

THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2010

THE PILKINGTON SUPERANNUATION SCHEME

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I Trustee and Advisers

Trustee Company Pilkington Brothers Superannuation Trustee Limited

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

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

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

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

At 31 December 2010 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.

Directors of the Trustee (as at 31 December 2010):

Employer Directors

A.M. Robb (Chairman) 2
S.M. Gange*
P.H. Grunwell*
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
P.A. Daley 2
D.P. Gilchrist 2
T.R.B. Hague 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

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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 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 two 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

During the course of 2010 nominations were sought for Employee Directors. Mr. Kevin McKenna, Mr. Darren Gilchrist and Mr. Paul Daley each reached the end of their term of office but chose to stand again. A further three nominations were received. Consequently Messrs. McKenna, Gilchrist and Daley were re-elected and Mr. Graham Ingle, Mr. Stephen Jones and Mr. Gary Luck were elected as Employee Directors without the need for a ballot.

In July 2010, Mr. David Pinder was elected to the Board as an Employer Director. At the end of November 2010 Mr. John Gillespie retired from the Board after 25 years service as an Employer Director. At the 31st December 2010 there was one vacancy for an Employer Director and two vacancies for Employee Directors.

There have been no changes to the Trustee Board since the year end.

Consulting Actuaries Aon Hewitt Limited (formerly called Hewitt Associates Ltd)

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
Rogge Global Partners plc
PIMCO Global Advisors (Ireland) Limited
CB Richard Ellis Collective Investors Limited
Legal & General Assurance (Pensions Management) Limited
Henderson Global Investors Limited
JP Morgan Alternative Asset Management Inc

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<u>Investment Advisers</u>	J. Gibbon H. Smart
<u>Financial Adviser</u>	Gazelle Corporate Finance Limited (appointed in 2010 to succeed PricewaterhouseCoopers LLP)
<u>Legal Advisers</u>	Hogan Lovells International LLP (formerly called Lovells LLP)
<u>Auditors</u>	PricewaterhouseCoopers LLP
<u>Bankers</u>	National Westminster Bank plc
<u>Custodian</u>	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

Meetings

The Trustee Board met six times during 2010. A record is kept of the attendance of Directors at Board meetings.

As part of the process of keeping track of the Company's covenant and its trading and financial position at each of 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 and its advisers at the earliest Board meeting following the publication of the year-end and half-year results.

The triennial valuation of the Scheme took place as at 31 December 2008 and was completed early in 2010. A meeting of the Board was convened in January 2010 to consider the proposed funding agreement between the Company and the Trustee. The entire suite of documents associated with the Valuation were approved by the Board in March 2010 and payments under the Recovery Plan commenced thereafter (details below).

The Audit Committee met on three occasions in 2010 (one by telephone conference) to consider the Annual Report and the Financial Statements 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 2011 together with the Risk Review Profile and has been actively engaged with the Pensions management team and Group Internal Audit in the development of a Business Continuity Plan for the Trustee.

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The Investment Committee of the Board met on seven 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 the working party which was created to review liability hedging strategies met on four occasions (one by telephone) to help in this work.

The Trustee Board's Ill Health Committee met on four occasions in 2010 (one by telephone).

The Structure Committee, established by the Trustee in 2009 to consider whether the size of the Board and its operating methods continue to be appropriate, completed its work in 2010. It made recommendations to the Board based on its research and the Board adopted several of the recommendations, some of which were to retain the status quo but some of which were to make changes in the future.

It was decided that the method of appointment of member nominated directors will continue to be by nomination and where necessary a ballot. The local/remote constituency demarcation was removed with effect from mid 2010. The Committee structure operated by the Board in various areas will continue. The overall maximum number of directors will be reduced by July 2013 to 14 whilst the proportion of Member Nominated Directors ('MNDs') will remain one half of the total. The independent trustee director will continue to count as an Employer Director. The MNDs will be split four active members and three pensioners and this will be monitored having regard to the number of Employer Directors who are pensioners from time to time and also to the guidance from the Pensions Regulator that the Board structure ought to reflect the membership proportionately.

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 2010 covered:-

- Actuarial Matters
- Legal Update
- Pensions Administration
- Investment

In addition the newly appointed Trustee Directors underwent a day's training with Lane Clark & Peacock which covered: trusteeship; pension scheme design and benefits; valuation principles and assumptions; and investment classes and strategy. They also had a half-day training session which concentrated on the particular circumstances of the Scheme in terms of benefits, valuation, funding and investment. It is envisaged that trustee training will follow a similar pattern in 2011 and all Trustee Directors are encouraged to participate in the Pensions Regulator's e-learning facility.

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II Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2009	1,994	3,250	8,742	3,064
Adjustment for late notifications	0	(18)	6	(2)
	<u>1,994</u>	<u>3,232</u>	<u>8,748</u>	<u>3,062</u>
New beneficiaries	-	-	205	152
Deaths	(1)	(8)	(302)	(188)
Retirements	(94)	(107)	-	-
Transfers out/Refunds	-	(25)	-	-
Members leaving pensionable service prior to retirement	(67)	67	-	-
31 December 2010	<u>1,832</u>	<u>3,159</u>	<u>8,651</u>	<u>3,026</u>

Total membership = 16,668

III Amendments to the Trust Deed and Rules or Articles of Association of the Trustee

No amendments were made to the Trust Deed and Rules during 2010.

An amendment was made to the Articles of Association to provide for the terms of office of member nominated directors to be no less than three years.

IV Valuation of the Scheme as at 31 December 2008

The Valuation of the Scheme as at 31 December 2008 was carried out on the customary three year cycle and was completed early in 2010. The Valuation showed technical provisions of £1,320m without any allowance for non-statutory increases to pensions in payment. The value attributed to the assets at the same date was £1,035m which meant a deficit of £285m and a funding level of 78% as at the valuation date.

