

THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2007

Contents	Page Nos.
Trustee's Report	2
Investment Report	14
Summary Funding Statement Extract	20
Actuarial Statements	21
Schedule of Contributions	22
Statement of Trustee's Responsibilities	24
Independent Auditors' Statement about Contributions to the Trustee	25
Summary of Contributions	26
Independent Auditor's Report	27
Financial Statements	29

THE PILKINGTON SUPERANNUATION SCHEME

Trustee's Report for the year to 31 December 2007

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 2007 the Allied Companies with employees contributing to the Scheme were:-

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

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

Trustee

As at 31 December 2007 the Trustee of the Scheme was Pilkington Brothers Superannuation Trustee Limited.

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

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

Directors of the Trustee (as at 31 December 2007)

Employer Directors

S.M. Gange ^
J.K. Gillespie*1
P.H. Grunwell*
R.P. Hemingway ^1,2
T.R.J. Izzett ^
B.J. Kay ^ 3 (from 26 Sept 2007)
Miss A.M. Kelleher ^ 1
The Law Debenture Pension Trust
Corporation plc 3
J. McKenna* 1,2
G. Nightingale* 2,3
A.M. Robb 3

Employee Directors

R. Abbott 1,3 L3
A. Cunliffe 1 L3
P.A. Daley 1, 3 (from 1 July 2007) L3
P.A. Edholm 2, 3 (from 1 July 2007) L6
D.P. Gilchrist 1, 3 R3
T.R.B. Hague 3 (from 1 July 2007) L6
Mrs. J. Mafi 1,3 L6
K.W. McKenna 2,3 R6
Mrs. C. Wakefield 1,2,3 R6

Pensioner Directors

S.J. Beesley* 2
D. Corf* (from 1 July 2007)

THE PILKINGTON SUPERANNUATION SCHEME

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

The suffix '1' denotes the Director was a member of the Ill Health Committee; '2' a member of the Audit Committee; and '3' a member of the Investment Committee, in each case at the year end. Any two or more Directors (being at least one Employer and one Employee) can constitute a Death Benefit Committee.

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

In accordance with recent legislation, all the Employee Directors (of whom there were then 7) stood down at 30 June 2007. A nomination procedure had taken place in December 2006 and 10 nominations were received, including all the existing Employee Directors for the 10 vacancies. The Board accepted the nominations without the need for a ballot. The existing Employee Directors remained in office and the additional three Directors took office from 1 July 2007. There was an insufficient number of Employee Director nominations from the remote constituency (over 25 miles from St. Helens) but sufficient nominations from the local constituency to make up the total to 10. Consequently the nominees from the local constituency drew lots to determine which of their number would be notionally 'remote' Directors before all the Employee Directors drew lots to determine who would have 3 and 6 year terms of office. Those who represent the local constituency are marked L and those who represent the remote constituency are marked R in the list above. In addition the terms of office of the Employee Directors are stated.

The two Pensioner Directors also had to stand down from 30 June 2007. A ballot was held early in 2007 to determine which of the 4 nominees would be elected to serve as Pensioner Directors. Mr. Beesley was re-elected; Dr. Havard did not stand for re-election. Mr. Derek Corf was elected as the second Pensioner Director. Mr. Beesley remained in office and Mr. Corf took office from 1 July 2007.

Mr. B.J. Kay was elected an Employer Director on 26 September 2007.

Since 1 July 2007, when the Trustee Board had its full complement of 24 Directors, Mr. D.A. Vernon-Smith has resigned as an Employer Director with effect from 17 October 2007. Mr. E.W.J. Wallin was an Employee Director until his resignation on 15 October 2007.

As at 31 December 2007 there remains one vacancy for an Employer and one for an Employee Director.

THE PILKINGTON SUPERANNUATION SCHEME

<u>Secretary</u>	J P Halligan
<u>Investment Managers</u>	Nomura Asset Management (UK) Limited State Street Global Advisors Limited UOB Global Capital (Dublin) Limited Goldman Sachs Asset Management International Rogge Global Partners plc PIMCO Europe Limited
<u>Investment Consultant</u>	Watson Wyatt Limited
<u>Legal Advisers</u>	Lovells LLP (formerly known as Lovells until 1 May 2007)
<u>Consulting Actuaries</u>	Hewitt Associates Limited (formerly known as Hewitt Bacon & Woodrow Limited)
<u>Appointed Actuary</u>	I. Watson FIA of Hewitt Associates Limited
<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

I Trustee Directors and Board Meetings

The Trustee Board met five times during 2007.

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

PricewaterhouseCoopers LLP (PwC) were instructed by the Trustee to carry out a review of the strength of the Employer Covenant. This was considered both in terms of the overall financial position of the sponsoring employers and also with

THE PILKINGTON SUPERANNUATION SCHEME

particular regard to the then potential impact of any fine from the European Commission resulting from its recent investigation.

PwC reported to the Trustee that before any impact of a fine from the EU the covenant remained as strong if not stronger than at the time of the transaction. The potential EU fine would have a significant impact but can be managed and PwC were confident that the Company had prepared mitigating actions which if necessary could be implemented and which would help the position of the Fund.

Decisions on ill health retirement were delegated to a Trustee Committee, which met four times in 2007.

The Audit Committee met on five occasions in 2007 (three of which were by telephone) to consider the Annual Report, including the Financial Statements, and reports from each of the Auditors and the Pilkington Internal Audit Department and to consider the audit plan for 2008 together with the Risk Review Profile.

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

The Trustee has implemented a training programme for the Trustee Directors. In 2007 this comprised three sessions run by the Trustee's professional advisers to cover legal, actuarial and investment matters. A similar series of training sessions will be undertaken by the Trustee Directors in 2008 and all are encouraged to enrol in the Pension Regulator's 'e'learning facility. The newly-elected Trustee Directors have undergone additional training in preparation for their role.

II Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2006	2,661	3,356	8,705	3,122
Adjustment for late notifications	(13)	8	(3)	3
	<u>2,648</u>	<u>3,364</u>	<u>8,702</u>	<u>3,125</u>
New contributors	93	-	-	-
New beneficiaries	-	-	347	185
Deaths	(3)	(4)	(353)	(198)
Retirements	(205)	(142)	-	-
Transfers out	(2)	(21)	-	(9)
Members leaving pensionable service prior to retirement	(103)	103	-	-
Pension Sharing	-	3	-	-
31 December 2007	<u>2,428</u>	<u>3,303</u>	<u>8,696</u>	<u>3,103</u>

THE PILKINGTON SUPERANNUATION SCHEME

III Amendments to the Deed and Rules

During the calendar year 2007 there were two changes made to the Trust Deed and Rules agreed between the Trustee and the Company. The first was to take account of the new requirements for overseas transfers and to facilitate transfers overseas for former members of the Scheme.

The Rules restricted transfers of funds by an individual who has served overseas to an overseas scheme operated by a Pilkington company. In the light of new legislation in the UK the Trustee cannot transfer to an overseas scheme which has not registered with HMRC. Such registration brings significant reporting obligations to HMRC for the overseas scheme and therefore schemes operated by Group Companies overseas may opt not to register. The Trustee agreed with the Company to amend Rule 52 to enable individuals to transfer to a qualifying registered overseas pension scheme, whether or not this is also a scheme operated by an overseas Group Company, thus enabling individuals to transfer benefits to a personal pension plan in the overseas country.

The second was to enable the Trustee to apportion a section 75 debt triggered by a company ceasing to participate in the Pilkington Superannuation Scheme to Pilkington Group Limited and/or other remaining participating employers. This was an enabling amendment and the Trustee retains discretion whether to exercise this on the occasion of a participating employer ceasing to be such. During 2007, K McAnallen Limited was sold out of the Group and the section 75 debt triggered by the sale amounted to less than £1 million taking account of the aggregate of its liability for its active members and its share of the orphan liabilities. The Trustee decided to exercise its discretion to apportion this debt to Pilkington Group Limited but has resolved that each such case will be decided on its merits and no general policy will be adopted.

The Trust Deed and Rules are currently being revised to take account of the changes which have been made since January 2006 including those relating to the Finance Act 2004 and age discrimination legislation.

IV Valuation of the Scheme as at 31 December 2005

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

A Schedule of Contributions has been prepared and agreed with Pilkington Group Limited. It covers the period to 31 March 2012. The Company contribution is fixed under the Trust Deed at 10.5% of pensionable salaries and cannot be reduced, with a separate additional contribution to cover PEPS tier

THE PILKINGTON SUPERANNUATION SCHEME

benefits. Under the Deed the Principal Employer has no right of access to any investment surplus. Following the Pensions Act 2004, under certain circumstances the Company could be required to make additional contributions.

The Trustee has agreed with NSG UK Enterprises Limited and Pilkington Group Limited that the employer contributions for active members will be increased by the payment of a lump sum contribution of £4 million in each of the three years post acquisition. This payment has been received in respect of 2006 and 2007.

The total fund value at 31 December 2007 was £1,348.4m, an increase in the value of assets of £15.7m during 2007.

The Scheme Actuary prepared the actuarial valuation for the Trustee as at 31 December 2005. The valuation reviews the financial position of the Scheme both as a going concern and on a discontinuance basis at the valuation date. In summary this demonstrated a surplus of £76.3m against the technical provisions on a going concern basis.

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

Changes since the previous valuation

The Scheme Actuary is required to provide to the Trustee an Annual Report which updates the funding position of the Scheme since the last valuation. The most recent annual report is as at 31 December 2007. If the same approach to deriving the assumptions which were used in the formal valuation is applied at 31 December 2007 then the funding position appears to have improved. The return on Scheme investments has been slightly higher than projected and this has helped to offset a rise in the projected level of inflation. However the main factor leading to the improvement is that the yield on corporate bonds, which was the discount rate used at 31 December 2005 to value the Scheme's liabilities, has risen significantly over the intervening period leading to a lower value being placed on liabilities.

The Trustee has been advised by the Scheme Actuary that several assumptions – the approach to setting the discount rate; the allowance for salary increases; and the allowance for future improvement in life expectancy – will need to be modified for the 31 December 2008 valuation. The Chairman of the Trustee referred to the latter issue both in his letter to pensioners last summer and in the 2007 issue of Reflections. Taking these factors into account will tend to weaken the funding position from that shown at December 2005. In addition asset values will have changed.

V Increases in pensions

During 2007 pensions earned after 5 April 1997 and guaranteed minimum pensions were increased in payment as required by legislation. In relation to other pensions in payment, Clause 19 of the Trust Deed states "providing that in

THE PILKINGTON SUPERANNUATION SCHEME

the opinion of the Actuary the financial state of the Scheme so permits the Trustee shall increase pensions with effect from 1 July each year

For 2007 the Actuary advised the Trustee that the funding position was such that the Scheme could not sustain an increase. As a consequence no non-statutory increase was awarded in 2007.

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

Since 2003 the Trustee has paid the following non-statutory increases in accordance with the above provision as follows:

Date of Increase	July 2003	July 2004	July 2005	July 2006	July 2007
Date of Retirement					
Before 1.7.2002	0%				
Before 1.7.2003		2.6%			
Before 1.7.2004			0%		
Before 1.7.2005				2.4%	
Before 1.7.2006					0%
Price Inflation (for year to March)	3.1%	2.6%	3.2%	2.4%	4.8%

The increases which were missed in 2003 and 2005 were caught up following the formal valuation as at 31 December 2005. These total a compound 6.4% for an individual who had retired by March 2002. The missed increases of 3.1% and 3.2% were applied from 1 July 2006. An individual who had missed each of the 2003 and 2005 increases therefore received 6.4% catch up plus the 2.4% 2006 increase from 1 July 2006.

