CARILLION (DB) PENSION TRUSTEE LIMITED

SCHEME FUNDING REPORT

ACTUARIAL VALUATIONS
AS AT 31 DECEMBER 2011

- CARILLION STAFF PENSION SCHEME
- MOWLEM STAFF PENSION AND LIFE ASSURANCE SCHEME
- ALFRED MICALPINE PENSION PLAN
- CARILLION ‘B’ PENSION SCHEME
- PLANNED MAINTENANCE ENGINEERING LIMITED STAFF PENSION AND ASSURANCE SCHEME

June 2014
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Introduction

This report is addressed to Carillion (DB) Pension Trustee Limited ("the Trustee") of the following schemes ("the Schemes"):

- Carillion Staff Pension Scheme ("Staff Scheme");
- Mowlem Staff Pension and Life Assurance Scheme ("Mowlem Scheme");
- Alfred McAlpine Pension Plan ("McAlpine Plan");
- Carillion 'B' Pension Scheme ("B Scheme");
- Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme ("PME Scheme").

The Trustee is the trustee of the above schemes, together with the Bower Group Retirement Benefits Scheme, which are all standalone schemes.

Background

Actuarial valuations of the Schemes were last carried out as at 31 December 2008. Having agreed an overall deficit contribution settlement the Trustee and Employer signed individual schedules of contributions and recovery plans on 29 October 2010. Given the difficult economic environment following the financial crisis of 2008 the Trustee agreed to an overall contribution from the Company, at that time, of broadly £26.7m p.a. and deferred a number of issues concerning the Technical Provisions assumptions and the investment strategy until the 2011 actuarial valuations, as follows:

- The use, in 2008, of a gross discount rate did not, it was recognised, reserve appropriately for investment management expenses;
- Other operating expenses were not capitalised and funded for albeit the schedules of contributions provided for all expenses to be covered either explicitly or through funded reserves at the 2011 actuarial valuation, with the Employer meeting expenses explicitly with effect from 1 January 2013 (pending completion of the 2011 valuations);
- The 2008 mortality basis was struck at the weaker end of the Trustee’s preferred range;
- The Trustee agreed to defer further consideration of the de-risking of the assets (so as to generate more return potential in the recovery plan) until finalisation of the 2011 valuations.

The 2011 valuations now address some but not all of these ‘deferred issues’. They have been drawn up in the context of the Employer’s continued cash constraints and work by the Trustee and Employer on liability management projects, including the execution of a longevity swap covering circa £1bn of pensioner liabilities on 11 December 2013.

Throughout this report "Employer" means Carillion plc or the relevant scheme employers, unless otherwise stated.
Purpose of valuations

This report is provided to meet the requirements of Section 224(2)(a) of the Pensions Act 2004. It describes the factors considered by the Trustee when carrying out each scheme's actuarial valuation as at 31 December 2011 (the Bower Scheme valuation effective date was 31 December 2012 and is not considered in this report) and the decisions reached as a result.

The purpose of the actuarial valuations is for the Trustee to determine:

- The expected cost of providing the benefits built up in each scheme by members at the valuation date (the "liabilities") and compare this against the funds held by each respective scheme (the "assets");
- An appropriate plan for making up a shortfall if any of the Schemes have less assets than liabilities;
- The contributions needed to cover the costs incurred in running each scheme.

Employer and Trustee negotiations

These valuations were not completed within fifteen months of the effective date as required by legislation. The Pensions Regulator was notified of this delay in advance of the 31 March 2013 deadline and was provided with regular updates from both parties and was involved in tripartite discussions up to and including the point agreement was reached on the funding of the revealed deficits.

In particular, in determining the recovery plan for each scheme, it was agreed to take into account favourable market movements up to 31 January 2013, but not beyond. These favourable market movements served to reduce the overall technical provisions deficits at the valuation effective date by circa £70m. For the avoidance of doubt, the valuation results set out in this report do not allow for the effect of the longevity swaps implemented with Deutsche Bank effective 11 December 2013 unless otherwise stated in Section 4.1. It has also been agreed the next actuarial valuations will take place with an effective date of 31 December 2013.

This report has been prepared in accordance with the version of the Pensions Technical Actuarial Standard current at the date this report is signed. It also complies with the relevant requirements of Technical Actuarial Standards R: Reporting Actuarial Information, D: Data and M: Modelling, where they apply to this report. These Standards are all issued by the Financial Reporting Council. The calculations referred to in the report use methods and assumptions appropriate for reviewing the financial position of each scheme and determining a contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor do we accept liability to the Trustee if the information provided in this report is used for any purpose other than that stated. The report may be disclosed to members and others who have a statutory right to see it. If the Trustee and Mercer consent, this report may be disclosed to other third parties.

MERCER
Key results of each scheme’s funding assessments

2.1 Past service funding positions – Technical Provisions

The table below compares the assets and liabilities of each scheme at 31 December 2011. Figures are also shown in the subsequent table for the previous valuation as at 31 December 2008 for comparison.

<table>
<thead>
<tr>
<th>31 December 2011 (£m)</th>
<th>Staff*</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets:</td>
<td>576</td>
<td>436</td>
<td>286</td>
<td>108</td>
<td>53</td>
<td>1,459</td>
</tr>
<tr>
<td>- Deferreds</td>
<td>415</td>
<td>390</td>
<td>177</td>
<td>26</td>
<td>42</td>
<td>1,050</td>
</tr>
<tr>
<td>- Pensioners</td>
<td>264</td>
<td>306</td>
<td>247</td>
<td>126</td>
<td>34</td>
<td>977</td>
</tr>
<tr>
<td>- Expenses</td>
<td>15</td>
<td>16</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>49</td>
</tr>
<tr>
<td>Total liabilities:</td>
<td>694</td>
<td>712</td>
<td>434</td>
<td>155</td>
<td>81</td>
<td>2,076</td>
</tr>
<tr>
<td>Past service shortfall:</td>
<td>118</td>
<td>276</td>
<td>148</td>
<td>47</td>
<td>28</td>
<td>617*</td>
</tr>
<tr>
<td>Funding level</td>
<td>83%</td>
<td>61%</td>
<td>66%</td>
<td>70%</td>
<td>65%</td>
<td>70%</td>
</tr>
</tbody>
</table>

*£676m including funding for discretionary increases on pre'97 pensions via ongoing target – see section 2.2.

<table>
<thead>
<tr>
<th>31 December 2008 (£m)</th>
<th>Staff*</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets:</td>
<td>507</td>
<td>382</td>
<td>233</td>
<td>99</td>
<td>46</td>
<td>1,267</td>
</tr>
<tr>
<td>- Deferreds</td>
<td>331</td>
<td>321</td>
<td>172</td>
<td>28</td>
<td>38</td>
<td>890</td>
</tr>
<tr>
<td>- Pensioners</td>
<td>190</td>
<td>201</td>
<td>182</td>
<td>102</td>
<td>20</td>
<td>695</td>
</tr>
<tr>
<td>- Expenses</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Total liabilities:</td>
<td>523</td>
<td>525</td>
<td>356</td>
<td>131</td>
<td>59</td>
<td>1,594</td>
</tr>
<tr>
<td>Past service shortfall:</td>
<td>16</td>
<td>143</td>
<td>123</td>
<td>32</td>
<td>13</td>
<td>327*</td>
</tr>
<tr>
<td>Funding level</td>
<td>97%</td>
<td>73%</td>
<td>65%</td>
<td>76%</td>
<td>78%</td>
<td>79%</td>
</tr>
</tbody>
</table>

*£371m including funding for discretionary increases on pre'97 pensions via ongoing target – see section 2.2.

Each liability value shown in the tables above is known as the scheme's "technical provisions". The technical provisions are calculated using assumptions that the Trustee has determined are appropriate based on the Trustee's assessment (after taking advice from its covenant adviser) of the strength of the Employer covenant, having consulted with the Employer over the approach.

As an example, the first table shows the Staff Scheme had a shortfall of £118m as at 31 December 2011. An alternative way of expressing the position is the Staff Scheme's assets were sufficient to cover 83% of its liabilities – this percentage is known as the funding level of the scheme.
At the previous valuation date of 31 December 2008, the Staff Scheme's shortfall was £16m, equivalent to a funding level of 97%. The key reasons for the changes between the two valuation dates for each scheme are considered in 3.2.

### 2.2 Discretionary increases

The Staff Scheme has two funding objectives agreed with the Employer. These are set out in the Staff Scheme's statement of funding principles, enclosed as Appendix F. In summary, the agreed funding objectives are:

- a. to reach and then maintain assets equal to the ongoing liabilities; and
- b. assets being sufficient to meet technical provisions and then maintained at least at this level subject to meeting (a) above.

The Staff Scheme's funding objectives differ in that whilst the ongoing funding target and contribution schedule aims to build up assets sufficient to cover discretionary pension increases for pre '97 accruals, the technical provisions do not.

The additional reserve required to fund the discretionary increases was £59m at 31 December 2011, leading to an ongoing funding deficit of £177m and funding level of 76%. The equivalent position at 31 December 2008 was an additional reserve of £44m with an ongoing funding deficit of £60m and funding level of 89%.

### 2.3 Post valuation date market movements

Since the valuation date, market movements have served to reduce the overall funding deficits as a result of both higher equity markets and increased gilt yields. As part of the valuation discussions, it was agreed to take into account market movements up to 31 January 2013, but not beyond. Normally, it would be appropriate to consider post valuation experience to 31 December 2012, however given the ONS announcement on inflation occurred in January 2013 (which served to increase future inflation expectations due to various statistical reasons) the position has been estimated at 31 January 2013. The approximate results for each scheme are shown in the table below (these would be the approximate technical provisions at 31 January 2013 for each scheme save for the Staff Scheme where an extra reserve for discretionary pension increases is also included):

<table>
<thead>
<tr>
<th>31 January 2013 (£m)</th>
<th>Staff*</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets:</td>
<td>609</td>
<td>473</td>
<td>308</td>
<td>114</td>
<td>55</td>
<td>1,559</td>
</tr>
<tr>
<td>- Deferreds</td>
<td>450</td>
<td>395</td>
<td>178</td>
<td>26</td>
<td>42</td>
<td>1,091</td>
</tr>
<tr>
<td>- Pensioners</td>
<td>298</td>
<td>308</td>
<td>251</td>
<td>131</td>
<td>36</td>
<td>1,024</td>
</tr>
<tr>
<td>- Expenses</td>
<td>15</td>
<td>16</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>49</td>
</tr>
<tr>
<td>Total liabilities:</td>
<td>763</td>
<td>719</td>
<td>439</td>
<td>160</td>
<td>83</td>
<td>2,164</td>
</tr>
<tr>
<td>Past service shortfall:</td>
<td>154</td>
<td>246</td>
<td>131</td>
<td>46</td>
<td>28</td>
<td>605</td>
</tr>
<tr>
<td>Funding level</td>
<td>80%</td>
<td>66%</td>
<td>70%</td>
<td>71%</td>
<td>66%</td>
<td>72%</td>
</tr>
</tbody>
</table>

* Staff Scheme figures include a £53m reserve for discretionary increases
2.4 Correcting the shortfalls

The Trustee and Employer have agreed a plan for each scheme to pay off its shortfall as at 31 January 2013 which requires the Employer to pay the following deficit contributions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.5</td>
<td>10.1</td>
<td>9.5</td>
<td>2.1</td>
<td>0.9</td>
<td>23.1</td>
</tr>
<tr>
<td>2013*</td>
<td>2.0</td>
<td>10.1</td>
<td>9.5</td>
<td>2.1</td>
<td>0.9</td>
<td>24.6</td>
</tr>
<tr>
<td>2014</td>
<td>6.1</td>
<td>12.4</td>
<td>11.2</td>
<td>2.4</td>
<td>1.3</td>
<td>33.4</td>
</tr>
<tr>
<td>2015</td>
<td>6.1</td>
<td>12.4</td>
<td>11.2</td>
<td>2.4</td>
<td>1.3</td>
<td>33.4</td>
</tr>
<tr>
<td>2016</td>
<td>6.1</td>
<td>12.4</td>
<td>11.2</td>
<td>2.4</td>
<td>1.3</td>
<td>33.4</td>
</tr>
<tr>
<td>2017</td>
<td>6.9</td>
<td>13.9</td>
<td>11.2</td>
<td>2.7</td>
<td>1.5</td>
<td>36.2</td>
</tr>
<tr>
<td>2018</td>
<td>7.6</td>
<td>15.6</td>
<td>11.2</td>
<td>3.0</td>
<td>1.6</td>
<td>39.0</td>
</tr>
<tr>
<td>2019</td>
<td>7.6</td>
<td>15.6</td>
<td>11.2</td>
<td>3.0</td>
<td>1.6</td>
<td>39.0</td>
</tr>
<tr>
<td>2020</td>
<td>7.6</td>
<td>15.6</td>
<td>11.2</td>
<td>3.0</td>
<td>1.6</td>
<td>39.0</td>
</tr>
<tr>
<td>2021</td>
<td>7.6</td>
<td>15.6</td>
<td>11.2</td>
<td>3.0</td>
<td>1.6</td>
<td>39.0</td>
</tr>
<tr>
<td>2022</td>
<td>13.9</td>
<td>17.2</td>
<td>5.6</td>
<td>3.0</td>
<td>2.3</td>
<td>42.0</td>
</tr>
<tr>
<td>2023</td>
<td>15.3</td>
<td>18.4</td>
<td>-</td>
<td>5.8</td>
<td>2.5</td>
<td>42.0</td>
</tr>
<tr>
<td>2024</td>
<td>16.8</td>
<td>18.6</td>
<td>-</td>
<td>3.9</td>
<td>2.7</td>
<td>42.0</td>
</tr>
<tr>
<td>2025</td>
<td>17.7</td>
<td>18.5</td>
<td>-</td>
<td>2.8</td>
<td>3.0</td>
<td>42.0</td>
</tr>
<tr>
<td>2026</td>
<td>17.7</td>
<td>18.5</td>
<td>-</td>
<td>2.8</td>
<td>3.0</td>
<td>42.0</td>
</tr>
<tr>
<td>2027</td>
<td>17.7</td>
<td>18.5</td>
<td>-</td>
<td>2.8</td>
<td>3.0</td>
<td>42.0</td>
</tr>
<tr>
<td>2028</td>
<td>17.7</td>
<td>18.5</td>
<td>-</td>
<td>2.8</td>
<td>3.0</td>
<td>42.0</td>
</tr>
<tr>
<td>2029</td>
<td>8.85</td>
<td>9.25</td>
<td>-</td>
<td>1.4</td>
<td>1.5</td>
<td>21.0</td>
</tr>
</tbody>
</table>

*During 2013, administration and investment expenses totalling c£3.9m were due to be paid by the Employer in addition.

