

THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER
2011

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 2011 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
Waterside Training Limited

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

Directors of the Trustee (as at 31 December 2011):

Employer Directors

A.M. Robb (Chairman) 2
S.M. Gange*1
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 1,2
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

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.

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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

In December 2011 Mr. Peter Grunwell retired from the Board after 25 years service as an Employer Director. At 31 December 2011 there were two vacancies for Employer Directors and two vacancies for Employee Directors.

An additional independent trustee director, Mr Keith Greenfield, has been appointed as an Employer Director following the year end.

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
Rogge Global Partners plc
PIMCO Global Advisors (Ireland) Limited
CBRE Global Collective Investors UK Limited
Legal & General Assurance (Pensions Management) Limited
Legal & General Assurance Society Limited (appointed during 2011)
Henderson Global Investors Limited
JP Morgan Alternative Asset Management Inc
Nephila Capital Limited (appointed during 2011)
Insight Investment Management (Global) Limited (appointed during 2011)

Investment Advisers J. Gibbon
H. Smart

Financial Adviser Gazelle Corporate Finance Limited

Legal Advisers Hogan Lovells International LLP

Auditors PricewaterhouseCoopers LLP

Bankers National Westminster Bank plc

Custodian J P Morgan Chase Bank

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Enquiries about the Scheme should be addressed to:

Pensions Department
Pilkington Group Limited
Prescot Road
St Helens, WA10 3TT
Pensions.Administration@nsg.com

Fax 01744 737336

Board and Sub-Committee Activity

The Trustee Board met six times during 2011. A record is kept of the attendance of Directors at Board meetings.

One of the most important duties of the Board is to monitor the strength of the Company's covenant and its trading and financial position, since the well-being of the Scheme depends on this. Management gave a presentation of the Company Full Year Results at the July Board. The Half Year Results to September 2011 were presented to the Board in January 2012. This practice will continue with a representative of the Company presenting the Company's results to the Trustee and its advisers at a Board meeting following the publication of the year-end and half-year results.

The Audit Committee met three times in 2011 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 2012 together with the Risk Review Profile and monitored progress towards a Business Continuity Plan for the Pensions Department.

The Investment Committee of the Board met on four 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 addition to the Board's normal programme of overseeing the administration of the Scheme and the management of its investment portfolio, there was also a considerable amount of additional work carried out by the Board and subcommittees during the year designed to reduce the risks facing the Scheme, particularly at a time of high volatility in investment markets and economies generally. This work consisted firstly of agreeing and starting to implement a liability-driven hedging programme designed to reduce the impact on the Scheme of interest rate and inflation fluctuations. This involved negotiations with several banks as providers of International Swaps and Derivatives Association (ISDA) and Global Master Repurchase Agreement (GMRA) facilities and the programme was ultimately ready for operation by summer 2011. A small proportion of the hedge was implemented before the economic turbulence occurred in the summer, causing gilt yields to fall beyond agreed trigger points. The Investment Committee is now monitoring the position to determine when it becomes appropriate to re-start the hedging programme.

Secondly during 2011 a small joint working party was established which included members of the Trustee Board and representatives of Pilkington Group Limited.

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The remit of this working party was to consider the merits of a longevity swap designed to hedge the risk of further increases in longevity adding further to the liabilities of the Scheme and to make a recommendation to the Board. The Board accepted a recommendation to implement such a hedge, particularly with respect to existing pensioners who account for approximately 60% of Scheme liabilities. Accordingly the working party, advised by the legal, actuarial and investment advisers of both the Trustee and the Company selected a party with which to contract for the longevity insurance and engaged in the negotiations of the documentation required to establish the relationship.

Legal & General Assurance Society Limited was selected as the primary provider backed by Hannover Re as reinsurer. The agreements were signed in December 2011 and the insurance was effective from 1 December 2011. This is recognised and welcomed by each of the Trustee and Company as a further and significant step towards de-risking the Scheme. The Trustee is covered by this insurance in respect of the, approximately, 11,500 pensioners who were in receipt of a pension from the Scheme at 31 March 2011. The commercial details of the arrangements are confidential but the overall impact is to protect the Scheme from the financial risk of pensioners living much longer than expected. This limits one of the elements of volatility in the Scheme and thus enhances the security of the Scheme for everyone.

