THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2012

THE PILKINGTON SUPERANNUATION SCHEME

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I Trustee and Advisers

Trustee Company Pilkington Brothers Superannuation Trustee Limited

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

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

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

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

At 31 December 2012 the Allied Companies with employees contributing to the Scheme were:-

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

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

Directors of the Trustee (as at 31 December 2012):

Employer Directors

A.M. Robb (Chairman) 2
S.M. Gange*1
R.E.K. Greenfield 2
R.P. Hemingway* 1
T.R.J. Izzett*
B.J. Kay ^ 2
Miss A.M. Kelleher ^
J. McKenna* 1
G. Nightingale* 1,2
D. Pinder
The Law Debenture Pension Trust Corporation plc 2

Member Nominated Directors

Employee Directors
D.P. Gilchrist 2
G. Ingle
S.W.J. Jones
G.N. Luck
Mrs. J. Mafi
K.W. McKenna 1,2

Pensioner Directors
S.J. Beesley* 1
D. Corf* 1

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 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 Audit 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 Member Nominated) 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, Employee Directors and Pensioner Directors. The Employee Directors are elected by the Scheme's contributory membership and the Pensioner Directors by the Scheme's pensioners. Employer Directors are elected by the existing Employer Directors and there are no provisions for removal.

Changes to the Board

At 31 December 2012 there was one vacancy for an Employer Director and four vacancies for Employee Directors.

Mr Keith Greenfield was appointed as an Employer Director during 2012.

The current Chairman of Trustees, Mr. Andrew Robb, is to retire from the Chair and the Board of the Trustee Company at 31 December 2013. Mr. Keith Greenfield, who joined the Board during 2012, will be proposed as his successor. The appointment of the Chairman of the Board will be made by the Trustee Board.

In 2010 it was decided that the overall size of the Board would be reduced from 24 to 14 members from 1 July 2013. Elections are due to be held for the Member Nominated Directors (both Employee and Pensioner) and several Employer Directors will retire before 30 June 2013 to maintain the appropriate numbers of Board members.

Consulting Actuaries	Aon Hewitt Limited
Appointed Actuary	J. Curtis FIA of Aon Hewitt Limited
Investment Consultant	Towers Watson Limited
Investment Managers	State Street Global Advisors Limited UOB Global Capital (Dublin) Limited (until 12 April 2012) Rogge Global Partners plc PIMCO Global Advisors (Ireland) Limited CBRE Global Collective Investors UK Limited Legal & General Assurance (Pensions Management) Limited Henderson Global Investors Limited JP Morgan Alternative Asset Management Inc Nephila Capital Limited Insight Investment Management (Global) Limited
Investment Advisers	J. Gibbon H. Smart
Financial Adviser	Gazelle Corporate Finance Limited
Legal Advisers	Hogan Lovells International LLP
Auditors	PricewaterhouseCoopers LLP

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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
Pensions.Administration@nsg.com

Board and Sub-Committee Activity

The Trustee Board met six times during 2012. A record is kept of the attendance of Directors at Board meetings.

During the year the main focuses of attention for the Board were the successful implementation of the longevity insurance and the establishment of the necessary monitoring procedures; the satisfactory conclusion of the benefit audit; the monitoring and supervision of investments and particularly the hedging programme; the revision of the Statement of Investment Principles; keeping up to date with the progress of the 2011 valuation and strengthening and updating the Scheme's Governance and Business Continuity procedures.

One of the most important duties of the Board is to monitor the strength of the Company's covenant (i.e. the ability of the Company to meet its obligations to the Scheme) and its trading and financial position, since the well-being of the Scheme is reliant on that of the Company. Representatives of the Company's management gave a presentation to the Board in January 2012 of the results for the half-year to September 2011. Subsequently presentations were given of the full year 2012 results to the Board in May and of the half-year to September 2012 to the December Trustee Board meeting. This practice will continue and is valued by the Board in maintaining up to date knowledge of the Company's position.

The Audit Committee met five times in 2012 to consider the Annual Report and the Accounts together with the reports from PricewaterhouseCoopers ('PwC') the external auditors and the report from Group Internal Audit. The Audit Committee reviewed the audit plan for 2013 together with the Risk Review Profile and monitored the implementation of a Business Continuity Plan for the Pensions Department.

The Investment Committee of the Board met on five occasions during the year to review and monitor investment performance and to consider and implement certain aspects of the investment strategy for the Scheme's funds. In addition there were two full days devoted to meeting the fund managers responsible for the Scheme's investments and these were open to the whole Board.

In order to undertake the triennial valuation as at 31 December 2011, the Board established a Valuation Committee in 2011 to meet with the Company representatives and to negotiate with the Company to reach an agreed position conditional upon final approval by the full Trustee Board. This Committee met with the Trustee's advisers (the Scheme Actuary, the Investment Consultants, the Legal

Advisers and the Financial Advisers who assess the strength of the Company's covenant) on numerous occasions during 2012. The Committee and its advisers also met with the Company and its advisers on several occasions as the parties negotiated about the Valuation, the Statement of Funding Principles, the Recovery Plan, the Schedule of Contributions, an updated information protocol, a Memorandum of Understanding concerning longer term objectives and derisking plans and ancillary documents.

The Trustee Board's Ill Health Committee met on three occasions in 2012. The Death Benefits Committee did not meet during 2012 as it was not required.

The Trustee has a training programme for the Trustee Directors which involves training sessions being given by the Trustee's professional advisers before the Board meetings. The sessions in 2012 covered:-

- Investment Strategy
- Legal Update / Trust Deed and Rules
- Actuarial Update
- Data Protection
- Pensions Administration

It is envisaged that trustee training will follow a similar pattern in 2013 and all Trustee Directors are encouraged to participate in the Pensions Regulator's e-learning facility.

II Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2011	1,756	3,095	8,400	3,037
Adjustments			-12	
	1,756	3,095	8,388	3,037
New beneficiaries (divorce case)			1	
Deaths	-3	-6	-307	-203
Retirements/New Dependents	-83	-79	162	167
Transfers out/Refunds		-12		-3
Members leaving pensionable service prior to retirement	-125	125		
31 December 2012	1,545	3,123	8,244	2,998

Total membership = 15,910

III Deeds Executed During 2012 and Articles of Association

There were seven Deeds executed during 2012.

An amending Deed was executed in order to remedy an anomaly in the EPS section of the Scheme which occurred at the time that the Higher and Lower Accrual rates were introduced. This amendment applies to Lower Rate Accrual Members of the Executive section of the PSS (of whom there have not hitherto been any).

An Amending Deed was executed in order to provide for flexible apportionment arrangements to be entered into where this is considered appropriate and there is compliance with the applicable regulations. Flexible apportionment arrangements (and scheme apportionment arrangements) enable the debt that arises when a participating employer ceases to employ active members to be apportioned to another employer and deferred rather than being paid by the ceasing employer.

A further Deed made a slight amendment to the scheme apportionment arrangement that was entered into in 2011 in relation to Ruskin Leisure Limited.

Two Deeds were entered into in relation to Pilkington Special Glass Limited, one to revoke a scheme apportionment entered into in 2011 (the anticipated scheme cessation event not having occurred when expected) and the other to enter into a flexible apportionment agreement instead.

A further Amending Deed clarified the Rules regarding (a) the treatment of the spouse of a Paid-up Pensioner dying before his pension commences and (b) the basis on which five year guarantee payments are payable under Rule 39 on the death of a pensioner within five years of starting a pension..

In August 2012 following completion of a benefit audit there were a small number of issues requiring clarification. These had arisen where the Rules had been interpreted in one way whereas there may have been another possible interpretation. In all cases the Rules had been interpreted and operated in the manner most favourable to the member. The Amending Deed amended and clarified the Rules so that they now accord with the way in which they have been interpreted in practice, this being deemed appropriate and proper by the Trustee's advisers. The Company agreed to these amendments and clarifications.

No amendment was made to the Trustee's Articles of Association in 2012. However, an exercise is currently underway to bring the Articles up to date and to reflect the reduction in size of the Trustee Board which it was agreed in 2010 would take effect from July 2013.

IV Scheme Funding Position

Valuation of the Scheme as at 31 December 2008

This Valuation of the Scheme, completed early in 2010 disclosed technical provisions of £1,320m without any allowance for non-statutory increases to pensions in payment. The value attributed to the Scheme's assets at the same date was £1,035m resulting in a deficit of £285m and a funding level of 78% as at the Valuation date.

A recovery plan was agreed at the time together with a new Schedule of Contributions. The recovery plan requires annual deficit repair contributions of £23m p.a. in the period from 2012 to 2018. These were signed by the Trustee and Company on 1 March 2010 with effect from that date. The Schedule of Contributions remains in effect until a new schedule is signed as part of the 2011 Valuation. Deficit funding contributions made in accordance with the 2010 Schedule of Contributions are now in excess of £125m since the signature date.

Under the terms of the Trust Deed there is no right of access to any surplus for the Company or any other employer.

The Scheme Actuary has certified the adequacy of these contributions and a copy of that certificate and the Schedule of Contributions are at pages 20 to 22.

The Scheme Actuary is also required by law to calculate the solvency position of the Scheme as if the Scheme were to be discontinued at the Valuation date and the participating companies ceased to pay contributions from that date. This calculation assumes member benefits are crystallized and, for active members, are based on their pensionable service and pensionable salaries at the Valuation date, non-statutory increases and discretionary benefits are suspended permanently and the assets are used to buy immediate and deferred annuities from an insurance company and to meet the expenses incurred in winding up the Scheme. The shortfall of assets relative to the estimated solvency cost as at 31 December 2008 on this basis was calculated to be £478m which corresponds to an estimated solvency ratio of 68%.

2011 Valuation

A formal valuation of the Scheme was due as at 31 December 2011. Work has been continuing on this since early 2012. The Trustee appointed a Valuation Committee in 2011 which has met both with the Trustee's advisers and with the Company and its advisers on many occasions throughout 2012 and into 2013. The Trustee's overriding concern has been the security of members' benefits under the Scheme and the Scheme's ability to meet existing obligations into the future. The Company and the Trustee therefore share the desire to reduce risk in the Scheme. Although the Trustee remains aware of the impact that this policy will inevitably continue to have on the scope for non-statutory increases to be awarded, in the current circumstances and with the recent history of the Scheme's funding position the Trustee's paramount concern is to maintain its ability to meet members' accrued benefits and to reduce the reliance of the Scheme on the sponsoring employer.

To this end, and as part of the Valuation negotiations, the Trustee and the Company are expected to agree an overall plan to eliminate any deficit on a technical provisions basis within 10 years and to de-risk over the coming 10-15 years to a point where reliance on the sponsoring employer would be minimal.

The value of the Scheme assets at 31 December 2011 was £1,312m. The value of the liabilities at 31 December 2011 was £1,638m on the technical provisions basis expected to be agreed by the Trustee and the Company. Thus there was a deficit at that time on an ongoing basis of £326m. This is a disappointing outcome given that the investment performance of the Scheme's assets has been generally good and at the 2010 review the deficit was less than £100m and the funding level was estimated to be 96%. The single most influential factor in the deterioration of the funding position to the 2011 Valuation date has been the substantial reduction in gilt yields, to a significant degree as a result of the Bank of England's Quantitative Easing programme, which has had a major impact on the present value of the liabilities.

The Company is seeking to agree changes to the definition of pensionable pay (so that it is in effect frozen) with the active members of the Scheme under their contracts of employment. In the event that the Company can produce evidence to the Trustee that this change has been successfully implemented before the valuation is finalised then the Trustee will allow credit for this in the Valuation with consequential impact on the Recovery Plan. A conservative estimate of the impact of the proposed change on past service liabilities is £37m. Taking this into account will reduce the deficit from £326m to £289m.

