THE BOWER GROUP
RETIREMENT BENEFITS SCHEME

REPORT TO THE TRUSTEES
ON THE
ACTUARIAL VALUATION
AS AT
28 FEBRUARY 2010

SPM Actuarial Services Ltd
The Chapel, 4 Falmouth Court, Goldsmith Way, St Albans, AL3 5LF

April 2011
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1. INTRODUCTION

1.1 I am pleased to present my report on the actuarial valuation of the Bower Group Retirement Benefits Scheme, (the “Scheme”), as at 28 February 2010 to the Scheme’s Trustee and Principal Employer. In accordance with the 2000 consolidated trust deed and rules, Rule 3.1 requires the employer to make contributions to the Scheme which in the opinion of the Trustee after seeking actuarial advice are required to secure the members’ benefits. The purpose of the valuation is to assess the financial position of the Scheme in the light of its assets and liabilities as at that date, and to recommend to the Trustee the rate of employer contribution to be paid for the next three years.

1.2 I am also required to carry out a valuation under section 179 of the Pensions Act 2004, (a “PPF” valuation), every 3 years. This entails valuing the compensation that would be payable if the Scheme wound up as at the valuation date and the Scheme entered the PPF, (ie, the Pension Protection Fund). The assumptions that I have to use are laid down in legislation, and it is convenient to include that valuation in this report. The results are used in determining the Scheme’s annual PPF levy.

1.3 Last year I carried out the last actuarial valuation as at 28 February 2007. At that time a deficit of £3,270,000 was reported on an ongoing basis. This represented a 70% funding level. Valuations were also undertaken on the PPF levy basis, showing a funding level of 76%, and on a winding-up discontinuance basis, showing a funding level of 69% funded. I recommended, and the Trustee agreed, that the deficit would be met by payments of £698,490 per year for seven years, payable by monthly instalments of £58,207.50. The Employer agreed to pay these amounts, which only commenced with effect from 1st July 2010. The payments include an allowance for administration costs to be paid from the Scheme, but not any annual PPF levies.

1.4 One change has been made to the benefits over the intervaluation period. This is to cease the salary linkage for the remaining Mowlem members with effect from 6 April 2009. Also, an indirect change has resulted from the Government’s change in measuring inflation by reference to cpi instead of rpi. This has resulted in deferred pensions being revalued prior to retirement in line with cpi subject to a maximum of 5% pa over the period until retirement.
1.5 I have used membership data as recorded with Sterling Pension Management Limited, the Scheme's administrators, and checked its reasonableness with both past data provided to me and with the audited accounts as at 28.02.10. I have excluded any AVC, (ie additional voluntary contribution), benefits and assets as these are of a defined contribution nature with no net liability.

1.6 Investment performance over the three years has been poor overall, whilst future prospects are similar to the position as at three years ago. Inflation as measured by RPI has increased compared to three years ago, but otherwise it has not been necessary to recommend any changes to the basis for the technical provisions, apart from a small change in the mortality assumption, in line with a recent minor adjustment to the required mortality assumption for the PPF levy basis and to use an assumption for cpi consistent with that used for rpi. The overall effect of the change of basis to that used for the 2007 actuarial valuation is to decrease the deficit by £29,000.

1.7 The result is that the Trustee and the Employer have agreed to maintain contributions to the Scheme at the current level of £58,207.50 per month. This results in the new recovery period ending 9 months later than the current one, ie on 31 March 2018.

1.8 Full details of these developments, the results and my recommendations are contained in the following sections.
2. MEMBERSHIP STATISTICS

The 13 deferred pensioners with salary linkage three years ago have now ceased to have this salary linkage and become no different to the other deferred pensioners.