The Trustee Board's Ill Health Committee met on four occasions in 2011. The Death Benefits Committee did not meet during 2011 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 2011 covered:-

- Actuarial Matters – specifically matters associated with the valuation of the Scheme
- Legal Update
- Interest Rate and Inflation Hedging
- Longevity Hedging

It is envisaged that trustee training will follow a similar pattern in 2012 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 2010	1,832	3,159	8,651	3,026
Adjustment for late notifications	-	-22	-	3
	<u>1,832</u>	<u>3,137</u>	<u>8,651</u>	<u>3,029</u>
New beneficiaries				183
Deaths	-3	-5	-342	-174
Retirements	-30	-61	91	
Transfers out/Refunds		-14		-4
Members leaving pensionable service prior to retirement	-42	42		
31 December 2011	<u>1,757</u>	<u>3,099</u>	<u>8,400</u>	<u>3,034</u>

Total membership = 16,290

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

Three Amending Deeds were executed making amendments to the Trust Deed and Rules during 2011. The Deeds of Amendment covered the use of arrangements governed by the Occupational Pension Schemes (Employer Debt) Regulations 2005; the treatment of an individual under the Finance Act 2004; and finally to ensure that the Trustee's powers of investment included the ability to enter into the agreements and transactions associated with the interest rate and inflation rate swap and the longevity hedge.

No amendment was made to the Articles of Association in 2011.

IV Scheme Funding Position

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 deficit a Recovery Plan was agreed with a new Schedule of Contributions. This was signed by the Trustee and the Company on 1

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March 2010 with effect from that date. This schedule of contributions, which includes deficit funding contributions, is shown on page 23.

The additional contributions required include an increase in regular contributions from the Company to a minimum of 10.5% of pensionable salaries plus £4m. These amounted to £1,009,042 for the year ended 2011 (£981,841 for 2010). In addition the Company paid deficit funding contributions totaling £40m in 2011 (£55m in 2010), totaling £100m in the period from October 2009 to December 2011.

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 22.

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

The actuarial review as at 31 December 2010 showed that the total Fund asset value 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). The deficit was thus reduced to £55m and the funding level had increased to 96%. This was reported to members in a summary funding statement during 2011. By 31 December 2011 the total Fund asset value had increased to £1,312m (as can be seen from the accompanying accounts). However, over the year to that date the deficit increased. There were two principal reasons for this. Firstly, there was a recurrence of a crisis of confidence in June and July 2011 which resulted in a fall in asset values. Secondly, interest rates on government stocks fell sharply due to the combined impact of a renewal of the Bank of England Quantitative Easing programme and investor perception of the UK as a safe haven. This latter factor will have led to a significant rise in the present value of the Scheme's liabilities, outweighing the deficit repair contributions of £40m paid by the Company during the course of 2011.

Since the 2011 year end there has been a recovery in asset values but interest rates remain at very low levels. The terms of the recovery plan continue to apply and payments by the Company will continue to be made in accordance with the Recovery Plan or a subsequent recovery plan until the Scheme funding position is fully restored to balance.

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2011 Valuation

A formal valuation of the Scheme is currently under way. The effective date is 31 December 2011. The Trustee and the Company have to agree the assumptions which will apply in this valuation and if appropriate the terms of a revised recovery plan. It is clear, however, that the funding level will be significantly worse than that shown by the review as at 31 December 2010. .

V Increases in pensions

During 2011 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 a capped increase of 5%. 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 2010 receiving pro-rata increases. These increases were based on the increase in the Retail Prices Index (RPI) over the year to March 2011. This amounted to 5.3% and so the statutory caps referred to above applied. Following a change of Government policy and the enactment of the Pensions Act 2011, future statutory increases in payment will be by reference to the annual increase in the Consumer Prices Index (rather than the RPI), capped at 5% or 2.5% depending on when the pension accrued.

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 2011. This was based on the increase in the RPI of 4.3% over the year to September 2010, capped at 3%.

