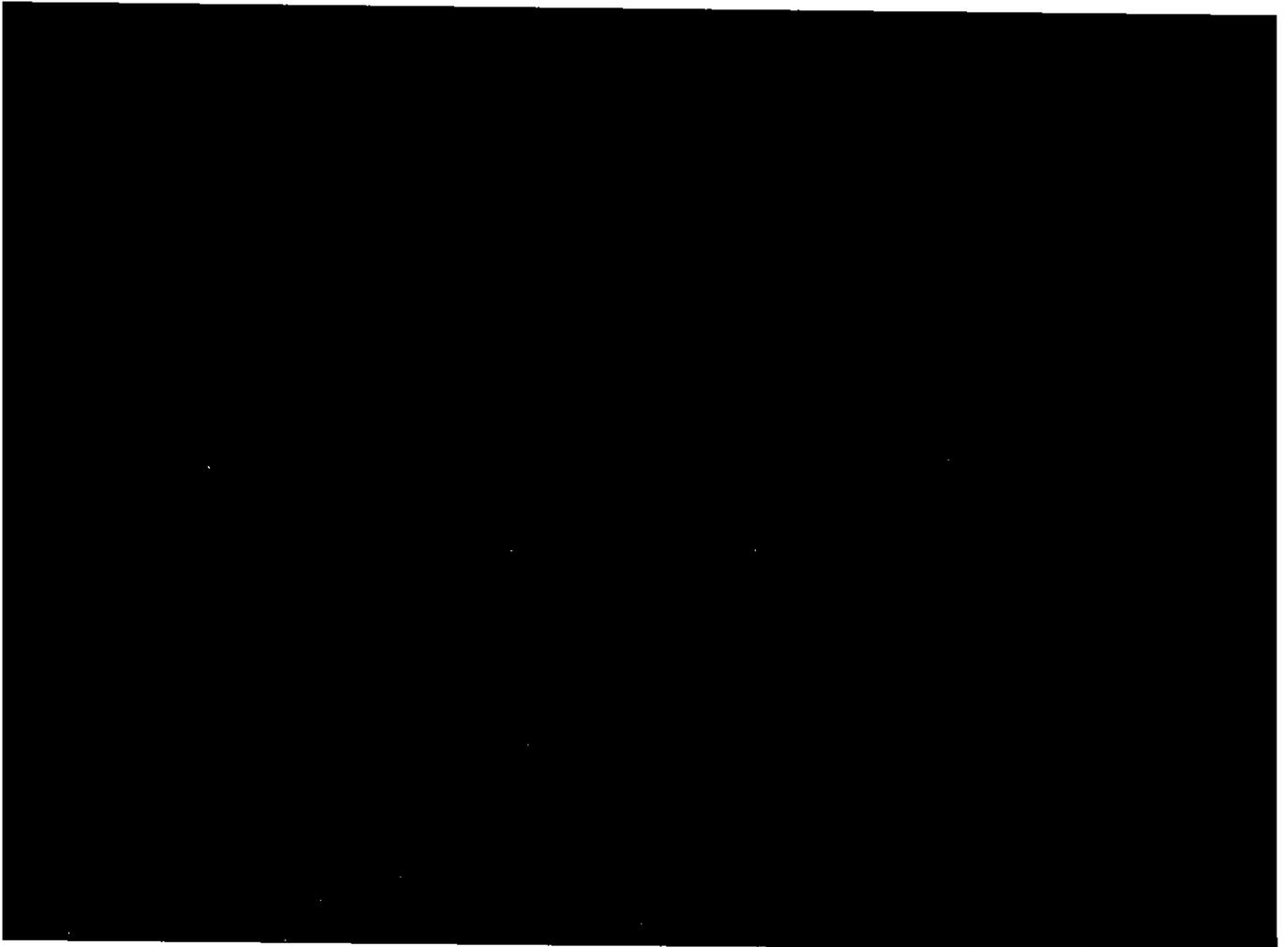


Bower Group Retirement Benefits Scheme

Report and Financial Accounts

For the year ended 31 December 2012

Registrar of Occupational and Personal Pension Schemes Registration Number 10068399X



# Bower Group Retirement Benefits Scheme

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# Bower Group Retirement Benefits Scheme

## Advisers Year ended 31 December 2012

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### Administrative details

#### Scheme Actuary

Paul Weaver FIA (until 30 June 2012)  
Sterling Actuarial Services Limited  
City Reach  
5 Greenwich View Place  
London E14 9NN

Edwin Topper FIA (from 1 July 2012)  
Mercer Ltd  
Clarence House  
Clarence Street  
Manchester M2 4DW

#### Scheme Consultants and Administrators

SPM Employee Benefits Limited  
City Reach  
5 Greenwich View Place  
Millharbour  
London E14 9NN