Deferred Pensioners as at 28.02.10 (28.02.07 in parentheses)

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Average Age (yrs)</th>
<th>Pension at Valuation Date (£ pa)</th>
<th>Average Pension (£ pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>199 (204)</td>
<td>51.6 (49.3)</td>
<td>511,885 (508,045)</td>
<td>2,572 (2,490)</td>
</tr>
<tr>
<td>Females</td>
<td>30 (31)</td>
<td>47.7 (44.4)</td>
<td>47,832 (47,960)</td>
<td>1,594 (1,547)</td>
</tr>
<tr>
<td>Total</td>
<td>229 (235)</td>
<td>51.1 (48.6)</td>
<td>556,005 (412,505)</td>
<td>2,444 (2,366)</td>
</tr>
</tbody>
</table>

Pensioners as at 28.02.10 (28.02.07 in parentheses)

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Average Age (yrs)</th>
<th>Annual Pension (£ pa)</th>
<th>Average Pension (£ pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>31 (19)</td>
<td>68.6 (68.4)</td>
<td>73,363 (45,569)</td>
<td>2,366 (2,403)</td>
</tr>
<tr>
<td>Females</td>
<td>17 (13)</td>
<td>63.0 (56.5)</td>
<td>41,614 (37,725)</td>
<td>2,447 (2,902)</td>
</tr>
<tr>
<td>Total</td>
<td>48 (32)</td>
<td>66.6 (63.6)</td>
<td>114,977 (83,294)</td>
<td>2,395 (2,603)</td>
</tr>
</tbody>
</table>

In addition, there were 3 other pensioners and 12 other dependent pensioners whose pensions have been secured entirely by insured annuities. The liabilities and corresponding assets have been excluded from this valuation. There were 17 insured pensioners at the previous valuation.
3. VALUATION METHOD AND ASSUMPTIONS

3.1 The methodology and assumptions used for the valuation are set out in the Statement of Funding Principles, ("SFP"), which is in Appendix C. In particular, there has been no change to the funding objective adopted by the Trustee.

3.2 The methodology used is the same as that used for the previous valuation of the Scheme. The liabilities for pension accrued are compared with the value of the assets to determine the deficit existing in the Scheme. I then set out the contribution rate required to eliminate the deficit over the recovery period set out in the SFP.

3.3 There are four assumptions which have a major influence on the valuation of the liabilities:
(i) the rate of return on investment before retirement;
(ii) the rate of return on investments after retirement;
(iii) the rate of inflation;
(iv) the mortality assumption.

3.4 At the previous valuation investment returns of 5.3% pa before retirement and 4.5% pa after retirement were assumed. The post-retirement rate was equal to the yield on long-term gilts at the time, whilst the pre-retirement rate allowed for some equity investment but restrained by concerns about the strength of the employer covenant.

3.5 Coincidentally, at 28.02.10 the return on long-term gilts was again 4.5%. Coupled with no change in the Trustee’s views about the strength of the employer covenant and the intention to retain some investment in equities, leads me to recommend no change in these two assumptions.

3.6 The market’s view of future rpi can be derived from the difference between the yields on index-linked Gilt and normal Gilt, this being 3.7% as at the valuation date. I recommend using this assumption in the valuation. This compares to 3.2% pa used in the 2007 valuation.

3.7 At this valuation for the first time an assumption is needed for future cpi. The cpi index is constructed in a different way to rpi in that it is a geometric mean rather than an arithmetic mean. In the typical range of values, just this difference would result in long term cpi being approximately 0.5% pa less than rpi. In addition, the constituents
of the two indices are different, the most noticeable being the inclusion of mortgage
interest in rpi but absent from cpi. Over the past 20 years or more this would result in
an even bigger difference between rpi and cpi. Looking at past statistics, cpi has
averaged about 0.7% pa less than rpi over the last 20 years. I propose that a cautious
assumption would be that cpi is 0.6% pa on average less than rpi, ie 3.1% pa.

