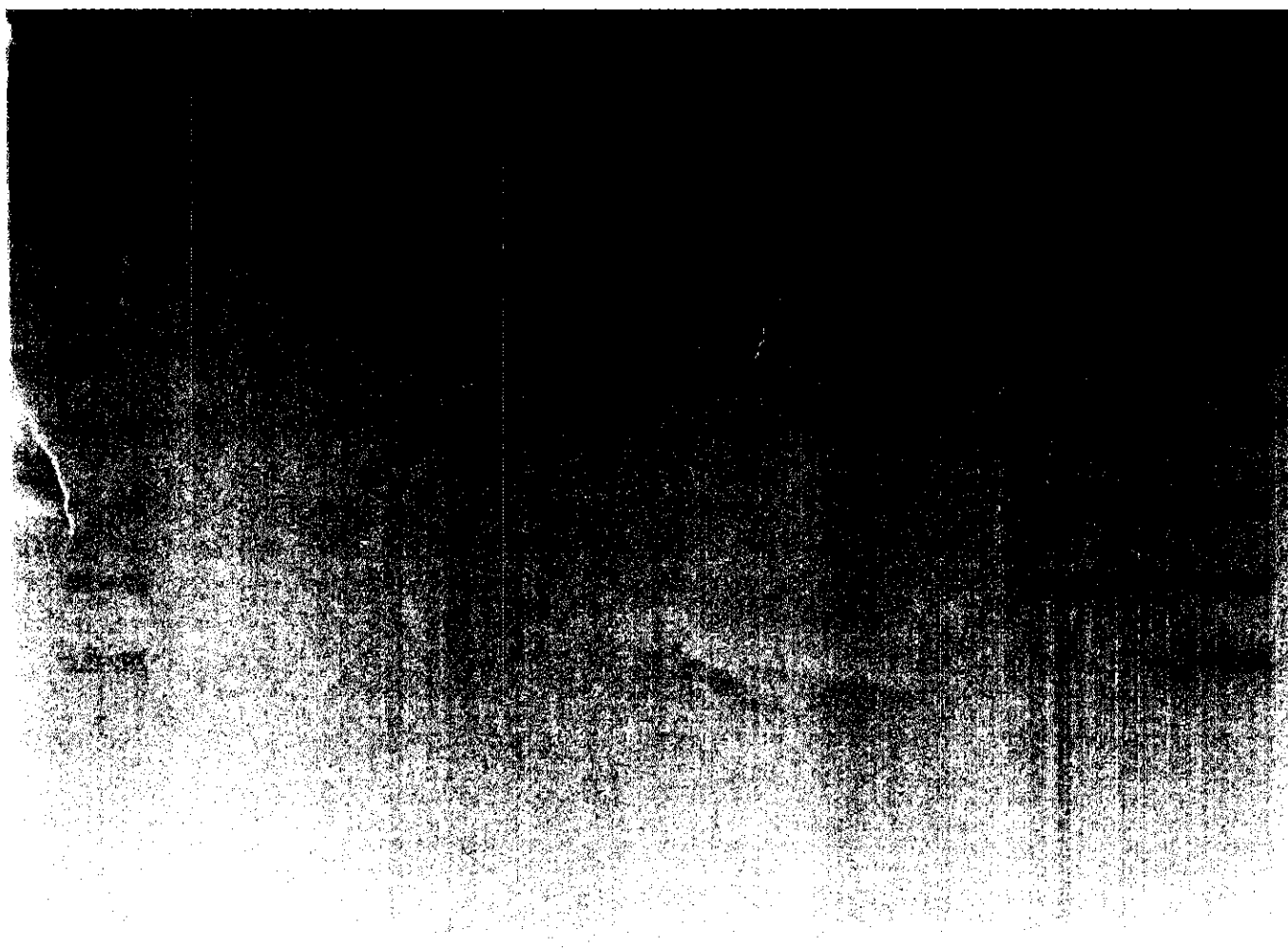


Bower Group Retirement Benefits Scheme

Report and Financial Accounts

Year ended 31 December 2013

Registrar of Occupational and Personal Pension Schemes Registration Number 10068399