It is correct to say that there has been some recovery in the position up to the end of 2012 but this cannot be taken into account in the Valuation as at 31 December 2011. It has, however, enabled the Trustee to make further de-risking moves supported by the Company during 2012.

A new Recovery Plan and Schedule of Contributions is expected to be agreed shortly but until such time as this happens the documents from the 2008 Valuation (together with the Scheme Actuary's Certificate of Adequacy of the Contributions) continue in force and are enclosed on pages 20 to 22.

The solvency position (i.e. the position in the worst case situation where the Company can no longer provide contributions) at 31 December 2011 is estimated to be a deficit of £698m. This means a funding ratio of 65% on this basis. This position has also improved since the Valuation date but it serves to demonstrate quite how far the Scheme currently rests from its ultimate aim of self sufficiency and no further reliance on the Company.

V Increases in pensions

During 2012 statutory increases in payment were awarded to pension accrued after 5 April 1997. Pension in respect of service from 6 April 1997 to 30 April 2005 received an increase of 2.7%. Pension in respect of service from 1 May 2005 received a capped increase of 2.5% with pensions which had commenced in payment since 30 June 2011 receiving pro-rata increases.

These increases were based on the increase in the Consumer Prices Index ('CPI') over the year to March 2012. The Trustee advised members early in 2012 that following new legislation (the Pensions Act 2011) the index by reference to which statutory increases to pensions in payment will be calculated had changed from the Retail Prices Index to the Consumer Prices Index. The previous caps of 5% and 2.5% depending upon when the pension accrued continue to apply as before.

There was a statutory increase of 3% to post 5 April 1988 guaranteed minimum pensions ('GMPs') in accordance with the Guaranteed Minimum Pension Increase Order 2012.

Apart from post-5 April 1988 GMPs, pensions in payment which accrued before 6 April 1997 are awarded a non-statutory increase under the provisions of the Trust Deed only where "in the opinion of the Actuary the financial state of the Scheme so permits ...." Throughout 2012 the Scheme remained in deficit and the Scheme Actuary advised that in her opinion the financial state of the Scheme did not permit an increase in 2012.

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 2012, this is by reference to the increase in the RPI up to September 2009 and in the CPI thereafter over the number of complete years in deferment, subject to a maximum. The maximum is 5% per annum over the entire revaluation period in the case of pension accrued up to 5 April 2009 and 2.5% in the case of pension accrued after 5 April 2009.

VI Transfer Payments

Transfer payments made to other occupational schemes, qualifying registered overseas pension schemes, deferred annuity policies or personal pension contracts on behalf of members withdrawing from the Scheme during 2012 were calculated in accordance with factors set by the Trustee on the advice of the Actuary as being consistent with the requirements of Section 97 of the Pension Schemes Act 1993. The basis was amended in early 2011 to allow for revaluations to be linked to long-term assumptions for CPI rather than those for RPI. The factors used since 1 July 2003 do not include an allowance for discretionary pension increases in payment. Inasmuch as pension increases on benefit accrued before 6 April 1997 are subject to the Actuary certifying the Scheme has an adequacy of resources, this constitutes a discretionary benefit.

VII Pensions Act Compliance and Governance

A copy of the Actuarial Certificate dated 1 March 2010 confirming the adequacy of the contribution rates is included at page 20.

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

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

As reported in prior years, Gazelle Corporate Finance Limited ('Gazelle') continue to monitor the strength of the employer covenant and to report on this to the Trustee Board. Gazelle has carried out a substantial amount of work for the Trustee in 2012 both in connection with the Valuation, the ongoing monitoring of the sponsoring employer's half and full year results and the impact of reorganisations within the corporate structure of NSG Group and NSG UK Enterprises Ltd, the ultimate holding company and the direct holding company respectively of the principal employer.

The Trustee has produced a Statement of Investment Principles ('SIP') as required by Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee reviewed its SIP during the year and consulted with the Company in relation to the various changes made. The SIP in force at year end was approved by the Trustee Board in December 2012. 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.

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

With a large proportion of the Scheme (approximately 67%) being in pooled funds and the segregated portfolios limited to investment in bonds, the ability of the Trustee to influence the investment managers about socially responsible investment and related matters is limited.

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

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

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

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

A full pensioner existence check has always been carried out at the time of each formal valuation with additional interim checks carried out where necessary. Such an exercise was carried out in 2012 and revealed no payments being made to deceased pensioners. From 2012 onwards such existence checks on UK pensioners will be undertaken annually and the exercise for overseas pensioners will take place every 18 months.

Following the exercise to remedy certain incorrect GMP-related calculations there was an audit of the processes and practices within the Group Pensions Department. This is mentioned above in relation to Amendments to the Trust Deed. The audit disclosed relatively few issues which were themselves each quite minor. The Amending Deed clarified the position but did mean that there had been several amending deeds since the 2004 consolidation and the Trustee decided that a new updated consolidated deed is required. Work on this has been ongoing since mid 2012 involving a committee of the Trustee, the Trustee's legal and actuarial advisers and the management from Group Pensions Department. It is expected that this will be completed during the first half of 2013.