3.8 Lastly, the mortality basis used for the previous valuation was that stipulated for use
for a PPF (or section 179) levy valuation. This table was applicable until late last year
and was only modified slightly at that time to increase the minimum improvement for
males to 1.25% from 1%. The female mortality assumption is unchanged. As the
PPF’s required mortality basis is set as their best estimate of mortality and having
regard to the mortality assumptions used by insurance companies for their
discontinuance, or buy-out premium rates, I see no reason not to advise a similar
change to the Trustee.

3.9 Overall, the basis would produce a higher liability than that on the basis used for the
2007 valuation, reflecting primarily the expectations of higher rpi in future. However,
after the adjustment to allow for deferred pensions to increase in line with cpi rather
than rpi prior to retirement the liability is lightly lower than that on the 2007 basis.

3.10 I am also required to calculate the value of liabilities on a basis prescribed by the
PPF, (also known as a section 179 valuation), for the purposes of determining the PPF
levy. The main assumptions used for the PPF valuation are an investment return pre­
retirement net of increases in line with rpi, (capped at 5% pa), of 0.51% pa, (cf 0.38% pa in 2007), a post retirement investment return of 5.10% pa, (cf 4.87% pa in 2007),
and post retirement increases to post 1997 pension accrual of 2.5% pa, (unchanged
from 2007). I am required to use the PCA00Bmc mortality table with males minimum
1.25% pa and females minimum 1.0% pa mortality improvement, (PCA92Bmc
mortality table in 2007).

3.11 The PPF levy valuation does not cover all the Scheme benefits. It broadly covers
90% of pension entitlement for deferred pensioners, 100% of pension entitlement for
current pensioners as long as they are above normal retirement age, and post 6 April
1997 pension accrual has pension increases limited to 2.5% pa.

3.12 I have included the results of the PPF levy valuation alongside the results on other
bases in Section 4 and the certificate to the Trustee in Appendix G.
3.13 Finally, I must also undertake a valuation on what is known as a discontinuance or buy-out basis. This is a basis which allows for benefit accrual to cease on the valuation date and all the benefits to be secured by the purchase of insurance contracts. This is what would take place if the scheme commenced winding-up, subject to there being sufficient funds to purchase at least the benefits that are provided from the PPF, (see above). In carrying out a valuation on this basis I am trying to approximate to the basis that insurance companies use when pricing their bulk buyout contracts. Accordingly I have used an interest rate before retirement of 5.0% pa, an interest rate of 5.0% pa after retirement and I have assumed a long term rate for both increases to deferred pensions prior to retirement and LPI increases to pensions in payment of 3.7% pa. I have also been a little more conservative in the mortality assumption by applying a reduction of 2 years to the assumption used for both the ongoing and PPF levy valuations. There is no explicit allowance for insurance company expenses or profit margins, ie the above rates are net of any allowance for these items. The results of the buy-out valuation are shown alongside the results on the ‘New’ basis in Section 4.

3.14 It should be noted that the results are approximate and the cost of buying out the Scheme benefits in the case of the Scheme winding up could be very different. It depends on what insurance companies will charge at the time, which in turn depends on a number of factors, including supply and demand for this size and type of business, as well as their premium rates, etc.
4. VALUATION RESULTS AND RECOMMENDATIONS

4.1 The values of the accrued liabilities on the different bases are set out in the table below. For the avoidance of doubt, the figures are the outcome of a planning exercise, i.e., the figures are not actual monetary amounts but the result of applying the stated valuation assumptions to the benefits payable to the membership data.

**Funding Levels as at 28.02.10**

<table>
<thead>
<tr>
<th>Present value of benefits in respect of:</th>
<th>Old £'000</th>
<th>New £'000</th>
<th>PPF £'000</th>
<th>Buy-out £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Members</td>
<td>9,230</td>
<td>9,205</td>
<td>7,909</td>
<td>9,879</td>
</tr>
<tr>
<td>Pensioners</td>
<td>1,841</td>
<td>1,837</td>
<td>1,798</td>
<td>1,806</td>
</tr>
<tr>
<td>Expense allowance</td>
<td>424</td>
<td>424</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>11,071</td>
<td>11,042</td>
<td>10,131</td>
<td>12,109</td>
</tr>
<tr>
<td>Value of Assets*</td>
<td>7,009</td>
<td>7,009</td>
<td>7,243</td>
<td>7,009</td>
</tr>
<tr>
<td>Deficit</td>
<td>4,062</td>
<td>4,033</td>
<td>2,888</td>
<td>5,100</td>
</tr>
<tr>
<td>Funding Level</td>
<td>63%</td>
<td>63%</td>
<td>71%</td>
<td>58%</td>
</tr>
</tbody>
</table>