Bower Group Retirement Benefits Scheme

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Bower Group Retirement Benefits Scheme

Advisers
Year ended 31 December 2013

Scheme Actuary
Edwin Topper FIA
Mercer Limited

Scheme Administrators
SPM Employee Benefits Limited (until 5 August 2013)
Ensign Pensions Administration* (appointed 5 August 2013)

Auditor
KPMG LLP

Bankers
HSBC Bank plc
National Westminster Bank plc (appointed August 2013)

AVC Providers
Bank of Ireland Group
Clerical Medical Investment Group Ltd

Investment Managers
Insight Investment Management (Global) Limited (appointed August 2013)
Legal & General Investment Management Limited
Royal London Asset Management Limited (until August 2013)
Baillie Gifford & Co

Custodians
BNY Mellon
Northern Trust
HSBC Bank plc
Citibank N.A.

Investment Adviser
Mercer Limited

Legal Advisor
Sacker & Partners LLP

Principal Employer
Dudley Bower Group Plc

Contact Address
Ensign Pensions Administration
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

* On 24 March 2014 JLT Employee Benefits ("JLT") announced its intended acquisition of Ensign Pensions Administration Limited which was completed on 1 May 2014. JLT has reassured the Trustee that the benefits will continue to be administered by the Ensign team in Leatherhead.

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

Introduction

The Trustee presents its Annual Report together with the audited financial statements of the Bower Group Retirement Benefits Scheme (the "Scheme") for the year ended 31 December 2013. The Scheme is a defined benefit scheme and is administered by Ensign Pensions Administration ("Ensign") in accordance with the establishing document and rules, solely for the benefit of its members and their dependants on the member's retirement and death.

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

During 2013 the Trustees of all the Carillion defined benefit (final salary) pension schemes undertook a joint review of the administration for the eight Carillion defined benefit schemes. The review committee concluded that Ensign should be recommended to the Trustees of each scheme for appointment as administrator (to three of the schemes) or retention as administrator (for five of the schemes). The Trustees of the Scheme accepted the advice of the review committee and replaced SPM Employee Benefits Limited with Ensign. The transition took place on 1 August 2013.

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). The other participating Employer with eligible employees who are entitled to be members of the Scheme is PME Technical Services Ltd. The Employer's registered address is 24 Birch Street, Wolverhampton, WV1 4HY.

Appointment and removal of Trustee/management of the Scheme

The Scheme is managed by the Trustee, 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. Two of the current Member Nominated Directors ("MNDs") were co-opted from the previous Trustee companies of five of the six schemes for which it acts as Trustee. All other MNDs (including some who were originally co-opted) have been selected through nominations (and if appropriate elections).

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

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

Appointed by the Employer:

Robin Ellison (Independent Chair)
Simon Eastwood
Robin Herzberg
Lee Mills
Alison Shepley
Brian Watkins

Appointed by the members:

David Benson (resigned 19/08/2013)
Alan Bratt (appointed 12/06/2013)
Gerald Brown (re-appointed 01/04/2014)
Steven Brunswick
Stephen Chandler (resigned 30/04/2014)
Peter Forsyth (appointed 08/01/2014)
Graham Hindley (re-appointed 01/04/2014)
Paul Kitto
Quentin Leiper
Stephen Rowland (re-appointed 01/04/2014)
Iain Simmonds

The terms of office for Graham Hindley, Stephen Rowland, Gerald Brown and Stephen Chandler ended on 31 March 2014. Stephen Rowland, Graham Hindley and Gerald Brown were all re-nominated. As there were no other nominations for Stephen Rowland and Graham Hindley's constituencies, each will serve a further term. Gerald Brown was re-elected in the Mowlem Staff and Bower constituency and will serve a further term. As there were no nominations from the employed deferred members to replace Stephen Chandler, he remained on the Board until 30 April 2014 and pensioner members in the PME constituency have been invited to stand.