Auditors  
KPMG LLP

#### Bankers

HSBC  
Clerkenwell  
London  
EC1V 7DA

#### AVC providers

Bank of Ireland Group  
PO Box 27  
1 Temple Quay  
Bristol  
BS99 7AX

Clerical Medical Investment Group Ltd  
33 Old Broad Street  
London  
EC2N 1HZ

#### Investment managers

BNY Mellon Asset Management (Newton Fund Managers) - (Until 19 November 2012)  
Ingrave Road  
Brentwood  
CM15 8TG

Legal & General Investment Management  
One Coleman Street  
London  
EC2R 5AA

Royal London Asset Management Limited  
55 Gracechurch Street  
London  
EC3V 0RL

Baillie Gifford & Co (from 19 November 2012)  
Calton Square  
1 Greenside Row  
Edinburgh  
EH1 3AN

# Bower Group Retirement Benefits Scheme

**Advisers (continued)**  
**Year ended 31 December 2012**

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**Investment adviser**

Mercer Ltd  
The Paragon  
Countership  
Bristol  
BS1 6BX

**Solicitors**

Sacker & Partners LLP  
29 Ludgate Hill  
London  
EC4M 7NX

**Principal employer**

Dudley Bower Group Plc  
24 Birch Street  
Wolverhampton  
WV1 4HY

# Bower Group Retirement Benefits Scheme

## Trustee's report Year ended 31 December 2012

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### Introduction

The Bower Group Retirement Benefits Scheme ("the Scheme") was established on 31 May 1961 to provide pension benefits for all eligible employees of the Principal Employer – Dudley Bower Group plc (formerly Bower Group Plc) and also for participating employers Dudley Bower Services Ltd, Dudley Bower Management Services Ltd and Dudley Bower Facilities Management Ltd.

The Scheme closed to future accrual on 31 May 2001, when all active members of the Scheme became employed deferred members.

The Trustee presents its report and the audited financial statements of the Scheme for the year ended 31 December 2012. The Scheme provides defined pension benefits to members and their dependants on retirement and on death.

The Trust Deed and Rules governing the Scheme are available for inspection on application to the administrator.

### HMRC approval

The Scheme is a "registered pension scheme" for tax purposes.

### The principal employer

The principal employer is Dudley Bower Group plc (formerly Bower Group Plc). Other participating employers with eligible employees who are entitled to be members of the Scheme are Dudley Bower Services Ltd, Dudley Bower Management Services Ltd and Dudley Bower Facilities Management Ltd.

### Appointment and removal of Trustee/management of the Scheme

The Trustee is Carillion (DB) Pension Trustee Limited. This company's function is to act as Trustee to the Scheme and to 5 other Carillion Group schemes. The Articles of this company provide for the appointment and removal of Trustee directors. The board of the Trustee is made up of 16 directors, six of whom are appointed by the Principal Employer, (one of whom is the independent chair) and ten are member representatives.

The directors of Carillion (DB) Pension Trustee Limited are:

**Appointed by the employer:**

Robin Ellison (Independent Chair)

Robin Herzberg

Lee Mills

Susan Morton (resigned 13/6/12)

Alison Shepley

Brian Watkins

Simon Eastwood (appointed 20/9/12)

# Bower Group Retirement Benefits Scheme

Trustee's report (continued)  
Year ended 31 December 2012

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**Appointed by the members:**

David Benson

Gerald Brown

Steven Brunswick

Simon Eastwood (resigned 19/9/12)

Paul Kitto

Simon Rawsthorne (resigned 7/12/12)

Stephen Rowland

Iain Simmonds (appointed 14/3/12)

Graham Hindley (appointed 2/5/12)

Quentin Leiper (appointed 1/12/12)

Vacancy

 Stephen Chandler

# Bower Group Retirement Benefits Scheme

## Trustee's report (continued) Year ended 31 December 2012

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### Actuarial valuation

Every Scheme is subject to the Statutory Funding objective which is to have sufficient and appropriate assets to cover its 'technical provisions'. The 'technical provisions' are an estimate made on actuarial principles of the assets needed at any particular time to cover the Scheme liabilities. Liabilities include pensions in payment, benefits payable to the survivors of former members and those benefits accrued by other members which will be payable in the future.

Technical provisions are calculated using an accrued benefits funding method and assumptions chosen by the Trustee, after taking the actuary's advice and usually obtaining the employer's agreement.

These assumptions will be subject to scrutiny by the Pensions Regulator if they fall outside reasonable boundaries as judged by the Regulator.

To check if the Scheme has sufficient assets to cover its liabilities the Trustee asks the actuary to perform a valuation.

In a valuation, the actuary measures the value of the Scheme's assets, estimates the value of its liabilities and then compares the two. This gives the funding level. (If the Scheme has exactly the right amount of assets to meet its liabilities, it is described as having a 100% funding level.) The aim is to suggest:

- how much money the Scheme needs to set aside to cover the benefits members have already earned; and
- the contributions the Scheme should receive for benefits building up in the future, if any.

In a valuation, the actuary looks at the Scheme's finances under two situations.