The recovery plan for the Staff Scheme targets the £154m shortfall, which therefore funds for discretionary pension increases on pre '97 accruals.

The Employer has also agreed to pay the administrative costs of up to £0.5m p.a. associated with the longevity swaps implemented with effect from 11 December 2013, as well as the PPF levies incurred by the Schemes in addition to the amounts above.

The Trustee and Employer have agreed that if the aggregate funding position at 31 December 2019 is £30m better than the expected position at this date then contributions from 1 January 2022 to the end of the recovery plan will continue to be £39m p.a. in total i.e. will not increase to £42m p.a.. The expected position at 31 December 2019 will be calculated by reference to the 31 December 2013 valuations which will use principles consistent with those used for the 31 December 2011 valuations and based on the agreed contributions as scheduled in this report.
Experience since last valuations

3.1 Summary of key inter-valuation experience

The previous actuarial valuations were carried out with an effective date of 31 December 2008. Since the last valuations, the following significant events have occurred:

- The Staff, Mowlem, B and PME schemes closed to future accrual with effect from 5 April 2009 with active members receiving deferred leaving benefits.

- The McAlpine Plan ceased salary linkage on 31 December 2009 (having ceased future service accruals for most members with effect from 31 July 2003) and the Passport Section also bulk transferred-out to the Carillion Public Sector Pension Scheme on 31 December 2009.

- In October 2011, all existing member funds held within the defined contribution section of the Mowlem Scheme were transferred, under individual member names, to the Carillion 2009 Pension Plan.

- The Government announced in July 2010 that the statutory rate of increase and revaluation that applies to pensions in payment and deferment in private sector schemes will in future be determined by reference to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Further clarity was provided in the Government's 8 December 2010 consultation document and by the Schemes' legal advisers as to how this applied to the Schemes. These valuations allow, where statutory provisions apply, for increases to be based on CPI for post 88 GMPs in payment and for non-GMPs in deferment.

- The Schemes' (other than the McAlpine Plan) commutation factors were improved with effect from 14 March 2012, the effect of which has been allowed for in the relevant scheme valuation.

Pensions in payment (in excess of Guaranteed Minimum Pensions) were increased as guaranteed under each scheme's rules as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.9%</td>
<td>0.0%</td>
<td>5.0%</td>
<td>0.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2010</td>
<td>2.4%</td>
<td>4.4%</td>
<td>0.0%</td>
<td>2.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2011</td>
<td>4.8%</td>
<td>5.0%</td>
<td>4.6%</td>
<td>4.8%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

*calculated dependent on the twelve month measurement period specified in each scheme's rules.
The Schemes' benefits earned after 5 April 2006 were increased in line with inflation at a maximum rate of 2.5% each year, as were the Staff Scheme's excess benefits earned before 6 April 1997 which are subject to discretionary increases.

For the PME Scheme, pensions accrued between 6 April 1997 and 5 April 2001 receive inflationary increases with a minimum annual increase of 3.0% and maximum of 5.0%; pensions accrued between 6 April 1988 and 5 April 1997 receive a fixed annual increase of 3.0%; and pensions accrued before 6 April 1988 receive no increases.

Other pension increases also apply for certain sub-categories of membership: for example, the ex Booth, McTay and Johnston categories in the Mowlem Scheme; ex Crown House, Aqualseal and Westbrick members in the Staff Scheme; and Lucas members in the PME Scheme. In addition, certain pensioners of the McAlpine Plan do not receive increases, as they accepted an offer made by the Company to give up increases in respect of pension accrued before 6 April 1997 in excess of Guaranteed Minimum Pension in return for a higher non-increasing pension.

During the inter-valuation period, the investment return on each scheme's assets has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>9.6</td>
<td>12.1</td>
<td>19.7</td>
<td>7.0</td>
<td>10.5</td>
</tr>
<tr>
<td>2010</td>
<td>9.9</td>
<td>11.9</td>
<td>13.5</td>
<td>10.0</td>
<td>10.1</td>
</tr>
<tr>
<td>2011</td>
<td>7.0</td>
<td>-0.5</td>
<td>-0.6</td>
<td>9.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Total</td>
<td>28.9</td>
<td>24.8</td>
<td>35.0</td>
<td>28.5</td>
<td>26.3</td>
</tr>
</tbody>
</table>

The table below summarises the deficit contributions paid over the inter-valuation period. These figures are from the audited accounts and are in line with the rates agreed at the previous actuarial valuations.

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine*</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.6</td>
<td>5.86</td>
<td>9.3</td>
<td>0.26</td>
<td>1.25</td>
<td>19.3</td>
</tr>
<tr>
<td>2010</td>
<td>0.5</td>
<td>10.1</td>
<td>9.5</td>
<td>2.1</td>
<td>1.25</td>
<td>23.45</td>
</tr>
<tr>
<td>2011</td>
<td>0.5</td>
<td>10.1</td>
<td>9.5</td>
<td>2.1</td>
<td>0.9</td>
<td>23.1</td>
</tr>
</tbody>
</table>

* The Employer also paid the Plan's administration expenses with the annual allowance capped at £0.5m following agreement of the 2008 valuation.
### 3.2 Reasons for the change in funding positions since the previous actuarial valuations

Each scheme's shortfall was noted in 2.1. The table below sets out the main reasons for the change in each scheme's shortfall between 31 December 2008 and 31 December 2011.

<table>
<thead>
<tr>
<th>(£m)</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall at 31 December 2008:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>143</td>
<td>123</td>
<td>32</td>
<td>13</td>
<td></td>
<td>327</td>
</tr>
<tr>
<td>Expected interest on shortfall</td>
<td>3</td>
<td>23</td>
<td>19</td>
<td>5</td>
<td>2</td>
<td>52</td>
</tr>
<tr>
<td>Excess investment returns</td>
<td>(85)</td>
<td>(29)</td>
<td>(41)</td>
<td>(14)</td>
<td>(4)</td>
<td>(153)</td>
</tr>
<tr>
<td>Deficit contributions paid plus interest</td>
<td>(4)</td>
<td>(28)</td>
<td>(30)</td>
<td>(5)</td>
<td>(3)</td>
<td>(70)</td>
</tr>
<tr>
<td>Reduction in the amount of tax-free cash which members are assumed to take on retirement</td>
<td>11</td>
<td>9</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Allowance for improved commutation factors from March 2012</td>
<td>5</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Allowance for improved life expectancy</td>
<td>32</td>
<td>29</td>
<td>18</td>
<td>8</td>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>Allowance for CPI deferred revaluation</td>
<td>(19)</td>
<td>(15)</td>
<td>(7)</td>
<td>(1)</td>
<td>(1)</td>
<td>(43)</td>
</tr>
<tr>
<td>Loss of salary linkage on benefits*</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Full capitalisation of administrative expenses</td>
<td>13</td>
<td>13</td>
<td>8</td>
<td>2</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Switch from &quot;gross&quot; to &quot;net&quot; discount rate</td>
<td>14</td>
<td>49</td>
<td>22</td>
<td>2</td>
<td>5</td>
<td>92</td>
</tr>
<tr>
<td>Switch from &quot;single&quot; to &quot;split&quot; discount rate</td>
<td>14</td>
<td>(15)</td>
<td>(6)</td>
<td>(1)</td>
<td>(3)</td>
<td>(11)</td>
</tr>
<tr>
<td>Change in financial conditions principally for interest rate and inflation (including data movements/miscellaneous)</td>
<td>137</td>
<td>112</td>
<td>61</td>
<td>30</td>
<td>14</td>
<td>354</td>
</tr>
<tr>
<td>Increased post retirement discount from &quot;gilts +0.5%&quot; to &quot;gilts +0.7%&quot;</td>
<td>(16)</td>
<td>(16)</td>
<td>(10)</td>
<td>(3)</td>
<td>(2)</td>
<td>(47)</td>
</tr>
<tr>
<td>Reduce pre-retirement discount rate from &quot;gilts +1.9% to &quot;gilts +1.8%&quot; on average (ERP 2.25% to 2.0%, CRP 0.75% to 1.3%)**</td>
<td>(2)</td>
<td>10</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Change proportion married from c90% to 75%</td>
<td>(17)</td>
<td>(12)</td>
<td>(10)</td>
<td>(4)</td>
<td>(2)</td>
<td>(45)</td>
</tr>
<tr>
<td>Include inflation risk premium for B Scheme</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Allow for a 5% cap on pension increases by making a 0.1% deduction from the RPI assumption</td>
<td>(4)</td>
<td>(5)</td>
<td>(3)</td>
<td>(1)</td>
<td>(1)</td>
<td>(14)</td>
</tr>
<tr>
<td>Shortfall at 31 December 2011:</td>
<td>118</td>
<td>276</td>
<td>148</td>
<td>47</td>
<td>28</td>
<td>617</td>
</tr>
</tbody>
</table>

* item only included for the McAlpine Plan as the effect of the other schemes' closures was allowed for in the 2008 valuations

** ERP is equity risk premium; CRP is corporate risk premium
Projected future funding levels and volatilities

4.1 Projected funding positions at next actuarial valuation date

As part of these valuations, the Trustee has agreed with the Employer to put in place a recovery plan for each scheme to meet its technical provisions shortfall by 30 June 2029 (28 February 2024 for the Staff Scheme).

The Staff Scheme's shortfall against its ongoing funding target (which reserves for future discretionary pension increases) is expected to be eliminated by 30 June 2029. Thus, the contribution allocation equalises the five schemes' recovery periods.

It has been agreed that the next actuarial valuations will take place with an effective date of 31 December 2013. The expected technical provisions' shortfalls at that date, taking account of known market experience and approximate allowance included in the liabilities for the longevity swap strains, are as follows:

<table>
<thead>
<tr>
<th>31 December 2013</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall (£m)</td>
<td>90</td>
<td>210</td>
<td>115</td>
<td>35</td>
<td>20</td>
<td>470</td>
</tr>
<tr>
<td>Funding level</td>
<td>87%</td>
<td>71%</td>
<td>74%</td>
<td>76%</td>
<td>75%</td>
<td>77%</td>
</tr>
</tbody>
</table>

The Staff Scheme's shortfall against its ongoing funding target is expected to be £150m at 31 December 2013, with a corresponding funding level of 80%.

2013 was a good year for pension schemes, generally, in terms of asset performance and the fact that interest rates rose slightly. The above estimated deficits take account of these factors which are usually the most significant items affecting the funding position, but there are other factors (e.g. actual pension increases, membership movements etc) which have not been taken into account in these figures. The Trustee may also consider reviewing the Schemes' mortality and proportion married assumptions for the 2013 valuations in the light of the pending results of a demographic analysis due to take place later in 2014.

4.2 Material risks faced by the Schemes

Each scheme is subject to some potentially material risks that are, to an extent, outside the Trustee's control, but could affect the funding level. Any material worsening of the funding level will mean more contributions are needed (either at an increased rate or at the same rate over a longer period) to be able to provide the benefits built up in each scheme. Examples of such risks and how the Trustee manages them, are:

- If the Employer becomes unable to pay contributions to make good deficits in the future, the Schemes' assets will be lower than expected and the funding levels will be worse than expected. The Trustee has taken the following actions to mitigate (but not fully remove) the risk:
The Trustee regularly monitors the financial strength of the Employer and has received reports from an independent adviser (Gazelle) advising on the covenant of Carillion Group.

- If future investment returns on assets are lower than assumed in the valuations, the Schemes’ assets will be lower and the funding levels worse than expected. The Trustee has taken the following actions to mitigate (but not fully remove) the risk:
  - The Trustee has a process in place to monitor investment performance quarterly and it reviews each scheme’s investment strategy alongside each actuarial valuation.
  - Each scheme’s investment strategy and valuation basis takes the make-up of the scheme’s membership into account (for example investing in risk reducing assets in respect of pensioner liabilities) and where assets are suitably matched to the profile of the liabilities the effect of market movements on funding levels reduces.
  - Whilst seeking return to help fund the deficits the Trustee has diversified somewhat the asset structure away from its previous equity biased approach.
  - The Trustee consults with the Employer regarding each scheme’s investment strategy and understands tPR will meet regularly with the Employer to discuss, in part, the linkage between investment risk and covenant.

- If gilt yields change such that the liability values increase by more (or decrease by less) than the assets, the funding levels against the technical provisions and on the wind-up basis (see Section 5) will be worse than expected. The Trustee has taken the following actions to mitigate (but not fully remove) the risk:
  - A proportion of each scheme’s assets is invested in gilts, which will help to offset some of the risk associated with movements in gilt yields.

- If improvements in life expectancy are greater than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding levels will be worse than expected. The Trustee has taken the following actions to mitigate (but not fully remove) the risk:
  - The Trustee manages this risk by reviewing each scheme’s experience as part of each triennial valuation and ensuring the assumptions made about members’ life expectancies take the most recent information available into account.
  - Each scheme has implemented a longevity swap with Deutsche Bank effective 11 December 2013 to hedge the mortality risk in respect of those members in receipt of a pension as at August 2013.

- If members make decisions about their options which increase the Schemes’ liabilities, the funding levels will be worse than expected. An example would be if members commute less cash than is being assumed. The Trustee has taken the following action to mitigate (but not fully remove) this risk:
  - The level of pension commuted by members is regularly reviewed and funding assumptions can be changed appropriately at future valuations as required.
4.3 Sensitivity of funding positions to changes in key assumptions

The value placed on each scheme's liabilities is critically dependent on the assumptions used to carry out the calculations. If future experience differs from the assumptions the Trustee has used, then the projected future funding levels will be different from the level described above in 4.1.

To illustrate how sensitive the funding levels are to experience being different from assumed the table below shows how the deficits at 31 December 2011 would have increased given small changes in the key assumptions.

<table>
<thead>
<tr>
<th>Change in shortfall at 31 December 2011 (£m)</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-retirement investment return is 0.25% lower than assumed</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>-</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Post-retirement investment return is 0.25% lower than assumed</td>
<td>18</td>
<td>18</td>
<td>11</td>
<td>4</td>
<td>2</td>
<td>53</td>
</tr>
<tr>
<td>Long-term inflation is 0.25% higher than assumed</td>
<td>19</td>
<td>25</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>Members live one year longer than assumed</td>
<td>19</td>
<td>19</td>
<td>13</td>
<td>5</td>
<td>2</td>
<td>58</td>
</tr>
<tr>
<td>Equity markets fall by 25%</td>
<td>36</td>
<td>54</td>
<td>40</td>
<td>5</td>
<td>5</td>
<td>140</td>
</tr>
<tr>
<td>Gilt yields fall by 1%</td>
<td>93</td>
<td>109</td>
<td>57</td>
<td>10</td>
<td>11</td>
<td>280</td>
</tr>
</tbody>
</table>

1 ignoring the effect of the longevity swaps implemented in December 2013.