(Technical provisions" is the term used to refer to the level of assets agreed by the Trustee and the Company to be appropriate to meet member benefits accrued up to the valuation date, assuming that the Scheme continues as a going concern.)

In the light of the Valuation and the Recovery Plan agreed in order to address the deficit revealed by it, a new Schedule of Contributions was signed by the Trustee and the Company on 1 March 2010 with effect from that date. This

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schedule of contributions, which includes deficit funding contributions, is shown on page 25.

The additional contributions required by the schedule of contributions to bring the employer contributions up to a minimum of 10.5% of pensionable salaries plus £4m amounted to £981,841 for the year ended 2010 (£521,067 for 2009).

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 the certificate is at page 24.

The 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%.

Progress since the 2008 Valuation of the Technical Provisions

The total Fund asset value at 31 December 2010 had increased to £1,267m (compared with £1,035m as at 31 December 2008) whereas the liabilities calculated on a basis consistent with the basis of the Valuation were £1,321m (compared with £1,320m as at 31 December 2008)., This shows a material improvement in the overall position of the Scheme but the processes of the recovery plan continue to apply and payments by the Company will continue to be made in accordance with the Recovery Plan until the Scheme funding position is fully restored to balance.

The shortfall on a solvency basis as at 31 December 2010 was £423m, which corresponds to a solvency ratio of 75%.

V Increases in pensions

During 2010 there were increases 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 4.4%. Pension in respect of service from 1 May 2005 received an increase of 2.5% with pensions which had commenced in payment since 30 June 2009 receiving pro-rata increases. These increases were based on the increase in the Retail Prices Index (RPI) over the year to March 2010.

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There was no increase to post 5 April 1988 guaranteed minimum pensions ('GMPs') as the relevant rate of increase in the RPI (over the year to September 2009) was negative.

Apart from post-5 April 1988 GMPs, pensions 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 2010 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 2010. In reaching this conclusion she had regard to the funding agreement between the Trustee and the Company and the funding position on both the Valuation basis and a more prudent gilts + 0.5% basis as at 31 March 2010.

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 up to and including 2010, this has been by reference to the increase in the RPI for each complete year of 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. In 2010 the Government announced that future Revaluation Orders would be based on the increase in the RPI up to September 2009 and thereafter on the increase in the Consumer Prices Index (CPI), subject to the same maxima. This is the approach that the Government has adopted by the 2010 Revaluation Order, which applies in relation to paid up pensions coming into payment during 2011.

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 2010 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 Actuary recommended a change to the pre-retirement discount rate used in calculating the transfer values and the change was adopted by the Trustee in May 2010. The basis was further refined in early 2011 to allow for revaluations to be linked to long-term assumptions for CPI rather than that 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.

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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 24.

The Financial Statements forming part of this Report (at pages 32-43) 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).

For several years the Trustee has instructed PricewaterhouseCoopers to carry out an annual review of the strength of the employer covenant. In 2010, the Trustee changed its adviser and appointed Gazelle Corporate Finance Limited ('Gazelle') to perform this task.

Gazelle concluded that the Company's financial performance was displaying a tentative recovery in difficult but stabilising markets; the Company has successfully refinanced its debt and its gearing levels appeared to be manageable. Gazelle also concluded that the Company continues to have significant enterprise value. Gazelle will continue to work with the Trustee and Company and will formally report to the Trustee twice a year after each of the half and full-year results.

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 May 2010. 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 (approx 87%) 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.

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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 is carried out at the time of each formal valuation with additional interim checks carried out where necessary. Such an exercise was carried out in 2010 and revealed no payments being made to deceased pensioners. A check of overseas pensioners is ongoing.

VIII Investment Management

As at 31 December 2010 the Scheme's investments were managed as follows:-

- i) UK equities (except venture capital/private equity – see below); US equities; European (ex UK) equities; Index Linked Gilts, Network Rail Corporate Bonds and Sterling Corporate Bonds by State Street Global Advisors Limited ('SSgA') on a passive basis.
- ii) Japanese and Asia Pacific (ex Japan) equities by Legal & General Assurance (Pensions Management) Limited ('L&G') on a passive basis.
- iii) Global equities by UOB Global Capital (Dublin) Limited ('UOB') on an active basis.
- iv) Global bonds together with derivative contracts by Rogge Global Partners plc ('Rogge') and PIMCO Global Advisors (Ireland) Limited ('PIMCO') on an active basis.
- v) Long dated sterling corporate bonds by Henderson Global Investors Limited ('Henderson') on an active basis.
- vi) Strategic currency hedging by SSgA on a passive basis.
- vii) European property via property funds by CB Richard Ellis Collective Investors Limited ('CBREI') on an active basis.
- viii) A Fund of Hedge Funds via a pooled fund by JP Morgan Alternative Asset Management Inc ('JPMAAM') on an active basis.

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Early in 2011 the Trustee appointed L&G to manage an investment in emerging market equities.

A small amount of equity and venture capital investments previously managed by the in-house team and with negligible 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 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 is to be implemented in stages as the funding position of the Scheme improves and in 2010 the Scheme benchmark was 38% return seeking (i.e. assets with a higher risk profile than bonds) and 62% liability matching investments at the Scheme year end. This position was reached earlier in 2010 as two of the trigger stages on the de-risking plan were met. The Scheme was within the permitted deviation from the benchmark weightings at 31 December 2010.

Further detail of the Scheme 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

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. The Trustee measures its performance against a benchmark return of RPI + 6% pa over rolling 5 year periods. The Paradigm Fund is invested in a relatively concentrated portfolio which is particularly focussed on financial exchanges, utilities and oil sands companies.