The **discontinuance basis** assumes that the Scheme was wound up on the valuation date. (The actuary is required by law to look at this situation: it does not mean that the company is thinking of ending the Scheme.) To do this, he looks at whether the Scheme had enough money to buy insurance policies to provide members' benefits. This is called the 'full solvency position'. Insurance companies have to invest in low-risk assets which are likely to give low returns, while their policy prices will include administration charges and a profit margin. This means that even if a Scheme is fully funded on the ongoing basis, the full solvency figure is likely to be less than 100%.

The **scheme-specific funding basis** was introduced following the Pensions Act 2004 and effectively is the basis used for striking the technical provisions. It takes account of guaranteed benefits and assumes that the Scheme will continue in its present form.

The most recent actuarial valuation of the Scheme was undertaken as at 28 February 2010 and the next valuation is due at 31 December 2012. The actuarial certificate required under section 227 relating to the 2010 valuation, as required by law, is set out on pages 29 to 31.

# Bower Group Retirement Benefits Scheme

## Trustee's report Year ended 31 December 2012

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### **The results of the valuation on 28 February 2010**

The valuation due at 28 February 2010 was signed on 18 April 2011.

#### **Discontinuance basis**

If the Scheme was wound up on 28 February 2010, the actuary estimated the shortfall would have been £5,100,000. This is equal to a funding level of 58%.

#### **The Scheme - specific funding position (the technical provisions)**

On 28 February 2010, the actuary found that if the Scheme was 100% funded the full amount needed to provide benefits was £11,042,000. The market value of the Scheme's assets was £7,009,000 which gave a shortfall of £4,033,000 (i.e. the Scheme was 63% funded).

Under the Statutory Funding objective, where there is a shortfall at the effective date of the actuarial valuation, the Trustee must aim to achieve full funding in relation to the technical provisions. It achieves this by agreeing a Recovery Plan with the Employer to make good any shortfall over a reasonable period. This Recovery Plan is also subject to the Regulator's scrutiny.

The Trustee and Employer have agreed on a Recovery Plan which aims to achieve 100% funding under the Statutory Funding objective by 31 March 2018, with the Employer paying contributions of £698,490 per annum by monthly instalments of £58,207.50 in arrears for a period of 6 years 11 months from 1<sup>st</sup> May 2011.

#### **Movements over the last year and since the valuation**

Since the last valuation the funding position has worsened for two reasons. Firstly, following the completion of the 2010 valuation it came to the Trustee's attention that the asset value used, did not reflect a liability of £576,000 in respect of a payment due to the employer. This liability arose due to contributions that had been accounted for, that were not required under a Schedule of Contributions during 2008 and 2009.

Secondly, falls in long term interest rates have meant that the Scheme's liabilities have increased. The effect of these has been partially offset by the positive investment returns achieved during the year and the deficit contributions paid by the Employer.

The funding position will continue to be monitored regularly by the Trustee as part of its ongoing strategy for managing the Scheme.

Full details of both bases as at 31 December 2010 are given in the Actuary's valuation report. A copy is available on request from the Administrator.

During the year the Trustee sent out Summary Funding Statements to members, as required by law, to set out the financial position of the Scheme.

#### **Changes to the scheme**

There were no changes to the Scheme during the year.

# Bower Group Retirement Benefits Scheme

## Trustee's report Year ended 31 December 2012

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### **Additional Voluntary Contributions**

The Trustees hold assets invested separately from the main fund in the form of either individual accounts with Bank of Ireland Group or individual funds managed by Clerical Medical.

During the Scheme year no additional voluntary contributions (AVCs) were made. Each member receives an annual statement at the year end confirming the amount held in their account and the movements in the year.

### **Pensions in payment**

In accordance with the Scheme's Trust Deed and Rules, pensions in payment at 1 March 2012 were increased as follows:

- I. For pension in respect of pensionable service after 5 April 1997 the increase was 4.8%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December.
- II. No discretionary increases were granted to pensions in payment for service prior to 6 April 1997.

### **Deferred benefits**

Deferred benefits held under the Scheme for members who have left service or ceased to contribute to the Scheme are increased over the period from the date of leaving service as follows:

- I. The deferred benefits are increased for each complete calendar year in deferment in line with statutory requirements over the period to Normal Retirement Date.

### **Transfers**

The rules of the Scheme permit transfers to other occupational pension schemes, personal pension plans or single premium insurance policies (known as Section 32 policies). Transfer values can also be paid to Stakeholder contracts. If a transfer is made the Trustee receives a statutory discharge from any further liability once the transfer has been affected.

The Trustee confirms that all transfer values are calculated and verified in accordance with the statutory cash equivalent requirements in accordance with the Pension Schemes Act 1993 ( the "Act").

The current basis meets the legal requirement of the Act and makes no allowance for the payment of any discretionary benefits under the Scheme.