Trustee Knowledge & Understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and to be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding ("TKU") to assist trustees on this matter which became effective from 6 April 2006 and subsequent revisions were made in November 2009. The Trustee Directors recognise the need for, and participate in, on-going training, including seminars and the Pension Regulator's 'Trustee Toolkit' training program.

Changes to the Scheme

There were no changes to the Scheme during the year.

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

Pensions in payment

In accordance with the Scheme's Trust Deed and Rules, pensions in payment at 1 March 2013 were increased as follows:

- I. For pension in respect of pensionable service from 6 April 1997 the increase was 3.1%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December (subject to a maximum of 5%).
- II. No discretionary increases were granted to pensions in payment for service prior to 6 April 1997.

Increases on the Guaranteed Minimum Pension ("GMP") are given partly by the Scheme and partly by the State.

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 GMP part of members' deferred benefits is increased at a fixed rate dependent on the date of leaving for each complete tax year to State Pension Age.
- II. The part of the deferred benefits in excess of the GMP is increased in line with statutory requirements over the period to Normal Retirement Date subject to a maximum of 5% per annum.

Transfer Values

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.

In October 2009, the Trustee reduced the external transfer values available to members to reflect the level of funding within the Scheme; this measure was taken to protect the remaining members. It was reviewed during 2013 and will continue to be reviewed annually.

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

Membership

Details of the membership of the Scheme as at 31 December 2013 are given below: -

	Total 2013	Total 2012
PENSIONERS		
Pensioners at the start of the year	78	70
Members retiring during the year	10	9
New beneficiaries	1	1
Deaths	(1)	(2)
PENSIONERS AT THE END OF THE YEAR	88	78
MEMBERS WITH PRESERVED BENEFITS		
Number at the start of the year	206	216
Adjustment	1	-
Deferred pensioners becoming pensioners	(10)	(9)
Deaths	-	(1)
MEMBERS WITH PRESERVED BENEFITS AT THE END OF THE YEAR	197	206
TOTAL MEMBERSHIP AT THE END OF THE YEAR	285	284

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

These membership figures do not include movements notified to the Administrator after completion of the report.

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

Financial development of the Scheme

The Financial statements on pages 17 to 18 show that the value of the Scheme's assets increased by £1m to £10.5m as at 31 December 2013. The increase was comprised of net additions from dealings with members of £231k together with a net increase in the returns on investments of £863k.

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.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 17 to 24.

Contributions

Contributions received from participating Employers were in accordance with the Schedules of Contributions dated 18 April 2011 and 11 February 2014. This is set out on pages 29 to 31.

The Schedule of Contributions in force from 29 October 2010 expected deficit contributions of £698,490 to be received in relation to 2013 (see Appendix). This amount was received during 2013 as shown on page 17.

Investments – policy

The Trustee's investment policy is detailed in their Statement of Investment Principles ("SIP"). 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.

L&G – fees are paid by encashment of units from the fund at rates of 0.105% p.a. and 0.025% p.a. of the value of the fund, depending on the fund invested in.

Insight Investment – fees are charged directly to the fund at a rate of 0.12% p.a. of the fund value.

Bower Group Retirement Benefits Scheme

Trustee Report Year ended 31 December 2013

Baillie Gifford - fees are charged directly to the fund and calculated on a sliding fee scale, which is dependent on the value of assets invested in the fund. As such, fees are levied at a rate between 0.45% p.a. and 0.65% p.a. of the fund value. Please note that assets with Baillie Gifford are amalgamated across all of the Schemes within the Carillion Group for fee calculation purposes.

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.

Investment performance

Details of investment performance can be found in the Investment Report on pages 10 to 13.

Further information

Members are entitled to inspect copies of documents giving information about the Scheme.

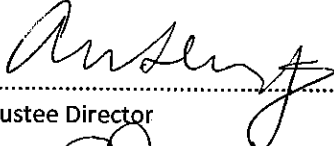
Any member with a complaint or unresolved query can use the Internal Disputes Resolution Procedure ("IDRP") or, alternatively, they can obtain free advice through the Pensions Advisory Service ("PAS") who can be contacted at 11 Belgrave Road, London SW1V 1RB. If a member has a complaint which PAS is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

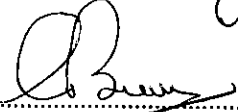
In the event of a complaint a copy of the IDRP can be requested from Group HR (Pensions) at Carillion plc, Birch Street, Wolverhampton, WV1 4HY.