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 2011 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 2011.

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 before 1 January 2011, 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 adopted by the 2010 Revaluation Order, which applied in relation to paid up pensions coming into payment during 2011 (and in the 2011 Revaluation Order in relation to pensions coming into payment during 2012).

During 2011 a GMP rectification project was concluded. As a result of this, certain members received an uplift of their pension. All affected members have been informed.

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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 2011 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 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.

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 22.

The Accounts forming part of this Report (at pages 30 - 40) 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 earlier, Gazelle Corporate Finance Limited ('Gazelle') continue to monitor the strength of the employer covenant and to report on this to the Trustee Board.

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 October 2011. 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 65%) being in pooled funds and the segregated portfolios limited to investment in bonds, the ability of the Trustee to

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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 2010 and revealed no payments being made to deceased pensioners. A check of overseas pensioners is ongoing. From 2012 onwards such existence checks will be undertaken annually.

VIII Investment Management

As at 31 December 2011 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 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 CBRE Global Collective Investors UK 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.
- ix) Reinsurance via a pooled fund by Nephila Capital Limited ('Nephila') on an active basis.

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- x) 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 2011 the Scheme benchmark was 38% return seeking and 62% liability matching investments. Early in 2011 the funding position of the scheme was such that the next de-risking trigger was met and the benchmark was adjusted to 34% return seeking and 66% liability matching investments, where it has remained. The Scheme was within the permitted deviation from the benchmark weightings at 31 December 2011.

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

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.

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).

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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

During 2011 the Trustee entered 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 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 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.

Reinsurance

During 2011 the Trustee decided that for the purposes of greater diversification within the return-seeking allocation within the portfolio, it would replace a part of the equity risk premium with insurance risk premium. These two risks have little correlation. The Trustee decided to award a mandate to Nephila after a manager selection exercise.

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

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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. 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.

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 notice period.

The Scheme bears the cost of purchasing and realising assets within the portfolio. Net investment manager and custodial fees charged to the Scheme in 2011 was £221,000 (2010: £398,000 net rebate). 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 2011 is set out on page 17.

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IX Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2011:-

- 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 2011 the number of contributors to each of the AVC options was:-

- | | |
|---------------------------------------|----|
| • Additional service | 90 |
| • Prudential with profits and deposit | 2 |
| • Prudential unit linked | 10 |

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 2007-2011, to illustrate the Scheme's development.

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Contributions and benefits					
Contributions receivable	55,462	74,127	32,695	16,977	20,396
Transfers in	-	-	34	124	6
	55,462	74,127	32,729	17,101	20,402
Benefits payable	70,702	77,347	90,457	69,769	78,075
Payments to and on account of leavers	1,155	564	591	851	1,403
	71,857	77,911	91,048	70,620	79,478
Net withdrawals from dealings with members	(16,395)	(3,784)	(58,319)	(53,519)	(59,076)
Returns on investments					
Investment income*	20,640	14,973	7,956	8,371	11,163
Change in market value of investments	41,214	106,030	164,754	(266,521)	65,031
Net Investment management expenses†	(221)	398	(639)	(1,402)	(1,400)
Net returns on investments	61,633	121,401	172,071	(259,552)	74,794
Net change in the Scheme value during the year	45,238	117,617	113,752	(313,071)	15,718
Net assets of the Scheme brought forward	1,266,664	1,149,047	1,035,295	1,348,366	1,332,648
Net assets of the Scheme carried forward	1,311,902	1,266,664	1,149,047	1,035,295	1,348,366

* 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, JPMAAM and Nephila receive management fees deducted from the pooled funds they hold. These fees, amounting to £2,981,000 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 2011 together with the target returns are set out at page 21. At the year end the overall allocation of assets was within the ranges permitted by the SIP.

Performance overall in 2011 was positive at 6.9% at total Scheme level.

