability £'000
4	EUR	46,644	GBP	39,053	6,042		2,105	
5	USD	99,068	GBP	62,515	6,390			(925)
3	JPY	3,735,655	GBP	24,525	4,137		413	
5	GBP	99,951	EUR	115,199		(21,090)		(6,809)
9	GBP	135,570	USD	239,746		(31,181)		(1,187)
1	GBP	40,688	JPY	7,541,555		(17,176)		(1,802)
					16,569	(69,447)	2,518	(10,723)

In accordance with their individual mandates, one of the Scheme's investment managers has entered into forward currency contracts during the year for tactical purposes. At 31 December 2008 there were 76 such contracts open in 18 currencies, all expiring within 6 months. Unrealised gains on these contracts amounted to £3,954,000 (2007 £1,027,000) with unrealised losses of £6,181,000 (2007 £795,000).

### 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:

	2008 £'000	2007 £'000
Equitable Life Assurance Society	291	333
Prudential	448	458
	739	791

## THE PILKINGTON SUPERANNUATION SCHEME

	2008	2007
<b>Cash deposits</b>	<b>£'000</b>	<b>£'000</b>
Sterling	894	2,512
Foreign currency	5,911	21,936
Sterling Term Deposits	<u>2,755</u>	<u>1,385</u>
	<u><b>9,560</b></u>	<u><b>25,833</b></u>

### Investment Debtor and Creditor

The investment debtor and creditor represent the amount due to settle outstanding investment purchases and sales after the year end.

### 11 Current assets

	2008	2007
	<b>£'000</b>	<b>£'000</b>
Due from participating companies :-		
Contributions - Normal Employee	293	328
Contributions – Normal Employer	552	615
Contributions – Augmentations	64	1,178
Other	<u>11</u>	<u>25</u>
	920	2,146
Bank balance	138	18
Other debtors	<u>165</u>	<u>286</u>
	<u><b>1,223</b></u>	<u><b>2,450</b></u>

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

### 12 Current liabilities

	2008	2007
<b>Current liabilities</b>	<b>£'000</b>	<b>£'000</b>
Unpaid benefits	1,693	2,048
Due to participating companies	253	5
Investment management expenses	535	979
Other	<u>151</u>	<u>185</u>
	<u><b>2,632</b></u>	<u><b>3,217</b></u>

### 13 Self-investment

There was no direct employer-related investment during the year although certain of the pooled funds may hold NSG shares.



# THE PILKINGTON SUPERANNUATION SCHEME

## 14 Concentration of investments

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

	2008	2007
SSgA managed – >15 year Gilts	13.1%	18.8%
SSgA managed – >5 year Index Linked	16.0%	15.2%
SSgA managed – UK Equity Index (2007 Enhanced Index)	14.0%	13.9%
SSgA managed – Europe ex UK Equity (2007 Enhanced Index)	10.8%	10.3%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	7.4%	6.2%
UOB managed – UOB Kinetics Paradigm Fund	4.5%	6.1%
SSgA managed – 15 year Corporate Bonds	5.0%	5.1%
SSgA managed – Sterling Corporate Bonds	5.6%	-
SSgA managed – North America Index (2007 Enhanced Index)	8.7%	4.9%

## 15 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 £13,205 (2007 £28,126), and the amount owed to Pilkington Group Limited at 31 December 2008 for expenses not yet recharged was £2,219 (2007 £944).

## 16 Contingent liabilities

Other than the liability to pay future pensions, there were no material contingent liabilities of the Scheme at 31 December 2008 or at 31 December 2007.