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

The Trustee of Bower Group Retirement Benefits Scheme care of: Ensign Pensions Administration, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET.

This report, including the Compliance Statement, was approved by the Trustee on 10 June 2014 and signed on its behalf by:


.....
Trustee Director


.....
Trustee Director

Bower Group Retirement Benefits Scheme

Statement of Trustee Responsibilities Year ended 31 December 2013

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' (revised May 2007).

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 Year ended 31 December 2013

Investment Background

2013 was a much stronger year for growth assets than many had anticipated, with stellar returns from developed equity markets led by the US. As the recovery of all major developed economies began to broaden and the Eurozone emerged from recession, investor sentiment gradually improved over the year, albeit it was not a smooth ride. Events like the Italian elections in early 2013, the EU-IMF bail-out of Cyprus in March, the speech by Mr Bernanke on the potential tapering of the US Quantitative Easing programme in May and the US Government shutdown in October heightened investor's fear on the credibility of the central bank and government policies and introduced volatility in the markets.

Positive economic data coming from the developed economies, such as the US and UK, shifted up a gear towards the end of 2013 and it appeared that global production growth gained further momentum. Whilst the global consensus on real GDP forecast for 2013 remains at 2.4%, the forecast for 2014 is 3.1% (according to Consensus Economics, January 2014).

While global economic activity accelerated notably in many of the developed economies, this had not been the case in many parts of the emerging economies. Emerging markets were laggards in 2013 and remained differentiated both in terms of economic growth prospects and political environment. The political unrest and instability in some of the emerging economies undermined the performance of their equity markets. Following the sell off over the summer, emerging market debt, equity and currency reached some stability in the last quarter of 2013.

At the global level, the FTSE World Index, returned strongly over the calendar year of 2013 at 22.4% in sterling terms. Conversely, emerging markets declined by 5.3% in sterling terms according to the FTSE AW Emerging Markets Index.

At a regional level, European markets increased by 25.2% in sterling terms as indicated by the FTSE World Europe ex UK Index. UK, US and Japanese stocks also recorded strong growth. The FTSE All Share Index grew 20.8%, the FTSE USA Index rose 30.4% in sterling terms and the FTSE Japan Index grew 25.0% in sterling terms.

Returns on UK Government Bonds, as measured by the FTSE Gilts All Stocks Index, fell 3.9%, while long dated issues as measured by the corresponding Over 15 Year Index decreased by 5.9%. The yield for the FTSE Gilts All Stocks Index rose significantly over the year, from 2.5% to 3.2%. The FTSE All Stocks Index Linked Gilts Index returned 0.5%, with the corresponding 15 Year Index also exhibiting a positive return of 2.2%.

Corporate debt, as measured by the BofA Merrill Lynch Sterling Non-Gilts Index, had a modest return of 0.8% over the year.

Over the 12 month period to 31 December 2013, the IPD UK All Property Index returned 10.9% in sterling terms. The three main sectors of the UK Property market (retail, office and industrial) each recorded positive returns over the period.

Delegation of Responsibilities

The overall investment policy of the Scheme is determined by the Trustee, in consultation with 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

Investment Report Year ended 31 December 2013

Management of the Assets

As at 31 December 2013, the Scheme's assets were managed by Baillie Gifford & Co ("Baillie Gifford"), Insight Investment Management Global Limited ("Insight") and Legal & General Investment Management Limited ("L&G").

The Scheme's overall 50%/50% strategic split between growth and bond assets remained unchanged over 2013.

Over 2013, there was a change to the Scheme's investment strategy. In August 2013, the Scheme disinvested its RLAM Corporate Bond assets in order to fund the Insight Buy and Maintain Credit Fund.