Bonds

The bonds managed by SSgA are in passive index tracking funds with a target return equivalent to the relevant indices (before fees), with the exception of the Network Rail bonds and long dated index linked gilts, which are held in a segregated portfolio.

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

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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).

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.

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.

General

There was no direct employer-related investment during the year although certain of the pooled funds hold NSG shares (as detailed in note 13).

The majority of the equity holdings, government bonds and corporate bonds are currently quoted on the main world-wide stock exchanges and are easily bought or sold. The unitised vehicles in which the Scheme invests, with the exception of certain property funds and the 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 Scheme bears the cost of purchasing and realising assets within the portfolio. Net investment manager and custodial fees charged to the Scheme in 2010 was a rebate of £784,000 (2009: £365,000 net payment). 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 principal reason that the expenses show a negative value is that a number of the pooled funds held by the Scheme have management fees automatically deducted from the fund and the Scheme has negotiated a rebate on these standard fees. 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 2010 is set out on page 16.

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IX Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2010:-

- 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 2010 the number of contributors to each of the AVC options was:-

• Additional service	95
• Prudential with profits and deposit	3
• Prudential unit linked	11

From 1 January 2011 the formula for calculating the benefit being purchased by additional service AVCs was altered. Notice of the change was sent to all members who were making additional service AVCs.

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

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

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X Scheme developments

This table records the movements in various key Scheme values in the period from 2006-2010, to illustrate the Scheme's development.

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Contributions and benefits					
Contributions receivable	74,127	32,695	16,977	20,396	18,208
Transfers in	-	34	124	6	42
	<hr/> 74,127	<hr/> 32,729	<hr/> 17,101	<hr/> 20,402	<hr/> 18,250
Benefits payable	77,347	90,457	69,769	78,075	72,628
Payments to and on account of leavers	564	591	851	1,403	2,340
	<hr/> 77,911	<hr/> 91,048	<hr/> 70,620	<hr/> 79,478	<hr/> 74,968
Net withdrawals from dealings with members	<hr/> (3,784)	<hr/> (58,319)	<hr/> (53,519)	<hr/> (59,076)	<hr/> (56,718)
Returns on investments					
Investment income*	14,973	7,956	8,371	11,163	5,626
Change in market value of investments	106,030	164,754	(266,521)	65,031	83,522
Net Investment management expenses†	398	(639)	(1,402)	(1,400)	(1,203)
Net returns on investments	<hr/> 121,401	<hr/> 172,071	<hr/> (259,552)	<hr/> 74,794	<hr/> 87,945
Net change in the Scheme value during the year	<hr/> 117,617	<hr/> 113,752	<hr/> (313,071)	<hr/> 15,718	<hr/> 31,227
Net assets of the Scheme brought forward	1,149,047	1,035,295	1,348,366	1,332,648	1,301,421
Net assets of the Scheme carried forward	<hr/> 1,266,664	<hr/> 1,149,047	<hr/> 1,035,295	<hr/> 1,348,366	<hr/> 1,332,648

The significant increase in contributions in 2009 against prior years is a result of augmentations as a consequence of significant numbers of redundancies during the year, deficit funding received and the increase in the rate of normal contributions. The significant increase in benefits payable in 2009 is due to the large number of retirements and associated commutations during the year. The further increase in contributions in 2010 is due to deficit funding.

* No income is received from those funds invested in the managed funds held with SSgA, UOB, GSAM, PIMCO, L&G or JPMAAM. 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, UOB, PIMCO, Henderson and JPMAAM receive management fees deducted from the pooled funds they hold. These fees, amounting to £2,323,000 are reflected in the change in market value of the relevant 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 31 December 2010 together with the benchmark indices and target returns are set out at page 20. At the year end the overall allocation of assets was within the ranges permitted by the SIP.

Performance overall in 2010 was positive at 10.9% at total scheme level.

The benchmark for 2010 was 10.3% so the Scheme outperformed by 0.6%. The value of the Scheme at 31 December 2010 was £1,267m against £1,149m a year earlier. Within these figures are the cash withdrawals from the Scheme to meet benefit payments and correspondingly the deficit contributions received from the Company.

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

	Scheme	Benchmark	Difference
	%	%	%
3 year annualised	3.9	4.8	(0.9)
5 year annualised	5.0	5.5	(0.5)

The one year performance figures for each manager against benchmark are as follows:-

Manager	Manager Return	Benchmark
	%	%
SSgA	10.5	Index Tracking
L&G	16.5	16.4
UOB	19.3	10.8
JPMAAM	12.2	9.5
CBREI	11.0	9.8
Henderson	9.6	9.5
Rogge	7.1	8.4
PIMCO	10.6	8.4

During 2010 the allocation within the portfolio to liability-matching assets (gilts, bonds, and cash) increased by virtue of the effect of the de-risking programme agreed between the Trustee and the Company as part of the Valuation. The first switch came at the end of January/beginning of February 2010 as a result of the funding position at the end of December 2009 and the second in March because the funding position at the end of February meant that a further trigger had been met. The first switch was from the equities held by SSgA, UOB and L&G into Index Linked Gilts managed passively by SSgA and cash retained to meet pension payments. The second switch, from equities held by SSgA and L&G, was invested into Index Linked Gilts with SSgA and Corporate Bonds with Henderson. The de-risking programme will

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ultimately result in an allocation of 70% to liability matching assets and 30% to return seeking.

At this allocation the Trustee is advised that the Scheme, once fully funded, should retain a realistic opportunity to generate sufficient returns to pay future non-statutory pension increases.