The benchmark for 2011 was 8.1% so the Scheme underperformed by 1.2%, principally due to the poor performance by UOB. The value of the Scheme at 31 December 2011 was £1,312m against £1,267m 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	11.2	11.0	0.2
5 year annualised	5.0	5.9	-0.9
10 year annualised	5.6	6.2	-0.6

2011 saw a very busy year in the area of investments with two major steps being taken in de-risking the portfolio. The first of these, which was a continuation of the work undertaken in 2010, was the establishment of the structure for the interest and inflation rate hedging programme. This took a long time and much work to set up and the first trades took place during the summer of 2011. However, shortly after these were completed the yields on gilts fell below the trigger levels and no further hedging has been implemented. The amount which has been hedged is approximately £30m of a targeted total of £280m. The appropriateness of the existing triggers is being kept under review by the Investment Committee and the advice to date has been to maintain the current position.

The second significant de-risking step was ultimately completed shortly before the end of 2011 which was the completion of a longevity hedging arrangement via an insurance contract with Legal & General Assurance Society Limited. This covers the lives of approximately 11,500 pensioners who were in receipt of pension on 31 March 2011 and insures against the risk that they will significantly exceed the current estimate of life expectancy which is used in the Scheme valuation. Again the work in establishing this arrangement was substantial but the successful conclusion was welcomed by each of the Trustee and the Company as a major contribution to reducing the overall risk in the Scheme and therefore enhancing the security of all the members.

In addition there was further diversification of the return-seeking proportion of the fund which was carried out during the first half of 2011. This involved a small allocation to each of a passive pooled Emerging Market Equities Fund managed by Legal & General Investment Management Limited who also manage the Scheme's Asia Pacific and Japanese equities again in passive pooled funds; and to Nephila Capital Limited who run a fund which invests in reinsurance. This was seen as a good diversifier as it has little

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correlation to any of the equity or property markets being largely concerned with natural disasters.

In view of the recent underperformance of the UOB absolute return investment the Investment Committee has decided to exit this investment. The total return from this fund over the 6 year period of investment has been positive.

The Board had the opportunity in 2011, as it does each year, to meet representatives of all the Scheme's managers and 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 total funds.

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 2011 the value of the notional portfolio was £144m.

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 in which the Scheme has approximately £13m invested as at 31 December 2011, 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 £11m invested as at 31 December 2011 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 £32m invested as at 31 December 2011 the fees are 0.125% per annum of the value of assets under management.

For the L&G World Emerging Markets Equity Index Fund in which the Scheme has approximately £35m invested as at 31.12.11 the fees are 0.3% p.a. 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

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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 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 £394,000 was incurred during the year.

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 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 2011.

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 value of gilt repurchases and 0.03% per annum on the value of the remaining assets under management.

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.

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V Analysis of Investment Management Expenses

	£'000
External Investment Managers	
L&G	177
State Street	172
CBREI	156
Rogge	207
Insight	59
PIMCO performance fee	121
PIMCO rebate	(218)
Henderson rebate	(312)
UOB rebate	(429)
JPMAAM rebate	(89)
	<u>(156)</u>
Custodial Fees	35
	<u>(121)</u>
Contribution from Pilkington Group Ltd towards expenses	(463)
	<u>(584)</u>
Investment advice	594
Other expenses	31
Irrecoverable VAT	180
Charged directly to the Fund Account	<u>221</u>
Fees paid by way of deduction from assets in funds	
UOB	757
PIMCO	478
JPMAAM	589
Henderson	959
Nephila	198
Included within change in market value in note 8	<u>2,981</u>
Net expenses	<u><u>3,202</u></u>

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 believed there is an area of non-compliance.

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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>	34.0	-6.5% / +2.5%			
UK equities	3.25	-3.25% / +3.25%	5.0%	8.2%	31.8%
Overseas equities (ex EM)	12.75	-5.0% / +5.0%	5.4% (hedged)	8.0% (hedged)	27.6% (hedged)
Emerging market (EM) equities	3.0	-2.0 / +2.0%	n/a	n/a	n/a
Absolute return equities	3.0	-3.0% / +1.5%	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%
Reinsurance	2.0	-2.0% / +2.0%	n/a	n/a	n/a
<i>Liability matching assets</i>	66.0	-2.5% / +6.5%			
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%
LDI Portfolio	22.25		n/a	n/a	n/a
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.