*Details of the Assets are given in Appendix B

Note that in the case of the PPF levy figures the pensioner liabilities are gross before deduction for the 3 partially insured widows' pensions and the value of the 3 partially insured pensioner liabilities are included in the assets. On all other bases, the values are netted off the pensioner liabilities.

4.2 The deficit of £4,033,000 on the New basis is removed by employer contributions at the current level, (i.e. £698,490 pa) over a period of 6 years and 11 months commencing 1 May 2011. (Please note that these figures are again the result of a planning exercise, see earlier.)

4.3 Note that the above contribution rate includes an allowance for administration expenses other than the PPF levy to be paid from the Scheme.
Experience since the previous valuation

4.4 The deficit of £3,270,000 at the previous valuation has increased to £4,033,000 at this valuation. The breakdown of the experience during the intervaluation period is as shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit at start</td>
<td>3,270</td>
</tr>
<tr>
<td>Plus interest on deficit</td>
<td>465</td>
</tr>
<tr>
<td>Plus change of basis</td>
<td>626</td>
</tr>
<tr>
<td>Less move to cpi from rpi</td>
<td>-655</td>
</tr>
<tr>
<td>Plus investment deficit</td>
<td>1,303</td>
</tr>
<tr>
<td>Less additional contributions</td>
<td>-378</td>
</tr>
<tr>
<td>Less lower rpi than assumed</td>
<td>-238</td>
</tr>
<tr>
<td>Less saving on members taking PCLS</td>
<td>-34</td>
</tr>
<tr>
<td>Less active deferreds change to deferreds</td>
<td>-300</td>
</tr>
<tr>
<td>Less miscellaneous</td>
<td>-26</td>
</tr>
</tbody>
</table>

Deficit at this valuation 4,033

4.5 The interest on the deficit is a consequence of the discounting approach, i.e. any deficit at the last valuation will increase in line with the valuation assumptions to this valuation. The change of basis is self-explanatory. Investment returns have been very poor over the intervaluation period, with the return in 2008/2009 being negative. Employer additional contributions have been paid over the intervaluation period. RPI over the period has been less than assumed at the last valuation and no allowance was made for members taking a PCLS in exchange for pension at retirement. Finally, as the active deferreds became true deferreds in 2009, their future increases prior to retirement will now be in line with CPI rather than in line with the old salary increase assumption.

Sensitivity of Results

4.6 The change of mortality table from the previous valuation has resulted in an additional liability of approx 0.25%, (£28,000). An increase in the assumed rate of rpi from 3.2% pa to 3.7% pa has added approx 5% to the liabilities, (some £598,000).
An increase in the pre-retirement rate of investment return of 0.5% pa, ie from 5.3% pa to 5.8% pa would reduce deferred pensioner liabilities by approx 2%, (some £201,000). An increase of 0.5% pa in the post-retirement interest rate, ie from 4.5% pa to 5.0% pa would decrease pensioner liabilities by approx 6%, (some £110,000) and deferred pensioner liabilities by approx 4%, (some £368,000).