Early in 2010, the Investment Committee ('IC') undertook some initial training on options and swaps. Following approval of the idea in principle from the Board, a working party was established to consider in more detail the implementation of a liability hedging programme. The work has progressed during the year. The Board has undergone extensive training on the subject and it is expected that a liability hedging programme will be implemented during 2011. It is recognised that this investment should reduce the overall level of risk in the portfolio without adversely affecting the potential for gaining returns.

Other asset classes were considered by the IC during 2010. The IC, with its advisers, has been considering the appropriate composition for the 30% return-seeking proportion of the fund once the de-risking plan has been accomplished. Therefore any new investments are being considered in this context. The IC underwent training about a fundamental indexation approach to equity investing but decided not to pursue this approach at this time. The IC did however recommend an allocation to Emerging Market equities which was approved by the Board late in 2010 and has been implemented during the first half of 2011. The final new asset class which the IC and Board decided to enter is reinsurance. This is a pooled fund which covers the secondary level of risk in a wide variety of diversified insured risks, for example floods, wind damage, earthquakes. The investment was approved during the year and was implemented in April 2011.

During the year, whilst the IC may meet representatives of the fund managers as it deems appropriate, the Board holds two full days of presentations by the investment managers during which all Trustee Directors may have the opportunity to hear from the firms who are managing the Scheme's investments. These presentations look not only at past performance and any issues that may arise but also plans for their future strategies and any changes to their organisation, personnel, investment philosophy or practices.

The IC, having now determined the likely composition of the Scheme when the 70/30 allocation is reached, appreciates that whilst the overall position may be about to reach 'steady state' a great deal of attention must be given to the operation of the liability hedging programme. It will continue to monitor all of the Scheme's managers closely in seeking to gain the highest returns for the Scheme at an acceptable level of risk.

II Remuneration of Investment Managers

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

THE PILKINGTON SUPERANNUATION SCHEME

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 2010 the value of the notional portfolio was £151m.

The remuneration of L&G is calculated as a percentage per annum of the assets under management and the charges vary between the three funds. For the Japan Equity Index Fund in which the Scheme has approximately £21m invested as at 31 December 2010, 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) in which the Scheme has approximately £19m invested as at 31 December 2010 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 in which the Scheme has approximately £50m invested as at 31 December 2010 the fees are 0.125% per annum of the value of assets under management.

The remuneration of UOB is 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. Administrative costs are payable in addition and are capped at 0.1%. After 2012 the Trustee will have a choice of management fee structure for the future – standard fixed fee at 0.29% pa (the original fee basis will not be offered) or continuation of the performance fee arrangement but with a cap of 0.50% pa.

The remuneration of Hendersons 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.

The remuneration of JPMAAM is calculated in part as a fixed management fee of approximately 0.85% on an annualised basis which will reduce to 0.775% on an annualised basis at 1 January 2012 if the investment equals or exceeds and remains above \$30m. 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 CBREI 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 2010.

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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

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.

V Analysis of Investment Management Expenses

	£'000
External Investment Managers	
L&G	112
State Street	232
CBREI	91
Rogge	199
PIMCO performance fee	51
PIMCO rebate	(206)
Henderson rebate	(813)
UOB rebate	(396)
JPMAAM rebate	(77)
	<hr/>
	(807)
Custodial Fees	23
	<hr/>
	(784)
Contribution from Pilkington Group Ltd towards expenses	(452)
	<hr/>
	(1,236)
Investment advice	663
Other expenses	77
Irrecoverable VAT	98
	<hr/>
	(398)
Fees paid by way of deduction from assets in funds	
UOB	700
PIMCO	451
JPMAAM	91
Henderson	1,081
	<hr/>
Net expenses	<u>1,925</u>

THE PILKINGTON SUPERANNUATION SCHEME

VI 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.

The Trustee has reviewed its practice against the revised principles and believes it applies the principles effectively. Continuing compliance will be monitored and reviewed by the Board on an annual basis or more frequently if it is believe there is an area of non-compliance.

VII Allocation Benchmarks and Target Returns

ASSET CLASS	CURRENT BENCHMARK (%)	RANGE	10 yr median real return assumptions (% pa)	1 yr arithmetic real return assumptions (% pa)	Standard deviations of 1 yr returns assumption (% pa)
<i>Return-seeking assets</i>	38.0	-10.5% / +2.5%			
UK equities	6.50	-5.0% / +5.0%	5.0%	8.2%	31.8%
Overseas equities	17.50	-5.0% / +5.0%	5.4% (hedged)	8.0% (hedged)	27.6% (hedged)
Absolute return equities	4.0	-4.0% / +2.0%	6.9%	9.5%	25.0%
Property	5.0	-2.5% / +2.5%	3.8%	4.6%	12.4%
Fund of Hedge Funds	5.0	-2.5% / +2.5%	3.4%	3.8%	9.0%
<i>Liability matching assets</i>	62.0	-2.5% / +10.5%			
UK fixed interest gilts (over 15 years)	0.0	-- / +10.0%	1.5%	1.5%	11.0%
UK index-linked bonds	18.25	-2.5% / +7.5%	1.0%	0.8%	7.5%
UK corporate bonds (over 15 years)	15.25	-2.5% / +7.5%	2.9%	3.8%	11.3%
UK corporate bonds (all stocks)	12.5	-12.5% / +2.5%	3.1%	4.5%	7.4%
Global bonds	15.0	-15.0% / +2.5%	3.1%	4.5%	7.4%
Cash	1.0	-1.0% / +4.0%	0.8%	0.8%	1.5%
Inflation			2.2%	0.0%	1.5%

Notes:

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

Assumptions:

- are forward-looking as at 31 December 2008.
- are "best estimate" in particular for the median return shown there is a 50% chance of returns either being higher or lower than the stated level.
- for all returns are intended to be in respect of representative indices, where available, and net of investment fees for a passive strategy.
- for hedge funds, the assumptions relate to the expected returns from a well-diversified fund of funds with allowance for the expected expenses of such an arrangement.