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 2007 were calculated in accordance with factors prepared and certified by the Actuary as being consistent with the requirements of Section 97 of the Pension Schemes Act 1993. The factors used since 1 July 2003 do not include an allowance for discretionary pension increases in payment. Inasmuch as pension increases on benefit accrued before 6 April 1997 are subject to the Actuary certifying the Scheme has an adequacy of resources, this constitutes a discretionary benefit.

VII Pensions Act Compliance and Governance

The Actuarial Certificate dated 31 March 2007 confirming the adequacy of the contribution rates is included at page 21.

THE PILKINGTON SUPERANNUATION SCHEME

The Financial Statements forming part of this Report (at pages 29 to 41) have been prepared and audited in accordance with regulations made under Sections 41(1) and 41(6) of the Pensions Act 1995.

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

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. The SIP was approved by the Trustee Board on 26 September 2007 and sent to the Company which raised no issues. The SIP is regularly reviewed by the Investment Committee throughout the year and changes notified to the Board and the Company.

The SIP is posted at www.superpilk.com and is available on request from the Group Pensions Department, Pilkington Group Limited.

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

With a large proportion of the Scheme (approx 80%) now being in pooled funds, the ability of the Trustee to influence the investment managers about socially responsible investment and related matters has been greatly reduced. With the exception of State Street Global Advisors Limited, UOB Global Capital (Dublin) Limited and PIMCO Europe Limited which invest in pooled funds, the investment managers have been asked to comply with the approach agreed by the Trustee to socially responsible investment and corporate governance.

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

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

The Trustee has a Conflict of Interests Register which is reviewed at least annually and has adopted a Whistle Blowing Policy.

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

THE PILKINGTON SUPERANNUATION SCHEME

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

VIII Investment Management

As at 31 December 2007 the investments were managed as follows:-

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

A small amount of private equity and venture capital investments previously managed by the in-house investment managers has been realised during 2007 and the proceeds used to pay pensions. The remaining assets of these types totalling approx. £59,000 in value are still in the course of being liquidated.

Watson Wyatt Limited is the investment consultant of the Trustee. The Scheme is now invested 50% equities and 50% bonds following a slight adjustment to the benchmark during 2007 to remove the cash element.

At 31 December 2007 the Scheme was within the permitted deviation from the benchmark set out in the SIP.

Equities

The enhanced returns equity funds managed by SSgA each have a target return of 0.75% p.a. above the relevant FTSE index.

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

Global absolute return equities

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

THE PILKINGTON SUPERANNUATION SCHEME

relatively few stocks and is concentrated in financial exchanges, utilities and oil sands companies.

Active currency management

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

Bonds

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

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

There has been no change in the marketability and security of the invested assets during the year save and to the extent that the move into the pooled fund with PIMCO might affect the marketability of that investment. There was no direct employer-related investment during the year although certain of the pooled funds may hold NSG shares.

The recent credit crunch has had no direct impact on the Scheme. However, along with any other pension fund holding assets such as corporate bonds and equities, the Scheme has suffered from the downturn in the markets and reduced market liquidity, and has experienced increased volatility.

The Scheme bears the cost of purchasing and realising assets within the portfolio. Net Investment Manager and custodial fees charged to the Scheme in 2007 were £986,000 (2006: £945,000). This figure includes the payments for the past year to the investment managers, which are largely based on the value of funds under management for the Trustee. The figure also includes the fees for custodial services from JP Morgan Chase Bank. A contribution towards administration costs is paid by the Company.

The review of investment performance in 2007 is set out on pages 14 to 19.

THE PILKINGTON SUPERANNUATION SCHEME

IX Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of additional voluntary contributions during 2007:-

- 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 2007 the number of contributors to each of the AVC options was:-

• Additional service	247
• Prudential with profits and deposit	11
• Prudential unit linked	9

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

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

THE PILKINGTON SUPERANNUATION SCHEME

X Scheme development

This table records the movements in various key Scheme values and numbers in the period from 2003-2007, to illustrate the Scheme's development.

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Contributions and benefits					
Contributions receivable	20,396	18,208	14,378	14,438	13,244
Transfers in	6	42	180	127	163
Other income	9	5	6	14	5
	20,411	18,255	14,564	14,579	13,412
Benefits payable	78,084	72,633	62,108	61,433	58,486
Payments to and on account of leavers	1,403	2,340	174	125	327
	79,487	74,973	62,282	61,558	58,813
Net withdrawals from dealings with members	(59,076)	(56,718)	(47,718)	(46,979)	(45,401)
Returns on investments					
Investment income*	11,163	5,626	1,742	3,422	33,853
Change in market value of investments	65,031	83,522	194,243	97,920	97,525
Net Investment management expenses†	(1,400)	(1,203)	(1,345)	(1,005)	(1,213)
	74,794	87,945	194,640	100,337	130,165
Net increase in the Scheme during the year	15,718	31,227	146,922	53,358	84,764
Net assets of the Scheme brought forward	1,332,648	1,301,421	1,154,499	1,101,141	1,016,377
Net assets of the Scheme carried forward	1,348,366	1,332,648	1,301,421	1,154,499	1,101,141

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

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

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

THE PILKINGTON SUPERANNUATION SCHEME

Investment Report

The asset allocation and target returns are set out on pages 15-16 of this document. The actual returns for 2007 both at an overall Scheme level and broken down by manager are set out below. Certain measures have been taken since the end of 2007 to change the allocation of assets although the overall 50% return seeking:50% liability matching split has been retained.

The overall return (i.e. net capital appreciation plus income) for the Scheme for 2007 was 6.2% against the benchmark return of 6.9%, as reported by WM Performance Services. During the year the RPI rose by 4.0% (per WM).

For the 5 years to December 2007 the annualised return on Scheme investments was 10.6% per annum (per WM) against a benchmark of 10.8% per annum. Over the same period retail price inflation was 3.4% per annum.

