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**BRIDON GROUP (2013) PENSION SCHEME**

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**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2016**

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## BRIDON GROUP (2013) PENSION SCHEME

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2016

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<b>Trustee</b>	Bridon Scheme Trustees Limited
<b>Directors of the Trustee Company</b>	G Dallard, Member nominated M C Duncombe, Independent Chairman J Hendley, Company nominated P Higginbottom, Company nominated K Mallin, Member nominated G Peters, Member nominated E Rutter, Independent
<b>Secretary to the Trustee</b>	I Emery Aon Hewitt Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD
<b>Sponsoring Employer</b>	Bridon International Limited
<b>Scheme Actuary</b>	A Shah Aon Hewitt Limited
<b>Scheme Administrator</b>	Aon Hewitt Limited
<b>Independent Auditor</b>	Ernst & Young LLP
<b>Investment Managers</b>	GAM International Management Limited  Invesco Fund Management Limited  Legal & General Assurance (Pensions Management) Limited  Majedie Asset Management Limited  Morgan Stanley Investment Funds  M&G Investment Management Limited
<b>AVC Providers</b>	The Equitable Life Assurance Society  Friends Provident Life and Pensions Limited
<b>Legal Adviser</b>	Squire Patton Boggs
<b>Banker</b>	Bank of Scotland

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Introduction

The Trustee of Bridon Group (2013) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 December 2016. The Scheme is a defined benefit scheme and is administered by Aon Hewitt Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The Scheme came into existence during 2013 following the demerger of the FKI Group Pension Scheme. The Definitive Deed was signed on 4 April 2014. A Deed of Amendment was subsequently signed on 27 June 2014 following agreement to the demerger. Some deferred members of the FKI Group Pension Scheme were transferred to the Bridon Group (2013) Pension Scheme. The Scheme is closed to new entrants.

#### Management of the Scheme

The Trustee is Bridon Scheme Trustees Limited.

In accordance with the Trust Deed and Rules, the power of appointment or removal of the Trustee and Directors of the present Trustee rests with the Sponsoring Employer, Bridon International Limited, subject to the regulations governing member nominated Directors.

The Trustee Board is comprised of seven Directors, made up of two independent Directors, two Company nominated Directors and three member nominated Directors.

#### Trustee meetings

The Trustee met formally three times during the period. Attendance by the Trustee Directors at those meetings is shown below:

	16 March	28 July	1 November
G Dallard	N	Y	Y
M Duncombe	Y	Y	Y
J Hendley	Y	Y	Y
P Higginbottom	Y	N	Y
K Mallin	Y	Y	Y
G Peters	Y	Y	Y
E Rutter	Y	Y	Y

#### The Sponsoring Employer

The Sponsoring Employer of the Scheme is: Bridon International Limited, Icon Building First Point, Balby Carr Bank, Doncaster, South Yorkshire, DN4 5JQ.

The Scheme is provided for all eligible employees of the Sponsoring Employer.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Scheme changes

Having satisfied all regulatory requirements, the merger of Bridon with the global ropes and advanced cord business of Bekaert, was completed on 29 June 2016. Under the agreement, the owners of Bridon, Ontario Teachers', hold 33% of the joint venture, with Bekaert holding 67%.

Having taken appropriate legal, covenant and actuarial advice, the Trustee was satisfied that the strength of the employer covenant, that is the Company's ability and willingness to providing ongoing support to the Scheme, was not weakened as a result of the merger.

#### Membership

Details of the membership of the Scheme as at 31 December 2016 are given below:

	Pensioners 2016	Members with deferred benefits 2016	Total 2016
Membership at the start of the year	58	307	365
Adjustments to members	3	(2)	1
New dependant	1	-	1
Retirements	15	(15)	-
Deaths	(1)	(1)	(2)
Transfers out	-	(5)	(5)
Total membership at the end of the year	<u>76</u>	<u>284</u>	<u>360</u>

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

Adjustments relate to member movements identified after the prior year Trustee's Report and Financial Statements.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Pension increases

There are categories of pensions in payment in respect of contractual increases to pensions earned prior to 6 April 1997:

- (a) No increases.
- (b) 3% increases.
- (c) Increases according to the rate of inflation but not less than 3% and not more than 5%.

The above increases are on that part of the pension in excess of the Guaranteed Minimum Pension ("GMP"). The GMP is broadly equal to the pension a member would have earned in the state pension scheme had they not been contracted out of that scheme. The pre-1988 GMP is inflation proofed by the state pension scheme.

All pensions in payment were reviewed during the period and an increase of between 0% and 3% were awarded in respect of categories (a) to (c) above. Pensions earned after 5 April 1997 were increased by between 1.2% and 3.0%. No discretionary increases were awarded to current pensioners.

A deferred pension consists of three parts:

- (a) the GMP; this part increases between the date of leaving and state pension age at 4% for each complete tax year (for leavers prior to 6 April 2007 different rates of increase apply, 4.5%, 6.25%, 7%, 7.5% or 8.5%);
- (b) that part of the pension in excess of GMP which arose from pensionable service prior to 1 January 1985; this part does not increase;
- (c) that part of the pension in excess of GMP which arose from pensionable service on or after 1 January 1985; this part increases between the date of leaving and normal retirement date at the lesser of 5% per annum and the change in the retail prices index.

Because of changes in legislation, all leavers after 31 December 1990 have that part of the deferred pension earned prior to 1 January 1985 (see (b) above) increased in the same way that part of the pension earned on or after 1 January 1985 (see (c) above).

No discretionary increases were provided to deferred pensions.

#### Review of the financial developments during the year as shown by the audited financial statements

The financial statements on pages 16 to 29 show that the value of the Scheme's assets was £82,474,205 as at 31 December 2016.