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Manager mandates and performance objectives

Manager	Benchmark index	Performance objective
State Street Global Advisors Limited ('SSgA') UK Equities	FTSE All-Share	In-line with index (gross of fees)
N. American Equities	FTSE AW North America	In-line with index (gross of fees)
European (ex UK) Equities	FTSE AW Developed Europe ex UK	In-line with index (gross of fees)
Legal & General Assurance (Pensions Management) Limited Asia Pacific incl Japan Equities	FTSE AW Asia Pacific (50% of exposure to Japanese equities is currency hedged back to sterling)	In-line with index (gross of fees)
UOB Global Capital (Dublin) Limited ('UOB') Global Absolute Return Equities	No Index	RPI + 6% p.a. on rolling 5 yr basis (net of fees)
CB Richard Ellis Collective Investors Limited ('CBREI') Pan-European property funds	No Index	RPI + 5% p.a. on rolling 3 year periods (net of costs, fees and taxes)
J.P. Morgan Alternative Asset Management Inc ('JPMAAM') Fund of hedge funds	No Index	3 month US T-Bills + 5% to 7% p.a. over a market cycle (net of fees)
SSgA Index Linked Gilts	FTSE A Index Linked Gilts over 5 years	In-line with index (gross of fees)
UK Corporate Bonds	Merrill Lynch Sterling Non-Gilts Index	In-line with index (gross of fees)
Network Rail Index Linked Bonds	No index	See notes below
Henderson Global Investors Limited ('Henderson') UK Corporate Bonds	iBoxx Sterling Non-Gilts 15+ yrs	+1.0% p.a. (before fees)
Rogge Global Partners plc ('Rogge') Global Bonds	Merrill Lynch Sterling Non-Gilt All Stock	+ 1.5% p.a. on a rolling 3 yr basis (gross of fees)
PIMCO Global Advisors (Ireland) Limited ('PIMCO') Global Bonds	Merrill Lynch sterling Non-Gilt All Stocks	+ 0.75% p.a. to 1.25% p.a. on a rolling 3 yr basis (gross of fees)
J.P. Morgan Asset Management (Europe) S.á. r.l. ('J.P. Morgan') Liquidity fund	7 day Sterling LIBID	To achieve a competitive level of total return in sterling (GBP) consistent with the preservation of capital and a high degree of liquidity
SSgA Passive currency hedging overlay	See notes below	See notes below

Notes:

- a. SSgA Non-UK Developed Equities are partially hedged (50% of exposure to European (ex UK) equities is hedged from euro back to sterling and 50% of exposure to North American equities is currency hedged from US dollar back to sterling) using a segregated strategic currency hedging overlay implemented by SSgA but this does not affect the indices or target returns of the equity

THE PILKINGTON SUPERANNUATION SCHEME

manager's funds. Furthermore, 50% of the UOB Global Absolute Return Equities portfolio and 100% of the JPMAAM fund of hedge funds portfolio are hedged from US dollar back to sterling using the SSgA segregated strategic currency hedging overlay.

- b. The L&G Japanese equities are also partially hedged (50% of the exposure to Japanese equities is currency hedged from yen back to sterling) which is reflected in the index for that manager.
- c. The property manager hedges all of the euro investments and at least 85% of all non-sterling denominated investments (including euro investments) back to sterling.
- d. The allocation to Network Rail Index Linked Bonds is expected to be an equally weighted account in UKRAIL 1.75% 2027, UKRAIL 1.375% 2037, and UKRAIL 1.125% 2047. Network Rail Bonds are to be purchased only when SSgA expects a 30bps pa (35bps pa prior to 30 December 2009) yield pick up (after trading costs) versus comparator index-linked gilts. In case SSgA cannot purchase a sufficient amount of UKRAIL 1.375% 2037, SSgA will aim to allocate the residual UKRAIL 1.375% 2037 allocation equally among the UKRAIL 1.75% 2027 and UKRAIL 1.125% 2047 issues. SSgA is also given the discretion to invest the whole of the UKRAIL 1.375% 2037 allocation in one of either the UKRAIL 1.75% 2027 or UKRAIL 1.125% 2047 issues.
- e. The Trustee has appointed CBREI to manage a pan-European property mandate via unlisted funds.
- f. The assets managed by SSgA are index-linked and corporate bonds, and UK, North America and Europe (ex UK) equities which are all invested in passive index tracking pooled vehicles. SSgA also manages a segregated portfolio of Network Rail index-linked bonds.
- g. L&G passively manages the Asia Pacific (including Japan) equities.
- h. The investment in UOB is in its UOB Kinetics Paradigm sub-fund which is managed by Kinetics, a long-term absolute return manager, and holds a portfolio of equities (about half of which are US equities) in a pooled fund.
- i. The assets managed by each of PIMCO and Rogge are global bonds with some use of derivative contracts.
- j. The assets managed by Henderson are long dated sterling bonds with some use of derivative contracts.
- k. The investment with JPMorgan Asset Management (Europe) S.a r.l ('JPMorgan AM') is in its sterling Liquidity Fund sweep. The investment with JPMAAM is in its J.P. Morgan Multi-Strategy Fund II, Ltd., a fund of hedge funds.

THE PILKINGTON SUPERANNUATION SCHEME

1. Individual risk tolerances and guidelines have been agreed (or, in the case of the Scheme's pooled investments, reviewed and accepted). These are detailed in each manager's appointment agreement.