In 2007, the assets managed by SSgA in the passive index tracker bond funds returned index performance as anticipated. The equity funds held by SSgA and managed on an enhanced index basis performed slightly below target so the overall return from SSgA was 6.1% (per WM) against a benchmark of 6.6%.

Nomura's performance was under close scrutiny for the whole year and consideration was given to alternative options to gain exposure to equities in the Asia Pacific region including Japan. Ultimately, it was decided to retain Nomura to manage equities in this region and the relative performance in the latter part of the year showed an improvement. The overall performance, however, remains behind benchmark for the year 2007 at 14.5% (per WM) against a benchmark of 15%. Over the three years to December 2007, the performance was 18.6% pa (per WM) versus a benchmark of 17.3% pa. Performance remains disappointingly behind the target outperformance objective and continues to be reviewed regularly by the Investment Committee.

It was agreed with PIMCO during 2007 that the Scheme's portfolio would be used as the basis for a pooled fund which, once established, would be available to third parties seeking such a vehicle instead of a segregated investment. PIMCO's performance over the year 2007 was behind benchmark at 0.2% (per WM) against the 1.9% benchmark.

Rogge, whose mandate began slightly earlier than that of PIMCO and who are still running a segregated mandate for the Scheme returned an annual performance for 2007 of 2.9% (per WM) ahead of the 1.9% benchmark.

GSAM managed an active currency overlay for the Scheme. Throughout 2007 this was a blended approach being half in the Fundamental Fund and half in the Strategic (ie quantitative) Fund. Overall, the Fundamental Fund performed reasonably well over the year but the aggregate return of the overlay was very disappointing due to the losses sustained by the Strategic Fund. Since the end of 2007, the Investment Committee has reviewed the performance and has decided to consolidate the whole investment in the Fundamental Fund. Hence the money previously held in the Strategic Fund has been moved to the Fundamental Fund. The portfolio in 2007 returned -13.2% against a benchmark of 3.7%.

THE PILKINGTON SUPERANNUATION SCHEME

UOB returned significantly ahead of its benchmark again in 2007 at 17.2% against a benchmark of 10%. Monies were rebalanced back from UOB in late 2007 as it had accumulated beyond the permitted deviation from its allocation of 6% of the Scheme. In effect this locked in some £7m of gain on this investment since late 2005.

Rebalancing

During the year £17m was transferred from SSgA to Nomura due to a change in asset allocation from UK equities to overseas equities. £26m was transferred out of UOB to bring the Fund back to benchmark. This money was transferred to SSgA (£13m), Nomura (£7m) and the PIMCO Pooled Fund (£6m).

Relative Performance

	2003 %	2004 %	2005 %	2006 %	2007 %	3yrs %	5yrs %
Scheme Annual Return	13.5	9.5	17.5	6.9	6.2	10.1	10.6
Benchmark Annual Return	14.4	9.8	16.9	6.4	6.9	10.0	10.8

The Scheme's investment performance during the year was adversely affected in particular by the poor performance of the GSAM quantitative fund.

The SIP sets out the asset allocation as follows:

Asset Class	Allocation %	Permitted Deviation/ Band Width
RETURN-SEEKING	50	+/- 2.5%
UK Equities	10	+/- 1.5%
European Equities (ex UK)	10.25	+/- 1.5%
N.America Equities	4.5	+/- 1.5%
Global absolute return ⁽¹⁾ Equities	6	+/- 1.5%
Pacific Basin incl. Japan Equities	10.25	+/- 1.5%
Currency ⁽²⁾	4	
Property ⁽³⁾	5	
LIABILITY MATCHING	50	+/-2.5%
UK Index linked gilts	14.6	+/- 1.5%
UK fixed interest gilts	17.9	+/- 1.5%
UK Corporate Bonds	5.1	+/- 1.5%
Global Bonds	12.4	+/- 1.5%

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

THE PILKINGTON SUPERANNUATION SCHEME

- (2) This was the approximate weight at the commencement of the active currency mandate and is not subject to normal rebalancing. This allocation is determined by reference to a target to add 0.5% p.a. value to the total Scheme assets, and will be rebalanced accordingly from time to time.
- (3) This holding is not subject to normal rebalancing.

The SIP details the benchmark indices and the target returns as follows:

Asset Class	Index	Target Returns
<p><u>Return-Seeking</u> 50%</p> <p><u>SSgA</u> UK Equities N. American Equities European Equities</p> <p><u>Nomura</u> Pacific including Japan</p> <p><u>UOB / Kinetics</u> Global Absolute Return Equities</p> <p><u>GSAM</u> Currency management and cash buffer equitisation</p> <p><u>CBREI</u></p>	<p>FTSE All-Share FTSE AW North America FTSE AW Europe ex UK</p> <p>FTSE AW Asia Pacific (adjusted to exclude flat glass content)</p> <p>No Index</p> <p>No Index</p> <p>No Index</p>	<p>+0.75% pa over index on rolling 3yr basis</p> <p>+ 2% pa on rolling 3 year basis</p> <p>RPI + 6% p.a.on rolling 5 yr basis</p> <p>0.5% p.a. return on total fund value on rolling 3 yr basis</p> <p>RPI + 5% p.a. on rolling 3 year periods net of costs, fees and taxes</p>
<p><u>Liability Matching</u> 50%</p> <p>Fixed Interest Index Linked</p> <p>UK Corporate Bonds</p> <p>Global Bonds</p>	<p>FTSE A over 15 years Gilts FTSE A Index Linked Gilts over 5 years</p> <p>Merrill Lynch Sterling Non-Gilts 15+ yrs</p> <p>Merrill Lynch Sterling Non-Gilt All Stocks</p>	<p>In-line with index</p> <p>In-line with index</p> <p>In-line with index</p> <p>+ 1.5% p.a. on a rolling 3 yr basis</p>

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

The property investment will be hedged in the same way as the non-UK Equities or by the property manager depending upon available terms.