Market movements of a similar magnitude but in the opposite direction would have served to reduce the deficits by a similar amount.

From 31 December 2011 to 31 December 2013 market movements have been beneficial as interest rates and equity markets have risen causing the overall funding deficit to have reduced significantly, even allowing for the swap strains, as indicated on page 9.
Wind-up positions

If the Employer were to become insolvent or decided not to support one or more of the Schemes, the scheme or schemes in question could go into wind-up and the benefits for the relevant scheme would be secured with an insurance company. Insurance companies use different assumptions to the Trustee’s technical provisions when calculating the value of the Schemes’ liabilities and the price they would charge to provide the benefits.

The table below shows an estimate of the funding level of each scheme at 31 December 2011 assuming all benefits were bought out with an insurer. The wind-up positions at 31 December 2008 are also shown for comparison in the subsequent table. The wind-up positions are shown for information only and does not mean that the Trustee or Employer is considering winding-up the Schemes.

<table>
<thead>
<tr>
<th>31 December 2011 (£m)</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets:</td>
<td>576</td>
<td>436</td>
<td>286</td>
<td>108</td>
<td>53</td>
<td>1,459</td>
</tr>
<tr>
<td>- Deferreds</td>
<td>621</td>
<td>623</td>
<td>265</td>
<td>36</td>
<td>63</td>
<td>1,608</td>
</tr>
<tr>
<td>- Pensioners</td>
<td>287</td>
<td>339</td>
<td>268</td>
<td>139</td>
<td>37</td>
<td>1,070</td>
</tr>
<tr>
<td>- Expenses</td>
<td>18</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>2</td>
<td>54</td>
</tr>
<tr>
<td>Total liabilities:</td>
<td>926</td>
<td>981</td>
<td>544</td>
<td>179</td>
<td>102</td>
<td>2,732</td>
</tr>
<tr>
<td>Past service shortfall:</td>
<td>350</td>
<td>545</td>
<td>258</td>
<td>71</td>
<td>49</td>
<td>1,273</td>
</tr>
<tr>
<td>Funding level</td>
<td>62%</td>
<td>44%</td>
<td>53%</td>
<td>60%</td>
<td>52%</td>
<td>53%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2008 (£m)</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets:</td>
<td>507</td>
<td>382</td>
<td>233</td>
<td>99</td>
<td>46</td>
<td>1,267</td>
</tr>
<tr>
<td>- Deferreds</td>
<td>528</td>
<td>551</td>
<td>274</td>
<td>44</td>
<td>64</td>
<td>1,461</td>
</tr>
<tr>
<td>- Pensioners</td>
<td>213</td>
<td>249</td>
<td>211</td>
<td>116</td>
<td>22</td>
<td>811</td>
</tr>
<tr>
<td>- Expenses</td>
<td>15</td>
<td>16</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>46</td>
</tr>
<tr>
<td>Total liabilities:</td>
<td>756</td>
<td>816</td>
<td>495</td>
<td>163</td>
<td>88</td>
<td>2,318</td>
</tr>
<tr>
<td>Past service shortfall:</td>
<td>249</td>
<td>434</td>
<td>262</td>
<td>64</td>
<td>42</td>
<td>1,051</td>
</tr>
<tr>
<td>Funding level</td>
<td>67%</td>
<td>47%</td>
<td>47%</td>
<td>61%</td>
<td>52%</td>
<td>55%</td>
</tr>
</tbody>
</table>

As an example, the Staff Scheme would have had a shortfall of £350m if it had been wound up at 31 December 2011. This means that, on average, members of the Staff Scheme could only expect to receive 62% of their benefits earned to date (although the percentage coverage would differ between members depending on age and when their benefit was earned). For the Staff Scheme, there is no allowance for any discretionary benefits being paid on pre '97 excess pensions in the future in this solvency basis.
In practice, if any of the Schemes were wound up due to the Employer becoming insolvent, the members of a scheme may be eligible for compensation from the Pension Protection Fund (PPF) if that scheme's assets were less than needed to buy that compensation from an insurance company. If this was the case, members could receive a higher proportion of the benefits they have earned to date. Further details of the compensation payable from the PPF are given in Appendix E.

If experience between 31 December 2011 and 31 December 2014 averages out to be in line with the assumptions underpinning the agreed recovery plans, the insurance companies' buy-out terms remain as they were at the valuation date and contributions are paid at the agreed rates, ignoring the impact of the longevity swaps, the shortfalls at 31 December 2014 on a wind-up basis would be as follows:

<table>
<thead>
<tr>
<th>31 December 2014</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall (£m)</td>
<td>356</td>
<td>547</td>
<td>238</td>
<td>70</td>
<td>48</td>
<td>1,259</td>
</tr>
<tr>
<td>Funding level</td>
<td>65%</td>
<td>50%</td>
<td>61%</td>
<td>65%</td>
<td>58%</td>
<td>59%</td>
</tr>
</tbody>
</table>

As the date of the next actuarial valuation has been brought forward to 31 December 2013, I set out below estimated buy-out deficits as at that date, using the same approach, for information:

<table>
<thead>
<tr>
<th>31 December 2013</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall (£m)</td>
<td>354</td>
<td>546</td>
<td>245</td>
<td>70</td>
<td>48</td>
<td>1,263</td>
</tr>
<tr>
<td>Funding level</td>
<td>64%</td>
<td>48%</td>
<td>58%</td>
<td>63%</td>
<td>56%</td>
<td>57%</td>
</tr>
</tbody>
</table>
Assumptions

A.1. How the benefits are valued

In order to calculate the liabilities, the Trustee needs to make assumptions about various factors that affect the cost of the benefits provided by the Schemes – for example, how long members will live, or the future level of inflation. The table below explains the key assumptions being made in the valuation.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Why it is important and how it impacts on the liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>The majority of benefits in a pension scheme are paid many years in the future. The investment return that is expected to be earned on these funds is known as “discounting”. The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the “discount rate” is higher. The Trustee’s investment policy is broadly to invest the funds held in respect of retired members in lower risk assets (which therefore have a lower expected return) than those held for members who are still some way from retirement. Therefore, the discount rate assumption is split into pre and post-retirement rates (with pre-retirement being higher).</td>
</tr>
<tr>
<td>Inflation</td>
<td>Pensions in payment typically increase in line with price inflation, subject to a cap. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.</td>
</tr>
</tbody>
</table>

The liabilities of each scheme are calculated by projecting forward all of the future benefit cash flows and discounting them back to the effective date of the valuation, using these assumptions. For example, the liability for a single pensioner is calculated by estimating the amount of each pension payment they will receive in the future, multiplying by the probability that the member will still be alive by the date of each payment, then discounting each payment back to the effective date of the valuation and then summing up all of these discounted amounts. The liabilities for the whole of each scheme are calculated by summing the liabilities for each of the individual members of that scheme.
A.2. Assumptions used to calculate technical provisions

The tables below summarise the key assumptions used in the calculation of the technical provisions and those used for the 31 December 2008 actuarial valuations for comparison:

**Financial assumptions**

<table>
<thead>
<tr>
<th>31 December 2011</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Pre-retirement</td>
<td>4.75%</td>
<td>5.05%</td>
<td>5.05%</td>
<td>4.05%</td>
<td>4.95%</td>
</tr>
<tr>
<td>- Post-retirement</td>
<td>3.75%</td>
<td>3.75%</td>
<td>3.75%</td>
<td>3.40%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Price inflation (RPI):</td>
<td>3.05%</td>
<td>3.05%</td>
<td>3.05%</td>
<td>2.85%</td>
<td>3.05%</td>
</tr>
<tr>
<td>Price inflation (CPI)</td>
<td>2.45%</td>
<td>2.45%</td>
<td>2.45%</td>
<td>2.25%</td>
<td>2.45%</td>
</tr>
<tr>
<td>Salary increases:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension increases in payment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- RPI (5% max)</td>
<td>2.95%</td>
<td>2.95%</td>
<td>2.95%</td>
<td>2.75%</td>
<td>2.95%</td>
</tr>
<tr>
<td>- RPI (2.5% max)</td>
<td>1.95%</td>
<td>1.95%</td>
<td>-</td>
<td>1.75%</td>
<td>1.95%</td>
</tr>
<tr>
<td>- RPI (min 3%, max 5%)</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.45%</td>
</tr>
</tbody>
</table>

The above assumptions were set with respect to duration adjusted fixed and index-linked gilt yields of 3.05% and -0.2% respectively (2.70% and -0.35% for B Scheme).

<table>
<thead>
<tr>
<th>31 December 2008</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Pre-retirement</td>
<td>4.89%</td>
<td>5.25%</td>
<td>5.10%</td>
<td>4.37%</td>
<td>5.13%</td>
</tr>
<tr>
<td>- Post-retirement</td>
<td>4.89%</td>
<td>5.25%</td>
<td>5.10%</td>
<td>4.37%</td>
<td>5.13%</td>
</tr>
<tr>
<td>Price inflation (RPI):</td>
<td>2.80%</td>
<td>2.80%</td>
<td>2.80%</td>
<td>2.50%</td>
<td>2.80%</td>
</tr>
<tr>
<td>Price inflation (CPI)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salary increases:</td>
<td>-</td>
<td>-</td>
<td>3.80%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension increases in payment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- RPI (5% max)</td>
<td>2.80%</td>
<td>2.80%</td>
<td>2.80%</td>
<td>2.50%</td>
<td>2.80%</td>
</tr>
<tr>
<td>- RPI (2.5% max)</td>
<td>1.90%</td>
<td>1.90%</td>
<td>-</td>
<td>1.80%</td>
<td>2.00%</td>
</tr>
<tr>
<td>- RPI (min 3%, max 5%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.25%</td>
</tr>
</tbody>
</table>

The above assumptions were set with respect to duration adjusted fixed and index-linked gilt yields of 3.75% and 0.75% respectively (3.75% and 1.25% for B Scheme).

Notes: Different pension increase assumptions apply to certain sub-categories of membership.

The 2008 discount rates are based on gross returns, whereas the 2011 discount rates are based on net returns.
Demographic assumptions

### 31 December 2011

<table>
<thead>
<tr>
<th>Retirement:</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality:</td>
<td>ER</td>
<td>NRA</td>
<td>ER</td>
<td>NRA</td>
<td>ER</td>
</tr>
<tr>
<td>- base table</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
</tr>
<tr>
<td>- future improvements</td>
<td>CMI 1.5%</td>
<td>CMI 1.5%</td>
<td>CMI 1.5%</td>
<td>CMI 1.5%</td>
<td>CMI 1.5%</td>
</tr>
<tr>
<td>- age rating</td>
<td>0 yrs</td>
<td>-2 yrs</td>
<td>0 yrs</td>
<td>-4 yrs</td>
<td>-2 yrs</td>
</tr>
<tr>
<td>Commutation:</td>
<td>70%</td>
<td>75%</td>
<td>80%</td>
<td>40%</td>
<td>65%</td>
</tr>
<tr>
<td>Proportion married:</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Age of spouse:</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
</tr>
<tr>
<td></td>
<td>+ 3yrs female</td>
<td>+ 2yrs female</td>
<td>+ 2yrs female</td>
<td>+ 3yrs female</td>
<td>+ 3yrs female</td>
</tr>
</tbody>
</table>

Note: ER denotes an allowance for members retiring before normal retirement age and NRA denotes an assumption all members retire at their normal retirement age. See each scheme’s statement of funding principles for further details.

### 31 December 2008

<table>
<thead>
<tr>
<th>Retirement:</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality:</td>
<td>ER</td>
<td>NRA</td>
<td>ER</td>
<td>NRA</td>
<td>ER</td>
</tr>
<tr>
<td>- base table</td>
<td>PA92 (YOB)</td>
<td>PA92 (YOB)</td>
<td>PA92 (YOB)</td>
<td>PA92 (YOB)</td>
<td>PA92 (YOB)</td>
</tr>
<tr>
<td>- future improvements</td>
<td>MC</td>
<td>MC</td>
<td>MC</td>
<td>MC</td>
<td>MC</td>
</tr>
<tr>
<td>- age rating</td>
<td>+ 2yrs</td>
<td>0 yrs</td>
<td>0 yrs (+2yrs for pensioners)</td>
<td>- 2yrs</td>
<td>0 yrs</td>
</tr>
<tr>
<td>Commutation:</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>65%</td>
</tr>
<tr>
<td>Proportion married:</td>
<td>90%</td>
<td>84% / 75%</td>
<td>90%</td>
<td>90%</td>
<td>90% / 75%</td>
</tr>
<tr>
<td>Age of spouse:</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
<td>- 3yrs male</td>
</tr>
<tr>
<td></td>
<td>+ 3yrs female</td>
<td>+ 2yrs female</td>
<td>+ 2yrs female</td>
<td>+ 3yrs female</td>
<td>+ 3yrs female</td>
</tr>
</tbody>
</table>

Note: ER denotes an allowance for members retiring before normal retirement age and NRA denotes an assumption all members retire at their normal retirement age. See each scheme’s statement of funding principles for further details.
The mortality assumptions used for the 31 December 2011 valuations result in the following life expectancies. This information may be useful to the Trustee when completing the annual scheme returns.

<table>
<thead>
<tr>
<th>Life expectancy from age 65</th>
<th>Staff Cohort</th>
<th>Staff Period</th>
<th>Mowlem Cohort</th>
<th>Mowlem Period</th>
<th>McAlpine Cohort</th>
<th>McAlpine Period</th>
<th>B Cohort</th>
<th>B Period</th>
<th>PME Cohort</th>
<th>PME Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>male aged 45 now</td>
<td>24.71</td>
<td>n/a</td>
<td>26.44</td>
<td>n/a</td>
<td>24.71</td>
<td>n/a</td>
<td>28.19</td>
<td>n/a</td>
<td>26.44</td>
<td>n/a</td>
</tr>
<tr>
<td>female aged 65 now</td>
<td>24.72</td>
<td>22.29</td>
<td>26.45</td>
<td>24.05</td>
<td>24.72</td>
<td>22.29</td>
<td>28.19</td>
<td>25.83</td>
<td>26.45</td>
<td>24.05</td>
</tr>
<tr>
<td>female aged 45 now</td>
<td>27.12</td>
<td>n/a</td>
<td>28.91</td>
<td>n/a</td>
<td>27.12</td>
<td>n/a</td>
<td>30.71</td>
<td>n/a</td>
<td>28.91</td>
<td>n/a</td>
</tr>
</tbody>
</table>

These assumptions have been selected by the Trustee to reflect its funding objectives, after reaching agreement with the Employer. In setting the assumptions, the Trustee has assumed that each scheme is ongoing (i.e. not in the process of being wound up).

