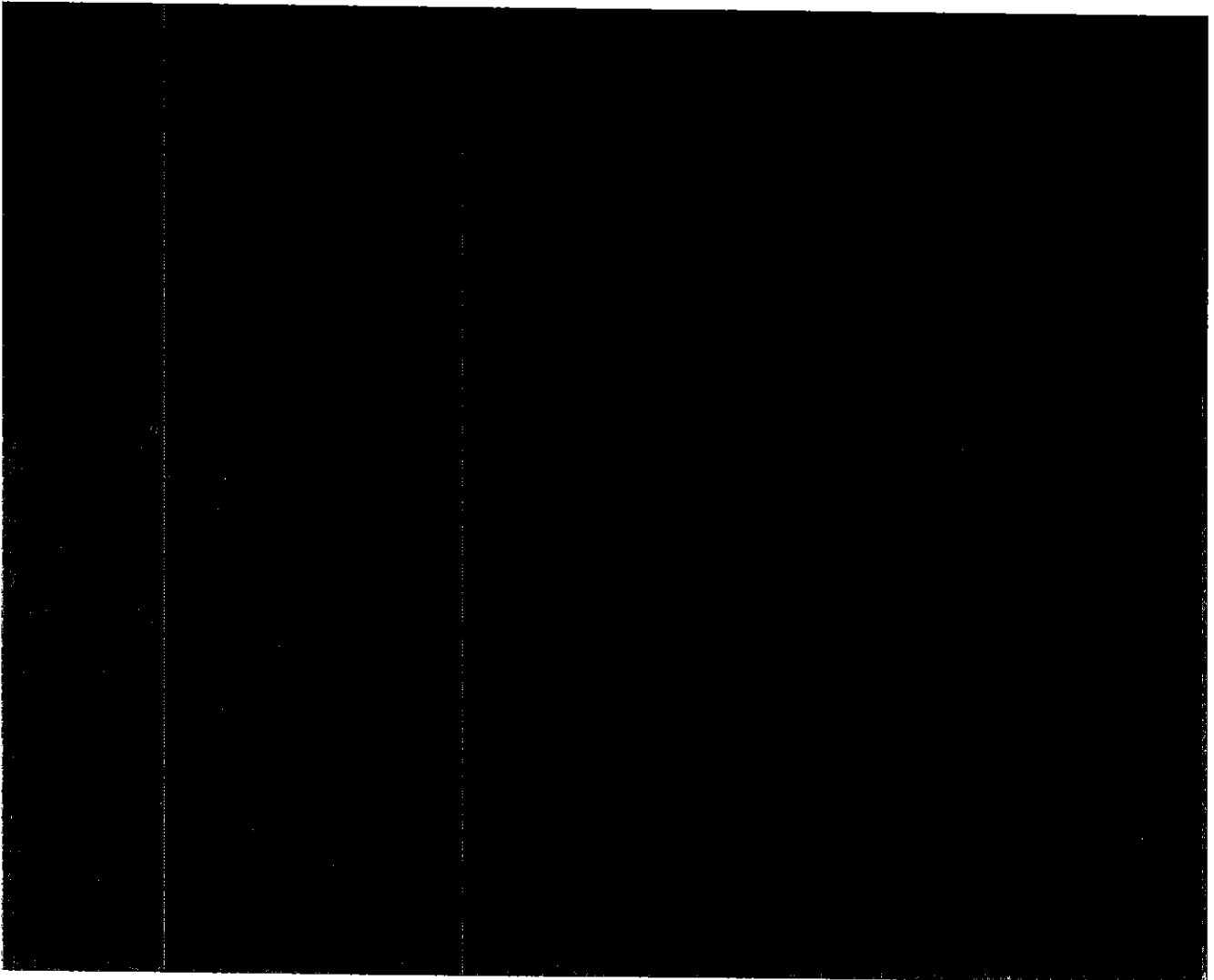


# Mowlem Staff Pension and Life Assurance Scheme

Report and Financial Accounts

Year ended 31 December 2013

Registrar of Occupational and Personal Pension Schemes Registration Number 101393015



# Mowlem Staff Pension and Life Assurance Scheme

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# Mowlem Staff Pension and Life Assurance Scheme

## Advisers

Year ended 31 December 2013

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### **Scheme Actuary**

Edwin Topper, FIA  
Mercer Limited

### **Scheme Administrator**

Ensign Pensions Administration Limited\* (previously known as MNPA Limited)

### **Auditor**

KPMG LLP

### **Banker**

National Westminster Bank Plc

### **AVC providers**

Equitable Life Assurance Society  
Prudential Assurance Company  
Aviva  
Standard Life Assurance Society  
Marine and General Mutual (previously MGM Assurance)  
Legal and General Assurance Society

### **Investment managers**

Legal & General Investment Management Limited  
Origin Asset Management  
BlackRock Advisors (UK) Limited  
Pramerica Real Estate Investors  
Odey Asset Management  
Taube Hodson Stonex Partners  
Baillie Gifford & Co  
Insight Investment Management (Global) Limited (appointed August 2013)  
Bluebay Asset Management (appointed November 2013)  
State Street Global Markets (appointed December 2013)

### **Longevity Swap Counterparty**

Deutsche Bank AG (appointed December 2013)

### **Custodians**

JP Morgan  
Citibank N.A.  
RBC Investor Services Ireland Limited  
HSBC Bank Plc  
Northern Trust  
BNY Mellon  
Brown Brothers Harriman (appointed November 2013)  
State Street Bank & Trust Company (appointed December 2013)

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\* Known as Ensign Pensions Administration from 1 May 2014, following acquisition by JLT Employee Benefits.

# Mowlem Staff Pension and Life Assurance Scheme

**Advisers**  
**Year ended 31 December 2013**

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**Investment Adviser**  
Mercer Limited

**Legal Adviser**  
Sacker & Partners LLP

**Principal Employer**  
Carillion JM Limited

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

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee Report Year ended 31 December 2013

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### Introduction

The Trustee presents its Annual Report together with the audited financial statements of the Mowlem Staff Pension and Life Assurance 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 (previously known as MNPA Limited) 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 Trustee accepted the advice of the review committee and retained Ensign as third party administrator to the Scheme for the next 5 years.