An Investment Management Agreement was signed between CB Richard Ellis Collective Investors Limited ('CBREI') and the Trustee on 29 April 2008. The Trustee has decided to allocate 5% of the Fund to CBREI to invest in Pan European property funds.

THE PILKINGTON SUPERANNUATION SCHEME

Remuneration of External Investment Managers

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

The remuneration of SSgA in respect of the assets in the enhanced indexation funds is calculated at 0.2% per annum of the value of the funds under management.

The remuneration of SSgA in respect of the currency hedging is calculated as 0.03% per annum of the notional portfolio net asset value of £325 million.

Until 30 September 2007 the remuneration of Nomura was calculated as 0.65% per annum on the first £16m of assets under management, 0.5% per annum on the next £16m and 0.4% per annum on the balance. Thereafter the charges were reduced by 10% to 0.585% per annum on the first £16m of assets under management, 0.45% per annum on the next £16m and 0.36% per annum on the balance.

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

The remuneration of GSAM is calculated in part as a base fee of 0.8% of the value of the pooled active currency funds and in addition a performance related fee may be payable. No performance related fee was paid in 2007.

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

The remuneration of PIMCO Europe Limited is calculated as an annual fee of 0.27% per annum on the first £50 million of assets under management, 0.25% p.a. on the next £100 million and 0.20% p.a. on the balance. In addition, following the move from a segregated fund to a pooled fund, an administration charge of no more than 0.10% per annum is also payable.

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.

Performance Measurement

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

THE PILKINGTON SUPERANNUATION SCHEME

Analysis of investment management expenses

	£'000
External Investment Managers	
State Street	1,076
Nomura	495
Goldman Sachs Asset Management	205
Rogge	163
PIMCO – segregated portfolio	151
- rebate on pooled fund	(6)
UOB rebate	(819)
Contribution from Pilkington Group Ltd towards expenses	(411)
	<hr/> 854
Custodial Fees	<hr/> 132
	986
Investment advice	241
Fees on Issue of Derivatives	77
Other expenses	20
Irrecoverable VAT	76
	<hr/> 1,400
Fees paid by way of deduction from assets in funds	
UOB	1,445
PIMCO	53
	<hr/> 2,898

Myners Compliance

The Trustee reviews its level of compliance with the Myners Principles on a regular basis and at least once each year. It is compliant with the principles in all but the following respects and the reasons for these exceptions are stated below.

- a) *Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities. Funds with more than 5,000 members should have access to in-house investment expertise equivalent at least to one full-time staff member who is familiar with investment issues. Trustees should also be paid, unless there are specific reasons to the contrary.*

The Trustee believes it has sufficient staff to support it given the level of professional support also available. Whilst the Scheme does have more than 5,000 members, a large proportion of the assets are in passive or enhanced index tracking funds. Governance and monitoring of the active funds is undertaken together by internal staff and external investment consultants and the Trustee believes that this is adequate support. The question of payment of the Directors of the Trustee is a matter for the employers who meet the Scheme's administration costs.

THE PILKINGTON SUPERANNUATION SCHEME

- b) *Trustees should arrange for measurement of the performance of the fund and make formal assessment of their own procedures and decisions as trustees. They should also arrange for a formal assessment of performance and decision-making delegated to advisers and managers.*

The Trustee monitors its own performance and that of its advisers. The Trustee decides not to publish results of self assessment and manager assessment since it believes this would inhibit frank and open debate about issues and goes beyond what is required by corporate governance.

THE PILKINGTON SUPERANNUATION SCHEME

Summary Funding Statement for Period Ending 31 December 2007

Extract – Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation of the Scheme showed that on 31 December 2005 the funding position was as follows:

	2005
Assets	£1,301m
Amount needed to provide benefits	£1,224m
Excess	£77m
Funding level	106%

Change in funding position

As required by legislation, the Scheme Actuary has prepared reports for the Trustee on the funding position of the Scheme as at 31 December 2006 and 31 December 2007. These reports compare the position of the fund at those dates to the position set out above from the formal valuation. If the same approach to deriving the assumptions which were used in the formal valuation is applied at 31 December 2007, then the funding position appears to have improved.

The return on Scheme assets has been slightly higher than projected, and this has helped to offset a rise in the projected level of inflation. However, the main factor leading to the improvement is that the yield on corporate bonds, which was the discount rate used at the 31 December 2005 valuation to value the Scheme's liabilities, has risen significantly over the subsequent period, leading to a lower value being placed on liabilities.

The Trustee has been advised that several assumptions – the approach to setting the discount rate, the allowance for salary increases and the allowance for future improvement in life expectancy - may need to be modified for the 31 December 2008 valuation.

THE PILKINGTON SUPERANNUATION SCHEME

Certification of schedule of contributions

Pilkington Superannuation Scheme


Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

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

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature		Date	31 March 2007
Name	Ian Watson	Qualification	Fellow of the Institute of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of Employer	Hewitt Bacon & Woodrow

THE PILKINGTON SUPERANNUATION SCHEME

Pilkington Superannuation Scheme

Schedule of Contributions

Introduction

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

Participating Employers

This schedule covers contributions to the scheme from all employers who participate in the scheme from time to time.

Employer Contributions

The participating employers will contribute to the scheme as follows:

Type	Period	Amount (% of pensionable salaries) in respect of:
Normal	The five year period commencing with the date of certification of this schedule by the scheme actuary.	Members 10.5% PEPS Members 16.5%
Additional	The period commencing with the date of certification of this schedule by the scheme actuary and ending on 31 December 2008.	£4,000,000 payable on both: 1 July 2007; and 1 July 2008

The participating employers will ensure that the trustee[s] receive[s] these contributions within [19 days] of the end of the calendar month to which the contributions relate.

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

Employee Contributions

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

Period	Amount
The five year period commencing with the date of certification of this schedule by the scheme actuary.	5.5% % of pensionable salaries

These amounts do not include members' Additional Voluntary Contributions.