**Solvency**

4.7 In the event of the Scheme winding-up at the valuation date, its assets would be insufficient to secure all the benefits with an insurance company, and the shortfall would become a debt on the Employer. If the Scheme were not eligible for the PPF, the assets would be allocated to provide benefits in accordance with the current statutory priority order. This places PPF liabilities above other liabilities. The assets are sufficient to cover 75% of PPF liabilities, and there is no coverage of the remaining non-PPF liabilities. If the Scheme were eligible for the PPF the Board of the PPF would have been likely to assume responsibility for the Scheme if an insolvency event had occurred on the valuation date and the employer debt payment was not recovered. As such Scheme members would receive compensation levels as summarised in para 3.10.

4.8 As stated earlier, the solvency funding level at the previous valuation was 69%, but it has reduced to 58% at this valuation. Over the intervaluation period the investment return has been less than assumed but the additional employer contributions paid during the period have partially offset this.

4.9 As can be seen from the table in 4.1, even if the Scheme were 100% funded on the recommended new, (SSF), funding basis, ie have assets of £11,042,000, it would still be under 100% funded on a solvency basis. The solvency level would have been 91% if the Scheme had been 100% funded on the recommended new (SSF) funding basis. The Scheme’s solvency level at the valuation date of 69% is expected to increase gradually to approximately 83% at the next valuation in 3 years time if market conditions do not change. Once the proposed employer contributions to eliminate the deficit on the new (SSF) funding basis cease, the solvency level is expected to continue to improve, but at a much slower level. In particular, again assuming that market conditions do not change and experience follows the actuarial assumptions adopted for the new (SSF) funding basis, at the next valuation it is expected that the
assets will be sufficient to cover 90% of PPF liabilities with no coverage of benefits in excess of PPF benefits.

**Risks associated with proposed policy for meeting the funding objective**

4.10 If the Employer is not able to continue to pay contributions to make good deficits in the future then the Scheme would wind up without being able to secure 100% of members’ benefit entitlements, as implied in 4.7 above.

4.11 Similarly, if investment returns fall below that assumed in the new (SSF) funding basis, or falls in asset values are not matched by similar falls in the value of liabilities, then the funding level of the Scheme will reduce.

4.12 Finally, the funding level will be affected either adversely or favourably according to whether the mortality assumed is higher than or lower than actual experience.

4.13 I do not believe that the exercise of any options open to members would adversely affect the funding level of the Scheme.

**Relationship of assets to liabilities and the funding assumptions**

4.14 As detailed in Appendix B, approximately 60% of the Scheme’s assets were invested in fixed interest investments or cash, the remainder being in equities. As stated in para 3.4, the valuation assumptions assume that the Scheme’s assets will be invested in the latter prior to retirement and hence at present there was a mismatch with too little of the Scheme’s assets invested in higher risk investment return seeking asset classes. As the expected return on fixed interest investments is below the assumed investment return before retirement, if this situation continues then the funding objective might not be met as planned. However, having said this, the assumed excess assumed yield is modest and the mismatching risk is fairly minimal.

4.15 I understand that the Trustees have addressed their asset allocation with their investment advisers and ongoing changes are taking place.
This report, in conjunction with my written advices to the Trustee dated 20 August 2010 and 7 February 2011, complies with Technical Actuarial Standards on Reporting, Data and Pensions published by the Board for Actuarial Standards currently in force.

P.A.F. Weaver, FIA

18 April 2011
APPENDIX A
SUMMARY OF SCHEME PROVISIONS AS AT 28.02.2010

The Scheme was approved under Chapter I Part XIV of the Income and Corporation Taxes Act 1988 until 5 April 2006. With effect from 6 April 2006 it is a Registered Scheme. The Scheme is not contracted out of the State Earnings Related Pension scheme.

Eligibility: Benefit accrual ceased on 31.05.01, when all remaining active members left pensionable service. However, those who were Mowlem employees until after 01.08.02 had their deferred pension revalued in line with the increase in their theoretical pensionable salary as if they had not left service on 31.05.01, subject to the minimum Statutory increase, until 06.04.09, when they reverted to being treated as normal deferred pensioners.