### HMRC approval

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

### The Principal Employer

The Principal Employer is Carillion JM Limited. 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).

# Mowlem Staff Pension and Life Assurance 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)  
Ian 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

The Trustee entered into a longevity swap with Deutsche Bank in respect of the majority of the pensioners in the Scheme as at August 2013. The purpose of the longevity swap is to reduce the risk to the Scheme of the rise in life expectancy and has no impact on benefits provided by the Scheme. As part of the longevity swap a deed of amendment was signed on 18 November 2013 to allow the Trustee power to enter into derivative transactions.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee Report Year ended 31 December 2013

### Pensions in payment

In accordance with the Scheme's Trust Deed and Rules, pensions in payment for the majority of members at 1 June 2013 were increased as follows:

- I. For pension in respect of pensionable service from 6 April 2006 the increase was 2.5%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 March (restricted to a maximum of 2.5%).
- II. For pension in respect of pensionable service prior to 5 April 2006 the increase was 3.3%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 March (restricted to a maximum of 5%).

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

The above varies for certain categories of members and these individuals will have been separately notified of their entitlement. These will include previous members of the Booth and McTay Schemes.

### 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 benefit under the Scheme.

Carillion 2009 Pension Plan members may transfer their benefits into the Scheme if the value is less than £10,000 and the member is retiring.

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.

# Mowlem Staff Pension and Life Assurance 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<br>2013 | Total<br>2012 |
|---|---------------|---------------|
| <b>PENSIONERS</b>   |               |               |
| Pensioners at the start of the year                           | 2,306         | 2,186         |
| Adjustments to pensioners                                     | -             | 1             |
| Deaths  | (75)          | (71)          |
| Members retiring during the year                              | 137           | 151           |
| Commutations  | (4)           | -             |
| New Beneficiaries   | 40            | 39            |
| <b>PENSIONERS AT THE END OF THE YEAR</b>                      | <b>2,404</b>  | <b>2,306</b>  |
| <b>MEMBERS WITH PRESERVED BENEFITS</b>                        |               |               |
| Number at the start of the year                               | 3,898         | 4,012         |
| New Member as a result of divorce sharing order               | 2             | 3             |
| Leavers during the year with preserved benefits               | 33            | 49            |
| Deferred pensioners becoming pensioners                       | (126)         | (136)         |
| Transfers out during the year                                 | (12)          | (10)          |
| Deaths  | (4)           | (12)          |
| Full Commutation  | (7)           | (6)           |
| To No Liability   | -             | (1)           |
| Adjustment  | -             | (1)           |
| <b>MEMBERS WITH PRESERVED BENEFITS AT THE END OF THE YEAR</b> | <b>3,784</b>  | <b>3,898</b>  |
| <b>EMPLOYED DEFERRED MEMBERS</b>                              |               |               |
| Number at the start of the year                               | 330           | 394           |
| Deaths  | -             | (1)           |
| Transfers out during the year                                 | -             | (14)          |
| Retirements   | (11)          | (49)          |
| Members leaving employment with preserved benefits            | (33)          | (14)          |
| <b>EMPLOYED DEFERRED MEMBERS AT THE END OF THE YEAR</b>       | <b>286</b>    | <b>330</b>    |
| <b>TOTAL MEMBERSHIP AT THE END OF THE YEAR</b>                | <b>6,474</b>  | <b>6,534</b>  |

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.



# Mowlem Staff Pension and Life Assurance Scheme

## Trustee Report Year ended 31 December 2013

### Financial development of the Scheme

The financial statements on pages 21 and 22 show that the value of the Scheme's assets increased by £40m to £513.7m as at 31 December 2013. The increase comprises of net withdrawals from dealings with members of £11.5m together with a net increase in investments returns of £51.5m.

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 21 to 30.

### Contributions

Contributions received from the participating Employer were in accordance with the Schedule of Contributions dated 29 October 2010 with the exception of implicit investment expenses which were due to be paid by the Employer from 1 January 2013, but were not received. The Schedule of Contributions dated 29 October 2010 is on pages 39 to 41. Implicit investment expenses have been reserved for under a new Schedule of Contributions which was signed on 13 June 2014 (pages 35 to 38).

The Schedule of Contributions in force from 29 October 2010 expected £10.1m to be received in relation to 2013 (see pages 39 to 41). This amount was received during 2013 as shown on page 21.

### Investments – policy

The Trustee's investment policy is detailed in their Statement of Investment Principles ("SIP"). The Trustee monitors compliance with the Statement of Investment Principles (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<sup>†</sup>

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.

<sup>†</sup> The fee analysis below excludes BlueBay as the fees charged cannot be disclosed to third parties due to the confidentiality agreement in place.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee Report Year ended 31 December 2013

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**Legal & General** – fees are invoiced directly to the Scheme at rates between 0.055% p.a. and 0.08 % p.a. of the fund value depending on the fund invested in.

**BlackRock** - fees are invoiced directly to the Scheme at a rate of 0.35% p.a. on the value of the active UK equity fund. The active UK equity fund also has a performance related fee of 20% on outperformance of the benchmark. The fee charged for the GTAA Fund is solely performance based and equals 30% of any outperformance relative to the benchmark.

**Odey** - fees are charged directly to the fund at a rate of 0.7% p.a. of the fund value. There is also a performance related fee of 20% on outperformance of the benchmark.

**Origin** - fees are invoiced directly to the Scheme at a rate of 0.35% p.a. of the fund value.

**THS** - fees are charged directly to the fund at a rate of 0.65% p.a. of the fund value.

**Pramerica** - fees are charged directly to the fund at a rate of 0.35% p.a. of the fund value for the first five years, and 0.4% p.a. thereafter.