The employers will ensure that the trustee receives the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

THE PILKINGTON SUPERANNUATION SCHEME

Signed on behalf of the Scheme's trustee

Signature: C. Wakefield

Name: C. WAKEFIELD

Capacity: TRUSTEE DIRECTOR

Date: 28 MARCH 2007

Signed on behalf of the employers

Signature: Stuart Chambers

Name: STUART CHAMBERS

Capacity: Company Chief Executive

Date: 31ST MARCH 2007

THE PILKINGTON SUPERANNUATION SCHEME

FINANCIAL STATEMENTS – YEAR ENDED **31 DECEMBER 2007**

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.


.....
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 2007, which is set out on the following page.

Respective responsibilities of Trustee and Auditors

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

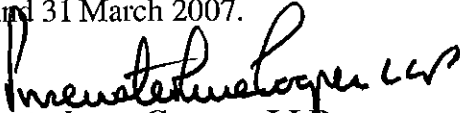
Our responsibility is to provide a statement about contributions to the Scheme in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Scheme's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of statement about contributions

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

Statement about contributions to the Scheme

In our opinion, the contributions payable to the Scheme required by the schedule of contributions during the year ended 31 December 2007 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 15 August 2003 and 31 March 2007.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

26 June 2008

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	3,697	7,630
Special contribution	-	4,000
Total	3,697	11,630
Other contributions payable		
AVCs	503	-
Augmentations of individual members' benefits	-	4,566
Total (as per Fund Account)	4,200	16,196

Signed on behalf of the Trustee:



17th June 2008

THE PILKINGTON SUPERANNUATION SCHEME

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

We have audited the financial statements of the Pilkington Superannuation Scheme for the year ended 31 December 2007 which comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Trustee and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustee's Report, the Investment Report, the Actuarial Statements and the Summary of Contributions. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

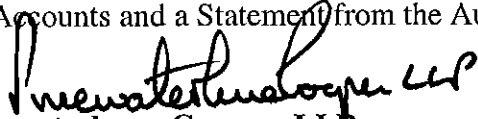
THE PILKINGTON SUPERANNUATION SCHEME

evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 December 2007, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- the financial statements contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

26 June 2008

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Contributions and benefits			
Contributions receivable	3	20,396	18,208
Transfers in	4	6	42
Other income	5	9	5
		20,411	18,255
Benefits payable	6	78,084	72,633
Payments to and on account of leavers	7	1,403	2,340
		79,487	74,973
Net withdrawals from dealings with members		(59,076)	(56,718)
Returns on investments			
Investment income	9	11,163	5,626
Change in market value of investments	10	65,031	83,522
Investment management expenses		(1,400)	(1,203)
		74,794	87,945
Net returns on investments		74,794	87,945
Net increase in the Scheme during the year		15,718	31,227
Net assets of the Scheme brought forward		1,332,648	1,301,421
Net assets of the Scheme carried forward		1,348,366	1,332,648

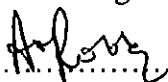
THE PILKINGTON SUPERANNUATION SCHEME


Net assets statement as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Investment assets	10	1,362,980	1,361,576
Investment liabilities	10	(13,847)	(28,027)
		1,349,133	1,333,549
Current assets	11	2,450	1,567
Current liabilities	12	(3,217)	(2,468)
Net assets of the Scheme carried forward		1,348,366	1,332,648

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 Summary Funding Statement and the statement by the Actuary on pages 20 and 21 of the annual report and these financial statements should be read in conjunction with that statement.

The financial statements on pages 29 to 41 were approved by the Trustee on 17th June 2008 and are signed on their behalf by:

..... 

..... 

Directors of Pilkington Brothers
Superannuation Trustee Limited

Notes to the financial statements 31 December 2007

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 ("new SORP")).

2 Accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below:

(a) Investments and cash deposits

- (i) Fixed interest securities, index-linked securities and UK equities and convertibles are valued at bid prices at the year end date. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Market values of investments listed in overseas currencies are translated into sterling at the rates of exchange ruling at the year end date.
- (ii) Pooled investment vehicles are valued at bid prices at the year end date.
- (iii) Cash deposits in overseas currencies are translated into sterling at the relevant rates of exchange ruling at the year end date.
- (iv) Unlisted securities are valued at valuations provided by the investment managers.
- (v) Futures and options are valued at market prices at the year end and are reflected in the financial statements on the basis of net worth. Money market futures and short dated interest rate swaps have been valued using market values rather than notional (par) values.

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

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

THE PILKINGTON SUPERANNUATION SCHEME

- (vi) The Trustee has adopted the new SORP. As a result, investments previously valued at mid prices are now valued at bid prices for assets where there is a bid/offer spread. This is a change in accounting policy but the difference in valuation is immaterial to the financial statements and therefore comparatives have not been restated.

As a result the comparative figures for investments are reported on a mid price basis and the adjustment in valuation from mid to bid is included in current year change in market value. Had bid prices been used, the overall fund valuation at 1 January 2007 would have been £2,010,000 lower.

In the prior year the Scheme's investment in derivative contracts was presented using the economic exposure methodology. The new SORP recommends that the fair value, being the unrealised profit or loss on the contracts is shown as a separate line within investments. Prior year comparatives have been restated to remove the economic exposure amounts as follows:

	Previously Reported £'000	Prior Year Adjustment £'000	As Restated £'000
Equities	100,924	(1,853)	99,071
Fixed Interest	161,971	(14,280)	147,691
Derivatives	-	3,914	3,914
Other	(8,267)	11,973	3,706
Net investment creditor	(23,599)	246	(23,353)

(b) Income from Investments

- (i) Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.
- (ii) Income from UK equities and overseas securities is accounted for on the date stocks are quoted ex-dividend. Income generated by the managed and unitised fund units is not distributed, but is retained within the managed and unitised funds and is reflected in the market value of the units.

(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.