# Bower Group Retirement Benefits Scheme

## Trustee's report Year ended 31 December 2012

### Membership

Details of the membership of the Scheme as at 31 December 2012 are given below:-

	<b>Total 31 Dec 2012</b>	<b>Total 31 Dec 2011</b>
<b>PENSIONERS</b>		
Pensioners at the start of the year	70	65
Members retiring during the year	9	7
New beneficiaries	1	-
Deaths	(2)	(2)
<b>PENSIONERS AT THE END OF THE YEAR</b>	<b>78</b>	<b>70</b>
<b>MEMBERS WITH PRESERVED BENEFITS</b>		
Number at the start of the year	216	224
Deferred pensioners becoming pensioners	(9)	(7)
Transfers out during the year	-	(1)
Deaths	(1)	-
<b>MEMBERS WITH PRESERVED BENEFITS AT THE END OF THE YEAR</b>	<b>206</b>	<b>216</b>
<b>TOTAL MEMBERSHIP AT THE END OF THE YEAR</b>	<b>284</b>	<b>286</b>

Pensioners include individuals receiving a pension upon the death of their spouse.

# Bower Group Retirement Benefits Scheme

## Trustee's report Year ended 31 December 2012

### Financial development of the Scheme

The Financial statements on pages 20 to 28 show that the value of the Scheme's assets increased by £1,116,476 to £9,431,531 as at 31 December 2012. The increase was comprised of net additions from dealings with members of £436,254 together with a net increase in the returns on investments of £680,222.

The Financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

### Contributions

Contributions received from participating employers were in accordance with the Schedule of Contributions. This is set out on pages 29 to 31.

Following the Actuarial Valuation of the Scheme as at 28 February 2010., a Recovery Plan dated 18 April 2011 was agreed. The Employer will pay monthly contributions of £58,207.50 (£698,490 per annum) for the period from 1 May 2011 to 31 March 2018 to ensure that the statutory funding objective is met.

### Investments – policy

The Trustee's investment policy is detailed in their Statement of Investment Principles (SIP). The day-to-day management of the investments of the Scheme have been delegated by the Trustee to Legal & General Assurance (Pensions Management) Ltd, Royal London Asset Management (RLAM) and Baillie Gifford & Co. The Trustee monitors compliance with the SIP periodically, or more frequently if necessary.

In line with the Occupational Pension (Investment) Regulations (2005), the Trustee is required to review the SIP at least every three years and without delay after any significant changes in investment policy.

The Trustee will review the SIP in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated Investment Policy.

This review will occur annually, in line with the Trustee's preferred practice. Any such review will again be based on written expert investment advice and the company will be consulted.

### Investment – management

In order to discharge its responsibilities with regard to investments, the Trustee employs specialist investment managers. Details of these managers are set out on page 2.

Each 'active' investment manager has been set a performance target in excess of a benchmark return, and is expected to achieve the target performance over a rolling three-year period. A target maximum under-performance by the investment manager in any one year is also set by the Trustee.

The Investment Managers levy a charge for managing the investments on behalf of the Trustee and the Scheme members. The charge is deducted by each manager directly from the fund. The following table confirms the charges currently applicable to each fund.

Fund	Investment Management Charge
L&G Active Cash Fund	0.125% pa (lower charges apply on funds in excess of £5million)
L&G individual long-dated Gilts	0.10% pa (lower charges apply on funds in excess of £5million)
RLPP UK Corporate Bond Fund	0.3% pa
Newton Absolute Return Fund	0.75% pa

There is also a fee of £1,500 per annum payable to Legal & General Investment Management, quarterly in arrears.

### Custody of assets

The Trustee uses the custodial arrangements of the investment managers it has appointed to manage the Scheme assets. It has a separate custody agreement with each custodian.

# Bower Group Retirement Benefits Scheme

**Trustee's report**  
Year ended 31 December 2012

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## Further information

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any member with a complaint or unresolved query can use the Internal Disputes Resolution Procedure or, alternatively, they can obtain free advice through the Pensions Advisory Service (PAS) who can be contacted at 11 Belgrave Road, London SW1V 1RB. If a member has a complaint which PAS is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at the same address.

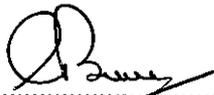
In the event of a complaint a copy of the IDRPs can be requested from Group HR (Pensions) at Carillion plc, Birch Street, Wolverhampton, WV1 4HY.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

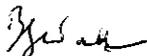
The Trustee of Carillion Staff Pension Scheme care of:

SPM Employee Benefits Ltd, 5 Greenwich View Place, Millharbour, London, E14 9NN.

This report, including the Compliance Statement, was approved by the Trustee on and signed on its behalf by:



.....  
Trustee Director



.....  
Trustee Director

# Bower Group Retirement Benefits Scheme

## Statement of Trustee's responsibilities Year ended 31 December 2012

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### Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

# Bower Group Retirement Benefits Scheme

## Investment Report

### INVESTMENT REPORT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2012 BOWER GROUP RETIREMENT BENEFITS SCHEME

#### Investment Background

2012 was a year in which policy makers made a seemingly concerted effort to do "whatever it takes" (Mario Draghi, President of the European Central Bank, July 2012) to avoid an illiquidity crisis. The US, UK, Japanese and European Central Banks followed a determined policy of quantitative easing throughout 2012.