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

**State Street** – fees are invoiced directly to the Scheme at a rate of 0.015% p.a. of the fund value. In addition to this, there are transaction charges.

**Baillie Gifford** – fees are charged directly to the fund and are 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 12 to 17.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee Report Year ended 31 December 2013

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### 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 complaint a copy of the IDRP can be requested from Group HR (Pensions), Birch Street, Wolverhampton, WV1 4HY.

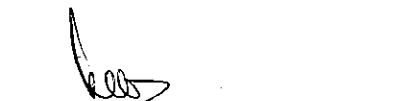
Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of Mowlem Staff Pension and Life Assurance 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  
on its behalf by:

2014 and signed

  
.....  
Trustee Director

  
.....  
Trustee Director/Secretary

# Mowlem Staff Pension and Life Assurance Scheme

## Statement of Trustee Responsibilities Year ended 31 December 2013

### Statement of Trustee 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 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 responsibilities accompanying the Trustee 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.

# Mowlem Staff Pension and Life Assurance 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.

# Mowlem Staff Pension and Life Assurance 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"), BlackRock Advisors (UK) Limited ("BlackRock"), BlueBay Asset Management ("BlueBay"), Insight Investment Management (Global) Limited ("Insight"), Legal & General Investment Management Limited ("L&G"), Odey Asset Management ("Odey"), Origin Asset Management ("Origin"), Pramerica Real Estate Investors ("Pramerica"), State Street Global Markets ("SSGM") and Taube Hodson Stonex Partners ("THS").

In addition, in December 2013 the Scheme entered into a longevity swap contract with Deutsche Bank AG ("Deutsche Bank") as counterparty, covering all current pension payments, to protect the Scheme against unexpected increases in longevity.

The Scheme's 65%/35% overall strategic split between growth and bond-like assets changed to a 60% growth assets, 10% mid-risk assets and 30% bond assets split during 2013. The split of assets excludes the value of the longevity swap.

Over 2013, there were some changes to the Scheme's investment strategy. In August 2013, the Scheme disinvested from a portion of its L&G Corporate Bond assets in order to fund the Insight Special Buy and Maintain Fund. A further portion of L&G Corporate Bond assets was used to fund the BlueBay Multi-Asset Credit Fund in November 2013. In December 2013, to support the longevity swap, some assets from the L&G Corporate Bond holdings were moved to collateral accounts at SSGM to be invested in Index-Linked Gilts

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

| Asset Class                             | Strategy Allocation<br>% |
|---|--------------------------|
| <b>Growth</b>                           | <b>60.0</b>              |
| UK Equities                             | 7.2                      |
| Global Equities                         | 28.8                     |
| Overseas Equities                       | 3.0                      |
| Global Tactical Asset Allocation (GTAA) | 6.0                      |
| Diversified Growth Fund (DGF)           | 15.0                     |
| <b>Mid-Risk</b>                         | <b>10.0</b>              |
| Multi-Asset Credit                      | 5.0                      |
| Ground Lease Property                   | 5.0                      |
| <b>Bond</b>                             | <b>30.0</b>              |
| UK Corporate Bonds                      | 5.0                      |
| Index-Linked Gilts                      | 10.0                     |
| Buy and Maintain Credit                 | 15.0                     |
| <b>Total Scheme</b>                     | <b>100.0</b>             |

Figures subject to rounding

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2013

| Manager                           | Strategic Allocation<br>% |
|-----------------------------------|---------------------------|
| BlackRock (UK equities and GTAA)  | 13.2                      |
| L&G (Overseas equities and bonds) | 9.0                       |
| Baillie Gifford (DGF)             | 15.0                      |
| Odey (global equities)            | 9.0                       |
| Origin (global equities)          | 10.8                      |
| THS (global equities)             | 9.0                       |
| BlueBay (Multi-Asset Credit)      | 5.0                       |
| Pramerica (Ground lease property) | 5.0                       |
| Insight (Buy and Maintain Credit) | 15.0                      |
| SSGM (Bonds)                      | 9.0                       |
| <b>Total Scheme</b>               | <b>100.0</b>              |

Figures subject to rounding

### 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 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 at least 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.

### 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 £504.4m. This excludes the value of the longevity swap. The distribution of these assets across the whole portfolio is highlighted in the table below:

| Manager             | Asset Class             | 31 December 2013 |              | Target<br>%  |
|---------------------|-------------------------|------------------|--------------|--------------|
|                     |                         | £m               | %            |              |
| Odey                | Global Equities         | 53.6             | 10.6         | 9.0          |
| Origin              | Global Equities         | 59.1             | 11.7         | 10.8         |
| THS                 | Global Equities         | 47.5             | 9.4          | 9.0          |
| Baillie Gifford     | DGF                     | 70.7             | 14.0         | 15.0         |
| BlackRock           | UK Equities (Active)    | 37.5             | 7.5          | 7.2          |
|                     | GTAA                    | 25.3             | 5.0          | 6.0          |
| L&G                 | Overseas Equities       | 22.1             | 4.4          | 3.0          |
|                     | Index-Linked Gilts      | 2.0              | 0.4          | 1.0          |
|                     | Corporate Bonds         | 22.2             | 4.4          | 5.0          |
| BlueBay             | Multi-Asset Credit      | 24.8             | 4.9          | 5.0          |
| Pramerica           | Ground Lease Property   | 25.8             | 5.1          | 5.0          |
| SSGM                | Index-Linked Gilts      | 42.6             | 8.5          | 9.0          |
| Insight             | Buy and Maintain Credit | 71.2             | 14.1         | 15.0         |
| <b>Total Scheme</b> |                         | <b>504.4</b>     | <b>100.0</b> | <b>100.0</b> |

Source: Investment managers, figures subject to rounding.