Period life expectancy assumes age-specific mortality rates throughout the member’s life; it makes no allowance for any later actual or projected changes in mortality. Cohort life expectancy is calculated using age specific mortality rates which allow for known or projected changes in mortality in later years and is thus regarded as a more appropriate measure of how long a person would be expected to live, on average, than period life expectancy.

A mortality analysis of the Carillion Group pension schemes was undertaken and the results, set out in a report to the Trustee dated September 2011, were used to set the mortality assumptions as at the valuation date. In addition, the assumption for the amount of tax-free cash deferred members take at retirement was based on an analysis of actual scheme experience dated August 2011.

The Trustee’s stated funding objective (which has also been agreed with the Employer) is to reach a position where the assets of each scheme are sufficient to fully cover the technical provisions by the end date of each scheme’s recovery plan. However, the Staff Scheme has a further objective which is to reach and then maintain assets equal to its ongoing liabilities which allows for discretionary pension increases (subject to a minimum of maintaining assets sufficient to cover its technical provisions).

A.3. Assumptions used to calculate the recovery plan

The contributions payable under the recovery plans are calculated using the same assumptions as those used to calculate the technical provisions (and ongoing target for the Staff Scheme) with the exception that, during the period of the recovery plan, the investment returns on the Schemes’ existing assets and future contributions are assumed to be, initially, as follows:
The above rates make allowance for changes to the Schemes’ investment strategies implemented during 2013, which served to increase the expected returns compared with the expected returns of the asset mix held at the valuation date.

The assumed returns used for the 2011 recovery plans gradually reduce over time by assuming the assets will return gilts +1.45% by the time each scheme is entirely pensioner i.e. an average return of +0.75% above the Schemes’ technical provisions.

The investment return assumptions used to calculate the recovery plans for the 2008 actuarial valuations are shown below for comparison:

<table>
<thead>
<tr>
<th>31 December 2008</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment returns (% p.a.)</td>
<td>5.25</td>
<td>5.8</td>
<td>6.0</td>
<td>4.9</td>
<td>5.45</td>
</tr>
</tbody>
</table>

The 2008 valuation assumptions assumed the asset allocations were held indefinitely and that contributions were invested in line with these allocations.

A.4. Assumptions used to calculate the wind-up position

The wind-up position looks at each scheme’s funding on the assumption that it had been discontinued on the valuation date and the benefits bought out with an insurance company. In doing this, it is assumed that no further benefits accrue and no further contributions are paid. There is no allowance for any discretionary benefits being paid in the future.

The wind-up position has been estimated using Mercer’s experience of recent buyout quotations and our understanding of the factors affecting this market. Detailed analysis of the reserves that would need to be held by an insurance company has not been carried out. Consideration has been given to the market terms for the financial instruments in which insurance companies would be expected to invest. An approximate allowance has been made for the reserves an insurance company would maintain to cover the risks involved and the statutory reserving requirements. The results are, therefore, only a guide to the wind-up positions and should not be taken as a quotation. Market changes, both in interest rates and in supply and demand for buyout business, mean that if a buyout ultimately proceeds, actual quotations may differ. The wind-up funding levels are only an estimate since they are not based on actual quotations. The true position could only be established by completing a buyout.

The tables overleaf set out the assumptions used to assess the funding level in the event of each scheme being wound up. The assumptions used at 31 December 2008 are also shown for comparison.
## Financial assumptions

### 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return:</td>
<td>3.5%</td>
<td>3.4%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Pension increases (LPI 5%):</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Pension increases (LPI 2.5%):</td>
<td>2.4%</td>
<td>2.4%</td>
<td>-</td>
<td>2.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Pension increases (LPI 3%, 5%):</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Non pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return pre-retirement:</td>
<td>3.6%</td>
<td>3.9%</td>
<td>3.6%</td>
<td>3.9%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Increases pre-retirement:</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Investment return post-retirement:</td>
<td>3.7%</td>
<td>3.8%</td>
<td>3.8%</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 5%):</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 2.5%):</td>
<td>2.4%</td>
<td>2.4%</td>
<td>-</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 3%, 5%):</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

### 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return:</td>
<td>4.1%</td>
<td>4.0%</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Pension increases (LPI 5%):</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Pension increases (LPI 2.5%):</td>
<td>2.1%</td>
<td>2.1%</td>
<td>-</td>
<td>2.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Pension increases (LPI 3%, 5%):</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Non pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return pre-retirement:</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Increases pre-retirement:</td>
<td>3.3%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Investment return post-retirement:</td>
<td>4.1%</td>
<td>4.0%</td>
<td>3.9%</td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 5%):</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.1%</td>
<td>3.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 2.5%):</td>
<td>2.3%</td>
<td>2.3%</td>
<td>-</td>
<td>2.3%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 3%, 5%):</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

*Note: Different pension increase assumptions apply for certain sub-categories of membership – see page 7.*
### Demographic assumptions

<table>
<thead>
<tr>
<th>31 December 2011</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
</tr>
<tr>
<td>Mortality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- base table</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
<td>S1NA</td>
</tr>
<tr>
<td>- future improvements</td>
<td>M CMI 2.0%</td>
<td>M CMI 2.0%</td>
<td>M CMI 2.0%</td>
<td>M CMI 2.0%</td>
<td>M CMI 2.0%</td>
</tr>
<tr>
<td>- age rating</td>
<td>0 yrs</td>
<td>-2 yrs</td>
<td>0 yrs</td>
<td>-4 yrs</td>
<td>-2 yrs</td>
</tr>
<tr>
<td>Commutation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion married</td>
<td>90%</td>
<td>80%/70%</td>
<td>80%/70%</td>
<td>80%/70%</td>
<td>80%/75%</td>
</tr>
<tr>
<td>Spouse’s age</td>
<td>-3 yrs male</td>
<td>-3 yrs male</td>
<td>-3 yrs male</td>
<td>-3 yrs male</td>
<td>-3 yrs male</td>
</tr>
<tr>
<td></td>
<td>+3 yrs female</td>
<td>+3 yrs female</td>
<td>+3 yrs female</td>
<td>+3 yrs female</td>
<td>+3 yrs female</td>
</tr>
<tr>
<td>Expense allowance</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2008</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
<td>NRA</td>
</tr>
<tr>
<td>Mortality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- base table</td>
<td>PA92</td>
<td>PA92</td>
<td>PA92</td>
<td>PA92</td>
<td>PA92</td>
</tr>
<tr>
<td>- future improvements</td>
<td>M MC 1.5%</td>
<td>M MC 1.5%</td>
<td>M MC 1.5%</td>
<td>M MC 1.5%</td>
<td>M MC 1.5%</td>
</tr>
<tr>
<td>- age rating</td>
<td>+ 2 yrs</td>
<td>0 yrs</td>
<td>0 yrs (+2 yrs for pensioners)</td>
<td>- 2 yrs</td>
<td>0 yrs</td>
</tr>
<tr>
<td>Commutation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion married</td>
<td>90%</td>
<td>84% / 75%</td>
<td>90%</td>
<td>90%</td>
<td>90% / 75%</td>
</tr>
<tr>
<td>Spouse’s age</td>
<td>- 3 yrs male</td>
<td>- 3 yrs male</td>
<td>- 3 yrs male</td>
<td>- 3 yrs male</td>
<td>- 3 yrs male</td>
</tr>
<tr>
<td></td>
<td>+ 3 yrs female</td>
<td>+ 2 yrs female</td>
<td>+ 2 yrs female</td>
<td>+ 3 yrs female</td>
<td>+ 3 yrs female</td>
</tr>
<tr>
<td>Expense allowance</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

As the Trustee’s current investment policies include investment in different assets than would typically be held by an insurer, the wind-up positions on a given date may be significantly different from the positions estimated at the valuation date.
APPENDIX B

Summary membership data

The membership data at the valuation date is summarised in the table below, with figures at the previous valuation shown overleaf for comparison:

<table>
<thead>
<tr>
<th>31 December 2011</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>4,766</td>
<td>4,394</td>
<td>2,541</td>
<td>36</td>
<td>475</td>
</tr>
<tr>
<td>Total deferred pensions revalued to valuation date (£000s p.a.)</td>
<td>26,301</td>
<td>23,485</td>
<td>8,855</td>
<td>1,089</td>
<td>2,185</td>
</tr>
<tr>
<td>Average deferred pension (£ p.a.)</td>
<td>5,519</td>
<td>5,340</td>
<td>3,485</td>
<td>30,244</td>
<td>4,601</td>
</tr>
<tr>
<td>Average age</td>
<td>52.0</td>
<td>51.9</td>
<td>51.1</td>
<td>54.5</td>
<td>52.0</td>
</tr>
<tr>
<td>Transferred-in fixed pensions (£000s p.a.)</td>
<td>-</td>
<td>530</td>
<td>376</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>4,082</td>
<td>2,175</td>
<td>1,918</td>
<td>165</td>
<td>265 (27)</td>
</tr>
<tr>
<td>Total pensions payable (£000s p.a.)</td>
<td>18,459</td>
<td>15,603</td>
<td>14,254</td>
<td>6,133</td>
<td>1,537 (102)</td>
</tr>
<tr>
<td>Average pension (£ p.a.)</td>
<td>4,522</td>
<td>7,174</td>
<td>7,432</td>
<td>37,170</td>
<td>5,802 (3,775)</td>
</tr>
<tr>
<td>Average age</td>
<td>72.6</td>
<td>71.8</td>
<td>72.2</td>
<td>73.3</td>
<td>67.7 (67.2)</td>
</tr>
</tbody>
</table>

+ 2011 PME figures in brackets are in respect of insured pensioners which are excluded from the valuation (since the value of these liabilities is exactly matched by the insured assets).
<table>
<thead>
<tr>
<th>31 December 2008</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active members</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>1,003</td>
<td>745</td>
<td>378</td>
<td>19</td>
<td>188</td>
</tr>
<tr>
<td>Total deferred pensions* (£000's p.a.)</td>
<td>13,483</td>
<td>7,555</td>
<td>15,883+</td>
<td>808</td>
<td>1,514</td>
</tr>
<tr>
<td>Average deferred pension (£ p.a.)</td>
<td>13,443</td>
<td>10,141</td>
<td>42,019+</td>
<td>42,526</td>
<td>8,053</td>
</tr>
<tr>
<td>Average age (weighted)</td>
<td>49.8</td>
<td>50.6</td>
<td>50.3</td>
<td>52.4</td>
<td>51.5</td>
</tr>
<tr>
<td><strong>Deferred pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>4,325</td>
<td>4,106</td>
<td>2,557</td>
<td>28</td>
<td>382</td>
</tr>
<tr>
<td>Total deferred pensions revalued to valuation date (£000s p.a.)</td>
<td>13,458</td>
<td>17,754</td>
<td>7,541+</td>
<td>602</td>
<td>944</td>
</tr>
<tr>
<td>Average deferred pension (£ p.a.)</td>
<td>3,112</td>
<td>4,324</td>
<td>2,949</td>
<td>21,500</td>
<td>2,470</td>
</tr>
<tr>
<td>Average age</td>
<td>51.1</td>
<td>50.6</td>
<td>50.1</td>
<td>54.3</td>
<td>50.2</td>
</tr>
<tr>
<td><strong>Pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>3,918</td>
<td>1,906</td>
<td>1,675</td>
<td>155</td>
<td>186+</td>
</tr>
<tr>
<td>Total pensions payable (£000s p.a.)</td>
<td>16,086</td>
<td>13,115</td>
<td>12,791</td>
<td>5,479</td>
<td>1,124+</td>
</tr>
<tr>
<td>Average pension (£ p.a.)</td>
<td>4,106</td>
<td>6,881</td>
<td>7,636</td>
<td>35,348</td>
<td>6,041+</td>
</tr>
<tr>
<td>Average age</td>
<td>72.0</td>
<td>70.6</td>
<td>71.0</td>
<td>71.4</td>
<td>66.6+</td>
</tr>
</tbody>
</table>

* 2008 valuation deferred pensions for active members include service to 5 April 2009
+ 2008 McAlpine non-pensioner figures exclude transferred-in fixed pensions
+ 2008 McAlpine active statistics are total pensionable salaries and average pensionable salaries. The average past service at the 2008 valuation was 9.7 years
+ 2008 PME pensioner figures exclude insured pensions

Data in relation to members of each scheme were supplied by the Trustee, via each scheme's administrator (Ensign or JLT for McAlpine Plan). The accuracy of the data provided has been relied on. Whilst reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data that is incomplete or inaccurate.
APPENDIX C

Assets

The market value of each scheme’s assets is shown in the table below:

<table>
<thead>
<tr>
<th>Market value at 31 December 2011 (£m)</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-growth:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gilts</td>
<td>165.8</td>
<td>14.4</td>
<td>37.0</td>
<td>38.0</td>
<td>16.8</td>
<td>272.0</td>
</tr>
<tr>
<td>Bonds</td>
<td>250.3</td>
<td>148.4</td>
<td>72.2</td>
<td>46.7</td>
<td>14.3</td>
<td>531.9</td>
</tr>
<tr>
<td>Property</td>
<td>26.5</td>
<td>15.9</td>
<td>43.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>142.6</td>
<td>214.8</td>
<td>158.0</td>
<td>20.5</td>
<td>19.4</td>
<td>555.3</td>
</tr>
<tr>
<td>GTAA</td>
<td>5.8</td>
<td>24.1</td>
<td>0.5</td>
<td>0.7</td>
<td></td>
<td>31.1</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash deposits</td>
<td>8.8</td>
<td>5.5</td>
<td>1.4</td>
<td>1.2</td>
<td>0.8</td>
<td>17.7</td>
</tr>
<tr>
<td>NCA</td>
<td>2.7</td>
<td>2.1</td>
<td>1.0</td>
<td>1.5</td>
<td>(0.1)</td>
<td>7.2</td>
</tr>
<tr>
<td>Total</td>
<td>576.0</td>
<td>435.8</td>
<td>285.5</td>
<td>108.4</td>
<td>52.9</td>
<td>1,458.6</td>
</tr>
</tbody>
</table>

The above table shows the distribution of assets for each scheme at the valuation date. The distribution of assets will vary over time due to changes in financial markets.