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 16 to 29.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Contributions

In respect of the shortfall in funding, the Sponsoring Employers made a one-off additional contribution of £6.7M in November 2014 following the sale of the Sponsoring Employer and paid £1.51M over the year to 31 December 2014. A new Schedule of Contributions was signed in January 2015 under which the Sponsoring Employer will pay £1.9M per annum (payable monthly) in respect of the shortfall in funding with effect from 1 January 2015 until 31 December 2017.

#### Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and is set out in the Statement of Funding Principles, which is available to the Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2013. This showed that on that date:

The value of the Technical Provisions was:	£64.2 million
The value of the assets at that date was:	£51.8 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

#### **Method**

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

#### **Significant actuarial assumptions**

**Discount interest rate:** term dependent rates set by reference to the UK government fixed interest gilt curve at the valuation date plus an addition of 0.5% per annum.

**Future Retail Price inflation (RPI):** term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date.

**Future Consumer Price inflation (CPI):** term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date with a deduction equal to Aon Hewitt's prevailing best estimate of the difference between RPI and CPI inflation. As at 31 December 2013 this difference was 1.0% p.a.

**Pension increases:** derived from the RPI or CPI price inflation as appropriate, allowing for the maximum and minimum annual increases, and for inflation to vary from year to year.

**Mortality:** for the period in retirement 95% of SAPS Heavy tables making allowance for improvements in mortality in line with the CMI 2013 improvement factors, subject to a long term rate of improvement of 1.5% p.a.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Investment Managers

The current Investment Managers are shown on page 1.

Under the terms of the agreements with the Investment Managers, Legal & General Assurance (Pensions Management) Limited ("Legal & General"), Invesco Fund Management Limited ("Invesco"), Majedie Asset Management Limited ("Majedie"), Morgan Stanley Investment Funds ("Morgan Stanley"), M&G Investment Management Limited ("M&G") and GAM International Management Limited ("GAM") are responsible for the management of the Scheme's investments. Responsibility for investments and their performance lies with the Trustee of the Scheme.

The Trustee Directors review the performance of the Investment Managers on a regular basis as well as monitoring their corporate governance voting experience and dealing costs.

As required by the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles setting out its policy on investment, which includes the Trustee's policy on Socially Responsible Investment. A copy of the Statement is available on request.

#### Expression of wish

The Trustee wishes to remind members that they can indicate to the Trustee the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustee will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Form should their circumstances change.

Expression of Wish Forms are available on request from Aon Hewitt Limited at the address shown on page 11.

#### Transfer values

With effect from 1 October 2008, the Trustee is responsible for setting the economic, financial and demographic assumptions to be used in calculating transfer values, having taken the advice of the Actuary.

No discretionary benefits are accounted for in the calculation of transfer values.



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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Investment report

#### Investment policy and objectives

The Trustee aims to invest the assets of the Scheme prudently with the aim of ensuring that the benefits promised to members are provided. In setting investment strategy, the Trustee first considers the lowest risk allocation that it can adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The current planned asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weight in the table below on an ongoing basis.

#### Current planned asset allocation strategy

Growth assets	Target weighting (%)	Benchmark Index	Ranges (%)
<b>Equities</b>	<b>35.0</b>		<b>30 - 40</b>
Invesco – UK		FTSE All Share	FTSE All Share
Majedie – UK		FTSE All Share	FTSE All Share
Morgan Stanley - Global		MSCI World NDR	MSCI World NDR
	Target weighting (%)	Benchmark Index	Ranges (%)
<b>Alternatives</b>	<b>25.0</b>		<b>20 - 30</b>
Absolute Return Bonds (GAM)	12.5	3 Month LIBOR	
Multi-Asste Credit (M&G)	12.5	1 Month LIBOR	
	Target weighting (%)	Benchmark Index	Ranges (%)
<b>Matching assets</b>	<b>40.0</b>		<b>35 - 45</b>
<b>Liability Driven Investment (LDI) Funds</b>			
Legal & General Investment Management ("LGIM")	40.0	See below	
<b>Total</b>	<b>100.0</b>		

During the year the Scheme sold its corporate bond holdings and invested the proceeds with GAM and M&G. The Scheme also implemented an LDI strategy using pooled LDI funds designed and managed by LGIM. The LDI strategy includes an allocation to cash which LGIM can draw on for collateral management purposes.

#### Custody of assets

During the year Legal & General Investment Management Limited, Invesco Fund Management, Majedie Asset Management Limited, Morgan Stanley Investment Funds, M&G Investment Management Limited and GAM International Management Limited were the Investment Managers on record to the Scheme. There were no custodians directly engaged by the Trustee during the year.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Investment report (continued)

##### Investment principles

The Trustee has produced a Statement of Investment Principles ("the Statement") in accordance with Section 35 of the Pensions Act 1995.

The Statement summarises how the Trustee:

- Sets the investment policy and chooses the most suitable types of investments for the Scheme;
- Delegates buying and selling investments to the Scheme's Investment Managers; and
- Monitors the performance of the Scheme's investments.

The Trustee has considered ethical and socially responsible investments and has delegated to the Investment Managers responsibility for taking social, environmental and ethical considerations into account when assessing the financial potential and suitability of investment and for exercising the rights attaching to the Scheme's investments.

Copies of this Statement are available on request from the Administrator at the address shown on page 11.

##### Performance returns

The table below shows the return of the Scheme's assets to 31 December 2016:

	1 year (%)	3 Year (%)
Total Scheme Return	33.0	17.5

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Investment report (continued)

#### Market Background: 12 Months to December 2016

##### UK Equities

UK equities rose by 16.8% over the year despite the volatility caused by the Brexit vote and the uncertainty of its future impact on the UK economy. However, many companies listed on the UK stock exchange earn overseas revenues and the outperformance of these stocks provided a major lift to large cap stocks.

##### Overseas Equities

US equities outperformed other regions in sterling terms (33.4%). Macroeconomic data was positive especially in the second half of the year, whilst prospects of fiscal spending under the Trump administration bolstered the equity market. Unhedged returns were boosted by US dollar strength as US monetary policy tightened.