A raft of substantial monetary easing policies from the major Central Banks, such as the Federal Reserve Bank (QE3), the ECB (Outright Monetary Transactions programme) and the UK Government (Funding for Lending scheme), were announced and implemented as an attempt to revive the banking system and to regain investors' confidence in global economic growth. Despite the underlying gloomy and low growth economic backdrop, investors, most notably in Europe, welcomed the support from the central banks, albeit they remained cautious on the effectiveness and improvement of these programmes.

During the fourth quarter of 2012 some signs were beginning to emerge that these measures may be having a positive effect. Financial markets adopted a less pessimistic tone as the risks of systemic failure appear to have been addressed (in terms of intention on the part of the policy makers, if not necessarily in detail). The combination of record low interest rates and availability of liquidity was generally supportive of growth assets, although the economic fundamentals have yet to improve meaningfully.

Consensus economic forecasts continued to fall, with 2.5% real global GDP growth expected in 2012, but with the forecast for 2013 falling from 2.8% to 2.6%.

At a global level, the FTSE World Total Return index rose 11.8% (in Sterling terms) over 2012 whilst the FTSE AW Emerging Markets Total Return index rose 12.8% (in Sterling terms).

At a regional level, European markets, as measured by the FTSE World Europe ex UK index, increased 17.8% (in Sterling terms). UK stocks also exhibited growth, as indicated by the FTSE All Share index, rising 12.3%. US equities, as represented by the FTSE USA Total Return index, rose 11.2% (in Sterling terms).

UK Government Bonds, as measured by the FTSE Gilts All Stocks index, returned 2.7% over 2012. Long dated issues, as measured by the corresponding over 15 year index, returned 2.9%. The yield for the FTSE Gilts All Stocks Index rose over the year from 2.4% to 2.5%. The FTSE All Stocks Index Linked Gilts index returned 0.6% with the corresponding 15 year index exhibiting a negative return of 1.3%.

Corporate debt, as measured by the BofA Merrill Lynch Sterling Non-Gilts index, provided a positive return of 13.3%.

#### Delegation of Responsibilities

The overall investment policy of the Bower Group Retirement Benefits Scheme ("the Scheme") is determined by the Trustee in consultation with the Scheme's Investment consultant. On 1 January 2012 the Scheme changed its Investment consultant from SPM Employee Benefits Limited to Mercer Limited ("Mercer").

The day-to-day management of the assets is delegated to professional investment managers across a range of asset classes.

# Bower Group Retirement Benefits Scheme

## Management of the Assets

The Scheme's overall 50%/50% strategic split between growth and bond-like assets remained unchanged over 2012. As at 31 December 2012, the Scheme's assets were managed by Baillie Gifford & Co ("Baillie Gifford"), Legal & General Investment Management Limited ("L&G") and Royal London Asset Management Limited ("RLAM").

Over 2012, there were some changes to the Scheme's investment strategy. In Q4, the absolute return assets held by Newton were disinvested and the proceeds were used to fund a new investment in the Baillie Gifford Diversified Growth Pension Fund.

The investment strategy is shown in the tables below:

Asset Class	Strategy %
Global Equities	25.0
Diversified Growth	25.0
Corporate Bonds	25.0
Index-Linked Gilts	25.0
<b>Total Scheme</b>	<b>100.0</b>

Manager	Structure %
Baillie Gifford (diversified growth)	25.0
L&G (global equities and gilts)	50.0
RLAM (corporate bonds)	25.0
<b>Total Scheme</b>	<b>100.0</b>

## Statement of Investment Principles

The Trustee has prepared a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 and any relevant subsequent legislation. A copy of the SIP is available on request. There were no departures from the investments permissible in the SIP during the year.

Strategic management of the assets is the responsibility of the Trustee acting on expert advice and reflects the investment objective of the Scheme. This is to seek to obtain investment returns commensurate with the assumptions used for valuing the liabilities. In this context, the primary aim is to enhance the ongoing funding level through controlled risk taking, which aims to avoid unplanned increases in employer contributions.

# Bower Group Retirement Benefits Scheme

## The Scheme's Investments

As at 31 December 2012, the market value of the Scheme's investments (based on bid prices where applicable) amounted to £9.3m. The distribution of these assets across the whole portfolio is highlighted in the table below:

Manager	Asset Class	31.12.12		Target %
		£m	%	
Baillie Gifford	Diversified Growth	2.0	21.2	25.0
	UK Equity	1.5	17.0	25.0
	Overseas Equity	1.0	11.4	
L&G	Over 5 year Index-Linked Gilts	0.9	10.0	10.0
	2037 Index-Linked Gilt	0.5	5.0	15.0
	2047 Index-Linked Gilt	0.5	5.0	
	2055 Index-Linked Gilt	0.5	5.0	
RLAM	Corporate Bonds	2.4	25.4	25.0
<b>Total</b>		<b>9.3</b>	<b>100.0</b>	<b>100.0</b>

Source: Investment managers, figures subject to rounding.

All assets are marketable. Corporate Bond and Diversified Growth assets are valued on a daily basis and L&G funds are valued on weekly basis.