The Trustee also holds additional voluntary contributions (AVCs) which are separately invested. These assets have been excluded from the market values shown as they exactly match the value of the benefits they cover.

The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for each scheme.
APPENDIX D

Benefit summaries

The benefits valued broadly reflect those set out in each scheme’s Trust Deed and Rules and subsequent deeds of amendments.

No allowance has been made for discretionary benefits other than in the Staff Scheme as follows: the practice of revaluing pre ‘85 excess pension; early retirement has been assumed to be granted on a member’s request; and increases to excess pensions in payment accrued pre April 1997 at RPI capped at 2.5% per annum have been assumed in the ongoing funding.

The benefits that will emerge from AVCs paid by members have been excluded from the valuations, as have the corresponding assets, since the value of these liabilities is exactly matched by these assets.

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. There is no consensus or legislative guidance as to what adjustments have to be made to scheme benefits to correct these inequalities for an ongoing scheme which is not in the PPF. The valuations make no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Trustee seeks further professional advice if it is concerned about this issue.
Summary of PPF benefits

If the Schemes wind up when the Employer is insolvent, their members may be eligible for compensation from the Pension Protection Fund. Normally, a scheme’s assets and liabilities would only transfer to the PPF if the assets were insufficient to buy out the benefits provided by the PPF. The compensation that the PPF could provide would be broadly 100% of the pension in payment for members over pension age and 90% of a capped amount of the pension built up for members under pension age. Under the current PPF provisions:

- Pensions in payment will be increased annually, at the lower of 2.5% and the change in the Consumer Prices Index (CPI), in respect of service after 5 April 1997 only. Pensions accrued before April 1997 are not increased.

- Benefits in deferment are revalued in line with each scheme’s rules for any period between the member’s exit and the scheme’s entry into the PPF. Revaluation between the entry date and the member’s normal pension age will be in line with increases in the CPI subject to a maximum of 5% per annum compounded over the revaluation period in respect of service pre-6 April 2009, and CPI subject to a maximum of 2.5% per annum for service post-5 April 2009.

- Where scheme rules do not provide for revaluation in respect of a period of service, then no revaluation will be provided under the PPF in respect of that service.

- Spouses’ pensions will be 50% of members’ PPF compensation.

- The pensions of members aged less than their scheme’s normal pension age when the scheme enters the PPF will be capped. The cap depends on the member’s age when the pension is paid and is increased from time to time. For example, in 2012/13 the cap is £34,050 at age 65 – so, the maximum amount of compensation for members retiring at their normal pension age of 65 will be 90% of this, £30,645 per annum.

- Each scheme’s Section 179 certificate was attached to my letter dated 15 March 2013. In summary, the results of these valuations disclosed the following results:

<table>
<thead>
<tr>
<th>31 December 2011</th>
<th>Staff</th>
<th>Mowlem</th>
<th>McAlpine</th>
<th>B</th>
<th>PME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit (£m)</td>
<td>276</td>
<td>350</td>
<td>144</td>
<td>(0.5)</td>
<td>30</td>
</tr>
<tr>
<td>Funding level (%)</td>
<td>68</td>
<td>55</td>
<td>66</td>
<td>100</td>
<td>65</td>
</tr>
</tbody>
</table>
APPENDIX F

Carillion Staff Pension Scheme – Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Carillion Staff Pension Scheme ("the Trustee") on ______ to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It is part of the Trustee's plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Carillion Staff Pension Scheme ("the Scheme") must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and Carillion plc on behalf of itself and the other employers participating in the Scheme.

The Recovery Plan follows the actuarial valuation of the Scheme as at 31 December 2011, which revealed a shortfall in the assets, when measured against the Scheme's technical provisions of £118m and a shortfall when measured against the Scheme's ongoing liabilities of £177m. It will be reviewed, and may be revised, following the Trustee's next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Carillion plc agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct both the ongoing shortfall and the shortfall against the technical provisions, the Employer, Carillion plc, will pay contributions of £0.5m in 2012, £2.0m in 2013, £6.1m p.a. from 2014 to 2016 inclusive, £6.9m in 2017, £7.6m p.a. from 2018 to 2021 inclusive, £13.9m in 2022, £15.3m in 2023, £16.8m in 2024 and £17.7m p.a. from 1 January 2025 to June 2029.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

The payments will be made on a monthly basis or earlier, unless otherwise agreed by the Trustee. In addition, in respect of calendar year 2013 the Employer will pay administrative and explicit investment expenses estimated to be £1,352,462, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme's funding plan thereafter. The Employer will, each year, pay the Scheme's share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Period in which the statutory funding objective should be met

The shortfall against the technical provisions is expected to be eliminated in 12 years 2 months from the effective date of the valuation, which is by 28 February 2024; and the shortfall against the ongoing target to be eliminated in 17 years 6 months, which is by 30 June 2029. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated _______.
The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated 13 June 2014, in the section headed "Method and assumptions used in calculating contributions payable under the recovery plan"; and

Discretionary increases will be paid to pensions in payment accrued before 6 April 1997 at RPI capped at 2.5% per annum.

In addition, the Scheme's recovery plan allows for actual market movements up to 31 January 2013, but not beyond.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 12 years 3 months, which is by 31 March 2024.

Signed on behalf of Carillion plc

Name

Position

Date of signing 13 June 2014

Signed on behalf of the Trustee of the Carillion Staff Pension Scheme

Name

Position

Date of signing 13 June 2014

This Recovery Plan, dated 13 June 2014, has been agreed by the Trustee of the Carillion Staff Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signature

Scheme Actuary

Qualification

Date of signing 13 June 2014

Name of employer & address

MERCER Limited
Belvedere
12 Booth Street
Manchester
M2 4AW
Carillion Staff Pension Scheme
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Carillion Staff Pension Scheme ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Carillion Staff Pension Scheme ("the Scheme") following the 31 December 2011 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the employer, Carillion plc on behalf of itself and the other employers participating in the Scheme, on

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Scheme from 31 December 2011 to 30 June 2029

Members' contributions
No contributions are payable by members after 5 April 2009.

Employer's contributions in respect of future accrual of benefits
No future accrual contributions are payable by the employer after 5 April 2009.

Employer's contributions in respect of the shortfall in funding as per the recovery plan of

The employer shall pay shortfall correction additional contributions of at least £0.5m in 2012, £2.0m in 2013, £5.1m p.a. from 2014 to 2016 inclusive, £8.9m in 2017, £7.6m p.a. from 2018 to 2021 inclusive, £13.9m in 2022, £15.3m in 2023, £16.8m in 2024 and £17.7m p.a. from 1 January 2025 to 30 June 2029, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer's contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.

Employer's contributions in respect of administration and other costs
In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £1,352,462, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme’s funding plan thereafter. The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of
operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

**Other employer contributions**

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion plc on behalf of itself and the other employers participating in the Scheme, and the Trustee of the Carillion Staff Pension Scheme on 13 June 2014.

Signed on behalf of Carillion plc

Name

Position

Date of signing

Signed on behalf of the Trustee of the Carillion Staff Pension Scheme

Name

Position

Date of signing
Certification of Schedule of Contributions

Name of Scheme
Carillion Staff Pension 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 be met by the end of the period specified in the recovery plan dated 13 June 2014.

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 13 June 2014.

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
ES Topper

Scheme Actuary
ES Topper

Qualification
Fellow of the Institute and Faculty of Actuaries

Date of signing
13 June 2014

Name of employer
Mercer Limited

Address
Belvedere
12 Booth Street
Manchester
M2 4AW
Carillion Staff Pension Scheme - Statement of Funding Principles

This statement of funding principles sets out the policies of the Trustee of the Carillion Staff Pension Scheme ("the Trustee") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2011.

This statement of funding principles has been agreed by the Employer, Carillion plc on behalf of itself and the other employers participating in the Carillion Staff Pension Scheme ("the Scheme").

The statutory funding objective

The statutory funding objective is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Funding objectives in addition to the statutory funding objective

The Trustee and the Employer also have the objective, in addition to the statutory funding objective, of having sufficient assets to cover 100% of the ongoing liabilities which make a funding allowance for future discretionary pension increases on pre '97 excess pensions once in payment.

This is a long-term target. Future contributions will always be set at least to the level required to satisfy the statutory funding objective.

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this Statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members’ accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Scheme’s solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.
Policy on discretionary increases and funding strategy

Pensions in excess of Guaranteed Minimum Pension (GMP) earned by service before 6 April 1997 may be increased from time to time once in payment at the discretion of the Trustee and Employer. No allowance has been included in the statutory funding objective assumptions for paying discretionary benefits or making increases to pre '97 pensions which are not guaranteed under the Scheme rules. For the avoidance of doubt, for the ongoing funding target, the Trustee and Company are funding to provide future discretionary increases on pensions in excess of Guaranteed Minimum Pensions accrued before 6 April 1997 at RPI capped at 2.5% per annum. The contribution schedule has been set with regard to the ongoing liabilities of the Scheme (including the reserve for pre-97 discretionary increases) and so, subject to Carillion plc consent and no material deterioration in funding levels or other mitigating circumstances, the Trustee is targeting to provide discretionary increases on pre-97 benefits in the future.

Rectifying a failure to meet the statutory funding objective

If the assets of the Scheme are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford. The recovery plan will also include contributions to cover any shortfall of assets to meet the ongoing liabilities.

Additional contributions will be expressed as level monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

• the size of the funding shortfall allowing for the reserves needed to cover pre-97 discretionary increases;

• the business plans of the Employer;

• the Trustee's assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);

• any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the ongoing target shortfall will be met by 30 June 2029. The technical provisions shortfall calculated at the 31 December 2011 valuation is expected to be met over the period to 28 February 2024.

Calculating the normal cost of the Scheme

As the Scheme ceased future accrual with effect from 5 April 2009 there is no future normal cost to the Scheme.
Arrangements for other parties to make payments to the Scheme

In some circumstances, someone other than the Employer or a Scheme member may contribute to the Scheme.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the remaining members' benefits. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would be provided were the Scheme to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.

Payments to the Employer

If the Scheme is not being wound up and the assets of the Scheme exceed the actuary's estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, the Employer may request a refund of the excess. If the actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be paid, the Trustee will consider whether payment would be in the interest of the members, and if so, the Trustee will give notice to the members of the proposal.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation was carried out as at 31 December 2011 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter although it has been agreed the next actuarial valuation will take place with an effective date of 31 December 2013. An actuarial report on developments affecting the Scheme's technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary's advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 13 June 2014, has been agreed by Carillion plc on behalf of itself and the other employers participating in the Scheme and the Trustee of the Carillion Staff Pension Scheme:

Signed on behalf of Carillion plc

Name  
Tim George  
Deputy Company Secretary  
Carillion plc

Position

Date of signing  
13 June 2014

Signed on behalf of the Trustee of the Carillion Staff Pension Scheme

Name  
ROBIN ELLISON

Position  
CHAIRMAN

Date of signing  
13 June 2014

This statement of funding principles, dated 13 June 2014, has been agreed by the Trustee of the Carillion Staff Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed

Name  
EDWIN TOWELL

Position  
Actuary to the Carillion Staff Pension Scheme

Date of signing  
13 June 2014
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire.

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 1.70% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 0.7% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Inflation
The RPI inflation assumption will be taken to be the investment market's expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation). The CPI inflation assumption will be taken as the RPI inflation assumption with an appropriate adjustment (0.6% p.a. deduction at this valuation).

Pension increases
The Scheme guarantees to increase that part of the pension earned after 5 April 1997, but before 6 April 2006 in payment in line with RPI inflation, subject to a maximum yearly increase of 5% (LPI increases). For the purpose of this valuation, I have assumed that these increases would be granted in line with price inflation, but with a reduction to reflect that in some future years inflation may be above the 5% cap (0.1% p.a. at this valuation).

Pensions earned after 5 April 2006 are assumed to increase at 1.95% per annum in payment, representing increases in line with RPI price inflation, subject to a maximum of 2.5% per annum. In respect of pensions accruing prior to 5 April 1997, where future increases are granted on a discretionary basis, no allowance for discretionary increases will be made.

Increases to pensions in deferment are assumed to be in line with the CPI assumption, as described above, where increases are in line with inflation.

Other pension increases have been assumed where appropriate and statutory increases are provided on GMPs.
Demographic assumptions

Mortality
The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables used are S1 NA Year of Birth tables with improvements based on the CMI 2009 model incorporating a long term improvement rate of 1.5%, with members being treated as though they were their actual age.

Early retirement
No allowance has been made for early retirement and all members are assumed to retire at their normal pension age except that where members can take unreduced benefits before their normal pension age this has been taken into account. In particular, female members who joined the Scheme prior to 1 March 1991 have the right to retire with unreduced benefits from age 60 for service accrued before 1 March 1991 and, with consent, for service after this date. Further, in accordance with the 'Barber' judgement, male members who were in service at 1 March 1991 have the right to their benefits accrued after 17 May 1990 but before 1 March 1991 unreduced at 60 and, with consent, for service after this date.

Commutation
It will be assumed that non-pensioner members take 70% of the maximum cash allowed at retirement.

Proportion married and age difference
It will be assumed that in 75% of deaths a spouse's/civil partner's/dependant's pension will be payable, and that dependants are of the opposite sex to the members, with wives/partners being three years younger, on average, than their husbands/partners.

Expenses
The Trustee will meet the running expenses of the Scheme from 1 January 2014. With the Employer's agreement, an allowance of £15m in respect of a capitalised estimate of future administration expenses has been made in the valuation of the technical provisions.

The Employer will, each year, pay the Scheme's share of the continuing costs and expenses of operating the longevity swaps, capped at £500,000 (excluding VAT) for the five schemes.

PPF levies are payable by the Employer in addition to the contributions set out in the Recovery Plan.
Summary of key assumptions used for calculating technical provisions as at 31 December 2011

<table>
<thead>
<tr>
<th>Principal actuarial assumptions for valuation as at 31 December 2011 (Gilt Yield 3.05%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Investment return pre-retirement</td>
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<td>- CPI price inflation</td>
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<td>- Investment return post-retirement</td>
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<td>- RPI price inflation</td>
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<td>- Pension increases in payment (RPI max 5%)</td>
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<tr>
<td>- Pension increases in payment (RPI max 2.5%)</td>
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<td>- Mortality</td>
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Method and assumptions used in calculating the cost of future accrual

As the Scheme closed to future accrual with effect from 5 April 2009, the calculation of the cost of future accrual is not applicable.