Continental European equities returned 3.4% in local currency terms whilst sterling weakness in 2016 brought the sterling return up to 19.7%. Accommodative monetary policy from the ECB was offset by banking sector concern and the Brexit vote which curbed investor enthusiasm for the region.

Japan was the only region to post negative equity returns (-0.3%) in local currency terms. Concern over the effectiveness of Abenomics and anaemic economic data weighed on investor sentiment and yen strength hurt exporter profit. The yen strengthened substantially versus sterling over the year which boosted equity returns in sterling terms (22.7%).

Emerging market performance was strong in local currency terms as the Chinese government stimulus supported Chinese growth and commodities rallied. Concerns over protectionist policies under a Trump presidency and higher US rate expectations weighed on the region towards the latter stages of the year. Despite an uncertain outlook, emerging market equities performed well, returning 10.1% in local currency terms and 33.1% in sterling terms.

##### Currencies and Interest Rates

The UK bank rate was lowered to 0.25% by the BoE, the first change since March 2009. This, alongside the UK public's decision to leave the EU proved a catalyst for major sterling weakness over the year. Sterling ended the year down 14.9% on a trade-weighted basis.

The federal funds rate target was raised from 0.25-0.50% to 0.50-0.75% in December 2016. The dollar strengthened on a trade-weighted basis on the back of a stronger economic outlook and rising interest rate expectations. The US dollar appreciated by 19.3% against sterling over the year.

The ECB, in response to the lack of inflationary pressures in the economy, kept its policy of easier monetary policy and lowered the main interest rate from 0.05% to 0%. Moreover, the ECB increased the level of asset purchases as part of its quantitative easing programme in March 2016, which was extended to a later deadline in Q4 albeit at a slower rate of €60 billion per month. However, the euro appreciated by 3.1% on a trade-weighted basis and by 15.8% against sterling over the year as Brexit exerted downwards pressure on sterling.

The BoJ adopted negative policy interest rates at the start of 2016 and continued with its aggressive quantitative easing programme. Yield curve controls were implemented in a bid to support longer bond yields relative to shorter interest rates. However, the currency strongly appreciated as investors grew sceptical of the impact of QE on the yen before correcting a little in Q4. The yen appreciated by 5.3% over the year on a trade-weighted basis and by 23.0% against sterling.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Investment report (continued)

##### Gilt Returns

UK fixed gilts returned 10.1% and index-linked gilts returned 24.3% over the period.

Long dated fixed interest gilt returns were the highest, outperforming short and medium term maturities as the yield curve flattened over the year. The same return profile applied to index-linked gilts.

Index-linked gilts outperformed fixed gilts at all maturities as index-linked yields fell more at all maturities, due to a sharp rise in breakeven inflation as sterling weakness, UK economic resilience and commodity strength boosted inflation expectations. The index-linked gilt index also outperformed due to its higher sensitivity to interest rates.

##### Fixed Interest and Index-Linked Yield Curves

Both fixed and index-linked gilt yields moved down sharply in the first half of the year. The rally gathered momentum following the Brexit decision and the BoE announcement of easier monetary policy. However, higher anticipated inflation later in the year caused nominal yields to recover whilst the real yield curve was pushed further down in the second half of 2016.

##### UK Investment Grade Credit

UK iBoxx non-gilt credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) narrowed by 18bps to 130bps over the year. Spreads rose as high as 191 bps in Q1 of 2016 on the back of growing concerns over the Chinese economy and subdued global growth. UK non-gilts returned 10.6%, marginally outperforming fixed interest gilts.

Spreads narrowed the most in the third quarter of 2016 due to improving investor sentiment following better than expected economic data and the BoE's pledge to buy up to £10bn of corporate debt as part of its asset purchasing programme.

Credit spreads narrowed the most for BBB-rated issues whilst AAA-rated spreads narrowed the least.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

Members can request details of the amount of their current transfer value. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact Aon Hewitt (address below) who will also be able to provide them with a further copy of the Scheme booklet should they require one and answer any queries that they may have about their entitlement to benefits.

Any enquiries or complaints about the Scheme, including requests from individuals for information about their benefits or Scheme documentation, should be sent to the following address.

Bridon Group (2013) Pension Scheme  
Aon Hewitt Limited  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2QD  
[bridonpensions@aonhewitt.com](mailto:bridonpensions@aonhewitt.com)

The Data Protection Act seeks to protect and respect the individual's rights to privacy. The Data Protection Act 1998 came into force on 1 March 2000 and regulates the use of personal data relating to living individuals that are processed automatically or manually and held in a relevant filing system. Explicit consent of the member is required where personal sensitive data is held or processed. Sensitive information can include information relating to, for example, the health of a member.

The Trustee, in its capacity as 'Data Controllers' and the Scheme's advisers in their capacity as 'Data Processors' under the Act each have legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Scheme, which includes passing on data to third parties. For example, the provision of Death in Service benefits requires information to be passed to other professional providers and Life office advisers who underwrite such benefits.

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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#### Compliance statement

#### HMRC registration

The Scheme is a registered pension scheme in accordance with The Finance Act 2004. This means that the contributions paid by both the Company and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

#### Other information

(i) **Pension Tracing**

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members to trace their rights if they have lost contact with the previous employers' scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

0345 600 2537  
<https://www.gov.uk/find-lost-pension>

(ii) **Resolving difficulties/Internal Dispute Resolution**

It is expected that most queries relating to benefits can be resolved with the Scheme's administrators. In the event that a complaint cannot be resolved members can make a formal complaint using the Scheme's Internal Dispute Resolution (IDR) procedure details of which can be obtained from the administrators.

The Pensions Advisory Service (TPAS) can assist members in taking their complaint through the IDR procedure. TPAS is an independent organisation which can help members of the public deal with pension problems. The name and address of the local TPAS adviser can be obtained from any local Citizens Advice Bureau or from:

The Pensions Advisory Service Limited  
11 Belgrave Road  
London  
SW1V 1RB

If the complaint is not resolved satisfactorily, the Government-appointed Pensions Ombudsman can investigate complaints of injustice by bad administration either by the Trustee or the Scheme Administrators, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB

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## BRIDON GROUP (2013) PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

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(iii) **The Pensions Regulator**

The Pensions Regulator (TPR) is the UK regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrongdoers.