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2013

All assets are marketable. The Insight Buy and Maintain Credit assets are valued weekly. The Pramerica Ground Lease Property, BlueBay Multi-Asset Credit and BlackRock GTAA assets are valued monthly. All other assets can be valued on a daily basis

### Investment Performance

The Scheme's performance is compared with a composite benchmark, which has changed a number of times over 2013 as a result of transitions described earlier. 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, three and five 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 | 3 Years to 31 December 2013 | 5 Years to 31 December 2013 |
|-----------|----------------------------|-----------------------------|-----------------------------|
|           | %                          | % p.a.                      | % p.a.                      |
| Scheme    | 11.5                       | 7.1                         | 8.9                         |
| Benchmark | 9.4                        | 6.7                         | 8.4                         |

Source: Investment managers and Mercer. Gross of fees

### Ten Largest Investments

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

- 1) Insight Special Buy and Maintain Fund 1
- 2) Baillie Gifford Diversified Growth Pension Fund
- 3) Origin Global Specialist Equity Fund
- 4) Odey Allegra International Fund
- 5) THS International Growth & Value Fund
- 6) BlackRock UK Focus Fund
- 7) Pramerica UK Ground Lease Fund
- 8) BlackRock Global Ascent Sterling Ltd (GTAA)
- 9) BlueBay Total Return Credit Fund
- 10) L&G AAA Fixed Interest All Stocks Fund

### Investments Exceeding 5% of Total Assets

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

- 1) Insight Special Buy and Maintain Fund 1
- 2) Baillie Gifford Diversified Growth Pension Fund
- 3) Origin Global Specialist Equity Fund
- 4) Odey Allegra International Fund
- 5) THS International Growth & Value Fund
- 6) BlackRock UK Focus Fund
- 7) Pramerica UK Ground Lease Fund
- 8) BlackRock Global Ascent Sterling Ltd (GTAA)



# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2013

### Custodial Arrangements

The assets with SSGM are held in a segregated portfolio, all other assets are held in pooled fund units. For the pooled funds it is the managers' responsibility to organise the custody of the underlying securities. For SSGM, the custodian is appointed by the Trustee. The custodians for each manager are listed below.

| Manager         | Custodian                                |
|-----------------|--|
| Baillie Gifford | BNY Mellon                               |
| BlackRock       | JP Morgan, BNY Mellon and Citibank, N.A. |
| BlueBay         | Brown Brothers Harriman                  |
| Insight         | Northern Trust                           |
| L&G             | HSBC Bank PLC and Citibank N.A.          |
| Odey            | RBC Investor Services Ireland Limited    |
| Origin          | HSBC Bank PLC                            |
| SSGM            | State Street Bank & Trust Company        |
| THS             | Northern Trust                           |

Given the nature of the investment, there is no custodian for the Pramerica Fund, but the administrator for the fund is UBS AG, Jersey Branch.

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.

### Longevity Swap

In December 2013, the Scheme entered into a longevity swap contract with Deutsche Bank AG ("Deutsche Bank") as counterparty in respect of pensioners who retired before August 2013. The swap is a bespoke contract which references the experience of actual Scheme members and protects against the financial impact of people living longer than expected. This transaction means that where the covered group of members live longer than expected the funding strain due to the additional pension payments required will be met by matching payments from the counterparty. Note, the converse will apply should the members die earlier than expected.

The contract covers cashflows projected over an 80 year period. However, in practice, the swap is subject to de-minimis termination in advance of this on the earlier of either 40 years or the date that the present value of the remaining projected fixed leg cashflows to be paid by the Trustee to DB has fallen below 1% of the initial value of those cashflows. There are also a number of other potential termination events with different final payouts depending on whether termination is deemed to be a Scheme "fault", Deutsche Bank "fault" or mutual event.

In order to manage counterparty risk, the swap is two-way collateralised to protect both parties. Acceptable collateral assets are cash and gilts. In order to support this structure, some assets were moved to collateral accounts at SSGM to be invested in Index-Linked Gilts in December 2013; this was funded from the L&G Corporate Bond portfolio holdings.

It is assumed that the contract was fair value at inception and as at 31 December 2013 i.e. the initial value of the swap is therefore zero.

### Employer Related Investments

The Scheme's assets were not directly, or indirectly, invested in investments related to the sponsoring Employer as at 31 December 2013. Therefore, the Scheme holds less than 5% of total assets in Carillion plc equity.

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2013

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### **Environmental, Schedule of Contributions 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.

The Scheme's investment managers are remunerated on a fee basis that is dependent on the size of assets under management ("base fee"), except for the BlackRock GTAA Fund where the fee is solely performance related and equals 30% of any outperformance relative to the benchmark. In addition to the base fee, the fees for the BlackRock UK Focus Fund and the Odey Global Equity Fund include a performance related element equal to 20% of any outperformance relative to the benchmark. For SSGM, fees include a transaction based element in addition to the base fee.

**Mercer**

February 2014

# Mowlem Staff Pension and Life Assurance Scheme

## Summary of Contributions For the year ended 31 December 2013

### Statement of Trustee 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 the Employer of the Scheme and the dates on or before which such contributions are to be paid. The 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 29 October 2010 in respect of the Scheme year ended 31 December 2013. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

### Administrative and Investment expenses

The Schedule of Contributions dated 29 October 2010 which was in force during 2013 states that from 1 January 2013 all expenses incurred by the Scheme should be paid by the Principal Employer. Although all of the administrative and explicit investment expenses were paid by the Principal Employer, the implicit investment expenses were paid direct by the Scheme during the year. These implicit investment expenses will not be repaid by the Employer but have been reserved for in the revised Schedule of Contributions effective 13 June 2014.

### 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<br>Statements | Schedule of<br>Contributions | Amount underpaid<br>in Schedule of<br>Contributions |
|---|-------------------------|------------------------------|---|
|   | £000                    | £000                         | £000  |
| Deficit funding contributions paid by Employer  | 10,100                  | 10,100                       | -   |
| Implicit investment expenses paid by the Scheme | -                       | 1,019                        | (1,019)   |
|   | <u>10,100</u>           | <u>11,119</u>                | <u>(1,019)</u>                                      |

Signed on behalf of the Trustee:



Trustee Director



Trustee Director/Secretary

Date:

# Mowlem Staff Pension and Life Assurance Scheme

## Statement about Contributions For the year ended 31 December 2013

**Independent Auditor's 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 Mowlem Staff Pension and Life Assurance 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 18.