- m. Passive currency hedging overlay
 - The investment objective of the passive currency hedging overlay account is to hedge 100% of a 'Hedgeable Portfolio' (as defined below) back to sterling

 - The 'Hedgeable Portfolio' is defined as the most recent portfolio of currency amounts to be hedged, as notified to SSgA, by the IC and the Investment Consultant (as to which see a. above). The 'Hedged Portfolio' is defined as the portfolio of currency hedges resulting from implementing the investment objective.

 - SSgA monitors and adjusts the Hedged Portfolio on a monthly basis, as required, in order to keep the Hedgeable Portfolio as close to 100% hedged as is reasonably practicable.

 - The 'Performance Benchmark Return' is defined as the monthly currency return of the Hedgeable Portfolio, calculated using, as a reference starting point, WM/Reuters 4pm mid spot rates, adjusted by mid 1 month forward points as at the last Business Day of the prior month; and as a reference finishing point, the WM/Reuters 4pm mid spot rates as at the last day of the month being analysed.

 - The 'Return on the Hedged Portfolio' in respect of foreign exchange positions is defined as the change in the total profit and loss resulting from foreign exchange trading on the Hedged Portfolio, as measured from the last business day of the prior month to the last day of the month being analysed, using WM/Reuters 4pm rates as a starting and finishing reference point.

 - The performance objective is for the Return on the Hedged Portfolio to match as closely as reasonably possible the Performance Benchmark Return.

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

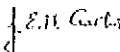
Adequacy of rates of contributions

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:		Date:	1 March 2010
Name:	Jane Curtis	Qualification:	FIA
Name of employer:	Howitt 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	<p>18% of Pensionable Salaries in respect of Higher Accrual Members (of which 1% of Pensionable Salaries is being used to eliminate the shortfall)*</p> <p>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)*</p> <p>PLUS</p> <p>An additional 7.1% of Pensionable Salaries in respect of PEPS Members</p>										
Additional contributions to satisfy the recovery plan dated 1 March 2010	From 1 January 2009 to 31 December 2011	<table> <tr> <td>5 October 2009</td> <td>£1,679M</td> </tr> <tr> <td>1 April 2010</td> <td>£40.3M</td> </tr> <tr> <td>1 October 2010</td> <td>£15.0M</td> </tr> <tr> <td>1 April 2011</td> <td>£20.0M</td> </tr> <tr> <td>1 October 2011</td> <td>£20.0M</td> </tr> </table>	5 October 2009	£1,679M	1 April 2010	£40.3M	1 October 2010	£15.0M	1 April 2011	£20.0M	1 October 2011	£20.0M
	5 October 2009	£1,679M										
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 10 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 £1.0M. 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.

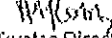
Expenses

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

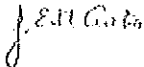
Appendix G --- Actuary's Certification of Technical Provisions

ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF REGULATION 7(4)(ii) 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 Trustees of the Scheme and set out in the Statement of Funding Principles dated 1 March 2010.

<i>Signature</i>		<i>Date</i>	<i>1 March 2010</i>
<i>Name</i>	<i>Jane Curtis FIA</i>	<i>Qualification</i>	<i>Fellow of the Institute of Actuaries</i>
<i>Address</i>	<i>Prospect House Abbey View St. Albans Hertfordshire AL1 2QU</i>	<i>Name of Employer</i>	<i>Hewlett Associates Limited</i>

THE PILKINGTON SUPERANNUATION SCHEME

FINANCIAL STATEMENTS – YEAR ENDED

31 DECEMBER 2010

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”.

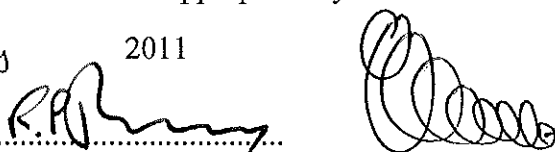
The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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.

17 May 2011



.....
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 2010, 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 schedules of contributions during the year ended 31 December 2010 as reported in the Summary of Contributions on the following page have been paid in all material respects in accordance with the schedules of contributions certified by the Actuary on 4 February 2009 and 1 March 2010.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

17 May 2011

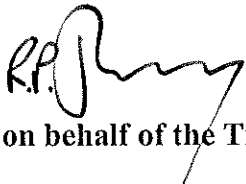
THE PILKINGTON SUPERANNUATION SCHEME

Summary of Contributions payable in the year

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

	Employees £'000	Employer £'000
Required by the schedule of contributions		
Normal contributions	4,464	9,746
Special contribution	-	982
Deficit funding	-	55,321
Total	4,464	66,049
 Other contributions payable		
Section 75 contribution	-	300
AVCs	292	-
Augmentations of individual members' benefits	-	3,022
Total (as per Fund Account)	4,756	69,371

Signed on behalf of the Trustee:



17 May 2011

THE PILKINGTON SUPERANNUATION SCHEME

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 2010 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 the 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.

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 2010, 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;
- 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

17 May 2011

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Contributions and benefits			
Contributions receivable	3	74,127	32,695
Transfers in	4	-	34
		74,127	32,729
Benefits payable	5	77,347	90,457
Payments to and on account of leavers	6	564	591
		77,911	91,048
Net withdrawals from dealings with members		(3,784)	(58,319)
Returns on investments			
Investment income	8	14,973	7,956
Change in market value of investments	9	106,030	164,754
Investment management expenses	10	398	(639)
		121,401	172,071
Net returns on investments		121,401	172,071
Net increase in the Scheme during the year		117,617	113,752
Net assets of the Scheme brought forward		1,149,047	1,035,295
Net assets of the Scheme carried forward		1,266,664	1,149,047

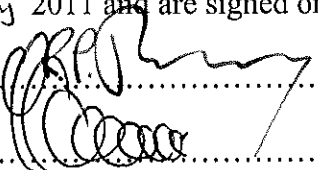
THE PILKINGTON SUPERANNUATION SCHEME

Net assets statement as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Investment assets	9	1,271,576	1,153,070
Investment liabilities	9	(3,819)	(1,613)
		<hr/>	<hr/>
		1,267,757	1,151,457
Current assets	11	3,021	2,477
Current liabilities	12	(4,114)	(4,887)
		<hr/>	<hr/>
Net assets of the Scheme carried forward		1,266,664	1,149,047

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 8 and the statement by the Actuary on page 24 of the annual report and these financial statements should be read in conjunction with this information.