TPR can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

0845 600 0707  
customersupport@tpr.gov.uk

(iv) **The Pension Protection Fund**

The Pension Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the Employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

(v) **Scheme information**

The Trust Deed and Rules, the Scheme booklet and a copy of the payment schedule and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to the member's own pension position, including estimates of transfer values, should also be requested from the administrators of the Scheme, Aon Hewitt Limited, at the address detailed in this report.

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## BRIDON GROUP (2013) PENSION SCHEME

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### STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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The Scheme's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements 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 Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The 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 normal contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee also 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 an appropriate system of internal control.

Signed for and on behalf of the Trustee:

Trustee Director:

Trustee Director:

Date:



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## BRIDON GROUP (2013) PENSION SCHEME

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### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRIDON GROUP (2013) PENSION SCHEME

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We have audited the financial statements of the Bridon Group (2013) Pension Scheme for the year ended 31 December 2016 which comprise the fund account, the statement of net assets and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them 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 Trustee as a body for our audit work, for this report, or 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 14 the Scheme's Trustee is responsible for the preparation of financial statements which show 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### 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 year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in regulation 3 of the Occupational Pension Schemes (requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

*Ernst & Young LLP*

Ernst & Young  
Statutory Auditor  
Reading

Date: 31.3.17

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**BRIDON GROUP (2013) PENSION SCHEME**

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**FUND ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Note	2016 £	2015 £
<b>Contributions and Benefits</b>			
Contributions	4	1,900,000	1,900,000
Other income	5	180	1,550
		<u>1,900,180</u>	<u>1,901,550</u>
<b>Benefits</b>			
Benefits	6	(1,015,110)	(1,384,018)
Payments to and on account of leavers	7	(1,290,139)	(835,438)
Administration expenses	8	(491,342)	(298,769)
		<u>(2,796,591)</u>	<u>(2,518,225)</u>
<b>Net (withdrawals)/additions from dealings with members</b>		<u>(896,411)</u>	<u>(616,675)</u>
<b>Returns on investments</b>			
Investment income	9	123,314	7,804
Change in market value of investments	10	15,890,295	704,309
Investment management expenses	15	(103,505)	(179,739)
		<u>15,910,104</u>	<u>532,374</u>
<b>Net returns on investments</b>		<u>15,910,104</u>	<u>532,374</u>
<b>Net increase/(decrease) in the fund during the year</b>		15,013,693	(84,301)
<b>Net assets of the Scheme</b>			
At 1 January		<u>67,460,512</u>	<u>67,544,813</u>
<b>Net assets of the Scheme</b>		<u>67,460,512</u>	<u>67,544,813</u>
At 31 December		<u><u>82,474,205</u></u>	<u><u>67,460,512</u></u>

The notes on pages 18 to 29 form an integral part of these financial statements.

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## BRIDON GROUP (2013) PENSION SCHEME

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### STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2016

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	Note	2016 £	2015 £
Investment assets			
Pooled investment vehicles	11	81,639,609	66,656,125
AVC investments	12	138,698	143,804
Total investments		<u>81,778,307</u>	<u>66,799,929</u>
Current assets	17	840,601	934,259
Current liabilities	18	<u>(144,703)</u>	<u>(273,676)</u>
<b>Net Assets at 31 December</b>		<u><u>82,474,205</u></u>	<u><u>67,460,512</u></u>

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 take account of such obligations, is dealt with in the Summary Funding Statement and Actuarial Certificates included in the Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 18 to 29 form an integral part of these financial statements.

These financial statements were approved by the Trustee and were signed on their behalf by:

Trustee Director:

Trustee Director:

Date:

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (revised November 2014).

#### 2. ACCOUNTING POLICIES

The following principal accounting policies, which have been consistently applied, have been adopted in the preparation of the financial statements.

##### 2.1 Accruals concept

The financial statements have been prepared on an accruals basis. The principal accounting policies, all of which were adopted last year, unless otherwise indicated, are as follows:

##### 2.2 Contributions and benefits

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or, in the absence of such an agreement, when received.

Employer contributions received in addition to those required by the Schedule of Contributions are accounted for when received.

Benefits to members, including pensions, commutations and lump sum retirement benefits and lump sum death benefits, are accounted for in the period in which they fall due, whenever the members' wishes are known.

AVCs are accounted for on a cash basis, as the year end values were not provided by the AVC investment managers, and the resulting investments are included within the net assets statement.

##### 2.3 Administrative and investment management expenses

Administration and investment management expenses are accounted for on an accruals basis.

##### 2.4 Investments

Pooled investment vehicles are valued at the closing bid price or, if single prices, the closing single price provided by the Investment Manager.

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2. ACCOUNTING POLICIES (continued)

##### 2.5 Investment income

Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.

Income arising from the underlying investments of the pooled investment vehicles, that is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

M&G income distributions are reinvested in additional shares and are accounted for as investment income on an accruals basis.

##### 2.6 Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for when funds are received or paid, or where the Trustee has agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement.

#### 3. TAXATION

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Revenue Accounts represents irrecoverable withholding taxes arising on investment income.

#### 4. CONTRIBUTIONS

	2016 £	2015 £
Deficit funding	<u>1,900,000</u>	<u>1,900,000</u>

The amount of deficit funding contributions received was in accordance with the Recovery Plan dated 3 December 2014, namely £1.9M per annum, payable monthly from 1 January 2015.

#### 5. OTHER INCOME

	2016 £	2015 £
Other income	<u>180</u>	<u>1,550</u>

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 6. BENEFITS

	2016 £	2015 £
Pensions	526,557	363,843
Commutations and lump sum retirement benefits	477,512	1,020,183
Death benefits	11,041	(8)
	1,015,110	1,384,018
	1,015,110	1,384,018

Negative value of death benefits is due to reversal of incorrect accrual from previous year.