Method and assumptions used in calculating the contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

**Investment return on existing assets and future contributions**

The redemption yield on UK Government conventional gilt stocks, plus 1.6% p.a., reflecting the current underlying investment strategy of the Scheme, reducing to gilt stocks plus 1.45% by the time the membership is wholly pensioner.

**Allowance for future discretionary increases to pre 6 April 1997 pensions in payment**

Discretionary increases at a rate of RPI (capped at 2.5% p.a.) are assumed to be paid and therefore funded for within the calculated liabilities.
Certificate of technical provisions

<table>
<thead>
<tr>
<th>Name of the Scheme</th>
<th>Carillion Staff Pension Scheme</th>
</tr>
</thead>
</table>

**Calculation of technical provisions**

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 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 \[\text{[insert date]}\].

<table>
<thead>
<tr>
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<table>
<thead>
<tr>
<th>Name</th>
<th>E. S. Topper</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
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<th>13 June 2014</th>
</tr>
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<table>
<thead>
<tr>
<th>Name of employer</th>
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</table>

<table>
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</tr>
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<td>12 Booth Street</td>
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<tr>
<td>M2 4AW</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Fellow of the Institute and Faculty of Actuaries</th>
</tr>
</thead>
</table>

MERCER
APPENDIX G

Mowlem Staff Pension and Life Assurance Scheme – Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Mowlem Staff Pension and Life Assurance Scheme ("the Trustee") on... to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It is part of the Trustee's plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Mowlem Staff Pension and Life Assurance Scheme ("the Scheme") must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and Carillion JM Limited, on behalf of itself and the other employers participating in the Scheme.

The Recovery Plan follows the actuarial valuation of the Scheme as at 31 December 2011, which revealed a shortfall in the assets, when measured against the Scheme's technical provisions, of £276m. It will be reviewed, and may be revised, following the Trustee's next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Carillion JM Limited agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the employer, Carillion JM Limited, will pay contributions of £10.1m in each of 2012 and 2013, £12.4m p.a. from 2014 to 2016, £13.9m in 2017, £15.6m p.a. from 2018 to 2021, £17.2m in 2022, £18.4m in 2023, £18.6m in 2024 and £18.5m p.a. from 1 January 2025 to 30 June 2029.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

The payments will be made on a monthly basis or earlier, unless otherwise agreed by the Trustee. In addition, in respect of calendar year 2013 the Employer will pay administrative and explicit investment expenses estimated to be £1,215,743, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme's funding plan thereafter. The Employer will, each year, pay the Scheme's share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 17 years 6 months from the effective date of the valuation, which is by 30 June 2029. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated 30 June 2014.
The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated 13 June 2014, in the section headed "Method and assumptions used in calculating contributions payable under the recovery plan".

In addition, the Scheme’s recovery plan allows for actual market movements up to 31 January 2013, but not beyond.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 10 years 1 month, which is by 31 January 2022.

Signed on behalf of Carillion JM
Limited

Name
Tim George

Position
Company Secretary

Date of signing
13 June 2014

Signed on behalf of the Trustee of the Mowlem Staff Pension and Life Assurance Scheme

Name
Robin Ellison

Position
Chairman

Date of signing
13 June 2014

This Recovery Plan, dated 13 June 2014, has been agreed by the Trustee of the Mowlem Staff Pension and Life Assurance Scheme after obtaining actuarial advice from the Scheme Actuary:

Signature
Robin Ellison

Scheme Actuary
Edwin Turner

Qualification
Fellow of the Institute and Faculty of Actuaries

Date of signing
13 June 2014

Name of employer & address
Mercer Limited
Belvedere
12 Booth Street
Manchester
M2 4AW
Mowlem Staff Pension and Life Assurance Scheme
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Mowlem Staff Pension and Life Assurance Scheme ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Mowlem Staff Pension and Life Assurance Scheme ("the Scheme") following the 31 December 2011 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion JM Limited, on behalf of itself and the other employers participating in the Scheme, on

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Scheme from 31 December 2011 to 30 June 2029

Members' contributions
No contributions are payable by members after 5 April 2009.

Employer's contributions in respect of future accrual of benefits
No future accrual contributions are payable by the Employer after 5 April 2009.

Employer's contributions in respect of the shortfall in funding as per the recovery plan of...

The Employer shall pay shortfall correction additional contributions of at least £10.1m in each of 2012 and 2013, £12.4m p.a. from 2014 to 2016, £13.9m in 2017, £15.6m p.a. from 2018 to 2021, £17.2m in 2022, £18.4m in 2023, £18.6m in 2024 and £18.5m p.a. from 1 January 2025 to 30 June 2029, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer's contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.

Employer's contributions in respect of administration and other costs
In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £1,215,743, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme's funding plan thereafter. The Employer will, each year, pay the
Scheme's share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

**Other Employer contributions**

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion JM Limited on behalf of itself and the other employers participating in the Scheme, and the Trustee of the Mowlem Staff Pension and Life Assurance Scheme on 13 June 2014...

Signed on behalf of Carillion JM Limited

Name: Tim George
Position: Company Secretary
Date of signing: 13 June 2014

Signed on behalf of the Trustee of the Mowlem Staff Pension and Life Assurance Scheme

Name: ROBIN ELLISON
Position: CHAIRMAN
Date of signing: 13 June 2014
Certification of Schedule of Contributions

Name of Scheme
Mowlem Staff Pension and Life Assurance 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 be met by the end of the period specified in the recovery plan dated 13 June 2014.

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 13 June 2014.

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

E S Topper

Scheme Actuary

Qualification
Fellow of the Institute and Faculty of Actuaries

Date of signing
13 June 2014

Name of employer
Mercer Limited

Address
Belvedere
12 Booth Street
Manchester
M2 4AW
Mowlem Staff Pension and Life Assurance Scheme

Statement of Funding Principles

This statement of funding principles sets out the policies of the Trustee of the Mowlem Staff Pension and Life Assurance Scheme ("the Trustee") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2011.

This statement of funding principles has been agreed by the Employer, Carillion JM Limited on behalf of itself and the other employers participating in the Mowlem Staff Pension and Life Assurance Scheme ("the Scheme").

The statutory funding objective

The statutory funding objective is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Scheme's solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme rules. The Trustee will generally
not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

**Rectifying a failure to meet the statutory funding objective**

If the assets of the Scheme are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford.

Additional contributions will be expressed as level monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee’s assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);
- any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the technical provisions shortfall calculated at the 31 December 2011 valuation will be met over the period to 30 June 2029.

**Calculating the normal cost of the Scheme**

As the Scheme ceased future accrual with effect from 5 April 2009 there is no future normal cost to the Scheme.

**Arrangements for other parties to make payments to the Scheme**

In some circumstances, someone other than the Employer or a Scheme member may contribute to the Scheme.

**Policy on reduction of cash equivalent transfer values (CETVs)**

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the remaining members’ benefits. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would
be provided were the Scheme to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members’ benefits, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.

A report was commissioned by the Trustee in August 2009 and a decision was taken on 29 September 2009 to reduce transfer values. This report was updated in April 2011 which calculates the current reduction as 100% of the transfer value of the non-money purchase benefits covered by the Pension Protection Fund (PPF) plus 38% of the transfer value of the non-money purchase benefits not covered by the PPF.

**Payments to the Employer**

If the Scheme is not being wound up and the assets of the Scheme exceed the actuary’s estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, benefits may be enhanced but the Employer may not receive a refund of the excess.

**Frequency of valuations and circumstances for extra valuations**

An actuarial valuation was carried out as at 31 December 2011 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter although it has been agreed the next actuarial valuation will take place with an effective date of 31 December 2013. An actuarial report on developments affecting the Scheme’s technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary’s advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 13 June 2014, has been agreed by Carillion JM Limited on behalf of itself and the other employers participating in the Scheme and the Trustee of the Mowlem Staff Pension and Life Assurance Scheme:

Signed on behalf of Carillion JM Limited

Name: Tim George
Position: Company Secretary
Date of signing: 13 June 2014

Signed on behalf of the Trustee of the Mowlem Staff Pension and Life Assurance Scheme

Name: Robin Ellison
Position: Chairman
Date of signing: 13 June 2014

This statement of funding principles, dated 13 June 2014, has been agreed by the Trustee of the Mowlem Staff Pension and Life Assurance Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed

Name: Edwin Torger
Position: Actuary to the Mowlem Staff Pension and Life Assurance Scheme
Date of signing: 13 June 2014
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire.

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 2.0% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 0.7% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Inflation
The RPI inflation assumption will be taken to be the investment market's expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation). The CPI inflation assumption will be taken as the RPI inflation assumption with an appropriate adjustment (0.6% p.a. deduction at this valuation).

Pension increases
The Scheme guarantees to increase that part of the pension earned before 6 April 2006 in excess of the Guaranteed Minimum Pension (GMP) in payment in line with RPI inflation subject to a maximum yearly increase of 5% (LPI increases). For the purpose of this valuation, I have assumed that these increases would be granted in line with price inflation, but with a reduction to reflect that in some future years inflation may be above the 5% cap (0.1% p.a. at this valuation).

Pensions earned after 5 April 2006 are assumed to increase at 1.95% per annum in payment, representing increases in line with RPI price inflation, subject to a maximum of 2.5% per annum.

Increases to pensions in deferment are assumed to be in line with the CPI assumption, as described above, where increases are in line with inflation; save CARE benefits which are assumed to increase in line with the RPI assumption.

Other pension increases have been assumed where appropriate and statutory increases are provided on GMPs.
Demographic assumptions

Mortality
The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables used are S1NA Year of Birth tables with improvements based on the CMI 2009 model incorporating a long term improvement rate of 1.5%, with members being treated as though they were two years younger than their actual age.

Early retirement
No allowance has been made for early retirement and all members are assumed to retire at their normal pension age.

Commutation
It will be assumed that non-pensioner members take 75% of the maximum cash allowed at retirement.

Proportion married and age difference
It will be assumed that in 75% of deaths a spouse’s/civil partner’s/dependant’s pension will be payable, and that dependants are of the opposite sex to the members, with wives/partners being three years younger, on average, than members and husbands being two years older.

Expenses
The Trustee will meet the running expenses of the Scheme from 1 January 2014. With the Employer’s agreement, an allowance of £16m in respect of a capitalised estimate of future administration expenses has been made in the valuation of the technical provisions.

The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the longevity swaps, capped at £500,000 (excluding VAT) for the five schemes.

PPF levies are payable by the Employer in addition to the contributions set out in the Recovery Plan.
Summary of key assumptions used for calculating technical provisions as at 31 December 2011

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<tr>
<td>- Pension increases in payment (RPI max 2.5%)</td>
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<tr>
<td>- Mortality</td>
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</table>

Method and assumptions used in calculating the cost of future accrual

As the Scheme closed to future accrual with effect from 5 April 2009, the calculation of the cost of future accrual is not applicable.

Method and assumptions used in calculating the contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

Investment return on existing assets and future contributions

The redemption yield on UK Government conventional gilt stocks, plus 2.35% p.a., reflecting the current underlying investment strategy of the Scheme, reducing to gilt stocks plus 1.45% by the time the membership is wholly pensioner.
Certificate of technical provisions

Name of the Scheme: Mowlem Staff Pension and Life Assurance Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 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 13 June 2014.

Signature: [Signature]
Name: E. S. Topper
Date of signing: 13 June 2014
Name of employer: Mercer Limited
Address: Belvedere
12 Booth Street
Manchester
M2 4AV
Qualification: Fellow of the Institute and Faculty of Actuaries
APPENDIX H

Alfred McAlpine Pension Plan – Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Alfred McAlpine Pension Plan (“the Trustee”) on ... to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Alfred McAlpine Pension Plan (“the Plan”). It is part of the Trustee’s plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Plan must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and Carillion AM Limited, on behalf of itself and the other employers participating in the Plan.

The Recovery Plan follows the actuarial valuation of the Plan as at 31 December 2011, which revealed a shortfall in the assets, when measured against the Plan’s technical provisions, of £148m. It will be reviewed, and may be revised, following the Trustee’s next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Carillion AM Limited agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the Employer, Carillion AM Limited, will pay contributions of £9.506m in each of 2012 and 2013, and £11.2m p.a. from 1 January 2014 to 30 June 2022.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

The payments will be made on a monthly basis or earlier, unless otherwise agreed by the Trustee. In addition, in respect of calendar year 2013 the Employer will pay administrative and explicit investment expenses estimated to be £951,669, all expenses (other than ongoing longevity swap costs) being reserved for in the Plan’s funding plan thereafter. The Employer will, each year, pay the Plan’s share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Plan from 1 January 2014.

PPF levies incurred by the Plan will be met by the Employer.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 17 years 6 months from the effective date of the valuation, which is by 30 June 2029. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated ... in the section headed “Method and assumptions used in calculating contributions payable under the recovery plan”.

- The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated ... in the section headed “Method and assumptions used in calculating contributions payable under the recovery plan”.
The return on existing assets will prevail for the seven year period from when contributions cease on 30 June 2022 to 30 June 2029 in order to recover the expected deficit at 30 June 2022.

In addition, the Plan's recovery plan allows for actual market movements up to 31 January 2013, but not beyond.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 5 years 4 months, which is by 30 April 2017.

Signed on behalf of Carillion AM Limited

Name: Tim George
Position: Company Secretary
Date of signing: 13 June 2014

Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan

Name: Robin Ellison
Position: Chairman
Date of signing: 13 June 2014

This Recovery Plan, dated 13 June 2014, has been agreed by the Trustee of the Alfred McAlpine Pension Plan after obtaining actuarial advice from the Scheme Actuary:

Signature: [Signature]

Scheme Actuary: [Name]
Qualification: Fellow of the Institute and Faculty of Actuaries
Date of signing: 13 June 2014

Name of employer & address: Mercer Limited
Belvedere
12 Booth Street
Manchester
M2 4AW
Alfred McAlpine Pension Plan
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Alfred McAlpine Pension Plan ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Plan appointed by the Trustee.

This document is the first schedule of contributions put in place for the Alfred McAlpine Pension Plan ("the Plan") following the 31 December 2011 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion AM Limited on behalf of itself and the other employers participating in the Scheme, on 13 June 2011.

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Plan from 31 December 2011 to 30 June 2029

Members’ contributions
No contributions are payable by members after 31 December 2009.

Employer’s contributions in respect of future accrual of benefits
No future accrual contributions are payable by the Employer after 31 December 2009.

Employer’s contributions in respect of the shortfall in funding as per the recovery plan of 13 June 2011
The Employer shall pay shortfall correction additional contributions of at least £9.506m in each of 2012 and 2013, and £11.2m p.a. from 1 January 2014 to 30 June 2022, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer’s contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.