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PILKINGTON SUPERANNUATION SCHEME

CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

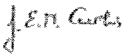
Adequacy of rates of contributions

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:	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	18% 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 2015	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 18 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

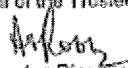
Expenses

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

THE PILKINGTON SUPERANNUATION SCHEME

ACCOUNTS – YEAR ENDED 31 DECEMBER 2011

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”.

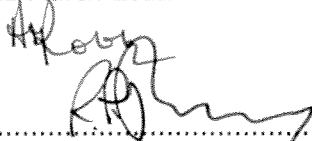
The Trustee has supervised the preparation of the Accounts and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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.

21 March 2012



.....
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 Scheme year ended 31 December 2011 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 2011 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

21 March 2012

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	4,420	9,514
Due under NSG agreement	-	1,009
Deficit funding	-	40,000
Total	4,420	50,523
Other contributions payable		
AVCs	239	-
Augmentations of individual members' benefits	-	280
Total (as per Fund Account)	4,659	50,803

Signed on behalf of the Trustee:



R.P. [unclear]

21 March 2012

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 2011 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 2011, 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

21 March 2012

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Contributions and benefits			
Contributions receivable	3	55,462	74,127
Benefits payable	4	70,702	77,347
Payments to and on account of leavers	5	1,155	564
		71,857	77,911
Net withdrawals from dealings with members		(16,395)	(3,784)
Returns on investments			
Investment income	7	20,640	14,973
Change in market value of investments	8	41,214	106,030
Net investment management expenses	9	(221)	398
Net returns on investments		61,633	121,401
Net increase in the Scheme during the year		45,238	117,617
Net assets of the Scheme brought forward		1,266,664	1,149,047
Net assets of the Scheme carried forward		1,311,902	1,266,664

The notes to the accounts on pages 32 to 40 form a part of these Accounts.

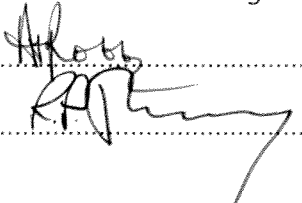
THE PILKINGTON SUPERANNUATION SCHEME

Net assets statement as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Investment assets	8	1,373,306	1,271,576
Investment liabilities	8	(63,156)	(3,819)
		<hr/>	
		1,310,150	1,267,757
Current assets	10	3,220	3,021
Current liabilities	11	(1,468)	(4,114)
		<hr/>	
Net assets of the Scheme carried forward		1,311,902	1,266,664

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 22 of the annual report and these Accounts should be read in conjunction with this information.

The Accounts on pages 30 to 40 were approved by the Trustee on 21 March 2012 and are signed on their behalf by:

.....

.....

Directors of Pilkington Brothers
Superannuation Trustee Limited

THE PILKINGTON SUPERANNUATION SCHEME

Notes to the Accounts 31 December 2011

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 swap is valued as the difference between the projected payments on the fixed and variable legs discounted using the assumptions in the latest actuarial valuation, 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

THE PILKINGTON SUPERANNUATION SCHEME

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 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 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.

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3 Contributions receivable

	2011	2010
	£'000	£'000
From employers		
Normal	9,514	9,746
Augmentations	280	3,022
Due under NSG agreement	1,009	982
Deficit Funding	40,000	55,321
Section 75 contributions	-	300
	50,803	69,371
From members		
Normal	4,420	4,464
Additional Voluntary Contributions		
- added years	194	227
- money purchase	45	65
	4,659	4,756
Total contributions	55,462	74,127

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.

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 2012 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year.

The Section 75 contributions in the prior year 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 8). Members are also entitled to purchase additional defined benefits under the provisions of the Scheme.

4 Benefits payable

	2011	2010
	£'000	£'000
Pensions payable	66,879	67,061
Payments on retirement of members		
- commutations	2,716	9,685
Payments on death of members		
- lump sums	1,107	601
	70,702	77,347

The decrease in pensions payable is due to the release of a provision of £775,000 for the cost of rectification of GMP issues.