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

	2016 £	2015 £
Transfers out - individual	1,290,139	835,438
	1,290,139	835,438
	1,290,139	835,438

#### 8. ADMINISTRATION EXPENSES

	2016 £	2015 £
Administration fees	52,337	47,117
Actuarial fees	115,363	79,826
Audit fees	9,900	8,250
Legal fees	17,762	17,963
TPR levy	147,749	64,970
Trustee fees and expenses	32,029	19,523
Bank charges	443	371
Other professional fees	115,759	60,749
	491,342	298,769
	491,342	298,769

#### 9. INVESTMENT INCOME

	2016 £	2015 £
Interest on cash deposits	334	7,804
Other investment income	419	-
Income from pooled investment vehicles	122,561	-
	123,314	7,804
	123,314	7,804

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 10. INVESTMENTS

##### MOVEMENTS IN INVESTMENTS

	Value at 31/12/2015	Purchases at cost	Sales proceeds	Change in market value	Value at 31/12/2016
	£	£	£	£	£
Pooled investment vehicles	66,656,125	69,349,972	(70,256,783)	15,890,295	81,639,609
AVC investments	143,804	-	(5,106)	-	138,698
	<u>66,799,929</u>	<u>69,349,972</u>	<u>(70,261,889)</u>	<u>15,890,295</u>	<u>81,778,307</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.

Indirect transaction costs are included through bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs is not separately provided to the Scheme.

The companies managing the pooled fund investments are registered in the United Kingdom except for Morgan Stanley which is registered in Luxembourg.

#### 11. POOLED INVESTMENT VEHICLES

	2016 £	2015 £
Equity	33,994,260	23,902,243
Bond	47,609,185	42,753,882
Cash	36,164	-
	<u>81,639,609</u>	<u>66,656,125</u>

#### 12. AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund, in the form of individual accounts. 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 each receive an annual statement made up to 31 December each year, confirming the amounts held on their account and movements during the year.

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

	2016 £	2015 £
Equitable Life	39,933	39,239
Friends Life	98,765	104,565
	<u>138,698</u>	<u>143,804</u>

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 13. TRANSACTION COSTS

Transaction costs analysed by main asset class and type of cost are as follows:

	2016				Total	2015 Total
	Fees	Commissions	Taxes and Duties	Levies		
Pooled Investment Vehicles	-	-	-	27,304	27,304	-
	-	-	-	27,304	27,304	-

#### 14. CONCENTRATION OF INVESTMENTS

	2016		2015	
	Market value £	%	Market value £	%
Majedie UK Equity Fund	9,362,403	11.35	8,108,523	12.01
M&G Alpha Opportunities Fund	8,657,549	10.50	-	-
GAM Star Absolute Return Bond Fund	8,485,504	10.29	-	-
Invesco Perpetual Income Fund	8,197,485	9.94	8,929,223	13.23
Morgan Stanley Global Brands Fund	7,776,823	9.43	6,864,496	10.17
L&G FAAR 2060 Leveraged Gilt Fund	4,744,616	5.75	-	-
L&G FAAY 2042 Leveraged Index-Linked Gilt	4,403,524	5.34	-	-
L&G FABC 2062 Leveraged Index-Linked Gilt	4,317,891	5.23	-	-
L&G Over 15yr Index-Linked Gilts	-	-	20,804,454	30.82
L&G Corporate Bonds Over 15yr Index	-	-	15,914,553	23.58
L&G LUAB 2062 Index-Linked Gilt	-	-	6,034,875	8.94

#### 15. INVESTMENT MANAGEMENT EXPENSES

	2016 £	2015 £
Administration, management & custody	109,944	82,864
Investment consultancy fees	97,464	178,636
Investment fee rebate	(103,903)	(81,761)
	103,505	179,739



## BRIDON GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 16. FAIR VALUE

The fair value of finance instruments has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

	Level 1 £	At 2016 Level 2 £	Level 3 £	Total £
Defined Benefit section				
Pooled investment vehicles	33,822,216	47,817,393	-	81,639,609
AVC investments	-	-	138,698	138,698
	<u>33,822,216</u>	<u>47,817,393</u>	<u>138,698</u>	<u>81,778,307</u>
	<i>Level 1</i> £	<i>At 2015</i> <i>Level 2</i> £	<i>Level 3</i> £	<i>Total</i> £
Defined Benefit section				
Pooled investment vehicles	23,902,243	42,753,882	-	66,656,125
AVC investments	-	-	143,804	143,804
	<u>23,902,243</u>	<u>42,753,882</u>	<u>143,804</u>	<u>66,799,929</u>

#### 17. CURRENT ASSETS

	2016 £	2015 £
Employer contributions due	158,333	158,333
Prepayments	90,396	51,291
Cash balances	591,872	724,635
	<u>840,601</u>	<u>934,259</u>

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 18. CURRENT LIABILITIES

	2016 £	2015 £
Unpaid benefits	11,041	97,691
Accrued expenses	133,662	175,985
	<u>144,703</u>	<u>273,676</u>

#### 19. CONTINGENT LIABILITIES

The Scheme had no contingent liabilities or contractual commitments as at 31 December 2016.

#### 20. RELATED PARTY TRANSACTIONS

One of the Trustee Directors on page 1 is a member of the Scheme and like any other member he is thus eligible for benefits in accordance with the Scheme Rules.

The Company is reimbursed by the Scheme for expenses incurred in the maintaining of the Scheme during the year. In a current year the amount of reimbursement was £728,536.

Other than those items disclosed elsewhere in the financial statements, there were no related party transactions. Trustee Director fees payable are disclosed in the administrative expenses note.