The financial statements on pages 32 to 43
were approved by the Trustee on
17 May 2011 and are signed on their behalf by:

.....

.....

Directors of Pilkington Brothers
Superannuation Trustee Limited

THE PILKINGTON SUPERANNUATION SCHEME

Notes to the financial statements 31 December 2010

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 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.

(b) Income from Investments

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

THE PILKINGTON SUPERANNUATION SCHEME

(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. 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.

THE PILKINGTON SUPERANNUATION SCHEME

3 Contributions receivable

	2010	2009
	£'000	£'000
From employers		
Normal	9,746	11,051
Augmentations	3,022	10,887
Due under NSG agreement	982	521
Deficit Funding	55,321	4,679
Section 75 contributions	300	-
	69,371	27,138
From members		
Normal	4,464	5,171
Additional Voluntary Contributions		
- added years	227	313
- money purchase	65	73
	4,756	5,557
Total contributions	74,127	32,695

Contributions are being made by the employer in respect of augmentations of certain benefits to individuals particularly in respect of funding of pension make up for redundant employees.

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.

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 £40 million in 2011 and £23 million per annum from 2012 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year.

The Section 75 contributions are in respect of the share of the Section 75 buy-out debt attributable to K McAnallan Limited, which is no longer a participating employer in the Scheme.

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

THE PILKINGTON SUPERANNUATION SCHEME

4 Transfers in	2010 £'000	2009 £'000
Individual transfers in from other schemes	-	34
	-	34
 5 Benefits payable		
	2010 £'000	2009 £'000
Pensions payable	67,061	67,515
Payments on retirement of members		
- commutations	9,685	22,002
Payments on death of members		
- lump sums	601	940
	77,347	90,457
 6 Payments to and on account of leavers		
	2010 £'000	2009 £'000
Refunds to members	12	16
State scheme payments	9	11
Individual transfers to other schemes	543	564
	564	591
 7 Administrative expenses		
All costs of administration, other than Scheme investment expenses, were borne by Pilkington Group Limited.		
 8 Investment Income		
	2010 £'000	2009 £'000
Dividends receivable from equities	-	1,519
Income from fixed interest securities	5,102	4,352
Income from index-linked securities	972	650
Interest receivable on cash deposits	78	12
Distributions from pooled investment vehicles	8,823	1,488
	14,975	8,021
Non-recoverable overseas tax	(2)	(65)
	14,973	7,956

THE PILKINGTON SUPERANNUATION SCHEME

9 Investments

	Market value at 1 Jan 2010	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	Market Value at 31 Dec 2010
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	80,644	67,168	(56,235)	2,134	93,711
Equities	25	-	(1)	7	31
Index linked securities	63,272	1,619	(7,913)	4,470	61,448
Pooled investment vehicles - managed and unitised funds	996,680	153,562	(153,278)	102,131	1,099,095
Derivatives	3,154	29,312	(30,374)	(2,462)	(370)
AVC investments	716	65	(214)	85	652
	<u>1,144,491</u>	<u>251,726</u>	<u>(248,015)</u>	<u>106,365</u>	<u>1,254,567</u>
Cash deposits	5,450			-	10,838
Investment creditor	(716)			(335)	-
Accrued investment income	2,232			-	2,352
	<u>1,151,457</u>			<u>106,030</u>	<u>1,267,757</u>

The preceding figures comprise:

	2010 £'000	2009 £'000
Fixed interest securities	93,711	80,644
Equities	31	25
Index linked securities	61,448	63,272
Pooled investment vehicles	1,099,095	996,680
Derivatives – assets	3,449	4,051
AVC investments	652	716
Cash deposits	10,838	5,450
Investment debtor	-	-
Accrued investment income	2,352	2,232
Investment assets	<u>1,271,576</u>	<u>1,153,070</u>
Investment creditor	-	(716)
Derivatives - liabilities	(3,819)	(897)
Investment liabilities	<u>(3,819)</u>	<u>(1,613)</u>
Total market value of investments	<u>1,267,757</u>	<u>1,151,457</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. Transaction costs incurred during the year amounted to £NIL (2009: £236,000). 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.