## Investment Performance

The Scheme's performance is compared with an overall benchmark which is based on the interim target allocation of 50% growth assets, 50% bonds. The Trustee also monitors the performance of the Scheme's investments, which is measured by Mercer on a quarterly basis to March, June, September and December month ends.

Performance over the one year period to 31 December 2012 is shown in the table below.

	1 year to 31 December 2012 %
Scheme	8.3
Benchmark	6.8

Source: Investment managers, Mercer, gross of fees.

## Ten largest Investments

The ten largest investments for the scheme as at 31 December 2012 were as follows:

- 1) L&G Global Equity Fixed 60:40 Index – GBP Hedged
- 2) RLAM UK Corporate Bonds Fund
- 3) Baillie Gifford Diversified Growth Pension Fund
- 4) L&G Over 5 Year Index-Linked Gilt Fund
- 5) L&G 2037 Index-Linked Gilt Fund
- 6) L&G 2055 Index-Linked Gilt Fund
- 7) L&G 2047 Index-Linked Gilt Fund

# Bower Group Retirement Benefits Scheme

## Investments Exceeding 5% of Total Assets

The following vehicles exceeded 5% of the total Scheme assets as at 31 December 2012:

L&G Global Equity Fixed 60:40 Index – GBP Hedged  
RLAM UK Corporate Bonds Fund  
Baillie Gifford Diversified Growth Pension Fund  
L&G Over 5 Year Index-Linked Gilts Fund

## Custodial Arrangements

All assets are held in pooled fund units. It is the managers' responsibility to organise the custody of the underlying securities. The custodians for each manager are listed below.

Manager	Custodian
Baillie Gifford	BNY Mellon
L&G	HSBC Bank PLC and Citi Bank N.A
RLAM	HSBC

The custodians are responsible for the safekeeping of share certificates and other documents relating to the ownership of listed investments. Investments are held in the name of each custodian's nominee company, in line with common practice for pension plan investments.

## Employer Related Investments

The Scheme's assets were not directly invested in investments related to the sponsoring employer. However, there was a small exposure to Carillion plc's equity via L&G's UK Equity Fund, in line with the index weight. Therefore, the Scheme holds less than 5% of total assets in Carillion plc equity, the ultimate holding company of the Sponsor.

## Remuneration for Professional Services

Mercer is remunerated on a retainer fee basis for ongoing monitoring and day-to-day consulting issues. Additional consulting projects are quoted for and charged separately.

All of the Scheme's investment managers are remunerated on a fee basis that is dependent on the size of assets under management.

**Mercer**  
February 2013

# Bower Group Retirement Benefits Scheme

## Summary of Contributions Year ended 31 December 2012

### Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the schedule.

### Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme ten months ended 31 December 2012

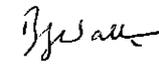
This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the actuary on 18 April 2011 in respect of the Scheme year ended 31 December 2012. The Scheme auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

### Summary of contributions payable during the Scheme ten months ended 31 December 2012

	Financial statements	Schedules of contributions	In excess of the Schedules of Contributions
	£	£	£
<b>Employer contributions</b>			
Deficit funding contributions	698,490	698,490	-
	698,490	698,490	-

Signed for and on behalf of the Trustee:

Trustee Director ..... 

Trustee Director ..... 

Date:

# Bower Group Retirement Benefits Scheme

## Statement about contributions Year ended 31 December 2012

### **Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee, of the Bower Group Retirement Benefit Scheme.**

We have examined the summary of contributions payable under the Schedule of Contributions to the Bower Group Retirement Benefits Scheme in respect of the Scheme Year ended 31 December 2012 which is set out on page 17.

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

#### **Respective responsibilities of Trustee and auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 12, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

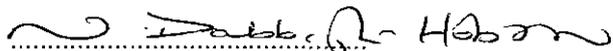
It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Scheme and to report our opinion to you.

#### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

#### **Statement about contributions payable under the Schedules of contributions**

In our opinion contributions for the Scheme year ended 31 December 2012 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedule of contributions dated 18 April 2011.



Nadia Dabbagh-Hobrow, for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham  
B4 6GH

Date: 19 June 2013

# Bower Group Retirement Benefits Scheme

## Independent Auditors' report to the Trustee Year ended 31 December 2012

We have audited the financial statements of Carillion Staff Pension Scheme for the ten months ended 31 December 2012 set out on pages 20 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 12, the Scheme Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



Nadia Dabbagh-Hobrow, for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham  
B4 6GH

Date: 19 June 2013

# Bower Group Retirement Benefits Scheme

## Independent Auditors' report to the Trustee Year ended 31 December 2012

We have audited the financial statements of Carillion Staff Pension Scheme for the ten months ended 31 December 2012 set out on pages 20 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 12, the Scheme Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

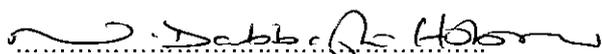
### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



Nadia Dabbagh-Hobrow, for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham  
B4 6GH

