

Registered number: 100038827

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

Risk. Reinsurance. Human Resources.



HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

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TRUSTEES AND THEIR ADVISERS YEAR ENDED 31 DECEMBER 2018

Company appointed Trustees	Terry Edmondson, Chairman Eric Fees (resigned 3 August 2018) Richard Barton-Knott (appointed 6 August 2018)
Member Nominated Trustees	William Hancock (appointed 20 June 2018) Duncan Ainscough (resigned 20 June 2018)
Principal Employer	Liquidity Services UK Limited
Secretary to the Trustees	Jane Head, Aon Hewitt Limited (resigned 31 January 2019) Charles George, Mercer (appointed 1 February 2019)
Actuary	Ian Grant-Turton FIA (resigned 13 November 2018) Aon Hewitt Limited Hannah Fisher FIA (appointed 16 November 2018) JLT Employee Benefits
Administrator	Aon Hewitt Limited (DB Section) (resigned 31 January 2019) JLT Employee Benefits (DB Section) (appointed 1 February 2019) The Prudential Assurance Company Limited (DC Section)"
Independent Auditor	Ernst & Young LLP
Banker	Bank of Scotland plc
Investment Managers	Legal & General Investment Management Ltd (DB Section) The Prudential Assurance Company Limited (DC Section)
AVC Providers	Scottish Life Assurance Company The Prudential Assurance Company Limited
Death in Service Benefit Insurer	Ellipse
Legal Adviser	Squire Patton Bogg (UK) LLP
Contact address	Liquidity Services UK Limited 3rd Floor 69 Leadenhall Street London EC3A 2BG +44 20 7098 3700 Terry.Edmondson@liquidityservices.com

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Introduction

The Trustees of Henry Butcher Pension Fund & Life Assurance Scheme (the 'Scheme') are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2018.

Scheme constitution and management

The Scheme is a hybrid Scheme comprising of Defined Benefit (DB) and Defined Contribution (DC) sections. The Scheme is governed by a Trust Deed as amended from time to time and is administered in accordance with the establishing document and rules solely for the benefit of its members and other beneficiaries. The Trustees are shown on page 1.

Under the Trust Deed and Rules of the Scheme, Trustees are appointed and may be removed by the Employer.

In accordance with The Pensions Act 2004 at least one third of the total number of Trustees must be nominated by Scheme members. The Member Nominated Trustees (MNTs) are elected from the membership and can only be removed with the consent of all the other Trustees.

A Trustee can choose to retire from office at any time. Member Nominated Trustee can only be removed with the agreement of all other Trustees.

The Trustees have appointed professional advisers and other organisations to support it in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustees have written agreements in place with each of them.

Trustee meetings

The Trustee Board met formally three times during the year to consider the business of the Scheme.

Scheme changes

There were no changes to the Scheme in the year.

Following a review of advisors, the Trustees have appointed JLT Employee Benefits as the actuary and administrator of the Scheme. Ian Grant-Turton of Aon Hewitt Limited resigned as Scheme Actuary on 13 November 2018 and Hannah Fisher of JLT was appointed on 16 November 2018. There were no circumstances related to the change.

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

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

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Membership

Details of the membership changes of the Scheme in the year are as follows:

DB section	Active 2018	Deferred 2018	Pensioners 2018	Total 2018
Members at the start of the year	-	98	64	162
Retirements	-	(1)	1	-
Deaths	-	-	(1)	(1)
Transfers out	-	(2)	-	(2)
Total DB members at the end of the year	-	95	64	159

DC section	Active 2018	Deferred 2018	Pensioners 2018	Total 2018
Members at the start of the year	15	9	-	24
Adjustments to members	(4)	4	-	-
Member leaving with preserved benefits	(1)	1	-	-
Transfers out	-	(1)	-	(1)
Total DC members at the end of the year	10	13	-	23

Total members at the end of the year	10	108	64	182
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Pensioners include 9 (2017:9) individuals receiving a pension upon the death of their spouse who was a member of the Scheme.

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

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Pension increases

All pensions in payment were increased in accordance with the rules of the Scheme.

- Pensions payable in respect of the Guaranteed Minimum Pension (GMP) for service after 6 April 1988 were increased in payment by 3.0% in line with statutory requirements.
- Pensions payable in excess of the GMP in respect of service after 6 April 1997 were increased by the lesser of the increase in the Consumer Prices Index or 3.0%. Pension increases of 3.0% were applied during the period.
- The balance of Pensions were not increased, as per the Rules.
- Deferred benefits are increased in line with legislative / Scheme requirements upon an event calculation.
- Deferred pensions for ex-members who have left service were increased as required by statute, dependent on when the member left service.
- Any pension relating to members' AVCs will be increased as advised to the member at the time of retirement.

Transfers

Members leaving service can normally transfer the value of their benefits under the Scheme to another scheme that they join or to an insurance contract or personal pension.

The transfer value of the Scheme member's benefits includes no allowance for any discretionary benefits which might be awarded in the future.

Transfer into the Scheme are not allowed.

Additional Voluntary Contributions (AVCs)

There is provision for members to pay AVCs in order to increase their benefits under the Scheme. The current AVC provider is Prudential, with preserved contributions being held with Scottish Life Assurance Company. The Scottish Life AVC policy closed to new contributions from March 2009.

AVCs are a tax efficient method of saving as they are allowed against tax in the same way as normal contributions to the Scheme. In addition they are invested in special insurance contracts where they benefit from the tax concessions available to pension arrangements.

Members can either join the AVC schemes or increase their contributions, at any time. Full details are available on request from The Personnel Department.