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 Responsibilities set out on page 11, 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**

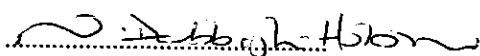
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence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

### **Basis for Qualified Statement about contributions**

As explained in the Summary of Contributions on page 18, £1,019,467 of implicit investment expenses required by the Schedule of Contributions were not paid by the Principal Employer.

### **Qualified Statement about contributions payable under the Schedule of Contributions**

In our opinion, except for the effect of the departure described in the basis for qualified statement about contributions paragraph, 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 29 October 2010.



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

Date: 22 July 2014

# Mowlem Staff Pension and Life Assurance Scheme

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

We have audited the financial statements of the Scheme for the year ended 31 December 2013 set out on pages 21 to 30. 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 responsibilities set out on page 11, 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.

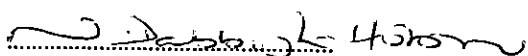
### Scope of the audit of the financial statements

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](http://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: 22 July 2014

# Mowlem Staff Pension and Life Assurance Scheme

## Fund Account For the year ended 31 December 2013

|  | Note | For the year<br>ended<br>31 December<br>2013<br>£000 | For the year<br>ended<br>31 December<br>2012<br>£000 |
|--|------|--|--|
| <b>CONTRIBUTIONS AND BENEFITS</b>  |      |  |  |
| Contributions received   | 3    | 10,100   | 10,100   |
| Other income   | 4    | -  | 94   |
|  |      | <u>10,100</u>  | <u>10,194</u>  |
| Benefits paid  | 5    | (20,942)   | (20,246)   |
| Payments to and on account of leavers  | 6    | (816)  | (893)  |
| Bulk transfer to Carillion 2009 Pension Plan from defined contribution section | 6    | -  | (181)  |
| Administrative expenses  | 7    | 166  | (735)  |
|  |      | <u>(21,592)</u>                                      | <u>(22,055)</u>                                      |
| <b>NET WITHDRAWALS FROM DEALINGS WITH MEMBERS</b>                              |      | <u>(11,492)</u>                                      | <u>(11,861)</u>                                      |
| <b>INVESTMENT RETURNS</b>  |      |  |  |
| Investment income  | 8    | 2,933  | 2,394  |
| Investment management expenses   | 9    | 179  | (660)  |
| Change in market value of investments  | 10   | 48,461   | 42,232   |
| <b>NET RETURNS ON INVESTMENTS</b>  |      | <u>51,573</u>  | <u>43,966</u>  |
| <b>NET INCREASE IN THE FUND DURING THE YEAR</b>                                |      | <u>40,081</u>  | <u>32,105</u>  |
| <b>NET ASSETS AT 1 JANUARY 2013</b>  |      | <u>473,637</u>                                       | <u>441,532</u>                                       |
| <b>NET ASSETS AT 31 DECEMBER 2013</b>  |      | <u>513,718</u>                                       | <u>473,637</u>                                       |

# Mowlem Staff Pension and Life Assurance Scheme

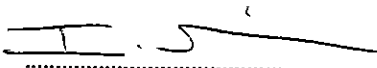
## Net Assets Statement As at 31 December 2013

|                                       | Note | For the year<br>ended<br>31 December<br>2013<br>£000 | For the year<br>ended<br>31 December<br>2012<br>£000 |
|---------------------------------------|------|--|--|
| INVESTMENTS                           | 10   | 511,672  | 469,599  |
| CURRENT ASSETS                        | 11   | 2,826  | 5,494  |
| CURRENT LIABILITIES                   | 12   | (780)  | (1,456)  |
| <b>NET ASSETS AT 31 DECEMBER 2013</b> |      | <b>513,718</b>                                       | <b>473,637</b>                                       |

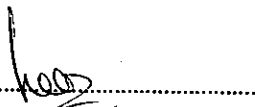
These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take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

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

2014 and were



Trustee Director



Trustee Director/Secretary

# Mowlem Staff Pension and Life Assurance 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 and fixed interest securities is accounted for on an accruals basis. Dividends and interest on securities are accounted for to the extent that they are declared and payable.

The majority of income from pooled investment vehicles is not distributed but is reinvested and included within the closing value of the fund at the year end. Income from pooled investment vehicles which distribute income is accounted for on an accruals basis.

#### 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.

Derivatives are stated at market value. The cashflows on derivative instruments are recognised as investment purchases or sales. Gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Fixed interest securities are stated at their clean prices.

Quoted securities are stated at market value.



# Mowlem Staff Pension and Life Assurance Scheme

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

### 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 Age related rebates

Age related rebates are accounted for when they fall due.

### 2.8 Administration Expenses

Administration expenses are accounted for when they fall due. From 1 January 2013 they were paid by the Employer.

## 3. CONTRIBUTIONS RECEIVED

|  | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--|---|---|
| Employer deficit funding contributions | <u>10,100</u>                             | <u>10,100</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 Schedule of Contributions dated 29 October 2010 (other than the implicit investment fees). A new Schedule of Contributions was signed on 13 June 2014.