Date: 19 June 2013

# Bower Group Retirement Benefits Scheme

## Fund account Year ended 31 December 2012

	Note	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions	3	698,490	582,075
Other income	4	15,297	106,880
		<u>713,787</u>	<u>688,955</u>
Benefits	5	(188,010)	(181,669)
Payments to and on account of leavers	6	(7,057)	(22,454)
Administrative expenses	7	(82,466)	(179,356)
		<u>(277,533)</u>	<u>(383,479)</u>
<b>NET ADDITIONS FROM DEALINGS WITH MEMBERS</b>		<u>436,254</u>	<u>305,476</u>
<b>INVESTMENT RETURNS</b>			
Investment management expenses	8	(11,800)	(5,008)
Change in market value of investments	9	692,022	469,616
<b>NET RETURNS ON INVESTMENTS</b>		<u>680,222</u>	<u>464,608</u>
<b>NET INCREASE IN THE FUND DURING THE YEAR</b>		<u>1,116,476</u>	<u>770,084</u>
<b>OPENING NET ASSETS AT 1 JANUARY 2012</b>		<u>8,315,055</u>	<u>7,544,971</u>
<b>NET ASSETS AT 31 DECEMBER 2012</b>		<u>9,431,531</u>	<u>8,315,055</u>

# Bower Group Retirement Benefits Scheme

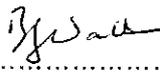
## Net assets statement Year ended 31 December 2012

	Note	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
<b>INVESTMENTS</b>	9	<b>9,345,219</b>	<b>8,257,200</b>
<b>CURRENT ASSETS</b>	10	<b>173,644</b>	<b>236,006</b>
<b>CURRENT LIABILITIES</b>	11	<b>(87,332)</b>	<b>(178,151)</b>
<b>NET ASSETS AT 31 DECEMBER 2012</b>		<b>9,431,531</b>	<b>8,315,055</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does not take account of such obligations, is dealt with in the Trustee report and these financial statements should be read in conjunction with it.

These financial statements were approved by the Trustee at a meeting held on \_\_\_\_\_ and were signed on their behalf by:

Trustee Director..... 

Trustee Director..... 

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

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### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (revised May 2007).

### 2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

#### 2.1 Accruals concept

The financial statements have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

#### 2.2 Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

#### 2.3 Transfers to and from other Schemes

Transfer values have been included in the Financial statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer.

Individual transfer values to and from other pension arrangements represents the amounts received and paid during the year for members who either joined or left the Scheme and are accounted for when a member exercises their option to transfer their benefit.

#### 2.4 Investment income

Investment income on cash deposits is accounted for on an accruals basis. Dividends and interest on securities are accounted for to the extent that they are declared and payable.

Income from pooled investment vehicles is not distributed but is reinvested and included within the closing value of the fund at the year end.

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

### 2.5 Valuation of investments

The market value of pooled investment vehicles is based on the bid price operating at the accounting date, as advised by the investment managers.

Unquoted securities have been valued by the Trustee after taking the available professional advice.

### 2.6 Additional Voluntary Contributions (AVCs)

AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statements.

## 3. CONTRIBUTIONS

	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
Employer deficit funding contributions	<u>698,490</u>	<u>582,075</u>

## 4. OTHER INCOME

	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
Interest on cash deposits	172	156
Annuities	15,125	12,604
Old liabilities no longer required*	-	94,120
	<u>15,297</u>	<u>106,880</u>

\* Relates to the net write off of historical liabilities and assets due to/from the employer that are no longer payable/receivable for which permission has been granted by the employer to write off.

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

### 5. BENEFITS

	For the year ended <b>31 December</b> 2012 £	For the year ended <b>31 December</b> 2011 £
Pension payments	144,750	107,366
Lump sum payments and death benefits	43,260	74,303
	<u>188,010</u>	<u>181,669</u>

### 6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	For the year ended <b>31 December</b> 2012 £	For the ten months ended <b>31 December</b> 2011 £
Individual transfers out	<u>7,057</u>	<u>22,454</u>

### 7. ADMINISTRATIVE EXPENSES

	For the year ended <b>31 December</b> 2012 £	For the ten months ended <b>31 December</b> 2011 £
Legal Fees	5,090	25,880
Actuarial	8,209	19,275
Administration/Pension Consultancy	62,021	118,565
Audit	5,343	12,745
Bank charges	462	1,200
The Pensions Regulator	1,341	1,691
	<u>82,466</u>	<u>179,356</u>

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

### 8. INVESTMENT MANAGEMENT EXPENSES

	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
Administration, management & custody	<u>(11,800)</u>	<u>(5,008)</u>
	<u>(11,800)</u>	<u>(5,008)</u>

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

### 9. INVESTMENTS

	Value at 01/01/2012 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31/12/2012 £
Pooled investment vehicles	8,180,261	2,339,950	(1,936,896)	689,277	9,272,592
AVC investments	76,939	-	(7,057)	2,745	72,627
	<b>8,257,200</b>	<b>2,339,950</b>	<b>(1,943,953)</b>	<b>692,022</b>	<b>9,345,219</b>

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

There is no direct overseas investment by the Scheme. All funds are invested with companies registered in the UK.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not, therefore, separately identifiable.