VIII <u>Investment Management</u>

As at 31 December 2012 the Scheme's investments were managed as follows:-

i) UK equities (except venture capital/private equity – see below); US equities; European (ex UK) equities and Sterling Corporate Bonds by State Street Global Advisors Limited ('SSgA') on a passive basis.
ii) Japanese, Asia Pacific (ex Japan) and Emerging Market Equities, by Legal & General Assurance (Pensions Management) Limited ('L&G') on a passive basis.

iii) Global bonds together with derivative contracts by Rogge Global Partners plc ('Rogge') and PIMCO Global Advisors (Ireland) Limited ('PIMCO') on an active basis.
iv) Long dated sterling corporate bonds by Henderson Global Investors Limited ('Henderson') on an active basis.
v) Strategic currency hedging by SSgA on a passive basis.
vi) European property via property funds by CBRE Global Collective Investors UK Limited ('CBRE') on an active basis.
vii) A Fund of Hedge Funds via a pooled fund by JP Morgan Alternative Asset Management Inc ('JPMAAM') on an active basis.
viii) Reinsurance via a pooled fund by Nephila Capital Limited ('Nephila') on an active basis.
ix) Fixed Interest and Index Linked Gilts and Network Rail bonds and a Liability Driven Investment portfolio by Insight Investment Management (Global) Limited ('Insight') on a passive basis.

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

Towers Watson Limited is the investment consultant of the Trustee.

As part of the agreement with the Company on the Recovery Plan following the 2008 valuation, the Trustee agreed to reduce the Scheme's exposure to return seeking assets from around 50% of assets in 2009 to 30% of assets, the balance being invested in bonds. This change was to be implemented in stages as the funding position of the Scheme improved.

At the beginning of 2012 the Scheme benchmark was 34% return seeking and 66% liability matching investments. Market movements took the actual allocation to 70% liability matching and 30% return seeking during 2012 and the benchmark was updated to reflect this in December 2012. The Scheme was within the permitted deviation from the benchmark weightings at 31 December 2012.

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

Equities

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

Global absolute return equities

The Trustee decided to end the mandate of UOB Global Capital (Dublin) Limited ('UOB') during 2012 and the assets were transferred to the SSgA North America passive equity fund on 12 April 2012.

Bonds

The sterling corporate bonds managed by SSgA are in passive index tracking funds with a target return equivalent to the relevant indices (before fees). The index-linked gilts and Network Rail bonds previously managed by SSgA are now managed by Insight.

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

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

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

Liability Driven Investment

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

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

Property

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

Fund of Hedge Funds

The investment in the Fund of Hedge Funds managed by JPMAAM is in a pooled vehicle and targets a return of 3 months US Treasury Bills plus 5-7% pa over a market cycle.

Reinsurance

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

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

Longevity swap

The Trustee entered into a longevity insurance contract with Legal & General Assurance Society Limited to cover the majority of pensioners at the end of 2011. The arrangement covers approximately 11,500 pensions and liabilities to a value of approximately £800m on the Scheme's technical provisions basis. It protects the Scheme from the financial risk of pensioners living much longer than expected and is intended to reduce the overall level of risk of the Scheme.

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

General

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

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

The Scheme bears the cost of purchasing and realising assets within the portfolio. The total cost of investment manager and custodial fees charged to the Scheme in 2012 was £3,187,000 (2011: £3,202,000). This figure includes the payments for the past year to the investment managers, which are largely calculated on the value of funds under management for the Trustee. The figure also includes the fees for custodial services from JP Morgan Chase Bank. A contribution towards administration costs is paid by the Company.

The review of investment performance in 2012 is set out on page 16.

IX <u>Additional Voluntary Contributions</u>

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2012:-

- 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 2012 the number of contributors to each of the AVC options was:-

- Additional service 68
- Prudential with profits and deposit 2
- Prudential unit linked 9

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.

X Scheme developments

This table records the movements in various key Scheme values in the period from 2008-2012, to illustrate the Scheme's development.

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Contributions and benefits					
Deficit contributions	**23,000**	40,000	55,321	4,679	-
Other Contributions receivable	**19,063**	15,462	18,806	28,016	16,977
Transfers in	**-**	-	-	34	124
	42,063	55,462	74,127	32,729	17,101
Benefits payable	**78,431**	70,702	77,347	90,457	69,769
Payments to and on account of leavers	**1,237**	1,155	564	591	851
	79,668	71,857	77,911	91,048	70,620
Net withdrawals from dealings with members	**(37,605)**	(16,395)	(3,784)	(58,319)	(53,519)
Returns on investments					
Investment income*	**24,377**	20,640	14,973	7,956	8,371
Change in market value of investments	**127,536**	44,195	108,353	166,081	(265,122)
Investment management expenses	**(3,187)**	(3,202)	(1,925)	(1,966)	(2,771)
Net returns on investments	**148,726**	61,633	121,401	172,071	(259,552)
Net change in the Scheme value during the year	**111,121**	45,238	117,617	113,752	(313,071)
Net assets of the Scheme brought forward	**1,311,902**	1,266,664	1,149,047	1,035,295	1,348,366
Net assets of the Scheme carried forward	**1,423,023**	1,311,902	1,266,664	1,149,047	1,035,295

* No income is received from those funds invested in the managed funds held with SSgA, UOB, Goldman Sachs Asset Management International, PIMCO, L&G, Nephila or JPMAAM. Investment returns from these funds are included in the change in market value of these funds.

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Investment Report

I Strategy Update

The Statement of Investment Principles ('SIP') sets out the asset allocation of the Scheme. The allocation as at 31st December 2012 is set out at page 19. At the end of 2012 the asset allocation was within the ranges permitted by the SIP.

Since the end of 2012, the Board has agreed to alter the asset allocation, reducing exposure to corporate bonds by moving a proportion of the UK (over 15 year) corporate bonds into gilts and swaps. The intention is that the overall liability interest rate hedge would be maintained at the current level. A total amount equivalent to £140m is being moved, £100m from Henderson and £40m from SSgA and this will be managed by Insight as part of the liability driven investment portfolio. The Trustee's concern was the concentration of the Scheme's assets in this one asset class. Whilst the returns have been positive in recent times, the possibility of stable or increasing interest rates and the prospect of the narrow premium over gilts widening again prompted the Trustee to take action to reduce the overall exposure to this class.

The SIP has been revised to reflect this move and the ranges within which the different asset classes must remain have also been altered. The revised SIP is being reviewed by the Trustee at its March Board meeting and subject to approval will be sent to the Company for consultation.