## 4. OTHER INCOME

|                    | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--------------------|---|---|
| Release of accrual | <u>-</u>                                  | <u>94</u>                                 |

## 5. BENEFITS PAID

|   | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|---|---|---|
| Pension payments                              | 17,398                                    | 16,286                                    |
| Commutations and lump sum retirement benefits | 3,385                                     | 3,733                                     |
| Lump sums on death                            | 159                                       | 218                                       |
| Purchase of annuities                         | -   | 9   |
|   | <u>20,942</u>                             | <u>20,246</u>                             |

# Mowlem Staff Pension and Life Assurance Scheme

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

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

|  | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--|---|---|
| Individual transfers to other schemes        | 816                                       | 893                                       |
| Bulk transfer to Carillion 2009 Pension Plan | -   | 181                                       |
|  | <u>816</u>                                | <u>1,074</u>                              |

### 7. ADMINISTRATIVE EXPENSES

|                                 | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|---------------------------------|---|---|
| Administration and processing   | (32)                                      | 328                                       |
| Actuarial fees                  | (89)                                      | 254                                       |
| Audit fee                       | (20)                                      | 21  |
| Legal & other professional fees | (22)                                      | 98  |
| Regulatory fees                 | (19)                                      | 20  |
| Trustees fees and expenses      | 1   | 7   |
| Sundry expenses                 | 15  | 7   |
|                                 | <u>(166)</u>                              | <u>735</u>                                |

During 2013, the Company paid all administrative and explicit investment expenses. However, in 2012 there was an excess accrual of expenses and as there was not (and will not be) an expense recharge in 2013, the amounts above reflect the release of this excess accrual.

### 8. INVESTMENT INCOME

|                                       | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|---------------------------------------|---|---|
| Dividends from equities               | 2,780                                     | 2,377                                     |
| Income from fixed interest securities | 36  | -   |
| Interest on cash deposits             | 14  | 19  |
| Foreign currency gain loss            | -   | (68)                                      |
| Annuity income                        | 90  | 89  |
| Income Tax withheld                   | -   | (176)                                     |
| Other investment income               | 13  | 153                                       |
|                                       | <u>2,933</u>                              | <u>2,394</u>                              |

# Mowlem Staff Pension and Life Assurance Scheme

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

### 9. INVESTMENT MANAGEMENT EXPENSES

|   | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|---|---|---|
| Administration, management and custody fees | (121)                                     | 459                                       |
| Investment consultancy                      | (58)                                      | 201                                       |
|   | <u>(179)</u>                              | <u>660</u>                                |

During 2013, the Company paid all administrative and explicit investment management expenses and custody fees. In addition some investment management fees were deducted directly from the assets under management. In 2012 there was an excess accrual of expenses and as there was not (and will not be) an expense recharge in 2013, the amounts reported above reflect the release of this excess accrual.

### 10. INVESTMENTS

|                                    | Value at<br>01/01/2013<br>£000 | Purchases<br>at cost<br>£000 | Sale<br>proceeds<br>£000 | Change in<br>market value<br>£000 | Value at<br>31/12/2013<br>£000 |
|------------------------------------|--------------------------------|------------------------------|--------------------------|-----------------------------------|--------------------------------|
| Equities                           | 30,773                         | 1,521                        | -                        | 5,174                             | 37,468                         |
| Index linked gilts                 | -                              | 117,893                      | (74,093)                 | (1,169)                           | 42,630                         |
| Pooled investment vehicles         | 433,005                        | 96,739                       | (147,283)                | 43,842                            | 426,304                        |
| Derivatives                        | -                              | -                            | -                        | -                                 | -                              |
| AVC investments                    | 5,120                          | -                            | (610)                    | 614                               | 5,124                          |
| Sub total                          | <u>468,898</u>                 | <u>216,153</u>               | <u>(221,986)</u>         | <u>48,461</u>                     | <u>511,526</u>                 |
| Cash deposits and accrued interest | 701                            |                              |                          |                                   | 146                            |
|                                    | <u>469,599</u>                 |                              |                          |                                   | <u>511,672</u>                 |

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

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. Included within the purchases and sales figures above are switches totalling £74m related to Index linked gilts held with State Street.

# Mowlem Staff Pension and Life Assurance Scheme

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

### 10. INVESTMENTS (continued)

During August 2013, a total of £71.8m was transferred from L&G Corporate Bonds to a new Insight Special Buy and Maintain Fund (Class B Shares).

During November 2013, a total of £24.7m was disinvested from L&G Corporate Bonds and subsequently invested into a new BlueBay Multi-Credit asset fund.

A further transition was completed during December 2013, whereby a total of £43.8m was transferred from L&G Corporate Bonds to Index Linked Gilts held directly with State Street. This new fund is part of the collateral held under the longevity swap arrangement.

### EQUITIES

|           | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|-----------|---|---|
| UK quoted | <u>37,468</u>                             | <u>30,773</u>                             |

### INDEX LINKED GILTS

|              | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--------------|---|---|
| State Street | <u>42,630</u>                             | <u>-</u>                                  |

### POOLED INVESTMENT VEHICLES

|                                  | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|----------------------------------|---|---|
| Fixed interest                   | 22,166                                    | 164,178                                   |
| Ground lease property            | 27,818                                    | 27,053                                    |
| Overseas equities                | 182,220                                   | 147,718                                   |
| Index linked                     | 2,035                                     | 2,568                                     |
| Global tactical asset allocation | 25,336                                    | 24,439                                    |
| Diversified growth fund          | 70,745                                    | 67,049                                    |
| Multi-asset credit               | 24,767                                    | -   |
| Buy and maintain credit          | 71,217                                    | -   |
|                                  | <u>426,304</u>                            | <u>433,005</u>                            |

# Mowlem Staff Pension and Life Assurance Scheme

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

### 10. INVESTMENTS (continued)

#### DERIVATIVE ASSETS

In December 2013, the Scheme entered into a bespoke longevity swap contract with Deutsche Bank AG ("Deutsche Bank") as counterparty, covering all current pension payments, to protect the Scheme against unexpected increases in longevity. The swap has been valued at a market consistent fair value which was nil at 31 December 2013.

#### a) Capital commitment

As at year end, the Scheme had a settlement commitment in respect of the longevity swap contract based on a value date of 31 December 2013. The settlement of £0.6m was due and payable to Deutsche Bank AG in February 2014.