Employer’s contributions in respect of administration and other costs
In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £951,669, all expenses (other than ongoing longevity swap costs) being reserved for in the Plan’s funding plan thereafter. The Employer will, each year, pay the Plan’s share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Plan from 1 January 2014.
PPF levies incurred by the Plan will be met by the Employer.

**Other Employer contributions**

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion AM Limited on behalf of itself and the other employers participating in the Plan, and the Trustee of the Alfred McAlpine Pension Plan on [signature].

**Signed on behalf of Carillion AM Limited**

Name:

Position: Company Secretary

Date of signing: 13 June 2014

**Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan**

Name: ROBIN ELLISON

Position: CHAIRMAN

Date of signing: 13 June 2014
Certification of Schedule of Contributions

Name of Scheme  
Alfred McAlpine Pension Plan

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 be met by the end of the period specified in the recovery plan dated 13 June 2014...

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 13 June 2014...

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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

Signature  
E S Topper

Scheme Actuary  
E S Topper

Qualification  
Fellow of the Institute and Faculty of Actuaries

Date of signing  
13 June 2014

Name of employer  
Mercer Limited

Address  
Belvedere  
12 Booth Street  
Manchester  
M2 4AW

MERCER
Alfred McAlpine Pension Plan

Statement of Funding Principles

This statement of funding principles sets out the policies of the Trustee of the Alfred McAlpine Pension Plan ("the Trustee") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Plan. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2011.

This statement of funding principles has been agreed by the Employer, Carillion AM Limited on behalf of itself and the other employers participating in the Alfred McAlpine Pension Plan ("the Plan").

The statutory funding objective

The statutory funding objective is that the Plan has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Plan's solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Plan rules. The Trustee will generally not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.
Rectifying a failure to meet the statutory funding objective

If the assets of the Plan are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford.

Additional contributions will be expressed as level monetary amounts. In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee’s assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);
- any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the technical provisions shortfall calculated at the 31 December 2011 valuation will be met over the period to 30 June 2029.

Calculating the normal cost of the Plan

The Plan was closed to future accrual with effect from 31 July 2003 for the majority of members and the small number of remaining members who continued to accrue benefits in the Plan through the participation of the Employer in Government contracts bulk transferred out of the Plan with effect from 31 December 2009. There is therefore no future normal cost to the Plan.

Arrangements for other parties to make payments to the Plan

In some circumstances, someone other than the Employer or a scheme member may contribute to the Plan.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the remaining members' benefits. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would be provided were the Plan to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.
If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.

A report was commissioned by the Trustee in October 2009 and a decision was taken to reduce transfer values. The report was updated in April 2011 which calculates the current reduction as 100% of the transfer value of the non-money purchase benefits covered by the Pension Protection Fund plus 10% of the transfer value of the non-money purchase benefits not covered by the PPF.

**Payments to the Employer**

If the Plan is not being wound up and the assets of the Plan exceed the actuary's estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, benefits may be enhanced but the Employer may not receive a refund of the excess.

**Frequency of valuations and circumstances for extra valuations**

An actuarial valuation was carried out as at 31 December 2011 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter although it has been agreed the next actuarial valuation will take place with an effective date of 31 December 2013. An actuarial report on developments affecting the Plan's technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary's advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 13 June 2014, has been agreed by Carillion AM Limited on behalf of itself and the other employers participating in the Plan and the Trustee of the Alfred McAlpine Pension Plan:

Signed on behalf of Carillion AM Limited

Name
Position
Date of signing 13 June 2014

Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan

Name ROBIN ELLISON
Position CHAIRMAN
Date of signing 13 June 2014

This statement of funding principles, dated 13 June 2014, has been agreed by the Trustee of the Alfred McAlpine Pension Plan after obtaining actuarial advice from the Scheme Actuary:

Signed

Name EDWIN TUCKER
Position Actuary to the Alfred McAlpine Pension Plan
Date of signing 13 June 2014
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire.

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 2.0% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 0.7% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Inflation
The RPI inflation assumption will be taken to be the investment market’s expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation). The CPI inflation assumption will be taken as the RPI inflation assumption with an appropriate adjustment (0.6% p.a. deduction at this valuation).

Pension increases
The Plan guarantees to increase that part of the pension in excess of the Guaranteed Minimum Pension (GMP) in payment in line with RPI inflation, subject to a maximum yearly increase of 5% (LPI increases). For the purpose of this valuation, I have assumed that these increases would be granted in line with price inflation, but with a reduction to reflect that in some future years inflation may be above the 5% cap (0.1% p.a. at this valuation).

Other pension increases have been assumed where appropriate and members accepted alternative benefits in the Plan. Increases on the GMP accrued since 6 April 1988 are assumed at 3% per annum and GMP accrued before that date is assumed not to increase in payment.

Increases to pensions in deferment are assumed to be in line with the CPI assumption, as described above, where increases are in line with inflation.
Demographic assumptions

Mortality
The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Plan. The mortality tables used are S1NA Year of Birth tables with improvements based on the CMI 2009 model incorporating a long term improvement rate of 1.5%, with members being treated as though they were their actual age.

Early retirement

- The assumed age at which members retire early has been chosen to reflect the benefits available on early retirement. In particular, members who joined the Plan before 1 August 1991, retiring at age 60 or above, will receive a pension without actuarial reduction in relation to service accrued on a Normal Pension Age (NPA) of 62.

- Members in active service on 1 January 2001 had the option of retaining a NPA of 62 (and pay higher contributions) or move to NPA 65 with no increase in member contributions.

- For members who joined the Plan before 1 August 1991, 20% of male members and 100% of female members reaching age 60 are assumed to retire immediately without actuarial reduction. All remaining members are assumed to retire at their NPA.

- The early retirement assumption is designed to apply over the lifetime of the Plan. The assumption will be reviewed at future valuations in the light of the experience.

Commutation

It will be assumed that non-pensioner members take 80% of the maximum cash allowed at retirement.

Proportion married and age difference

It will be assumed that in 75% of deaths a spouse’s/civil partner’s/dependant’s pension will be payable, and that dependants are of the opposite sex to the members, with wives/partners being three years younger, on average, than members and husbands being two years older.

Expenses

The Trustee will meet the running expenses of the Plan from 1 January 2014. With the Employer’s agreement, an allowance of £10m in respect of a capitalised estimate of future administration expenses has been made in the valuation of the technical provisions.

The Employer will, each year, pay the Plan’s share of the continuing costs and expenses of operating the longevity swaps, capped at £500,000 (excluding VAT) for the five schemes.

PPF levies are payable by the Employer in addition to the contributions set out in the Recovery Plan.
Summary of key assumptions used for calculating technical provisions as at 31 December 2011

<table>
<thead>
<tr>
<th>Principal actuarial assumptions for valuation as at 31 December 2011 (Gilt Yield 3.05%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Investment return pre-retirement</td>
</tr>
<tr>
<td>- CPI price inflation</td>
</tr>
<tr>
<td>- Investment return post-retirement</td>
</tr>
<tr>
<td>- RPI price inflation</td>
</tr>
<tr>
<td>- Pension increases in payment (RPI max 5%)</td>
</tr>
<tr>
<td>- Pension increases in payment (RPI max 2.5%)</td>
</tr>
<tr>
<td>- Mortality</td>
</tr>
</tbody>
</table>

Method and assumptions used in calculating the cost of future accrual

As the Plan closed to future accrual for the vast majority of members with effect from 31 July 2003 and the remaining active Passport Section members transferred-out with effect from 31 December 2009, the calculation of the cost of future accrual is not applicable.

Method and assumptions used in calculating the contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

**Investment return on existing assets and future contributions**

The redemption yield on UK Government conventional gilt stocks, plus 2.25% p.a., reflecting the current underlying investment strategy of the Scheme, reducing to gilt stocks plus 1.45% by the time the membership is wholly pensioner.
# Certificate of technical provisions

<table>
<thead>
<tr>
<th>Name of the Scheme</th>
<th>Alfred McAlpine Pension Plan</th>
</tr>
</thead>
</table>

**Calculation of technical provisions**

I certify that, in my opinion, the calculation of the Plan's technical provisions as at 31 December 2011 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 Plan and set out in the statement of funding principles dated [insert date].

<table>
<thead>
<tr>
<th>Signature</th>
<th>[Signature Here]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>E. S. Topper</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
<tr>
<td>Name of employer</td>
<td>Mercer Limited</td>
</tr>
</tbody>
</table>
| Address | Belvedere  
12 Booth Street  
Manchester  
M2 4AW |
| Qualification | Fellow of the Institute and Faculty of Actuaries |
APPENDIX I

Carillion 'B' Pension Scheme – Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Carillion 'B' Pension Scheme ("the Trustee") on ....l.3...June...201... to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Carillion 'B' Pension Scheme ("the Scheme"). It is part of the Trustee’s plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Scheme must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and Carillion plc on behalf of itself and the other employers participating in the Scheme.

The Recovery Plan follows the actuarial valuation of the Scheme as at 31 December 2011, which revealed a shortfall in the assets, when measured against the Scheme’s technical provisions, of £47m. It will be reviewed, and may be revised, following the Trustee’s next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Carillion plc agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the employer, Carillion plc, will pay contributions of £2.1m in each of 2012 and 2013, £2.4m p.a. from 2014 to 2016, £2.7m in 2017, £3.0m p.a. from 2018 to 2022, £5.8m in 2023, £3.9m in 2024 and £2.8m p.a. from 1 January 2025 to 30 June 2029.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

The payments will be made on a monthly basis or earlier, unless otherwise agreed by the Trustee. In addition, in respect of calendar year 2013 the Employer will pay administrative and explicit investment expenses estimated to be £184,827, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme’s funding plan thereafter. The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 17 years 6 months from the valuation effective date, which is by 30 June 2029. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated ....l.3...June...201... in the section

- The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated ....l.3...June...201... in the section

MERCER 85
headed "Method and assumptions used in calculating contributions payable under the recovery plan".

In addition, the Scheme's Recovery Plan allows for actual market movements up to 31 January 2013, but not beyond.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 9 years 10 months, which is by 31 October 2021.

Signed on behalf of Carillion plc

<table>
<thead>
<tr>
<th>Name</th>
<th>Tim George</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td></td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

Signed on behalf of the Trustee of the Carillion 'B' Pension Scheme

<table>
<thead>
<tr>
<th>Name</th>
<th>ROBIN ELLISON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>CHAIRMAN</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

This Recovery Plan, dated 13 June 2014 has been agreed by the Trustee of the Carillion 'B' Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signature

<table>
<thead>
<tr>
<th>Scheme Actuary</th>
<th>Edgar TESFAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualification</td>
<td>Fellow of the Institute and Faculty of Actuaries</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

Name of employer & address

<table>
<thead>
<tr>
<th>Name of employer &amp; address</th>
<th>Mercer Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belvedere</td>
<td>12 Booth Street</td>
</tr>
<tr>
<td>Manchester</td>
<td>M2 4AW</td>
</tr>
</tbody>
</table>
Carillion ‘B’ Pension Scheme
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Carillion ‘B’ Pension Scheme (“the Trustee”) to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Carillion ‘B’ Pension Scheme (“the Scheme”) following the 31 December 2011 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion plc, on behalf of itself and the other employers participating in the Scheme, on 13 June 2014.

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Scheme from 31 December 2011 to 30 June 2029

Members’ contributions
No contributions are payable by members after 5 April 2009.

Employer’s contributions in respect of future accrual of benefits
No future accrual contributions are payable by the employer after 5 April 2009.

Employer’s contributions in respect of the shortfall in funding as per the recovery plan of 13 June 2014

The Employer shall pay shortfall correction additional contributions of at least £2.1m in each of 2012 and 2013, £2.4m p.a. from 2014 to 2016, £2.7m in 2017, £3.0m p.a. from 2018 to 2022, £5.8m in 2023, £3.9m in 2024 and £2.8m p.a. from 1 January 2025 to 30 June 2029, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer’s contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.

Employer’s contributions in respect of administration and other costs
In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £184,827, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme’s funding plan thereafter. The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the swaps, capped at £500,000...
(excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

**Other employer contributions**

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion plc on behalf of itself and the other employers participating in the Scheme, and the Trustee of the Carillion 'B' Pension Scheme on 13 June 2014.

Signed on behalf of Carillion plc

Name: Tim George
Position: Deputy Company Secretary
Date of signing: 13 June 2014

Signed on behalf of the Trustee of the Carillion 'B' Pension Scheme

Name: IORIN ELLISON
Position: CHAIRMAN
Date of signing: 13 June 2014
Certification of Schedule of Contributions

Name of Scheme
Carillion 'B' Pension 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 be met by the end of the period specified in the recovery plan dated 13 June 2014.

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 13 June 2014.

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
E S Topper

Scheme Actuary
E S Topper

Qualification
Fellow of the Institute and Faculty of Actuaries

Date of signing
13 June 2014

Name of employer
Mercer Limited

Address
Belvedere
12 Booth Street
Manchester
M2 4AW
Carillion 'B' Pension Scheme

Statement of Funding Principles

This statement of funding principles sets out the policies of the Trustee of the Carillion 'B' Pension Scheme ("the Trustee") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2011.

This statement of funding principles has been agreed by the Employer, Carillion plc on behalf of itself and the other employers participating in the Carillion 'B' Pension Scheme ("the Scheme").

The statutory funding objective

The statutory funding objective is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Scheme's solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme rules. The Trustee will generally not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

Rectifying a failure to meet the statutory funding objective

If the assets of the Scheme are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions...
from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford.

Additional contributions will be expressed as level monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee’s assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);
- any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the technical provisions shortfall calculated at the 31 December 2011 valuation will be met over the period to 30 June 2029.

Calculating the normal cost of the Scheme

As the Scheme ceased future accrual with effect from 5 April 2009 there is no future normal cost to the Scheme.

Arrangements for other parties to make payments to the Scheme

In some circumstances, someone other than the Employer or a Scheme member may contribute to the Scheme.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the remaining members’ benefits. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would be provided were the Scheme to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members’ benefits, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.
A report was commissioned by the Trustee in August 2009, following which a decision was taken to reduce values. The report was updated in April 2011 which calculates the current reduction as 100% of the transfer value of the non-money purchase benefits covered by the Pension Protection Fund (PPF) plus 40% of the transfer value of the non-money purchase benefits not covered by the PPF.