Performance overall in 2012 was positive at 9.4% at total Scheme level. The benchmark for 2012 was 9.3% so the Scheme outperformed the benchmark by 0.1%. The value of the Scheme assets at 31 December 2012 was £1,423m against £1,312m the previous year. Within these amounts are the cash withdrawals to pay benefits, monthly contributions and deficit repair contributions received from the Company.

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

	Scheme	**Benchmark**	**Difference**
	%	%	%
3 year annualised	9.0	9.2	(0.2)
5 year annualised	5.6	6.3	(0.7)

2012 saw a year in which there was more of a monitoring role for the Investment Committee after a busy year in 2011. Having said that, the Investment Committee decided to terminate the mandate of UOB early in 2012. The funds, which had been in a Global Absolute Return pooled fund, were liquidated during March/April 2012 and transferred to the SSgA North America passive equity fund.

Whilst the Committee monitored the hedging triggers, due to adverse market movements, no further triggers were met during much of 2012 in order to increase the hedged ratio. The question, whether the level of the triggers initially set remained appropriate, was regularly reviewed by the Committee and until late in the year the initial position was maintained. After consultation with the Company the hedged ratio was increased in November by the purchase of a further £100m of index-linked gilts with a positive real yield expected.

A decision, again with the support of the Company, was taken in December to increase the overall hedging ratio to 60% of the liabilities (from around 45% as at 30 June 2012, prior to the additional purchase of £100m of index-linked gilts). This was implemented through the additional purchase of interest rate swaps within the liability driven investment portfolio, managed by Insight.

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

In addition the full membership of the Board has the opportunity to meet the managers each year and did so in 2012. At these meetings which take place over two days, the Board has the chance to question them about past performance, strategy and changes to their organisation or investment philosophy or practice. These meetings are well attended by the Directors and do assist in maintaining the knowledge of the Board about the features of the different investments and in maintaining the relationships between the Board and its fund managers.

II Remuneration of Investment Managers

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

The remuneration of SSgA in respect of the currency hedging is calculated as 0.03% per annum of the notional portfolio net asset value from time to time with a minimum annual fee of £50,000. At 31 December 2012 the value of the notional portfolio was £153m.

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

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

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

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

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

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

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

The remuneration of PIMCO Europe Limited is a performance related fee arrangement of 0.15% pa basic fee +15% performance fee (above index + basic fee) on a 3 year rolling basis with a cap of 0.26% pa on the overall fee for three years starting 30 June 2009 and ending 30 June 2012 and capped at 0.50% pa thereafter. Administrative costs are payable in addition and are capped at 0.1%.

The remuneration of Henderson is calculated as a base fee of 0.14% pa together with a performance fee calculated at 13.5% pa on the excess return over the benchmark index net of the base fee with positive performance over benchmark capped at 2% pa. Any negative performance in the prior year(s) is offset against the positive excess before the performance fee is calculated. A performance related fee of £312,000 was incurred during the year and is reflected within the rebate received.

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

The remuneration of CBRE is 0.25% of the net asset value. In addition a performance related fee may be payable. No such performance related fee was paid in 2012.

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

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

III Custodianship

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

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

IV Performance Measurement

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

THE PILKINGTON SUPERANNUATION SCHEME

V Analysis of Investment Management Expenses

	2012 £'000	2011 £'000
External Investment Managers		
L&G	**176**	177
State Street	**146**	172
CBRE	**147**	156
Rogge	**233**	207
Insight	**141**	59
PIMCO performance fee	**111**	121
PIMCO product fee	**557**	478
PIMCO rebate	**(243)**	(218)
Henderson product fee	**1,107**	959
Henderson rebate	**(692)**	(312)
UOB product fee	**169**	757
UOB rebate	**(96)**	(429)
JPMAAM product fee	**621**	589
JPMAAM rebate	**(140)**	(89)
Nephila	**282**	198
	2,519	2,825
Custodial Fees	**80**	35
Contribution from Pilkington Group Ltd towards expenses	**(486)**	(463)
Investment advice	**512**	594
Irrecoverable VAT	**290**	180
Other expenses	**272**	31
Net expenses	**3,187**	3,202

VI Allocation Benchmarks

ASSET CLASS	CURRENT BENCHMARK (%)	TOLERANCE RANGE
Return-seeking assets	*30.0*	*-6.5% / +2.5%*
UK equities	2.5	-2.5% / +2.5%
Overseas equities (ex EM)	12.5	-5.0% / +5.0%
Emerging market (EM) equities	3.0	-2.0% / +2.0%
Property	5.0	-2.5% / +2.5%
Fund of Hedge Funds	5.0	-2.5% / +2.5%
Reinsurance	2.0	-2.0% / +2.0%
Liability matching assets	*70.0*	*-2.5% / +6.5%*
UK corporate bonds (over 15 years)	16.25	-2.5% / +7.5%
UK corporate bonds (all stocks)	11.0	-11.0% / +2.5%
Global bonds	16.5	-16.5% / +2.5%
LDI portfolio	25.25	
Cash	1.0	-1.0% / +4.0%

Notes:

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

No tolerance range has been set for the LDI portfolio as it is anticipated that this will increase over time. Consequently rebalancing will not be applied to this portfolio.

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME

CERTIFICATION OF THE 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 2008 to be met by the end of the period specified in the recovery plan dated 1 March 2010.

Adherence to statement of funding principles
I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 March 2010.

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.H. Curtis	Date:	1 March 2010
Name:	Jane Curtis	Qualification:	FIA
Name of employer:	Hewitt Associates Limited	Address:	Prospect House Abbey View St. Albans Hertfordshire AL1 2QU

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 1 March 2010, the date on which it was certified by the Scheme Actuary, and covers the period to 31 December 2018. The Trustee is responsible for preparing a revised schedule no later than 31 March 2013.