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 21. INVESTMENT RISK

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- **Credit risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk comprises currency risk, interest rate risk and other price risk:

- **Currency risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** This is the risk that the fair value or future cash flows of a financial asset – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk – primarily equity prices), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy described in this Report.

#### **Risk management structure**

The Trustee is responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee has appointed investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target allocations, benchmarks and risk tolerance levels consistent with the Statement of Investment principles.

The Trustee reviews the performance of each investment manager against the agreed performance objectives.

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 21. INVESTMENT RISK (continued)

##### Risk measurement and reporting

The Trustee monitors the Scheme's risks periodically with appropriate reference to:

- The expected loss likely to arise in normal circumstances; and
- Unexpected losses that are an estimate of the ultimate actual loss based on statistical models.

The Trustee measures risks both qualitatively and quantitatively.

The Trustee monitors and measures the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

##### Risk mitigation

The Scheme has investment guidelines that set out its overall investment strategy and its general approach to risk management, as set out in the Statement of Investment Principles.

The Trustee has appointed an investment advisor (Aon Hewitt) to assist them in determining and implementing the investment strategy for the Scheme.

The Trustee acknowledges that its fund managers use derivatives and other instruments for trading purposes and in connection with its risk management activities.

##### Credit risk

The Scheme's LDI portfolio includes pooled funds managed by LGIM. So the Scheme is therefore indirectly exposed to credit risk through the underlying derivative contracts held within the pooled investment vehicles.

There is no direct link between the Scheme and the counterparties LGIM trades with on behalf of the Scheme. So the Scheme is not exposed to direct counterparty risk through the LDI portfolio.

The Scheme is also exposed to credit risk through its investments with M&G and GAM.

The Trustee mitigates these risks as follows:

- Monitoring that GAM and M&G invest only in regulated markets.
- Monitoring that LGIM only hold investment grade bonds or government securities.
- Regularly reviewing all managers' investment management performance.

## BRIDON GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 21. INVESTMENT RISK (continued)

##### Credit quality of financial assets

As at 31 December the Scheme's portfolio of financial assets subject to credit risk by credit quality was:

##### Financial assets subject to credit risk

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
<b>Unrated</b>		
LGIM - Pooled LDI investment vehicles	39,123,680	-
GAM - Absolute Return Bonds	8,485,504	-
M&G - Multi Asset Credit	8,657,549	-
LGIM - Corporate bonds		15,914,553
<b>Total</b>	<b>56,266,733</b>	<b>15,914,553</b>

##### Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, via a pooled global equity fund managed by Morgan Stanley Investment Funds and pooled alternative credit funds managed by M&G Investment Management Limited and GAM International Management Limited. The Morgan Stanley allocation is to a share class that is hedged against the US Dollar and both M&G and GAM employ hedging as part of their risk management processing.

The Scheme also holds investments in two pooled UK equity funds, each managed by Invesco Fund Management and Majedie Asset Management Limited respectively. While the mandate for each of these funds is to invest in UK equities, both funds also have limited discretion to invest in overseas markets.

The Scheme's total investments in pooled equity and alternative credit funds as at 31 December was:

##### Total investments in pooled equity and alternative credit funds

	31 December 2016 (£)	31 December 2015 (£)
Invesco – UK equities	8,197,485	8,929,223
Majedie – UK equities	9,362,403	8,108,523
Morgan Stanley – Overseas equities	7,776,823	6,864,496
GAM - Absolute Return Bonds	8,485,504	
M&G - Multi Asset Credit	8,657,549	
<b>Total</b>	<b>42,479,764</b>	<b>23,902,243</b>

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 21. INVESTMENT RISK (continued)

##### Interest rate risk

The Scheme is subject to interest rate risk on the LDI portfolio, comprising leveraged gilt and swap funds held through pooled investment vehicles.

The principal purpose of the LDI portfolio is to match movements in the actuarial liabilities due to changes in interest rates. Under this strategy, if interest rates fall, the value of these investments will rise in a similar manner to the increase in the pension liabilities.

The Scheme is also subject to interest rate risk through its investments with M&G and GAM.

The Scheme's exposure to interest rates as at 31 December was:

##### Exposure to interest rate risk

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
<b>Direct</b>		
Corporate bonds and gilts	-	42,753,882
GAM - Absolute Return Bonds	8,485,504	
M&G - Multi Asset Credit	8,657,549	
<b>Indirect</b>		
Pooled LDI funds	39,123,680	-
<b>Total</b>	<b>52,266,733</b>	<b>42,753,882</b>

##### LDI Collateral

The Scheme utilises pooled LDI funds managed by LGIM, who has entered into collateral arrangements in order to manage the risk of counterparty default. These arrangements require collateral in the form of cash or bonds to be pledged or deposited.

In order to rebalance the leverage within the funds, LGIM will potentially require collateral to be paid by the Scheme. The Trustee has agreed that LGIM can draw any collateral required from an allocation to cash which the Trustee has set aside for this purpose and which is also managed by LGIM.

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## BRIDON GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 21. INVESTMENT RISK (continued)

##### Other price risk

Other price risk arises principally in relation to the Scheme's return-seeking portfolio, comprising of equities held in pooled vehicles.

The Scheme manages this exposure by constructing a diverse portfolio of investments across various markets and managers.

The Scheme's exposure to other price risk as at 31 December was:

##### Exposure to other price risk

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
<b>Indirect</b>		
Equity pooled investment vehicles	25,336,697	23,902,243
<b>Total</b>	<b>25,336,697</b>	<b>23,902,243</b>

#### 22. EMPLOYER RELATED INVESTMENTS

There were no employer related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995.

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## BRIDON GROUP (2013) PENSION SCHEME

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### STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Independent Auditor's Statement about Contributions to the Trustee of Bridon Group (2013) Pension Scheme.

We have examined the Summary of Contributions to Bridon Group (2013) Pension Scheme for the Scheme year ended 31 December 2016 which is set out on page 31.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinion we have formed.