The investment strategy for the Scheme, as at 31 December 2013, is shown in the tables below:

Asset Class	Strategic Allocation %
Growth	50.0
Global Equities	25.0
Diversified Growth Fund (DGF)	25.0
Bonds	50.0
Buy and Maintain Credit	25.0
Index-Linked Gilts	25.0
Total Scheme	100.0

Manager	Strategic Allocation %
L&G (global equities and bonds)	50.0
Baillie Gifford (DGF)	25.0
Insight (Buy and Maintain Credit)	25.0
Total Scheme	100.0

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 subsequent legislation. A copy of the SIP is available on request. There were no departures from investments permissible in the SIP during the year.

Strategic management of the assets is the responsibility of the Trustee acting on expert advice and in line with 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

Investment Report Year ended 31 December 2013

The Scheme's Investments

As at 31 December 2013, the market value of the Scheme's investments (based on bid prices where applicable) amounted to £10.4m. The distribution of these assets across the whole portfolio is highlighted in the table below:

Manager	Asset Class	31 December 2013		Target
		£m	%	%
Baillie Gifford	DGF	2.2	21.3	25.0
L&G	Global Equities	3.4	32.2	25.0
	Over 5 year Index-Linked Gilts	1.0	9.7	10.0
	2037 Index-Linked Gilt	0.4	4.5	
	2047 Index-Linked Gilt	0.5	4.6	15.0
	2055 Index-Linked Gilt	0.5	4.7	
Insight	Buy and Maintain Credit	2.4	23.0	25.0
Total		10.4	100.0	100.0

Source: Investment managers, figures subject to rounding.

All assets are marketable. Baillie Gifford DGF assets are valued on a daily basis, while L&G and Insight funds are valued on a weekly basis.

Investment Performance

The Scheme's performance is compared with a composite benchmark which is based on the target allocation of 50% growth assets and 50% bond assets. 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 and two year periods to 31 December 2013 is shown in the table below. Performance takes into account the strategy changes over the year.

	1 year to 31 December 2013	2 years to 31 December 2013
	%	%
Scheme	9.6	8.9
Benchmark	6.3	6.5

Source: Investment managers, Mercer, gross of fees.

Largest Investments

The largest investments for the scheme as at 31 December 2013 were as follows:

- 1) L&G Global Equity Fixed 60:40 Index – GBP Hedged
- 2) Insight Special Buy and Maintain Fund 1
- 3) Baillie Gifford Diversified Growth Pension Fund
- 4) L&G Over 5 Year Index-Linked Gilt Fund
- 5) L&G 2055 Index-Linked Gilt Fund
- 6) L&G 2047 Index-Linked Gilt Fund
- 7) L&G 2037 Index-Linked Gilt Fund

Bower Group Retirement Benefits Scheme

Investment Report Year ended 31 December 2013

Investments Exceeding 5% of Total Assets

The following vehicles exceeded 5% of the total Scheme assets as at 31 December 2013:

- 1) L&G Global Equity Fixed 60:40 Index – GBP Hedged
- 2) Insight Special Buy and Maintain Fund 1
- 3) Baillie Gifford Diversified Growth Pension Fund
- 4) 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
Insight	Northern Trust
L&G	HSBC Bank PLC and Citi Bank N.A

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, as at 31 December 2013 there was a small exposure to Carillion plc's equity via the L&G Global Equity Fixed 60:40 Index – GBP Hedged 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.

Environmental, Social and Corporate Governance

The Trustee has given the Scheme's investment managers full discretion when evaluating Environmental, Social and Corporate Governance ("ESG") issues and in exercising voting rights attached to the Scheme's investments. The Trustee monitors activities delegated to the Scheme's investment managers on a regular basis.