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
Regular	From 1 March 2010 to 31 December 2018	16% of Pensionable Salaries in respect of Higher Accrual Members (of which 1% of Pensionable Salaries is being used to eliminate the shortfall)* 12.50% of Pensionable Salaries in respect of Lower Accrual Members (of which 0.75% of Pensionable Salaries is being used to eliminate the shortfall)* PLUS An additional 7.1% of Pensionable Salaries in respect of PEPS Members
Additional contributions to satisfy the recovery plan dated 1 March 2010	From 1 January 2009 to 31 December 2011	5 October 2009 £4.679M 1 April 2010 £40.3M 1 October 2010 £15.0M 1 April 2011 £20.0M 1 October 2011 £20.0M
	From 1 January 2012 to 31 December 2018	£23.0M per annum payable in equal half-yearly instalments on 1 April and 1 October each year

The participating employers will ensure that the Trustee receives the contributions above within 19 days of the end of the calendar month to which the contributions relate.

Note: In addition to the above contributions, the participating employers will pay such additional contributions as are required in each of the calendar years 2009, 2010 and 2011 in order to bring the total of the contributions indicated by an asterisk (*) above up to a minimum of 10.5% of Pensionable Salaries plus £4.0M. Such additional contributions are payable within three months of the end of the calendar year 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:

Period	Amount
From 1 March 2010 to 31 December 2018	8% 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.

Expenses

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

Augmentation payments

In the event of a benefit augmentation being granted, the relevant employer will pay an additional amount to cover the cost of the augmentation within one month of the later of the date of granting the augmentation and the date on which the Trustee advises the employer of the cost.

Signed on behalf of the Trustee of the Pilkington Superannuation Scheme

Name:
Position: Trustee Director
Date: 1 March 2010

Signed on behalf of Pilkington Group Limited

Name:
Position: Director
Date: 1 March 2010

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

THE PILKINGTON SUPERANNUATION SCHEME

Appendix G — Actuary's Certification of Technical Provisions

ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF REGULATION 7(4)(a) OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of Scheme: *Pilkington Superannuation Scheme*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2008 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 1 March 2010.

Signature	J.E.M Curtis	*Date*	*1 March 2010*
Name	*Jane Curtis FIA*	*Qualification*	*Fellow of the Institute of Actuaries*
Address	*Prospect House* *Abbey View* *St. Albans* *Hertfordshire* *AL1 2QU*	*Name of Employer*	*Hewitt Associates Limited*

THE PILKINGTON SUPERANNUATION SCHEME

ACCOUNTS – YEAR ENDED 31 DECEMBER 2012

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Accounts are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited accounts for each scheme year which:

- show a true and fair view, 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 Accounts have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustee has supervised the preparation of the Accounts 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.

19 March 2013

A Robb Ken Green-Pun
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Directors of Pilkington Brothers Superannuation Trustee Limited
Trustee of 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 Scheme year ended 31 December 2012 which is set out on the following page.

Respective responsibilities of Trustee and auditors

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised 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.

Scope of work on the statement about contributions

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

Statement about contributions

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2012 as reported in the summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Scheme actuary on 1 March 2010.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 March 2013

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	4,334	9,240
Deficit funding	-	23,000
Augmentations of individual members' benefits	-	5,283
Total	**4,334**	**37,523**
Other contributions payable		
AVCs	206	-
Total (as per Fund Account)	**4,540**	**37,523**

Signed on behalf of the Trustee:

AHRobb Ken Greenfield

19 March 2013

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

We have audited the accounts of the Pilkington Superannuation Scheme for the year ended 31 December 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Trustee and auditors

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the accounts and being satisfied that they show a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion the accounts:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2012, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 March 2013

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2012

	Notes	**2012** **£'000**	2011 £'000
Contributions and benefits			
Contributions receivable	3	**42,063**	55,462
Benefits payable	4	**78,431**	70,702
Payments to and on account of leavers	5	**1,237**	1,155
		79,668	71,857
Net withdrawals from dealings with members		**(37,605)**	(16,395)
Returns on investments			
Investment income	7	**24,377**	20,640
Change in market value of investments	8	**127,536**	44,195
Net investment management expenses	9	**(3,187)**	(3,202)
Net returns on investments		**148,726**	61,633
Net increase in the Scheme during the year		**111,121**	45,238
Net assets of the Scheme brought forward		**1,311,902**	1,266,664
Net assets of the Scheme carried forward		**1,423,023**	1,311,902

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

Net assets statement as at 31 December 2012

	Notes	**2012** **£'000**	2011 £'000
Investment assets	8	**1,563,834**	1,373,306
Investment liabilities	8	**(141,647)**	(63,156)
		1,422,187	1,310,150
Current assets	10	**3,233**	3,220
Current liabilities	11	**(2,397)**	(1,468)
Net assets of the Scheme carried forward		**1,423,023**	1,311,902

The Accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the section on the Actuarial Valuation on pages 7 to 9 and the statement by the Actuary on page 20 of the annual report and these Accounts should be read in conjunction with this information.

The Accounts on pages 28 to 39
were approved by the Trustee on
19 March 2013 and are signed on their behalf by:

....

....

Directors of Pilkington Brothers
Superannuation Trustee Limited

Notes to the Accounts 31 December 2012

1 Basis of preparation

The Accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and in accordance with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (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, provided by the investment manager where an independent price feed is not available, at the year end date.

(iii) Cash deposits in overseas currencies are translated into sterling at the relevant rates of exchange ruling at the year end date.

(iv) Unlisted securities are valued at valuations provided by the investment managers.

(v) Futures and options are valued at market prices at the year end and are reflected in the Accounts on the basis of net worth. Money market futures and short dated interest rate swaps have been valued using market values rather than notional (par) values.

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

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

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

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

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

(b) **Income from Investments**

(i) Income from cash and short term deposits is dealt with in these Accounts on an accruals basis.