### POOLED INVESTMENT VEHICLES

	For the year ended 31 December 2012 £	For the ten months ended 31 December 2011 £
Baillie Gifford	1,966,510	-
Newton Intrepid	-	1,877,159
Royal London	2,355,644	2,026,651
Legal & General	4,950,418	4,276,451
	<b>9,272,592</b>	<b>8,180,261</b>

## Bower Group Retirement Benefits Scheme

### AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown below.

	Year ended 31 December 2012 £	Ten months ended 31 December 2011 £
Bank of Ireland	47,012	47,012
Clerical Medical (Unit Linked)	23,844	28,221
Clerical Medical ( With Profits)	1,771	1,706
	<u>72,627</u>	<u>76,939</u>

# Bower Group Retirement Benefits Scheme

## Notes to the financial statements Year ended 31 December 2012

### 10. CURRENT ASSETS

	For the year ended <b>31 December</b> 2012 £	For the ten months ended <b>31 December</b> 2011 £
Cash deposits held	<u>173,644</u>	<u>236,006</u>

### 11. CURRENT LIABILITIES

	For the year ended <b>31 December</b> 2012 £	For the ten months ended <b>31 December</b> 2011 £
HMRC Reimbursable to Employer	<u>1,822</u> <u>85,510</u>	- <u>178,151</u>
	<u>87,332</u>	<u>178,151</u>

### 12. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. Additionally, certain Directors of the Trustee Company have an interest as a deferred member of the Scheme due to their service as an employee with the employer.

During the Scheme accounting period, the Principal Employer paid the pension payroll. The Scheme reimbursed the Principal Employer each month, the total reimbursement for the year being £144,750 (ten months to 31 December 2011: £107,366).

In addition, Carillion plc have re-charged the Scheme for legal, actuarial, audit, administration and processing fees of £85,510 (2011 £178,151). These amounts are included within the administration expenses.

# Bower Group Retirement Benefits Scheme

## Actuarial Statements Year ended 31 December 2012

### Schedule of Contributions, incorporating actuarial certificate

#### Status of this document

This schedule has been prepared by the Trustee of the Carillion Staff Pension Scheme 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 Scheme following the 28 February 2010 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 18 April 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 1 May 2011 to 31 March 2018.

##### 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 18 April 2011

The Employer shall pay shortfall correction contributions of £698,490 per annum by monthly instalments of £58,207.50 for the period from 1 May 2011 to 31 March 2018.

# Bower Group Retirement Benefits Scheme

## Actuarial Statements Year ended 31 December 2012

### 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

The Employer's monthly contribution of £58,207.50 (£698,490 per annum) includes £65,000 per annum towards the Scheme's expenses. In addition, the Employer will meet the Cost of Pension Protection Fund Levies.

### 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 Bower Group Retirement Benefits Scheme on 18 April 2011.

Signed on behalf of Carillion plc

Name

Position

Date of signing

Signed on behalf of the Trustee of the  
Bower Group Retirement Benefits  
Scheme

Name

Position

Date of signing

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

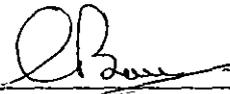
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GERARD BROWN

DIRECTOR

12/06/2013

# Bower Group Retirement Benefits Scheme

Actuarial Statements  
Year ended 31 December 2012

## Certification of schedule of contributions

Name of Scheme

Bower Group Retirement Benefits 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 could have been expected on 28 February 2010 to be met by the end of the period specified in the recovery plan dated 18 April 2011.

## 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 to be wound-up.

Signature

Scheme Actuary

Date of signing

Name of Employer

Dudley Bower Group Plc

Address

24 Birch Street  
Wolverhampton  
WV1 4HY

Qualification

Fellow of the Institute and Faculty of Actuaries

# Bower Group Retirement Benefits Scheme

## Compliance statement Year ended 31 December 2012

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### Introduction

The Scheme is a defined benefit scheme and is administered by SPM Employee Benefits Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10068399X.

### Other information

- (i) The Trustee is required to provide certain information about the scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes  
PO Box 1NN  
Newcastle Upon Tyne  
NE99 1NN

- (ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation an Occupational Pension scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. Enquiries should be addressed to:

The Pensions Ombudsman  
11 Belgrave Road  
London  
SE1V 1RB

- (iii) The Pensions Advisory Service exists to assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Scheme. PAS may be contacted at:

PAS The Pensions Advisory Service  
11 Belgrave Road  
London  
SE1V 1RB

- (iv) The Pensions Regulator (TPR) can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW

# Bower Group Retirement Benefits Scheme

## Compliance statement Year ended 31 December 2012

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- (v) The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

- (vi) The Trust Deed and rules, the Scheme details, and a copy of the Schedule of Contributions and Statement of investment principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the Scheme, SPM Employee Benefits Limited, at the address detailed in this report.