Payments to the Employer

If the Scheme is not being wound up and the assets of the Scheme exceed the actuary’s estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, benefits may be enhanced but the Employer may not receive a refund of the excess.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation was carried out as at 31 December 2011 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter although it has been agreed the next actuarial valuation will take place with an effective date of 31 December 2013. An actuarial report on developments affecting the Scheme’s technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary’s advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 13 June 2014, has been agreed by Carillion plc on behalf of itself and the other employers participating in the Scheme and the Trustee of the Carillion 'B' Pension Scheme:

Signed on behalf of Carillion plc

Name
Deputy Company Secretary
Tim George
Carillion plc

Position
Deputy Company Secretary

Date of signing
13 June 2014

Signed on behalf of the Trustee of the Carillion 'B' Pension Scheme

Name
Robin Ellison

Position
Chairman

Date of signing
13 June 2014

This statement of funding principles, dated 13 June 2014, has been agreed by the Trustee of the Carillion 'B' Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed

Name
Edwin Toller

Position
Actuary to the Carillion 'B' Pension Scheme

Date of signing
13 June 2014
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire.

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 1.35% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 0.7% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Inflation
The RPI inflation assumption will be taken to be the investment market’s expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation). The CPI inflation assumption will be taken as the RPI inflation assumption with an appropriate adjustment (0.6% p.a. deduction at this valuation).

Pension increases
The Scheme guarantees to increase that part of the pension earned before 6 April 2006 in excess of the Guaranteed Minimum Pension (GMP) in payment in line with RPI inflation, subject to a maximum yearly increase of 5% (LPI increases). For the purpose of this valuation, I have assumed that these increases would be granted in line with price inflation, but with a reduction to reflect that in some future years inflation may be above the 5% cap (0.1% p.a. at this valuation).

Pensions earned after 5 April 2006 are assumed to increase at 1.75% per annum in payment, representing increases in line with RPI price inflation, subject to a maximum of 2.5% per annum.

Increases to pensions in deferment are assumed to be in line with the CPI assumption, as described above, where increases are in line with inflation.

Other pension increases have been assumed where appropriate and statutory increases are provided on GMPs.
Demographic assumptions

Mortality
The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables used are S1NA Year of Birth tables with improvements based on the CMI 2009 model incorporating a long term improvement rate of 1.5%, with members being treated as though they were four years younger than their actual age.

Early retirement
No allowance has been made for early retirement and all members are assumed to retire at their normal pension age.

Commutation
It will be assumed that non-pensioner members take 40% of the maximum cash allowed at retirement.

Proportion married and age difference
It will be assumed that in 75% of deaths a spouse's/civil partner's/dependant's pension will be payable, and that dependants are of the opposite sex to the members, with wives/partners being three years younger, on average, than their husbands/partners.

Expenses
The Trustee will meet the running expenses of the Scheme from 1 January 2014. With the Employer’s agreement, an allowance of £3m in respect of a capitalised estimate of future administration expenses has been made in the valuation of the technical provisions.

The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the longevity swaps, capped at £500,000 (excluding VAT) for the five schemes.

PPF levies are payable by the Employer in addition to the contributions set out in the Recovery Plan.
Summary of key assumptions used for calculating technical provisions as at 31 December 2011

<table>
<thead>
<tr>
<th>Principal actuarial assumptions for valuation as at 31 December 2011 (Gilt Yield 2.70%)</th>
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</thead>
<tbody>
<tr>
<td>Investment return pre-retirement</td>
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<td>CPI price inflation</td>
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<tr>
<td>Investment return post-retirement</td>
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<tr>
<td>RPI price inflation</td>
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<tr>
<td>Pension increases in payment (RPI max 5%)</td>
</tr>
<tr>
<td>Pension increases in payment (RPI max 2.5%)</td>
</tr>
<tr>
<td>Mortality</td>
</tr>
</tbody>
</table>

Method and assumptions used in calculating the cost of future accrual

As the Scheme closed to future accrual with effect from 5 April 2009, the calculation of the cost of future accrual is not applicable.

Method and assumptions used in calculating the contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

Investment return on existing assets and future contributions

The redemption yield on UK Government conventional gilt stocks, plus 1.4% p.a., reflecting the current underlying investment strategy of the Scheme.
Certificate of technical provisions

Name of the Scheme: Carillion 'B' Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 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 13 June 2014.

Signature: [Signature]

Name: E. S. Topper

Date of signing: 13 June 2014

Name of employer: Mercer Limited

Address: Belvedere
12 Booth Street
Manchester
M2 4AW

Qualification: Fellow of the Institute and Faculty of Actuaries
Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme – Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme (“the Trustee”) on 13 June 2014, to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It is part of the Trustee’s plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme (“the Scheme”) must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and Planned Maintenance Engineering Limited on behalf of itself and the other employers participating in the Scheme.

The Recovery Plan follows the actuarial valuation of the Scheme as at 31 December 2011, which revealed a shortfall in the assets, when measured against the Scheme’s technical provisions, of £28m. It will be reviewed, and may be revised, following the Trustee’s next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Planned Maintenance Engineering Limited agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the Employer, Planned Maintenance Engineering Limited, will pay contributions of £0.9m in each of 2012 and 2013, £1.3m p.a. from 2014 to 2016, £1.5m in 2017, £1.6m p.a. in 2018 to 2021, £2.3m in 2022, £2.5m in 2023, £2.7m in 2024 and £3.0m p.a. from 1 January 2025 to 30 June 2029.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

The payments will be made on a monthly basis or earlier, unless otherwise agreed by the Trustee. In addition, in respect of calendar year 2013 the Employer will pay administrative and explicit investment expenses estimated to be £179,868, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme’s funding plan thereafter. The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 17 years 6 months from the effective date of the valuation, which is by 30 June 2029. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated 13 June 2014.
The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated 13 June 2014, in the section headed “Method and assumptions used in calculating contributions payable under the recovery plan”.

In addition, the Scheme’s Recovery Plan allows for actual market movements up to 31 January 2013, but not beyond.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 11 years 6 months, which is by 30 June 2023.

Signed on behalf of Planned Maintenance Engineering Limited

<table>
<thead>
<tr>
<th>Name</th>
<th>Tim George</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>Company Secretary</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

Signed on behalf of the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme

<table>
<thead>
<tr>
<th>Name</th>
<th>ROBIN ELLISON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>CHAIRMAN</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

This Recovery Plan, dated 13 June 2014, has been agreed by the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme after obtaining actuarial advice from the Scheme Actuary:

<table>
<thead>
<tr>
<th>Signature</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme Actuary</td>
<td>EDVIN TOPER</td>
</tr>
<tr>
<td>Qualification</td>
<td>Fellow of the Institute and Faculty of Actuaries</td>
</tr>
<tr>
<td>Date of signing</td>
<td>13 June 2014</td>
</tr>
</tbody>
</table>

Name of employer & address

Mercer Limited

Belvedere

12 Booth Street

Manchester

M2 4AW
Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme ("the Scheme") following the 31 December 2011 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Planned Maintenance Engineering Limited on behalf of itself and the other employers participating in the Scheme, on 31 December 2011.

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Scheme from 31 December 2011 to 30 June 2029

Members’ contributions
No contributions are payable by members after 5 April 2009.

Employer’s contributions in respect of future accrual of benefits
No future accrual contributions are payable by the employer after 5 April 2009.

Employer’s contributions in respect of the shortfall in funding as per the recovery plan of 31 December 2019

The Employer shall pay shortfall correction additional contributions of at least £0.9m in each of 2012 and 2013, £1.3m p.a. from 2014 to 2016, £1.5m in 2017, £1.6m p.a. in 2018 to 2021, £2.3m in 2022, £2.5m in 2023, £2.7m in 2024 and £3.0m p.a. from 1 January 2025 to 30 June 2029, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see paragraph 2.4 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer’s contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the employer and approved by the Trustee.
Employer's contributions in respect of administration and other costs

In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £179,868, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme's funding plan thereafter. The Employer will, each year, pay the Scheme's share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Other Employer contributions

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Planned Maintenance Engineering Limited on behalf of itself and the other employers participating in the Scheme, and the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme on...
Certification of Schedule of Contributions

Name of Scheme: Planned Maintenance Engineering Limited Staff Pension and Assurance 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 be met by the end of the period specified in the recovery plan dated 13 June 2014.

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 13 June 2014.

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: E S Topper

Scheme Actuary: E S Topper

Qualification: Fellow of the Institute and Faculty of Actuaries

Date of signing: 13 June 2014

Name of employer: Mercer Limited

Address: Belvedere
12 Booth Street
Manchester
M2 4AW
Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme

Statement of Funding Principles

This statement of funding principles sets out the policies of the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme ("the Trustee") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2011.

This statement of funding principles has been agreed by the Employer, Planned Maintenance Engineering Limited on behalf of itself and the other employers participating in the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme ("the Scheme").

The statutory funding objective

The statutory funding objective is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Scheme's solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme rules. The Trustee will generally not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.
Rectifying a failure to meet the statutory funding objective

If the assets of the Scheme are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford.

Additional contributions will be expressed as level monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee's assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);
- any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the technical provisions shortfall calculated at the 31 December 2011 valuation will be met over the period to 30 June 2029.

Calculating the normal cost of the Scheme

As the Scheme ceased future accrual with effect from 5 April 2009 there is no future normal cost to the Scheme.

Arrangements for other parties to make payments to the Scheme

In some circumstances, someone other than the Employer or a Scheme member may contribute to the Scheme.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the remaining members' benefits. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would be provided were the Scheme to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.
A report was commissioned by the Trustee in July 2009 and a decision was taken on 3 August 2009 to reduce transfer values. The report was updated in July 2011 which calculates the current reduction as 100% of the transfer value of the non-money purchase benefits covered by the Pension Protection Fund (PPF) plus 52% of the value of the non-money purchase benefits not covered by the PPF.

**Payments to the Employer**

If the Scheme is not being wound up and the assets of the Scheme exceed the actuary’s estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, the Employer may request a refund of the excess. If the actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be paid, the Trustee will consider whether payment would be in the interest of the members, and if so, the Trustee will give notice to the members of the proposal.

**Frequency of valuations and circumstances for extra valuations**

An actuarial valuation was carried out as at 31 December 2011 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter although it has been agreed the next actuarial valuation will take place with an effective date of 31 December 2013. An actuarial report on developments affecting the Scheme’s technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary’s advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 13 June 2014, has been agreed by Planned Maintenance Engineering Limited on behalf of itself and the other employers participating in the Scheme and the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme:

Signed on behalf of Planned Maintenance Engineering Limited

Name

Position

Date of signing 13 June 2014

Signed on behalf of the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme

Name

Position

Date of signing 13 June 2014

This statement of funding principles, dated 13 June 2014, has been agreed by the Trustee of the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed

Name

Position Actuary to the Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme

Date of signing 13 June 2014
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire.

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 1.90% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 0.7% p.a.. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields.

Inflation
The RPI inflation assumption will be taken to be the investment market's expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation). The CPI inflation assumption will be taken as the RPI inflation assumption with an appropriate adjustment (0.6% p.a. deduction at this valuation).

Pension increases
The Scheme guarantees to increase pensions in payment for non-Lucas members as follows:

- Pension in respect of service prior to 6 April 1988 will not increase;
- Pension in respect of service between 6 April 1988 and 5 April 1997 will increase at 3% per annum;
- Pension in respect of service between 6 April 1997 and 5 April 2001 will increase in payment in line with RPI inflation, subject to a maximum yearly increase of 5% and a minimum yearly increase of 3% (RPI min 3% max 5%) assumed to be 3.45% at this valuation;
- Pension in respect of service between 6 April 2001 and 5 April 2006 will increase in payment in line with inflation, subject to a maximum yearly increase of 5% (RPI max 5%) but with a reduction to reflect that some future years inflation may be above the 5% cap (0.1% p.a. at this valuation);
- Pension in respect of service after 6 April 2006 will increase in payment in line with inflation, subject to a maximum yearly increase of 2.5% (RPI max 2.5%) assumed to be 1.95% at this valuation.
Pension increases in payment for Lucas members will be in line with the above, except pension in excess of GMP in respect of service prior to 6 April 1997 will increase at LPI 5%.

Increases to pensions in deferment are assumed to be in line with the CPI assumption, as described above, where increases are in line with inflation.

**Demographic assumptions**

**Mortality**

The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables used are S1NA Year of Birth tables with improvements based on the CMI 2009 model incorporating a long term improvement rate of 1.5%, with members being treated as though they were two years younger than their actual age.

**Early retirement**

The assumed age at which members retire will be chosen to reflect the benefits available on early retirement.

At the valuation date 31 December 2011 it has been assumed that:

- All Lucas members will retire at age 60;
- Non-Lucas members who joined the Scheme before 1 December 1990 and were still in active service on 23 July 1997 have the right to an unreduced pension from age 60. These members are assumed to retire at age 60 from deferred status;
- All other members will retire at their normal pension age.

**Commutation**

It will be assumed that non-pensioner members take 65% of the maximum cash allowed at retirement.

**Proportion married and age difference**

It will be assumed that in 75% of deaths a spouse's/civil partner's/dependant's pension will be payable, and that dependants are of the opposite sex to the members, with wives/partners being three years younger, on average, than their husbands/partners.

**Expenses**

The Trustee will meet the running expenses of the Scheme from 1 January 2014. With the Employer’s agreement, an allowance of £5m in respect of a capitalised estimate of future administration expenses has been made in the valuation of the technical provisions.

The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the longevity swaps, capped at £500,000 (excluding VAT) for the five schemes.

PPF levies are payable by the Employer in addition to the contributions set out in the Recovery Plan.
Summary of key assumptions used for calculating technical provisions as at 31 December 2011

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<td>RPI max 5%</td>
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<tr>
<td>RPI max 5%, min 3%</td>
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<tr>
<td>RPI max 2.5%</td>
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<tr>
<td>- Mortality</td>
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</tbody>
</table>

Method and assumptions used in calculating the cost of future accrual

As the Scheme closed to future accrual with effect from 5 April 2009, the calculation of the cost of future accrual is not applicable.

Method and assumptions used in calculating the contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

Investment return on existing assets and future contributions

The redemption yield on UK Government conventional gilt stocks, plus 1.9% p.a., reflecting the current underlying investment strategy of the Scheme, reducing to gilt stocks plus 1.45% by the time the membership is wholly pensioner.
Certificate of technical provisions

Name of the Scheme: Planned Maintenance Engineering Limited Staff Pension and Assurance Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 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 13 June 2014.

Signature: [Signature]

Name: E. S. Topper

Date of signing: 13 June 2014

Name of employer: Mercer Limited

Address: Belvedere
12 Booth Street
Manchester
M2 4AW

Qualification: Fellow of the Institute and Faculty of Actuaries