#### b) Collateral assets

As part of the longevity swap contract, the Scheme is required to assign collateral assets to be held by State Street. As at 31 December 2013, the assigned collateral assets included in investments above, were as follows:

|                    | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--------------------|---|---|
| Index linked gilts | 42,630                                    | -   |

#### CASH DEPOSITS AND ACCRUED INTEREST

|   | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|---|---|---|
| Sterling deposits and accrued investment income | 146                                       | 701                                       |

# Mowlem Staff Pension and Life Assurance Scheme

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

### 10. INVESTMENTS (continued)

#### 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<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|----------------------|---|---|
| Standard Life        | 84  | 74  |
| Prudential Assurance | 2,510                                     | 2,478                                     |
| Legal & General      | 2,091                                     | 2,068                                     |
| MGM                  | 29  | 25  |
| Equitable Life       | 277                                       | 353                                       |
| Aviva                | 133                                       | 122                                       |
|                      | <u>5,124</u>                              | <u>5,120</u>                              |

### 11. CURRENT ASSETS

|                                   | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|-----------------------------------|---|---|
| Cash balance                      | 1,282                                     | 4,322                                     |
| Employer contributions receivable | 842                                       | 842                                       |
| Income Tax Reclaim recoverable    | 690                                       | 260                                       |
| Other debtors                     | 12  | 70  |
|                                   | <u>2,826</u>                              | <u>5,494</u>                              |

# Mowlem Staff Pension and Life Assurance Scheme

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

### 12. CURRENT LIABILITIES

|                          | Year ended<br>31 December<br>2013<br>£000 | Year ended<br>31 December<br>2012<br>£000 |
|--------------------------|---|---|
| Unpaid benefits          | 507                                       | 477                                       |
| Amounts due to HMRC      | 272                                       | 252                                       |
| Amounts due to Carillion | -   | 726                                       |
| Other creditors          | 1   | 1   |
|                          | <u>780</u>                                | <u>1,456</u>                              |

The Pension Scheme did not recognise any expenses relating to the current year as all 2013 expenses were paid by the Company and not recharged. No accrual has been raised for the subsequent recharge of these expenses by the Company.

### 13. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. However, no payments were made to any of the Directors of the Trustee Company during the year. Additionally, certain Directors of the Trustee Company have an interest as either a pensioner or deferred Member of the Scheme due to their service as an Employee with the Employer.

Carillion plc have not re-charged the Scheme for administration and processing fees in 2013 (2012: £48,000). See the administrative expenses shown in Note 7.

# Mowlem Staff Pension and Life Assurance 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 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 main situations.

The **scheme specific funding basis** is effectively the basis used by the Trustee for striking the technical provisions and assumes that the Scheme will continue in its present form. It includes the cost of paying benefits now and in the future. These liabilities can be spread over many years, which allow the Actuary to include allowance for future investment growth on the Scheme's assets.

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 technical provisions basis, the full solvency figure is likely to be less than 100%.

The most recent actuarial valuation of the Scheme was undertaken as at 31 December 2011 but took into account post-effective date experience up to 31 January 2013. The actuarial certificate required under section 227 relating to the 2011 valuation, as required by law, is set out on pages 35 to 38.

### The results of the valuation as at 31 December 2011

The valuation due at 31 December 2011 was not signed until June 2014, which is outside the statutory requirement. The Pensions Regulator was notified of the late submission, which was due to extended discussions with the Company.



# Mowlem Staff Pension and Life Assurance Scheme

## Actuarial Statement Year ended 31 December 2013

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### On-going Basis

On 31 December 2011, the Actuary found that the Scheme was not 100% funded and the full amount needed to provide benefits was £712m. The market value of the Scheme's assets was £436m which gave a shortfall of £276m on the technical provisions basis. This is equivalent to a funding level of 61%.

### Discontinuance Basis

If the Scheme was wound up on 31 December 2011, the Actuary estimated the shortfall would have been £545m. This is equal to a funding level of 44%.

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. The Scheme's Statutory Funding objective and Recovery Plan are subject to the Regulator's scrutiny.

The Trustee and Employer agreed on a Recovery Plan which aims to achieve 100% funding on the technical provisions basis by 30 June 2029, with the Employer paying shortfall contributions of £10.1m in 2013, £12.4m per annum from 2014 to 2016, £13.9m in 2017, £15.6m per annum from 2018 to 2021, £17.2m in 2022, £18.4m in 2023, £18.6m in 2024 and £18.5m per annum from 1 January 2025 to 30 June 2029.

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

Over 2013 there has been an improvement in the on-going funding level, due to continuing positive investment returns and contributions from the Company, leading to a funding level of approximately 71% as at 31 December 2013 on the technical provisions basis.

Since the formal valuation in 2011 there has been an improvement in the on-going funding level due to positive investment returns, contributions from the Company and the effect of increasing gilt yields serving to reduce the Scheme's liabilities (partially offset by the effect of higher inflation). The funding position will continue to be monitored regularly by the Trustee as part of its on-going strategy for managing the Scheme and the Trustee has called for another full actuarial valuation as at 31 December 2013 which will take into account developments on the Scheme including data changes and the implementation of the longevity swap effected on 11 December 2013.

Full details of the formal valuation as at 31 December 2011 are given in the Actuary's valuation report. A copy is available on request from the Administrator.

# Mowlem Staff Pension and Life Assurance Scheme

## Compliance Statement For the year ended 31 December 2013

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### Introduction

The Scheme is a defined benefit scheme section 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 **101393015**.

### Other information

- (i) The Trustee is required to provide certain information about the Scheme to The Pension Scheme Registry. The address is:

The Pension Scheme Registry  
PO Box 133  
Newcastle Upon Tyne  
NE99 1NN

- (ii) The Office of 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 ("PAS") 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 the 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

# Mowlem Staff Pension and Life Assurance Scheme

## Compliance Statement For the year ended 31 December 2013

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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 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.