Normal Retirement Age: 65th birthday. The Scheme equalised retirement ages on 01.03.93, prior to which female members’ NRA was 60. Pension entitlements identify those affected by equalisation legislation.

Pensionable Salary: Basic Salary as at previous 1st March

Final Pensionable Salary: Average of the three consecutive Pensionable Salaries prior to leaving service

Cash Option at Retirement: A member may commute part of his pension for cash at retirement age

Death in Retirement: Spouse’s pension of 2/3rds of the member’s pension at normal retirement age plus increases to date of death

Death of Deferred Pensioners prior to Retirement: Spouse’s pension of 2/3rds of the member’s pension entitlement at date of leaving plus revaluation, calculated at the date of death only for those leaving Pensionable Service after 28.02.99 plus return of contributions for all leavers.

Pension Increases in payment: Rpi subject to a maximum of 5% pa in respect of pension accrued after 05.04.97

Pension Increases prior to retirement: Statutory revaluation, ie with effect from January 2011 deferred pensions are increased in line with cpi subject to a maximum of 5% pa over the period to retirement.

Discretionary Benefits: Neither discretionary benefits nor discretionary increases in
benefits have been paid for several years and hence none have been valued in this valuation
APPENDIX B
SCHEME ASSETS

The assets as at 28 February 2010 excluding AVC assets were invested with four investment managers, of whom one was a manager of managers. These were Close Teams, (manager of managers), Royal London, Legal & General and Newton. In addition there were £458,000 net current assets. The breakdown was as follows:

<table>
<thead>
<tr>
<th>Investment Manager</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close Teams</td>
<td>1,846,000</td>
</tr>
<tr>
<td>Royal London</td>
<td>1,664,000</td>
</tr>
<tr>
<td>Newton</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Legal &amp; General</td>
<td>1,441,000</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>458,000</td>
</tr>
</tbody>
</table>

Total Assets: £7,009,000

Close Teams had a global equity mandate. The Royal London assets were invested in bonds. The Newton funds were invested in their real return fund, which was invested broadly 60% in equities and 40% in bonds, whilst the Legal & General funds were invested about 2/3rds Gilts and 1/3rd cash. Thus, overall the asset allocation at the valuation date was approximately 40% equities and 60% in Gilts, other bonds and cash.
APPENDIX C
STATEMENT OF FUNDING PRINCIPLES

This is the Statement of Funding Principles for the Bower Group Retirement Benefits Scheme (the “Scheme”), as required by Part 3 of the Pensions Act 2004, prepared for the purposes of the actuarial valuation of the Scheme as at 28 February 2010.

Funding objectives
This statement sets out the Trustees’ policy for securing that the statutory funding objective is met, in accordance with section 222 of the Pensions Act 2004. The statutory funding objective is that the Scheme has sufficient and appropriate assets to cover its ‘technical provisions’. ‘technical provisions’ are the liabilities of the Scheme i.e. the value of accrued benefits promised to Scheme members.

Method
The technical provisions are required to be calculated using an ‘accrued benefits funding method’. In a Scheme where there are no active members there is in effect only one method, i.e. to make suitable assumptions for each of the parameters which affect the date and payment of members’ future benefits. These assumptions are chosen to reflect average experience over the lifetime of the Scheme.

Assumptions
The assumptions used are as follows:

- Discount rate before retirement: 5.3% p.a.¹
- Discount rate after retirement: 4.5% p.a.²
- Future price inflation: 3.7% p.a.³
- LPI increases in payment post Apr 97 and revaluation rate for deferred pensions: 3.6% p.a.
- Future consumer price inflation and revaluation rate for deferred pensions: 3.1% p.a.
- Mortality: PCA00Bmc with 1.25% underpin for males and 1.0% for females
- Proportion married or with dependents: 90%
- Age difference: Husbands are 3 years older than wives
- Discretionary increases: No allowance
- Pension Protection Fund levies: Paid by the Employer
- Other administration expenses: An allowance of £65,000 per annum
NOTES

1. Yield on long-term Gilts plus 0.8% to reflect partial equity investment, maturity of scheme and strength of employer covenant.
2. Yield on long-term Gilts.
3. Estimated long term rate of inflation

**Correction of funding shortfall**

The Trustees and the Employers have agreed that a funding shortfall identified at an actuarial valuation will be eliminated over a period no longer than 7 years.