#### Respective Responsibilities of Trustee and Auditor

As described more fully in the Statement of Trustee's Responsibilities, set out on page 14, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised the Schedule of Contributions showing the rates and due dates of contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme. The Scheme's 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 Employers in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions 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 attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes 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

In our opinion contributions for the Scheme year ended 31 December 2016, as reported in the attached Summary of Contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 14 January 2015.

*Ernst & Young LLP*

Ernst & Young LLP  
Statutory Auditor  
Reading

Date: 31.3.17



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**BRIDON GROUP (2013) PENSION SCHEME**

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**SUMMARY OF CONTRIBUTIONS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2016**

This Summary of Contributions has been prepared on behalf of, and is the responsibility of the Trustee.

It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions in respect of the Scheme year ended 31 December 2016. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

During the year ended 31 December 2016, the contributions payable to the Scheme were as follows:

**Contributions payable under the Schedule of Contributions**

Employers Contributions - deficit funding	£ <u>1,900,000</u>
<b>Total contributions payable under the Schedule of Contributions</b>	<b>1,900,000</b> <u><u>                    </u></u>

Signed on behalf of the Trustee:

Trustee Director:

Trustee Director:

Date:

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**BRIDON GROUP (2013) PENSION SCHEME**

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**ACTUARIAL STATEMENTS**

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***Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005***

**Bridon Group (2013) Pension Scheme**

**Calculation of technical provisions**

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 13 January 2015.

Signature	ALKA SHAH	Date	14 January 2015
Name	Alka Shah	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Colmore Gate 2 Colmore Row Birmingham B3 2QD	Name of Employer	Aon Hewitt Limited

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## BRIDON GROUP (2013) PENSION SCHEME

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### ACTUARIAL STATEMENTS

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#### THE BRIDON GROUP (2013) PENSION SCHEME ("THE SCHEME") SCHEDULE OF CONTRIBUTIONS FOR THE PERIOD 1 January 2015 to 31 December 2019

This schedule of contributions has been prepared by Bridon Scheme Trustees Limited ("the Trustees") to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of Alka Shah, the Scheme Actuary and after obtaining the agreement of Bridon International Limited ("the Employer"). It covers contributions to the Scheme from all employers who participate in the Scheme from time to time.

#### 1. Employer contributions (total for all employers)

In respect of the shortfall in funding, in accordance with the Recovery Plan dated 3 December 2014, the participating employers will pay a lump sum of £6.7M on 12 November 2014 along with £1.9M per annum (payable monthly) for a period of 3 years from 1 January 2015 to 31 December 2017, reducing to nil thereafter.

The above contributions are to be paid to the Scheme on or before the 19th of the calendar month following that to which the payment relates.

Contributions in respect of the expenses of administering the Scheme (including the Pension Protection Fund Levy) are met directly by the Employer, with the Scheme reimbursing the Employer.

The Scheme is closed to future accrual and has no active members.

#### 2. Augmentation payments

In respect of augmentations granted, the relevant employer will pay additional amounts to cover the costs of benefit augmentations within one month of the later of the date of granting the augmentation and the date on which the Trustees notify the relevant employer of the costs determined by the Scheme Actuary.

#### Signed on behalf of Bridon International Limited

Name: A. D. Caffyn

Position: Director

Date: 13/01/2015

#### Signed on behalf of Bridon Scheme Trustees Limited

Name: M. C. Duncombe

Position: Chairman of Trustees

Date: 03/12/2014

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## BRIDON GROUP (2013) PENSION SCHEME

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### ACTUARIAL STATEMENTS

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#### ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Bridon Group (2013) Pension Scheme

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to be met by the end of the period specified in the recovery plan dated 13 January 2015.

#### 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 effective from 3 December 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 wound up.

Signature: ALKA SHAH

Date: 14 January 2015

Name: Alka Shah

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2QD

Name of employer: Aon Hewitt Limited

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## BRIDON GROUP (2013) PENSION SCHEME

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### ACTUARIAL STATEMENTS

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#### Summary Funding Statement

As Trustee Directors, we look after the Scheme on behalf of its members. In particular, we are responsible for managing the Scheme's funding position. This involves comparing the value of the Scheme's assets with an estimate of the assets the Scheme needs to provide all pension and other benefits, based on agreed financial and other assumptions.

This funding statement, which is a legal requirement, is provided to help members understand the level of financial security of the Scheme. The funding statement will be updated and sent to members each year.

Understanding the level of financial security, and how this is measured, is important for members as it may affect the benefits you will receive. Scheme members have earned benefits, especially the right to receive a pension on retirement. The value required to provide all these earned benefits is known as the Scheme's liabilities.

Bridon International Limited ('the Company') pays contributions so that the Scheme can build up a fund to pay the pensions and other benefits to members. The Scheme's assets consist of the cash, shares, bonds and other investments it owns.

To measure the Scheme's financial security the Trustee compares the value of the Scheme's liabilities and assets. If the value of assets is lower than the liabilities, the Scheme has a 'shortfall'. If the value of assets is more than the liabilities, the Scheme has a 'surplus'.

It is important that individual members are clear that they do not have their own individual pension funds within the Scheme. Instead, the Scheme, like all defined benefit schemes, is set up as one common fund. The Scheme's accumulated assets are invested by the Trustee and used to pay pensions and other benefits.

#### What figures are included in the summary funding statement?

Every three years, the Scheme Actuary assesses the progress of the Scheme's funding arrangements in a process called an 'actuarial valuation'. The Trustee is also provided with regular valuation updates from the Actuary that give an estimate of the amount of assets that is needed today to meet the expected benefit payments. This estimates allows for future investment returns. Using this information, the amount of contributions needed to keep the Scheme assets on track (to meet the objective to pay pensions and other benefits) can be determined and monitored.

The funding statement includes the results of the first actuarial valuation of the Scheme, which was based on information about the Scheme at 31 December 2013. It also includes the results of the actuarial update carried out as at 31 December 2014. the next actuarial update will be carries out as at 31 December 2015 and is currently in progress.