THE PILKINGTON SUPERANNUATION SCHEME

(d) **Contributions**

Current service and other contributions are accounted for on an accruals basis (see Notes 3 and 11). Augmentations and special contributions are accounted for in accordance with the agreement made by the Principal Employer under which they are being paid.

(e) **Investment management expenses**

Investment management expenses are accounted for on an accruals basis.

(f) **Transfer values**

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

Transfers to and from the Scheme are accounted for when the trustee of the receiving scheme has agreed to accept the liabilities in respect of the transferring members.

(g) **Foreign currencies**

Income received in foreign currency is translated into sterling at the exchange rate ruling on the date of receipt. Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Surpluses and deficits arising on conversion or translation of investments are dealt with as part of realised and unrealised investment gains and losses.

3 Contributions receivable

	2007 £'000	2006 £'000
From employers		
Normal	7,630	7,718
Augmentations	4,566	2,169
Other	4,000	4,000
	16,196	13,887
From members		
Normal	3,697	3,781
Additional Voluntary Contributions		
- added years	435	487
- money purchase	68	53
	4,200	4,321
Total contributions	20,396	18,208

THE PILKINGTON SUPERANNUATION SCHEME

Special contributions are being made by the employer in respect of augmentations of certain benefits to individuals (see also note 11).

Members are permitted to make additional voluntary contributions into money purchase type arrangements under which contributions received are invested on behalf of the individuals concerned to provide additional benefits within the overall limits laid down by the Scheme's Rules (see also note 10). Members are also entitled to purchase additional defined benefits under the provisions of the Scheme.

4 Transfers in

	2007 £'000	2006 £'000
Individual transfers in from other schemes	6	42
	6	42
	6	42

5 Other income

	2007 £'000	2006 £'000
Claims on term insurance policies	9	5
	9	5
	9	5

6 Benefits payable

	2007 £'000	2006 £'000
Pensions payable	62,839	59,484
Payments on retirement of members		
- commutations	13,984	12,033
Payments on death of members		
- lump sums	1,261	1,116
	78,084	72,633
	78,084	72,633

7 Payments to and on account of leavers

	2007 £'000	2006 £'000
Refunds to members	8	9
State scheme payments	5	6
Individual transfers to other schemes	1,390	2,325
	1,403	2,340
	1,403	2,340

8 Administrative expenses

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

THE PILKINGTON SUPERANNUATION SCHEME

9 Investment Income

	2007 £'000	2006 £'000
Dividends receivable from equities	2,132	2,006
Income from fixed interest securities	7,002	1,597
Income from Index-linked securities	735	1,054
Interest receivable on cash deposits	1,427	1,120
Commission recapture	-	1
	11,296	5,778
Non-recoverable overseas tax	(133)	(152)
	11,163	5,626

10 Investments

	Market value at 1 Jan 2007 (restated) £'000	Purchases at cost £'000	Sale Proceeds £'000	Change in market value £'000	Market Value at 31 Dec 2007 £'000
Fixed Interest Securities	147,691	407,103	(472,774)	(4,470)	77,550
Equities	99,071	63,250	(45,984)	9,426	125,763
Index Linked Securities	27,947	7,964	(31,781)	(880)	3,250
Pooled investment vehicles					
-Managed and unitised funds	1,048,388	249,458	(242,284)	66,443	1,122,005
Derivatives	3,914	95,014	(108,708)	1,163	(8,617)
AVC investments	726	68	(31)	28	791
	1,327,737	822,857	(901,562)	71,710	1,320,742
Cash deposits	26,274			(6,386)	25,833
Investment Creditor	(24,762)			(296)	(1,662)
Investment Debtor	1,409			-	2,530
Accrued Investment Income	2,891			3	1,690
	1,333,549			65,031	1,349,133

THE PILKINGTON SUPERANNUATION SCHEME

The preceding figures comprise:	2007 £'000	2006 £'000
Fixed Interest Securities	77,550	147,691
Equities	125,763	99,071
Index Linked Securities	3,250	27,947
Pooled investment vehicles	1,122,005	1,048,388
Derivatives – assets	3,568	7,179
AVC investments	791	726
Cash deposits	25,833	26,274
Investment Debtor	2,530	1,409
Accrued Investment Income	1,690	2,891
Investment Assets	<u>1,362,980</u>	<u>1,361,576</u>
Investment Creditor	(1,662)	(24,762)
Derivatives - liabilities	(12,185)	(3,265)
Investment Liabilities	<u>(13,847)</u>	<u>(28,027)</u>
Total Market Value of Investments	<u>1,349,133</u>	<u>1,333,549</u>

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.

Both the purchases and sales figures above include a balance of £77m relating to the move from a segregated portfolio with PIMCO to a pooled fund and £160m relating to transactions effected to rebalance between asset classes. The sales figure also includes £61m relating to trades effected to provide funds for payment of benefits. The remaining purchases and sales of £586m and £604m respectively are predominantly normal trading by the fund managers.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transactions costs incurred during the year amounted to £163,000 (2006: £149,000). 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.

	2007 £'000	2006 £'000
Fixed Interest Securities (held directly by the Scheme)		
UK quoted	18,682	40,687
Overseas quoted	44,444	81,396
UK government	5,731	441
Overseas government	8,693	25,167
	<u>77,550</u>	<u>147,691</u>

THE PILKINGTON SUPERANNUATION SCHEME

	2007	2006
	£'000	£'000
Equities (held directly by the Scheme)		
UK quoted	-	25
UK unquoted	59	449
Overseas quoted	<u>125,704</u>	<u>98,597</u>
	<u>125,763</u>	<u>99,071</u>
	2007	2006
	£'000	£'000
Index Linked Securities (held directly by the Scheme)		
UK quoted	2,355	10,924
Overseas quoted	<u>895</u>	<u>17,023</u>
	<u>3,250</u>	<u>27,947</u>
	2007	2006
	£'000	£'000
Pooled investment vehicles		
- Managed and unitised funds - other		
GSAM managed - Class A USD Institutional	13,561	13,833
GSAM managed - GTAA Currency Strategy Fund	13,514	14,314
UOB managed – UOB Kinetics Paradigm Fund	82,580	91,293
Nomura managed - India Equity Fund – Class A	9,386	-
SSgA managed – UK Equity Enhanced Index	187,043	284,329
SSgA managed – North American Enhanced Index	65,678	41,341
SSgA managed – Europe ex UK Equity Enhanced	138,772	114,333
SSgA managed – Sterling Liquidity	-	13,147
SSgA managed – >5 year Index Linked	205,345	183,853
SSgA managed – >15 year Gilts	253,432	226,351
SSgA managed – >15 year Corporate Bonds	68,776	65,594
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	83,918	-
	<u>1,122,005</u>	<u>1,048,388</u>