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5 Payments to and on account of leavers

	2011 £'000	2010 £'000
Refunds to members	2	12
State scheme payments	1	9
Individual transfers to other schemes	1,152	543
	1,155	564

6 Administrative expenses

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

7 Investment Income

	2011 £'000	2010 £'000
Income from fixed interest securities	6,843	5,102
Income from index-linked securities	2,427	972
Interest receivable on cash deposits	136	78
Distributions from pooled investment vehicles	11,305	8,823
	20,711	14,975
Non-recoverable overseas tax	-	(2)
Financing cost for gilt re-purchase transactions	(71)	-
	20,640	14,973

8 Investments

	Market value at 1 Jan 2011	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	Market Value at 31 Dec 2011
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	93,711	121,585	(42,214)	19,041	192,123
Equities	31	-	(29)	(2)	-
Index linked securities	61,448	247,932	(61,748)	37,836	285,468
Pooled investment vehicles - managed and unitised funds	1,099,095	213,080	(465,870)	15,276	861,581
Derivatives	(370)	21,727	(19,127)	(30,929) *	(28,699)
AVC investments	652	45	(70)	(4)	623
	1,254,567	604,369	(589,058)	41,218	1,311,096
Cash deposits	10,838			(4)	26,819
Investment creditor	-				(31,135)
Accrued investment income	2,352				3,370
	1,267,757			41,214	1,310,150

* This figure includes a £30million risk premium on the inception of the longevity swap, charged in accordance with the accounting policy in note 2a)v).

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The preceding figures comprise:	2011	2010
	£'000	£'000
Fixed interest securities	192,123	93,711
Equities	-	31
Index linked securities	285,468	61,448
Pooled investment vehicles	861,581	1,099,095
Derivatives – assets	3,322	3,449
AVC investments	623	652
Cash deposits	26,819	10,838
Accrued investment income	3,370	2,352
Investment assets	1,373,306	1,271,576
Investment creditor	(31,135)	-
Derivatives - liabilities	(32,021)	(3,819)
Investment liabilities	(63,156)	(3,819)
Total market value of investments	1,310,150	1,267,757

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 £103,000 (2010: £NIL). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. Information about the amount of indirect costs is not separately provided to the Scheme.

Fixed Interest Securities (held directly by the Scheme)	2011	2010
	£'000	£'000
UK quoted	37,498	31,498
Overseas quoted	43,191	52,974
UK government	104,407	1,650
Overseas government	7,027	7,589
	192,123	93,711
	2011	2010
	£'000	£'000
Equities (held directly by the Scheme)		
UK quoted	-	31
	-	31
	2011	2010
	£'000	£'000
Index Linked Securities (held directly by the Scheme)		
UK Government	282,895	58,815
UK quoted	1,261	560
Overseas quoted	1,312	2,073
	285,468	61,448

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	2011 £'000	2010 £'000
Pooled investment vehicles		
- Managed and unitised funds – other		
Bond based funds		
SSgA managed – >5 year Index Linked	-	181,002
SSgA managed – >15 year Gilts	-	10,191
SSgA managed – Sterling Corporate Bonds All Stocks	152,311	140,370
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	106,221	100,617
Henderson managed – Global Investors Long Dated Credit	208,284	181,502
	466,816	613,682
Equity based funds		
L&G Managed – Asia Pacific ex Japan Equity Index	29,987	49,925
L&G Managed –Japan Equity Index	12,405	20,648
L&G Managed –Japan Equity Index GBP Hedged	10,916	18,735
L&G Managed – World Emerging Markets Equity	31,594	-
UOB managed – UOB Kinetics Paradigm Fund	37,249	57,280
SSgA managed – UK Equity Index	45,608	107,357
SSgA managed – North American Index	36,026	47,889
SSgA managed – Europe ex UK Equity	49,451	83,177
	253,236	385,011
Property based funds		
Pooled Property Funds	56,060	42,208
Hedge funds		
JPMAAM managed – Multi Strategy Fund Class C	58,400	58,194
Reinsurance funds		
Nephila managed – Iron Catastrophe Fund Class C	27,069	-
Total Pooled Investment Vehicles	861,581	1,099,095

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.