# Mowlem Staff Pension and Life Assurance Scheme

## Certificate of Technical Provisions

SCHEME FUNDING REPORT  
ACTUARIAL VALUATIONS AS AT 31 DECEMBER 2011

MOWLEM SCHEME

### Certificate of technical provisions

Name of the Scheme

#### Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 13 June 2014.

|                  |  |
|------------------|--|
| Signature        | <input type="text" value="E. S. Topper"/>  |
| Name             | <input type="text" value="E. S. Topper"/>  |
| Date of signing  | <input type="text" value="13 June 2014"/>  |
| Name of employer | <input type="text" value="Mercer Limited"/>  |
| Address          | <input type="text" value="Belvedere&lt;br/&gt;12 Booth Street&lt;br/&gt;Manchester&lt;br/&gt;M2 4AW"/> |
| Qualification    | <input type="text" value="Fellow of the Institute and Faculty of Actuaries"/>                          |

# Mowlem Staff Pension and Life Assurance Scheme

## 2011 Schedule of Contributions

SCHEME FUNDING REPORT  
ACTUARIAL VALUATIONS AS AT 31 DECEMBER 2011

MOWLEM SCHEME

## Mowlem Staff Pension and Life Assurance Scheme Schedule of Contributions, incorporating actuarial certificate

### **Status of this document**

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

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

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

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

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

#### **Members' contributions**

No contributions are payable by members after 5 April 2009.

#### **Employer's contributions in respect of future accrual of benefits**

No future accrual contributions are payable by the Employer after 5 April 2009.

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

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

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

#### **Employer's contributions in respect of benefit augmentations**

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

#### **Employer's contributions in respect of administration and other costs**

In respect of calendar year 2013, the Employer will pay administrative and explicit investment expenses estimated to be £1,215,743, all expenses (other than ongoing longevity swap costs) being reserved for in the Scheme's funding plan thereafter. The Employer will, each year, pay the

# Mowlem Staff Pension and Life Assurance Scheme

## 2011 Schedule of Contributions

SCHEME FUNDING REPORT  
ACTUARIAL VALUATIONS AS AT 31 DECEMBER 2011

MOWLEM SCHEME

Scheme's share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

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

### Other Employer contributions

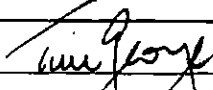
The Employer may pay additional contributions on a regular or one-off basis if it chooses.

### Dates of review of this schedule

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

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

Signed on behalf of Carillion JM Limited



Name

Tim George


Position

Company Secretary

Date of signing

13 June 2014

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



Name

ROBIN ELLISON

Position

CHAIRMAN

Date of signing

13 June 2014

# Mowlem Staff Pension and Life Assurance Scheme

## 2011 Schedule of Contributions

SCHEME FUNDING REPORT  
ACTUARIAL VALUATIONS AS AT 31 DECEMBER 2011

MOWLEM SCHEME

### Certification of Schedule of Contributions

Name of Scheme

Mowlem Staff Pension and Life Assurance Scheme

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 13 June 2014

#### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 13 June 2014

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

Signature

*E S Topper*

Scheme Actuary

E S Topper

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

13 June 2014

Name of employer

Mercer Limited

Address

Belvedere  
12 Booth Street  
Manchester  
M2 4AW

# Mowlem Staff Pension and Life Assurance Scheme

## 2008 Schedule of Contributions

Appendix E

### **Schedule of Contributions, incorporating actuarial certificate**

#### **Status of this document**

This schedule has been prepared by the Trustee of the Mowlem Staff Pension and Life Assurance Scheme 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 31 December 2008 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion JM Limited, on 29 October 2010.

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

#### **Contributions to be paid to the Scheme from 31 December 2008 to 31 December 2024**

##### **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.



# Mowlem Staff Pension and Life Assurance Scheme

## 2008 Schedule of Contributions

### Employer's contributions in respect of the shortfall in funding as per the recovery plan of 29 October 2010

The Employer shall pay shortfall correction additional contributions of £5.86m in 2009, £10.1m per annum from 1 January 2010 to 31 December 2021, £14.9m in 2022, £16.1m in 2023 and £16.25m in 2024 with contributions being paid on a monthly basis.

### 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 shall reimburse the Trustee for the cost of meeting levies payable to the Pension Protection Fund. Until 2013 other expenses will be paid directly from the Scheme. The Employer will also meet the general running costs of the Scheme from 2013 onwards and will also cover the investment management costs either directly, or by explicit funding reserves, from 2013. The precise methodology will be considered at the next valuation.

### Other Employer contributions

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

### Dates of review of this schedule

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

This schedule of contributions has been agreed by the Employer, Carillion JM Limited, and the Trustee of the Mowlem Staff Pension and Life Assurance Scheme on 29 October 2010.

Signed on behalf of Carillion JM Limited



Name

J. K. DANSON

Position

HEAD OF REWARDS

Date of signing

29 October 2010

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

Name

B. J. WATKINS

Position

TRUSTEE

Date of signing

B. J. Watkins 29 OCTOBER 2010

# Mowlem Staff Pension and Life Assurance Scheme

2008 Schedule of Contributions

## Certification of schedule of contributions

Name of Scheme

Mowlem Staff Pension and Life Assurance Scheme

## Adequacy of rates of contributions

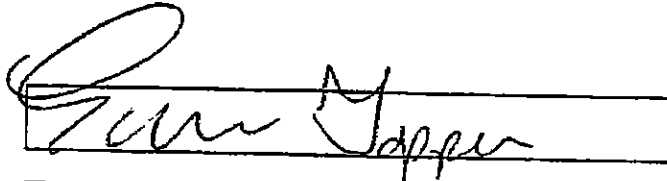
1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2008 to be met by the end of the period specified in the recovery plan dated 29 October 2010.

## 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 29 October 2010.

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

E S Topper

Date of signing

29 October 2010

Name of Employer

Mercer Limited

Address

Clarence House,  
Clarence Street  
Manchester  
M2 4DW

Qualification

Fellow of the Institute and Faculty of Actuaries