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 and charged for 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 2014

Bower Group Retirement Benefits Scheme

Summary of Contributions Year ended 31 December 2013

Statement of Trustee Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pension's 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 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 Summary of Contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 December 2013

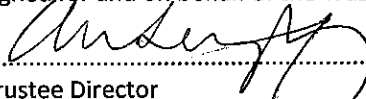
This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 18 April 2011 in respect of the Scheme year ended 31 December 2013. The Scheme auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

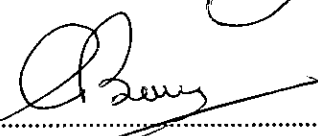
Summary of contributions payable during the Scheme year ended 31 December 2013

Contributions payable to the Scheme by the Employer under the Schedule of Contributions in respect of the year ended 31 December 2013 were as follows:

	Financial statements	Schedule of Contributions	Amount in excess of the Schedule of Contributions
	£000	£000	£000
Employer deficit funding contributions	699	698	1

Signed for and on behalf of the Trustee:


.....
Trustee Director


.....
Trustee Director

Date: 10 June 2014

Bower Group Retirement Benefits Scheme

Statement about Contributions For the year ended 31 December 2013

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 Scheme in respect of the Scheme year ended 31 December 2013 which is set out on page 14.

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 9, 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.

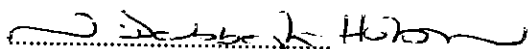
It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

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 2013 as reported in the summary of contributions and payable under the Schedule 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: 25 July 2014

Bower Group Retirement Benefits Scheme

Independent Auditor's Report to the Trustee For the year ended 31 December 2013

We have audited the financial statements of Bower Group Retirement Benefits Scheme for the year ended 31 December 2013 set out on pages 17 to 24. 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 9, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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

contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



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

Date: 25 July 2014

Bower Group Retirement Benefits Scheme

Fund Account For the year ended 31 December 2013

	Note	For the year ended 31 December 2013 £000	For the year ended 31 December 2012 £000
CONTRIBUTIONS AND BENEFITS			
Contributions received	3	699	698
Other income	4	15	16
		<u>714</u>	<u>714</u>
Benefits paid	5	(328)	(188)
Payments to and on account of leavers	6	-	(7)
Administrative expenses	7	(155)	(83)
		<u>(483)</u>	<u>(278)</u>
NET ADDITIONS FROM DEALINGS WITH MEMBERS		<u>231</u>	<u>436</u>
INVESTMENT RETURNS			
Investment income	8	3	-
Investment management expenses	9	(12)	(12)
Change in market value of investments	10	872	69
NET RETURNS ON INVESTMENTS		<u>863</u>	<u>57</u>
NET INCREASE IN THE FUND DURING THE YEAR		<u>1,094</u>	<u>493</u>
OPENING NET ASSETS AT 1 JANUARY 2013		<u>9,432</u>	<u>8,943</u>
NET ASSETS AT 31 DECEMBER 2013		<u>10,526</u>	<u>9,432</u>

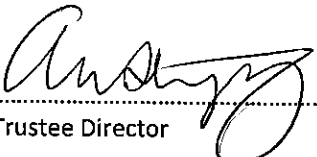
Bower Group Retirement Benefits Scheme

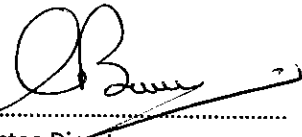
Net Assets Statement As at 31 December 2013

	Note	For the year ended 31 December 2013 £000	For the year ended 31 December 2012 £000
INVESTMENTS	10	10,500	9,345
CURRENT ASSETS	11	131	174
CURRENT LIABILITIES	12	(105)	(87)
NET ASSETS AT 31 DECEMBER 2013		10,526	9,432

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 *10 June* 2014 and were signed on their behalf by:


Trustee Director


Trustee Director

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

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

2.5 Valuation of investments

The market value of pooled investment vehicles at the accounting date is based on the bid price for funds with bid/offer spreads; or single price where there are no bid/offer spreads, as advised by the investment managers.

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.

2.7 Administration Expenses

Administration expenses are accounted for when they fall due.

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

3. CONTRIBUTIONS RECEIVED

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Employer deficit funding contributions	<u>699</u>	<u>698</u>

Deficit funding contributions are being paid by the Employer into the Scheme in accordance with a recovery plan in order to improve the Scheme's funding position. The contributions were paid in accordance with the Recovery Plan dated 18 April 2011. However a new Recovery Plan was signed on 11 February 2014. The Employer deficit funding contributions for the Scheme are the same under both Recovery Plans.