	2011 £'000	2010 £'000
Derivatives		
Longevity swap	(30,000)	-
UK government derivatives (net)	(53)	(5)
Overseas government derivatives (net)	(59)	601
Derivatives excluding forward foreign exchange contracts	(30,112)	596
Forward foreign exchange contracts		
Contracts entered into for the purpose of hedging	2,933	2,390
-assets	(1,520)	(3,267)
-liabilities	297	429
Contracts entered into for tactical purposes	(297)	(518)
-assets	1,413	(966)
-liabilities	(297)	(518)
Forward foreign exchange contracts	1,413	(966)
Total Derivatives	(28,699)	(370)

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

All other 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.

Derivatives excluding forward foreign exchange contracts

Type of derivative	Expiration	2011 Economic exposure £'000	2011 Market Value £'000	2010 Economic exposure £'000	2010 Market Value £'000
Longevity swap	None specified	941,000	(30,000)	-	-
Overseas government bonds exchange traded futures	Less than 1 year	23,069	(59)	43,926	601
UK government bonds exchange traded futures	Less than 1 year	3,041	(53)	4,660	(5)
		967,110	(30,112)	48,586	596

Currency Forward Contracts

Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought '000	Currency Sold '000	2011 Net Asset £'000	2011 Net Liability £'000	2010 Net Asset £'000	2010 Net Liability £'000
5	EUR 31,001	GBP 25,765	-	(131)	207	-
7	USD 195,000	GBP 126,189	714	-	-	(1,634)
9	GBP 85,150	EUR 99,291	2,212	-	-	(104)
10	GBP 245,350	USD 383,458	-	(1,389)	675	-
2	GBP 1,098	SEK 11,626	7	-	-	(21)
			2,933	(1,520)	882	(1,759)

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £191 million of US dollars, Euro, Yen and Swedish Krona (representing approximately 55% 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 2011 there were 29 such contracts open in 15 currencies, all expiring within 12 months. Unrealised gains on these contracts amounted to £297,000 (2010 £429,000) with unrealised losses of £297,000 (2010 £518,000).

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.

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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:

	2011	2010
	£'000	£'000
Equitable Life Assurance Society	207	233
Prudential	416	419
	623	652
	623	652
	2011	2010
	£'000	£'000
Cash deposits		
Sterling	2,459	2,388
Foreign currency	3,046	2,541
Sterling Term Deposits	21,314	5,909
	26,819	10,838
	26,819	10,838

Investment Creditor

The investment creditor of £31,135,000 referred to above is the agreed commitment required to close out the 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.

9 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 20.

10 Current assets

	2011	2010
	£'000	£'000
Due from participating companies :-		
Contributions - Normal Employee	328	327
Contributions – Normal Employer	679	673
Contributions – Augmentations	-	48
Contributions – Due under NSG agreement	1,009	982
Other	8	8
	2,024	2,038
Bank balance	767	57
Other debtors	429	926
	3,220	3,021
	3,220	3,021

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

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11 Current liabilities

	2011	2010
	£'000	£'000
Unpaid benefits	995	3,620
Due to participating companies	1	57
Investment management expenses	457	218
Other	15	219
	1,468	4,114

Unpaid benefits in the prior year included a provision of £2,600,000 for the cost of rectification of GMP issues.

12 Self-investment

There was no direct employer-related investment during the year. Exposure to NSG securities via pooled funds amounted to £19,000 at 31 December 2011 (2010 £43,000).

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:

	2011	2010
Henderson managed – Global Investors Long Dated Credit	15.9%	14.3%
SSgA managed – Sterling Corporate Bonds	11.6%	11.1%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	8.1%	7.9%
SSgA managed – Europe ex UK Equity	3.8%	6.6%
SSgA managed – UK Equity Index	3.5%	8.5%

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 £15,000 (2010 £57,000), and the amount owed to Pilkington Group Limited at 31 December 2011 for expenses not yet recharged was £1,000 (2010 £57,000).

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 2011 or at 31 December 2010. As at 31 December 2011, the Scheme had commitments to the property funds managed by CBREI totalling £3 million (2010 £10 million). £1 million of this balance is held in cash accounts with CBREI and included in the investment cash in note 8.