The next formal actuarial valuation of the Scheme will be carried with an effective date of 31 December 2016.

#### Behind the numbers

An actuarial valuation looks at the funding position on an 'ongoing basis' and a 'discontinuance basis'. Figures based on both of these measures are included in the funding statement.

The **ongoing basis** looks at the Scheme's funding assuming that the Scheme continues into the future. The Scheme Actuary helps the Trustee to agree a funding target (called the 'technical provisions') for the Scheme. This target is the estimated amount that the Scheme will need to pay for members' benefits earned up to the valuation date.

The plan to meet the funding target, through contributions from the Company and investment returns, assumes the Company will continue in business and be able to make the necessary contributions to the Scheme.

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The **discontinuance basis** (also known as the solvency basis) looks at whether there would have been enough assets to buy insurance policies to provide members' benefits if the Scheme came to an end at the valuation date. (This basis is shown because it is required by law. It does not mean that the Company is actually thinking of discontinuing the Scheme.)

The cost of providing all the benefits through buying insurance policies is higher than the cost of paying them gradually over future years, as insurance companies use tougher financial assumptions, especially regarding the investment returns the assets will make. Even if a scheme is fully funded on the ongoing basis, the discontinuance figure will almost certainly be less than 100%.

#### Figures based on the 31 December 2013 valuation

##### Ongoing basis

Scheme assets	<b>£51.8 million</b>
Scheme liabilities (estimated amount required to meet the funding target)	<b>£64.2 million</b>
Shortfall	<b>£12.4 million</b>
Funding level (Scheme assets divided by liabilities)	<b>81%</b>

##### Discontinuance basis

Scheme assets	<b>£51.8 million</b>
Scheme liabilities (amount required to pay benefits through buying insurance policies)	<b>£97.9 million</b>
Shortfall	<b>£46.1 million</b>
Funding level (Scheme assets divided by liabilities)	<b>53%</b>

#### Figures based on the 31 December 2014 approximate funding update

##### Ongoing basis

Scheme assets	<b>£67.4 million</b>
Scheme liabilities (estimated amount required to meet the funding target)	<b>£80.6 million</b>
Shortfall	<b>£13.2 million</b>
Funding level (Scheme assets divided by liabilities)	<b>84%</b>

#### Figures based on the 31 December 2015 approximate funding update

##### Ongoing basis

Scheme assets	<b>£67.4 million</b>
Scheme liabilities (estimated amount required to meet the funding target)	<b>£78.0 million</b>
Shortfall	<b>£10.6 million</b>
Funding level (Scheme assets divided by liabilities)	<b>86%</b>

Following the 31 December 2013 valuation, the Scheme's funding level on the ongoing valuation basis improved slightly over the period to 31 December 2015. It increased to 86%, mainly because of deficit contributions paid over the period, the £6.7 million due to the sale of Bridon, and positive investment performance. This was partly offset by the increase in the value placed on the liabilities because of adverse changes in market conditions.

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#### How much money is paid into the Scheme each year?

The Scheme was created following a de-merger of the FKI Group Pension Scheme. Around 8% of assets and liabilities on a technical provisions basis were transferred from the FKI Group Pension Scheme into the Scheme.

As the 2013 valuation was the first actuarial valuation of the Scheme there was no Recovery Plan in place. However, the interim Schedule of contributions put in place in August 2013 states that the Company would pay deficit reduction contributions of £1.51 million a year from 1 September 2013 until 30 June 2021, together with £0.252 million in August 2013.

In November 2014 the Company was sold to the Ontario Teachers' Pension Plan. As part of the negotiation process the Trustees signed a Memorandum of Understanding with the Company in which it was agreed that the Company would make the following contributions to the Scheme:

- A one-off contribution of £6.7 million on completion of the sale of the Company. This was received on 12 November 2014, then
- £1.9 million per annum from 1 January 2015 until the Scheme is fully funded on the technical provisions basis.

Following the 31 December 2013 valuation the Trustee and the Company have agreed a recovery plan that is designed to restore the funding level to 100% by 31 December 2017. The Company continues to make contributions to the Scheme in order to reduce the £12.4 million shortfall as of 31 December 2013. The Company contributions will be:

- £1.51 million per annum from the valuation date until 31 December 2014, then
- £1.9 million per annum from 1 January 2015 until 31 December 2017.

The Trustee closely monitors the performance of the Company and receives updates on its performance at each quarterly Trustee meeting.

#### Is my pension guaranteed?

The Trustees aims for the Scheme are to have enough money in the Scheme to pay pensions now and in the future. However, this plan relies on the employer carrying on in business and continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the employer will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the employer will need to put in more money.

#### What would happen if the Scheme started to wind up?

If the Scheme winds up because the employer becomes insolvent you may not receive the full amount of pension you have earned, even if the Scheme is fully funded against its target funding level. However, whilst the Scheme remains ongoing, even though funding may fall below target, pensions will continue to be paid in full.

#### Why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. When estimating the cost to provide benefits, insurers are required to take a very cautious view of the future, include a profit margin and make an allowance for their expenses. By contrast, the funding plan assumes that the Company will continue to financially support the Scheme and it includes less cautious assumptions about the future than those typically used by insurers.

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#### **Pension Protection Fund (PPF)**

In the event of a wind up, it may be that the Company is unable to pay the full amount required by an insurance company to secure the liabilities. If the Company became insolvent, the Pension Protection Fund (PPF) may be able to take over the Scheme and pay compensation to members. The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent. It does not, however, guarantee to pay full benefits. Further information and guidance is available on the PPF website at: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Alternatively, you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

#### **Have there been any payments to Bridon International Limited?**

The Scheme's assets are kept separate from the Company and are managed by the Trustee. There have been no payments to the Company from the Scheme in the last twelve months, except to reimburse the Company for Scheme expenses it has paid directly. The Trustee would not expect to make any other payments to the Company and there are rules restricting the circumstances in which this can happen.