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

	2007	2006
	£'000	£'000
Derivatives		
UK corporate derivatives	-	(1,030)
Overseas corporate derivatives	-	(51)
UK government derivatives	-	211
Overseas government derivatives	23	(92)
GSAM S&P 500 Futures	<u>(467)</u>	<u>51</u>
Derivatives excluding forward foreign exchange contracts	<u>(444)</u>	<u>(911)</u>

THE PILKINGTON SUPERANNUATION SCHEME

Forward foreign exchange contracts

Contracts entered into for the purpose of hedging	-assets	2,518	5,615
	-liabilities	(10,723)	(1,208)
Contracts entered into for tactical purposes	-assets	1,027	1,302
	-liabilities	(995)	(884)
Forward foreign exchange contracts		(8,173)	4,825
Total Derivatives		(8,617)	3,914

Derivatives excluding forward foreign exchange contracts

Type of derivative	Expiration	Economic exposure £'000	Market Value £'000
Overseas government bonds exchange traded futures	Less than 1 year	6,145	23
UK government bonds exchange traded futures	Less than 1 year	992	-
SLM bank loan obligation	Less than 1 year	503	-
S&P 500 Futures	Less than 1 year	43,857	(467)
		51,497	(444)

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.

Currency Forward Contracts

Forward exchange contracts entered into for the purpose of hedging

Number of Contracts	Currency Bought		Currency Sold		2007	2007	2006	2006
		'000		'000	Asset £'000	Liability £'000	Asset £'000	Liability £'000
5	EUR	195,385	GBP	141,401	2,105		320	
5	USD	413,200	GBP	208,500	413		64	
2	JPY	15,898,058	GBP	71,078		(925)		(82)
6	GBP	268,097	EUR	374,285		(6,809)		(1,126)
9	GBP	406,619	USD	811,780		(1,187)	3,258	
6	GBP	138,620	JPY	31,227,086		(1,802)	1,973	
					2,518	(10,723)	5,615	(1,208)

In order to reduce the Scheme's exposure to foreign currency risk, an amount of £400million of US dollars, Euro and yen (representing approximately 80% of the Scheme's total exposure to assets denominated in currencies other than sterling) is hedged back to sterling. All contracts are due to expire within 6 months.

THE PILKINGTON SUPERANNUATION SCHEME

In accordance with their individual mandates, a number of the Scheme's investment managers have entered into forward currency contracts during the year, for tactical purposes. At 31 December 2007 there were 61 such contracts open in 18 currencies, all expiring within 6 months. Unrealised gains on these contracts amounted to £1,027,000 (2006 £1,302,000) with unrealised losses of £995,000 (2006 £884,000).

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:

	2007	2006
	£'000	£'000
Equitable Life Assurance Society	333	349
Prudential	458	377
	791	726
	791	726
	2007	2006
	£'000	£'000
Cash deposits		
Sterling	2,512	275
Foreign currency	21,936	25,184
Sterling Term Deposits	1,385	815
	25,833	26,274
	25,833	26,274

Investment Debtor and Creditor

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

11 Current assets

	2007	2006
	£'000	£'000
Due from participating companies :-		
Contributions - Normal Employee	328	343
Contributions - Normal Employer	615	621
Contributions - Special (see below)	1,178	344
Investment administration fees	-	39
Other	25	8
	2,146	1,355
Bank balance	18	-
Other debtors	286	212
	2,450	1,567
	2,450	1,567

THE PILKINGTON SUPERANNUATION SCHEME

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

Of the Special contributions due from participating companies £1,178,000 is due within one year (2006 £315,000) and £Nil is due after more than one year (2006 £29,000).

The Special contributions include an amount of £29,000 (31 December 2006 £69,000) which was owed to the Scheme by GKN Aerospace Transparency Systems (Kings Norton) Ltd in respect of commitments to make up the pensions of certain employees, who took early retirement whilst employed by Pilkington Aerospace Ltd. This is being paid to the Scheme over the next year inclusive of interest.

12 Current liabilities

Current liabilities	2007 £'000	2006 £'000
Unpaid benefits	2,048	1,213
Due to participating companies	5	64
Investment management expenses	979	882
Overdrawn bank balance	-	230
Other	185	79
	3,217	2,468

13 Self-investment

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

14 Concentration of investments

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

	2007	2006
SSgA managed – >15 year Gilts	18.8%	17.0%
SSgA managed – >5 year Index Linked	15.2%	13.8%
SSgA managed – UK Equity Enhanced Index	13.9%	21.3%
SSgA managed – Europe ex UK Equity Enhanced	10.3%	8.6%
PIMCO managed - UK Corporate Bond Fund Institutional Accumulation	6.2%	-
UOB managed – UOB Kinetics Paradigm Fund	6.1%	6.9%
SSgA managed – 15 year Corporate Bonds	5.1%	4.9%

THE PILKINGTON SUPERANNUATION SCHEME

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 £28,126 (2006 £50,475), and the amount owed to Pilkington Group Limited at 31 December 2007 for expenses not yet recharged was £944 (2006 £Nil).

16 Contingent liabilities

Other than the liability to pay future pensions, there were no contingent liabilities of the Scheme at 31 December 2007 or at 31 December 2006.