4. OTHER INCOME

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest on cash deposits	-	1
Annuities	<u>15</u>	<u>15</u>
	<u>15</u>	<u>16</u>

5. BENEFITS PAID

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Pension payments	168	145
Lump sum payments and death benefits	160	43
	<u>328</u>	<u>188</u>

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Individual transfers to other Schemes	-	7

7. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Legal Fees	13	5
Actuarial fees	58	8
Administration fees	76	62
Audit fee	6	6
Bank charges	1	1
Regulatory fees	1	1
	155	83

8. INVESTMENT INCOME

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Income from pooled investment vehicles	3	-

9. INVESTMENT MANAGEMENT EXPENSES

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Administration, management & custody	12	12

The administration, management and custody fees are those explicitly charged to the Scheme.

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

10. INVESTMENTS

	Value at 01/01/2013 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31/12/ 2013 £000
Pooled investment vehicles	9,272	2,687	(2,386)	872	10,445
AVC investments	73	-	(18)	-	55
	9,345	2,687	(2,404)	872	10,500

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 as all funds are invested with companies registered in the UK apart from the investment held with BlueBay Asset Management which is based in the Cayman Islands.

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.

During August 2013, a total of £2.3m was transferred from Royal London Asset Management to a new Insight Special Buy and Maintain Fund (Class B Shares), both investments being in Corporate Bonds.

POOLED INVESTMENT VEHICLES

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Diversified Growth	2,226	1,966
Fixed Interest	-	2,356
Overseas Equities	3,365	
Index Linked	2,448	4,950
Buy & Maintain Credit	2,406	-
	10,445	9,272

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

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 2013 £000	Year ended 31 December 2012 £000
Bank of Ireland	47	47
Clerical Medical	8	26
	<u>55</u>	<u>73</u>

11. CURRENT ASSETS

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Cash deposits held	<u>131</u>	<u>174</u>

12. CURRENT LIABILITIES

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Amounts due to HMRC	4	2
Reimbursable to Employer	70	85
Benefits payable	<u>31</u>	<u>-</u>
	<u>105</u>	<u>87</u>

Bower Group Retirement Benefits Scheme

Notes to the Financial Statements For the year ended 31 December 2013

13. 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 either as a pensioner or deferred member of the Scheme due to their service as an employee with the Employer.

During the period January to July 2013 (January to December 2012) the Principal Employer paid the pension payroll. The Scheme reimbursed the Principal Employer each month, the total reimbursement for the year being £94.7k (2012: £144.8k).

Carillion plc have re-charged the Scheme for administration and processing fees of £8k in 2013 (2012: £12k). The amounts are included within the administrative expenses shown in note 7.

Bower Group Retirement Benefits Scheme

Actuarial Statement Year ended 31 December 2013

Actuarial valuation

The 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 have 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 its present form.

The most recent actuarial valuation of the Scheme was undertaken as at 31 December 2012 and the next due at 31 December 2015. The actuarial certificate required under section 227 relating to the 2012 required by law, is set out on pages 29 to 31.

Bower Group Retirement Benefits Scheme

Actuarial Statement
Year ended 31 December 2013

The results of the valuation on 31 December 2012

Discontinuance basis

If the Scheme was wound up on 31 December 2012, the actuary estimated the shortfall would have been £7.7m. This is equal to a funding level of 55%.

The scheme-specific funding position (the technical provisions)

On 31 December 2012, the actuary found that if the Scheme was 100% funded the full amount needed to provide benefits was £17.1m. The market value of the Scheme's assets was £9.4m which gave a shortfall of £7.7m (i.e. the Scheme was also 55% funded on the technical provisions basis as its funding target is to maintain assets equal to the liabilities where those liabilities are assessed on a "discontinuance" basis).

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 30 June 2023, with the Employer paying contributions of £0.7m per annum by monthly instalments.

Movements over the last year since the valuation

Over the year to 31 December 2013 the funding position has improved to an estimated 59%. The improvement is due to positive investment returns and contributions from the Company, albeit partially offset due to an increase in the liabilities owing to an increase in the Actuary's estimate of insurers' prices.