	2010	2009
	£'000	£'000
Fixed Interest Securities (held directly by the Scheme)		
UK quoted	31,498	28,722
Overseas quoted	52,974	49,150
UK government	1,650	-
Overseas government	7,589	2,772
	93,711	80,644
	93,711	80,644
	2010	2009
	£'000	£'000
Equities (held directly by the Scheme)		
UK quoted	31	25
	31	25
	31	25
	2010	2009
	£'000	£'000
Index Linked Securities (held directly by the Scheme)		
UK Government	58,815	58,326
UK quoted	560	3,892
Overseas quoted	2,073	1,054
	61,448	63,272
	61,448	63,272
	2010	2009
	£'000	£'000
Pooled investment vehicles		
- Managed and unitised funds – other		
Bond based funds		
SSgA managed – >5 year Index Linked	181,002	107,813
SSgA managed – >15 year Gilts	10,191	-
SSgA managed – Sterling Corporate Bonds All Stocks	140,370	129,554
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	100,617	90,771
Henderson managed – Global Investors Long Dated Credit	181,502	117,270
	613,682	445,408
	613,682	445,408

THE PILKINGTON SUPERANNUATION SCHEME

Equity based funds	2010	2009
	£000	£000
L&G Managed – Asia Pacific ex Japan Equity Index	49,925	57,100
L&G Managed –Japan Equity Index	20,648	12,359
L&G Managed –Japan Equity Index GBP Hedged	18,735	37,300
UOB managed – UOB Kinetics Paradigm Fund	57,280	59,848
SSgA managed – UK Equity Index	107,357	129,363
SSgA managed – North American Index	47,889	76,818
SSgA managed – Europe ex UK Equity	83,177	98,522
	<u>385,011</u>	<u>471,310</u>
Property based funds		
Pooled Property Funds	<u>42,208</u>	<u>28,148</u>
Hedge funds		
JPMAAM managed – Multi Strategy Fund Class C	<u>58,194</u>	<u>51,814</u>
	<u>1,099,095</u>	<u>996,680</u>

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, and JPMAAM, which is registered in the United States of America.

Derivatives	2010	2009
	£'000	£'000
UK government derivatives (net)	(5)	(135)
Overseas government derivatives (net)	601	514
Derivatives excluding forward foreign exchange contracts	<u>596</u>	<u>379</u>
Forward foreign exchange contracts		
Contracts entered into for the purpose of hedging		
-assets	2,390	2,788
-liabilities	(3,267)	(301)
Contracts entered into for tactical purposes		
-assets	429	580
-liabilities	(518)	(292)
Forward foreign exchange contracts	<u>(966)</u>	<u>2,775</u>
Total Derivatives	<u>(370)</u>	<u>3,154</u>

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.

THE PILKINGTON SUPERANNUATION SCHEME

Derivatives excluding forward foreign exchange contracts

Type of derivative	Expiration	2010	2010	2009	2009
		Economic exposure £'000	Market Value £'000	Economic exposure £'000	Market Value £'000
Overseas government bonds exchange traded futures	Less than 1 year	43,926	601	45,279	514
UK government bonds exchange traded futures	Less than 1 year	4,660	(5)	5,837	(135)
		48,586	596	51,116	379

Currency Forward Contracts

Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought		Currency Sold		2010	2010	2009	2009
	'000		'000		Net Asset £'000	Net Liability £'000	Net Asset £'000	Net Liability £'000
	EUR	45,499	GBP	38,779	207	-	-	(301)
	USD	161,499	GBP	104,788	-	(1,634)	92	-
	GBP	103,229	EUR	120,593	-	(104)	2,619	-
	GBP	212,733	USD	331,998	675	-	77	-
	GBP	508	SEK	5,570	-	(21)	-	-
					882	(1,759)	2,788	(301)

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £193 million of US dollars, Euro, Yen and Swedish Krona (representing approximately 54% 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 hedged pooled funds.

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 2010 there were 50 such contracts open in 19 currencies, all expiring within 12 months. Unrealised gains on these contracts amounted to £429,000 (2009 £580,000) with unrealised losses of £518,000 (2009 £292,000).

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:

	2010 £'000	2009 £'000
Equitable Life Assurance Society	233	268
Prudential	419	448
	652	716

THE PILKINGTON SUPERANNUATION SCHEME

	2010	2009
	£'000	£'000
Cash deposits		
Sterling	2,388	1,578
Foreign currency	2,541	496
Sterling Term Deposits	5,909	3,376
	10,838	5,450

Investment Creditor

The investment creditor is an accrual in respect of the amount due to Lehman Brothers to settle foreign exchange trades that were outstanding when they went into liquidation. The amount shown as change in market value represents a difference between the accrued balance and the amount settled in the current year.

10 Investment Management Expenses

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

11 Current assets

	2010	2009
	£'000	£'000
Due from participating companies :-		
Contributions - Normal Employee	327	343
Contributions – Normal Employer	673	695
Contributions – Augmentations	48	569
Contributions – Due under NSG agreement	982	521
Other	8	9
	2,038	2,137
Bank balance	57	80
Other debtors	926	260
	3,021	2,477

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

12 Current liabilities

	2010	2009
	£'000	£'000
Unpaid benefits	3,620	4,544
Due to participating companies	57	-
Investment management expenses	218	196
Other	219	147
	4,114	4,887

THE PILKINGTON SUPERANNUATION SCHEME

13 Self-investment

There was no direct employer-related investment during the year. Exposure to NSG securities via pooled funds amounted to £43,000 at 31 December 2010 (2009 £45,000).

14 Concentration of investments

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

	2010	2009
SSgA managed – >5 year Index Linked	14.3%	9.4%
Henderson managed – Global Investors Long Dated Credit	14.3%	10.2%
SSgA managed – Sterling Corporate Bonds	11.1%	11.2%
SSgA managed – UK Equity Index	8.5%	11.2%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	7.9%	7.9%
SSgA managed – Europe ex UK Equity	6.6%	8.6%
UOB managed – UOB Kinetics Paradigm Fund	4.5%	5.2%
SSgA managed – North America Index	3.8%	6.7%

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 £57,000 (2009 £54,000), and the amount owed to Pilkington Group Limited at 31 December 2010 for expenses not yet recharged was £57,000 (2009 £Nil).

16 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 2010 or at 31 December 2009. As at 31 December 2010, the Scheme had commitments to the property funds managed by CBREI totalling £10 million (2009 £6 million). £4 million of this balance is held in cash accounts with CBREI and included in the investment cash in note 9.