(ii) Income from 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 10). Augmentations and special contributions are accounted for in accordance with the agreement made with the Principal Employer under which they are being paid. Deficit funding contributions are accounted for in accordance with the agreement under which they are being made or, in the absence of an agreement, on a cash receipts basis.

(e) **Investment management expenses**

Investment management expenses are accounted for on an accruals basis.

(f) **Transfer values**

Transfer values represent the capital sums 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.

3 Contributions receivable

	2012 £'000	2011 £'000
From employers		
Normal	**9,240**	9,514
Augmentations	**5,283**	280
Due under NSG agreement	**-**	1,009
Deficit Funding	**23,000**	40,000
	37,523	50,803
From members		
Normal	**4,334**	4,420
Additional Voluntary Contributions		
- added years	**167**	194
- money purchase	**39**	45
	4,540	4,659
Total contributions	**42,063**	55,462

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

The employer contribution described as "Due under NSG agreement" refers to the amount paid by the employers to fulfil the undertaking that their contribution will be a minimum of 10.5% pensionable salary plus £4m for each year up to and including 2011.

The employer contribution described as "Deficit funding" relates to contributions made in accordance with the funding agreement between the Trustee and the Company dated 1 March 2010. Further deficit funding contributions of £23 million per annum from 2013 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year.

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

4 Benefits payable

	2012 £000	2011 £'000
Pensions payable	**68,284**	66,879
Payments on retirement of members		
- commutations	**8,934**	2,716
Payments on death of members		
- lump sums	**1,213**	1,107
	78,431	70,702

5 Payments to and on account of leavers

	2012 £000	2011 £'000
Refunds to members	-	2
State scheme payments	-	1
Individual transfers to other schemes	**1,237**	1,152
	1,237	1,155

6 Administrative expenses

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

7 Investment Income

	2012 £000	2011 £'000
Income from fixed interest securities	**8,562**	6,843
Income from index-linked securities	**3,959**	2,427
Interest receivable on cash deposits	**130**	136
Distributions from pooled investment vehicles	**11,907**	11,305
	24,558	20,711
Withholding tax refund	**58**	-
Financing cost for gilt re-purchase transactions	**(239)**	(71)
	24,377	20,640

8 Investments

	Market value at 1 Jan 2012	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value		Market Value at 31 Dec 2012
	£'000	£'000	£'000	£'000		£'000
Fixed interest securities	192,123	82,948	(74,100)	6,858		**207,829**
Index linked securities	285,468	144,904	(45,405)	1,186		**386,153**
Pooled investment vehicles - managed and unitised funds	861,581	55,074	(70,679)	92,221		**938,197**
Derivatives	1,301	15,381	(24,277)	9,037		**1,442**
Longevity insurance policy	(30,000)	2,584	-	18,216	*	**(9,200)**
AVC investments	623	39	(19)	17		**660**
	1,311,096	300,930	(214,480)	127,535		**1,525,081**
Cash and cash equivalents	26,819			1		**23,087**
Investment creditor	(31,135)			-		**(131,340)**
Investment debtor	-			-		**1,400**
Accrued investment income	3,370			-		**3,959**
	1,310,150			**127,536**		**1,422,187**

*this figure includes a £16.8million gain on the longevity insurance policy arising from changes to the underlying assumptions made in the year. The negative value of the policy reflects the fact that under current assumptions the payments made by the Scheme are expected to be higher than the claims received under the contract.

The investment creditor of £131,340,000 referred to above is the agreed commitment required to close out the 15 gilt re-purchase transactions outstanding at the year end. The gilts subject to these re-purchase transactions are included within the Fixed Interest Gilts line. These transactions will all settle within 3 months of the year end.

The preceding figures comprise:	**2012** **£000**	2011 £'000
Fixed interest securities	**207,829**	192,123
Index linked securities	**386,153**	285,468
Pooled investment vehicles	**938,197**	861,581
Derivatives – assets	**2,549**	3,322
AVC investments	**660**	623
Cash and cash equivalents	**23,087**	26,819
Accrued investment income	**3,959**	3,370
Investment debtor	**1,400**	-
Investment assets	**1,563,834**	1,373,306
Investment creditor	**(131,340)**	(31,135)
Derivatives – liabilities	**(1,107)**	(2,021)
Longevity insurance policy	**(9,200)**	(30,000)
Investment liabilities	**(141,647)**	(63,156)
Total market value of investments	**1,422,187**	1,310,150

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £NIL (2011: £103,000). 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.

Fixed Interest Securities (held directly by the Scheme)	**2012** **£000**	2011 £'000
UK quoted	**45,139**	37,498
Overseas quoted	**62,297**	43,191
UK government	**96,014**	104,407
Overseas government	**4,379**	7,027
	207,829	192,123

Index Linked Securities (held directly by the Scheme)	**2012 £000**	2011 £'000
UK Government	**383,205**	282,895
UK quoted	**905**	1,261
Overseas quoted	**2,043**	1,312
	386,153	285,468

This includes £41,665,000 held as collateral for the longevity insurance policy which is therefore not liquid.