The assumptions to be used in these calculations will be those set out above for calculating the technical provisions.

**Policy on cash equivalent transfer values, (CETVs)**

Where the funding level at any valuation is below 100%, the Trustees will ask the actuary to advise them on the coverage that can be offered in respect of CETVs.

The Trustees may at any time commission a report from the actuary to update the funding level and, at their discretion, use the updated figure to determine transfer values.

**Payments to the Employer**

If the Scheme is not being wound up and the assets of the Scheme exceed the estimate by the actuary of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses of doing so, the Employer may request a payment of the excess (subject to the rules of the Scheme in force at the time). 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 Trustees will consider whether a payment would be in the interest of the members, and if so, the Trustees will give notice to the members of the proposal.

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

The scheme’s actuarial valuation under Part 3 is being carried out as at the effective date of 28 February 2010 and subsequent valuations will in normal circumstances be carried out every three years thereafter.

Annual actuarial reports under the Pensions Act 2004 on developments affecting the scheme’s funding level are required at intermediate anniversaries because the Scheme has more than 100 members.

The Trustees may request an estimate of the Scheme’s funding position or a full actuarial valuation at any time if they are 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 Trustees will consult the Employer before requesting a full actuarial valuation.
Actuarial advice

As required under the Pensions Act 2004, the Trustees have received actuarial advice from the Scheme Actuary.

This statement has been agreed by the Principal Employer.

Signed on behalf of Dudley Bower Group PLC:

Name: Tim George
Position: Company Secretary
Date: 18 April 2011

This statement was agreed by the Trustees at their meeting on ...29 March 2011 ..........

Signed on behalf of the Trustees of the
Bower Group Retirement Benefits Scheme:

Name: Peter Clarke
Date: 18 April 2011
APPENDIX D
CERTIFICATION OF TECHNICAL PROVISIONS

Name of scheme: Bower Group Retirement Benefits Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme’s technical provisions as at 28 February 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 18 April 2011.

Signature: ..................................  Date: ..................................
Name: P.A.F. Weaver  Qualification: FIA
Position: Scheme Actuary  Employer: Director, SPM Actuarial Services Ltd
Address: The Chapel, 4 Falmouth Court, Goldsmith Way, St Albans AL3 5LF
This is the Recovery Plan for the Bower Group Retirement Benefits Scheme (the Scheme), as required by Part 3 of the Pensions Act 2004.

The actuarial valuation of the Scheme as at 28 February 2010 revealed a funding shortfall of £4,033,000. As a result, the Employer and the Trustees have agreed to this recovery plan to ensure that the statutory funding objective is met. It replaces the Recovery Plan dated 22 April 2010 with effect from 1 May 2011.

Under the plan, the Employer will pay contributions of £698,490 per annum by monthly instalments of £58,207.50 in arrears for a period of 6 years 11 months from 1st May 2011. This is expected to eliminate the shortfall by the end of the period (31st March 2018).

This expectation is based on the assumptions set out in the Statement of Funding Principles dated ...18 April 2011...

It is expected that 50% of the above contributions will be paid by 1st November 2014.

This statement has been agreed by the Principal Employer.

Signed on behalf of Dudley Bower Group Limited:

Name: Tim George
Position: Company Secretary
Date: 18 April 2011

This statement was agreed by the Trustees at their meeting on ...29 March 2011... As required by the Pensions Act 2004, the Trustees have received actuarial advice from the Scheme Actuary.