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

Full details of the formal valuation as at 31 December 2012 are given in the Actuary's valuation report. A copy is available on request from Group HR (Pensions), Carillion plc, 24 Birch Street, Wolverhampton, WV1 4HY.

During 2013 the Trustee sent out Summary Funding Statements to members, as required by law, to set out the financial position of the Scheme.

Bower Group Retirement Benefits Scheme

Compliance Statement For the year ended 31 December 2013

Introduction

The Scheme is a defined benefit scheme and is administered by Ensign Pensions Administration 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 **10068399**.

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 Pension Schemes Registry
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 Office of 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:

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 Employer are not carrying out their duties correctly. The address for TPR is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Bower Group Retirement Benefits Scheme

Compliance Statement For the year ended 31 December 2013

- (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 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, Ensign Pensions Administration, at the address detailed in this report.

Bower Group Retirement Benefits Scheme

Appendix

SCHEDULE OF CONTRIBUTIONS

Bower Group Retirement Benefits Scheme ("the Scheme")

Status of this document

This schedule has been prepared by the Trustee of the Bower Group Retirement Benefits Scheme ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document supersedes all earlier versions of the Schedule of Contributions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Dudley Bower Group Plc, on 11 February 2014

The Trustee and the employer have signed this schedule on page 2 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 on page 3.

Contributions to be paid to the Scheme from 31 December 2012 to 30 June 2023

Members' contributions

Since the Scheme is now closed to future accrual no member contributions are payable.

Employer's contributions in respect of the shortfall in funding as per the recovery plan of 11 February 2014

The employer shall pay an annual shortfall-correction contribution of £698,490 per annum, no less frequently than monthly from 31 December 2012 to 30 June 2023 inclusive. These contributions shall normally fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the subsequent month. However, the Trustee and employer can agree for payments to be made earlier than their due dates if appropriate and, if so, the date of payment will become the due date.

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 contributions to be paid by the Employer include an implicit allowance for administration expenses as these are allowed for in the Technical Provisions by including a reserve in the liabilities. The contributions do not include an allowance for the Pension Protection Fund levy to be paid from the Scheme. The Employer will pay the Pension Protection Fund levy in addition.

Bower Group Retirement Benefits Scheme

Appendix

Unless the Trustee otherwise agrees, Carillion plc undertakes to provide, by no later than 31 December 2017, a guarantee to the Trustee in a similar form to that made by way of deed dated 17 May 2011 (or, if different, in a similar format to that being used for guarantees to the other single trustee schemes at the relevant time) in respect of payment obligations which are due for payment under this schedule of contributions between the date of the guarantee and 30 June 2023 (or, if earlier, the date any recovery plan relating to the Scheme ceases).

Dates of review of this schedule

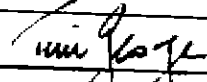
This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due every three years.

Employer and Trustee agreement

This schedule of contributions has been agreed by the Employer Dudley Bower Group Plc, the Trustee of the Bower Group Retirement Benefits Scheme and Carillion Plc on

11 February 2014

Signed on behalf of Carillion Plc



Name

Tim George

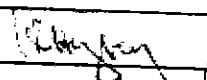
Position

DEPUTY COMPANY SECRETARY

Date of signing

11 February 2014

Signed on behalf of Dudley Bower Group Plc



Name

ROBIN HERZBERG

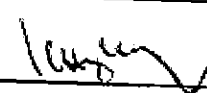
Position

Director

Date of signing

11 February 2014

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



Name

Robin Herzberg

Position

Trustee Director

Date of signing

11 February 2014

Bower Group Retirement Benefits Scheme

Appendix

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 can be expected to be met by the end of the period specified in the recovery plan dated 11 February 2014.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 11 February 2014.

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

Signature

Edwin Topper

Scheme Actuary

Edwin Topper

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

11 February 2014

Name of employer

Mercer Limited

Address

Belvedere
12 Booth Street
Manchester
M2 4AW