Pooled investment vehicles - Managed and unitised funds	**2012 £000**	2011 £'000
Bond based funds		
SSgA managed – Sterling Corporate Bonds All Stocks	**157,775**	152,311
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	**123,821**	106,221
Henderson managed – Global Investors Long Dated Credit	**235,161**	208,284
	516,757	466,816
Equity based funds		
L&G Managed – Asia Pacific ex Japan Equity Index	**35,285**	29,987
L&G Managed –Japan Equity Index	**12,832**	12,405
L&G Managed –Japan Equity Index GBP Hedged	**12,965**	10,916
L&G Managed – World Emerging Markets Equity	**35,615**	31,594
UOB managed – UOB Kinetics Paradigm Fund	**-**	37,249
SSgA managed – UK Equity Index	**49,872**	45,608
SSgA managed – North American Index	**74,556**	36,026
SSgA managed – Europe ex UK Equity	**57,829**	49,451
	278,954	253,236
Property based funds		
Pooled Property Funds	**54,904**	56,060
Hedge funds		
JPMAAM managed – Multi Strategy Fund Class C	**59,900**	58,400
Reinsurance funds		
Nephila managed – Iron Catastrophe Fund Class C	**27,682**	27,069
Total Pooled Investment Vehicles	**938,197**	861,581

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

Derivatives		**2012**	2011
		£000	£'000
Interest rate swaps		**431**	-
UK government derivatives		**4**	(53)
Overseas government derivatives - assets		**133**	92
Overseas government derivatives - liabilities		**(61)**	(151)
Derivatives excluding forward foreign exchange contracts		**507**	(112)
Forward foreign exchange contracts			
Contracts entered into for the purpose of hedging	-assets	**975**	2,933
	-liabilities	**(647)**	(1,520)
Contracts entered into for tactical purposes	-assets	**1,006**	297
	-liabilities	**(399)**	(297)
Forward foreign exchange contracts		**935**	1,413
Total Derivatives		**1,442**	1,301

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

Derivatives excluding forward foreign exchange contracts

Type of derivative	**Expiration**	**2012 Economic exposure £'000**	**2012 Market Value £'000**	2011 Economic exposure £'000	2011 Market Value £'000
Interest rate swaps	2023-2062	**101,061**	**431**		
Overseas government bonds exchange traded futures	Less than 1 year	**38,191**	**72**	23,069	(59)
UK government bonds exchange traded futures	Less than 1 year	**7,003**	**4**	3,041	(53)
		146,255	**507**	26,110	(112)

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

Duration	**2012 Notional Principal £'000**	**2012 Assets £'000**	**2012 Liabilities £'000**	2011 Notional Principal £'000	2011 Assets £'000	2011 Liabilities £'000
10-20 years	**38,289**	**40**	**-**	-	-	-
20-30 years	**18,483**	**59**	**-**	-	-	-
30-40 years	**35,871**	**229**	**-**	-	-	-
40-50 years	**8,418**	**103**	**-**	-	-	-
	101,061	**431**	**-**	-	-	-

Currency Forward Contracts
Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought '000		Currency Sold '000		2012 Net Asset £'000	2012 Net Liability £'000	2011 Net Asset £'000	2011 Net Liability £'000
	EUR	33,499	GBP	27,058	-	(113)	-	(131)
	USD	196,501	GBP	120,949	63	-	714	-
	GBP	86,969	EUR	107,512	-	(231)	2,212	-
	GBP	245,470	USD	398,001	621	-	-	(1,389)
	GBP	1,548	SEK	16,494	-	(12)	7	-
					684	(356)	2,933	(1,520)

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £199million of US dollars, Euro, Yen and Swedish Krona (representing approximately 45% of the Scheme's total exposure to assets denominated in currencies other than sterling) is hedged back to sterling. The US dollar, Euro and Swedish Krona exposures are hedged by means of foreign currency contracts, all of which are due to expire within 6 months. The yen exposure is hedged by investment in a hedged pooled fund.

In accordance with individual mandates, one of the Scheme's investment managers has entered into forward currency contracts during the year for tactical purposes. At 31 December 2012 there were 36 such contracts open in 12 currencies, all expiring within 6 months. Unrealised gains on these contracts amounted to £1,006,000 (2011 £297,000) with unrealised losses of £399,000 (2011 £297,000).

Longevity Insurance Policy

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

AVC Investments

The Trustee holds assets invested separately from the main Scheme in the form of insurance policies (with-profits and/or unit-linked), securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.
Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2012 £000	2011 £'000
Equitable Life Assurance Society	**207**	207
Prudential	**453**	416
	660	623

Cash and cash equivalents	2012 £000	2011 £'000
Sterling	**3,124**	2,459
Foreign currency	**6,203**	3,046
Sterling Term Deposits	**13,760**	21,314
	23,087	26,819

9 Investment Management Expenses

Investment management expenses include fees deducted directly from pooled funds, rebates received and the contribution towards expenses received from Pilkington Group Limited. A full breakdown is shown on page 19.

10 Current assets

	2012	2011
	£'000	£'000
Due from participating companies :-		
Contributions - Normal Employee	12	328
Contributions – Normal Employer	24	679
Contributions – Augmentations	1,135	-
Contributions – Due under NSG agreement	-	1,009
Other	55	8
	1,226	2,024
Bank balance	1,260	767
Other debtors	747	429
	3,233	3,220

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

11 Current liabilities

	2012	2011
	£'000	£'000
Unpaid benefits	1,916	995
Due to participating companies	-	1
Investment management expenses	466	457
Other	15	15
	2,397	1,468

12 Self-investment

There was no direct employer-related investment during the year. Exposure to NSG securities via pooled funds amounted to £13,000 at 31 December 2011 (2010 £19,000).

13 Concentration of investments

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

	2012	2011
Henderson managed – Global Investors Long Dated Credit	16.5%	15.9%
SSgA managed – Sterling Corporate Bonds	11.1%	11.6%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	8.7%	8.1%
SSgA managed – North American Equity Index	5.2%	2.7%

14 Related party transactions

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

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

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

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

Certain investment management expenses, incurred on behalf of the Scheme, were paid for by Pilkington Group Limited and subsequently recharged to the Scheme. The expenses charged during the year were £250,000 (2011 £15,000), and the amount owed to Pilkington Group Limited at 31 December 2011 for expenses not yet recharged was £nil (2011 £1,000).

15 Contingent liabilities and Contractual Commitments

Other than the liability to pay future pensions, there were no material contingent liabilities of the Scheme at 31 December 2012 or at 31 December 2011. As at 31 December 2012, the Scheme had commitments to the property funds managed by CBRE totalling £3 million (2011 £3 million). £1 million of this balance is held in cash accounts with CBRE and included in the investment cash in note 8.