Signed on behalf of the Trustees of the Bower Group Retirement Benefits Scheme:

Name: Peter Clarke
Date: 18 April 2011
APPENDIX F
SCHEDULE OF CONTRIBUTIONS

This is the Schedule of Contributions for the Bower Group Retirement Benefits Scheme, (the Scheme), as required by Part 3 of the Pensions Act 2004. It replaces the Schedule of Contributions dated 22 April 2010 with effect from 1 May 2011.

Contributions from 1st January 2011 to 31st March 2018

The Employer will pay at least:

a) £698,490 per annum by monthly instalments of £58,207.50 in arrears for the period covered by this schedule;

b) the Pension Protection Fund levy.

All contributions will be paid to the Scheme monthly in arrear to arrive for use by the Trustees no later than 19th of the following month to which they relate

This statement has been agreed by the Principal Employer and the other participating employers.

Signed on behalf of Dudley Bower Group PLC:

Name: Tim George
Position: Company Secretary
Date: 18 April 2011

This Schedule was agreed by the Trustees at their meeting on ....29 March 2011.... As required by the Pensions Act 2004, the Trustees have received actuarial advice from the Scheme Actuary.

Signed on behalf of the Trustees of the
Bower Group Retirement Benefits Scheme:

Name: Peter Clarke
Date: 18 April 2011

Adequacy of rates of contributions

1. I hereby 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 31st December 2017.
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 ...18 April 2011...

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 wound up.

Signature: .................. Date: .................
Name: P.A.F. Weaver Qualification: FIA
Position: Scheme Actuary Employer: Director, SPM Actuarial Services Ltd
Address: The Chapel, 4 Falmouth Court, Goldsmith Way, St Albans AL3 5LF
## APPENDIX G

### PPF SECTION 179 VALUATION CERTIFICATE

**Full name of scheme:** Bower Group Retirement Benefits Scheme  
**Name of section, if applicable:** N/A  
**Pension Scheme Registration Number:** 10068399  
**Address of scheme (or section, where appropriate):** Carillion Trustees Limited  
\[c/o\] Carillion plc  
24 Birch Street  
Wolverhampton  
WV1 4HY

### s179 valuation

**Effective date of this valuation (dd/mm/yyyy):** 28th February 2010  
**Guidance and assumptions**  
- **s179 guidance used for this valuation:** G5  
- **s179 assumptions used for this valuation:** A5

### Assets

- **Total assets (this figure should not be reduced by the amount of any external liabilities and should include the insurance policies referred to below):** £7,243,089  
- **Date of relevant accounts (dd/mm/yyyy):** 28th February 2010  
- **Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts:** 3.23%

### Liabilities

- **Please show liabilities, excluding expenses, for:**
  - **Active members:** 0  
  - **Deferred members:** 7,908,501  
  - **Pensioner members:** 1,798,250  
  - **Estimated expenses of winding up:** 291,203  
  - **Estimated expenses of benefit installation/payment:** 132,650  
  - **External liabilities:** 0  
  - **Total protected liabilities:** 10,130,604
Please provide the percentage of the liabilities shown above that are matched by insured annuity contracts for:

- Active members: 0%
- Deferred members: 0%
- Pensioner members: 13.01%

**Proportion of liabilities**

Please show the proportion of liabilities which relate to each period of service for:

<table>
<thead>
<tr>
<th></th>
<th>Before 6 April 1997</th>
<th>6 April 1997 to 5 April 2009</th>
<th>After 5 April 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Deferred members</td>
<td>38.4%</td>
<td>61.6%</td>
<td>0%</td>
</tr>
<tr>
<td>Pensioner members</td>
<td>51.4%</td>
<td>48.6%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Membership and average ages**

- Total active members: 0
- Total deferred members: 229
- Total pensioner members: 48
- Average age of active members: n/a
- Average age of deferred members: 51
- Average age of pensioner members: 67

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signed: [Signature]  Date: 18 April 2011

Name: P A F Weaver

**Qualification:** Fellow of the Institute of Actuaries

**Employer:** Director, SPM Actuarial Services Limited