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Report on Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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 base on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

Results of the last valuation and subsequent funding updates

The latest valuation of the Scheme as at 31 December 2015 and subsequent annual funding updates at 31 December 2016 and 31 December 2017 showed that the funding position was as follows:

	31 December 2015	31 December 2016	31 December 2017
Assets (A)	£16.3m	£19.6m	£20.4m
Liabilities (B)	£17.1m	£19.7m	£19.1m
Surplus/(Deficit) (A – B)	(£0.8m)	(£0.1m)	£1.3m
Funding level (A / B)	95%	99%	107%

Note: The asset and liability values exclude the value of AVC funds and the value of insured annuity policies. The funding position at 31 December 2017 has improved since the valuation at 31 December 2015. This is mainly due to the excess return on the Scheme's assets and the deficit contributions paid by the Employer over the period; although this has been offset to some extent due to the fall in gilt yields which has placed a higher value on the Scheme's liabilities.

The factors affecting the funding level of the Scheme are very changeable, particularly stock market performance, interest rates, inflation and life expectancy. This means that the funding level can be expected to fluctuate over time.

The next full Actuarial Valuation of the Scheme as at 31 December 2018 is in progress.

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. The significant actuarial assumptions used to calculate the liabilities were:

Pre-retirement discount rate:	Derived from the fixed interest gilt yield curve plus 1.8% pa
Post-retirement discount rate:	Derived from the fixed interest gilt yield curve plus 0.5% pa
Retail Price inflation:	Derived from the RPI yield curve derived from the gilt market
Consumer Price inflation:	Derived as RPI inflation less 1.1% pa
Mortality base table:	100% of SAPS S2P "Light" tables
Mortality improvement rate:	Latest available CMI Core projections model with a long term rate of improvement of 1.5% pa

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Report on Actuarial liabilities (continued)

The table below shows the one year forward rates for the key financial assumptions at 31 December 2017 at sample durations.

Term	Pre-retirement (% pa)	Post-retirement (% pa)	RPI inflation (% pa)	CPI inflation (% pa)
5	3.01	1.71	3.00	1.90
10	3.92	2.62	3.75	2.65
15	4.31	3.01	4.12	3.02
20	4.16	2.86	3.93	2.83

Recovery plan

When determining the Recovery Plan for the 31 December 2015 valuation, an allowance was made for the improvement in the funding position due to experience since the valuation date. The estimate of post-valuation experience up to 25 January 2017 revealed a funding surplus at this date. The Trustees after consulting the Employer agreed that no further deficit contributions were required from 28 February 2017.

The Employer pays the costs of administering the Scheme, the Pension Protection Fund and other levies collected by the Pensions Regulator and the cost of any augmentations to benefits.

Management and custody of investments

As required by the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP) setting out their policy on investment, which includes the Trustees' policy on Socially Responsible Investment. A copy of the Statement is available on request.

The Trustees have delegated management of investments to the investment managers shown on page 1. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments in line with the investment managers agreements which is designed to ensure that the objectives and policies captured in the SIP are followed.

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

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Scheme that they manage,

The Trustees have not appointed a custodian to the Scheme as the investment managers appoint a custodian for the assets underlying the investments they manage for the Trustees.

The custodians appointed by the investment managers are shown below:

Managers	Custodians
Legal & General Investment Management Ltd	HSBC Securities Services
Legal & General Investment Management Ltd	Citibank

The Custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Management and custody of investments (continued)

The Trustees have considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

Investment Report

Defined Benefit Section

Introduction

The Scheme's assets are currently invested 57% in fixed income securities (corporate bonds), which are considered to be a reasonable match to the liabilities of the Scheme with the remaining 43% in growth assets (equities) which are expected to deliver a return in excess of inflation in the long run.

As at 31 December 2018 Legal & General Assurance (Pensions Management) Limited ("L&G"), part of the Legal & General Group, were responsible for management of the Scheme's assets.

Trustees' investment objectives

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the Statement of Investment Principles.

The Trustees hold the Scheme's assets in trust for the benefit of members and are responsible for their investment. The day-to-day decisions are, however, made by the investment manager appointed by the Trustees.

The Trustees invest in pooled funds with L&G across corporate bonds and equities. There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of Legal & General.

The L&G corporate bond fund aims to produce a total return in line with the FTSE A Government (15-35 Year) Index and capture the yield spread over gilts of AAA-AA rated fixed interest securities.

The L&G Global Equity 70:30 Index Fund's benchmark is 70% UK equity (the return is benchmarked against the FTSE All-Share Index); and 30% overseas equity (the return is benchmarked against the FTSE All-World ex UK Index).

The Trustees have delegated responsibility with regard to the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments to the discretion of the investment manager.

The investment policy of the Trustees is set out in further detail in the Statement of Investment Principles ("The Statement"). The Statement complies with the regulations prescribed in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Asset Allocation

The asset allocation of the Scheme as at 31 December 2018 is detailed in the table below. Assets as at 31 December 2017 are also shown

Asset Class	Current Year	Prior Year %
L&G Global Equity 70:30 Index	43.3	44.7
UK Equities	30.4	31.6
North America Equities	7.7	7.6
Europe (ex. UK) Equities	1.9	2.1
Japan Equities	1.1	1.2
Asia Pac (ex. Japan) Developed Equities	0.8	0.8
World Emerging Markets Equities	1.4	1.4
L&G Bond Portfolio	56.7	55.3
UK Corporate Bonds	56.7	55.3
Total	100.0	100.0
Total Value	£18,265,229	£20,306,250

Source: Aon & investment manager

Investment management arrangements and performance

The following describes the mandates given within each asset class:

Asset class	Benchmark
Legal & General Global Equity 70:30 Index Fund	70% FTSE All-Share Index and 30% FTSE All-World (ex UK) Index
Legal & General AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	Due to the targeted duration aspect of this Fund it is not managed to a performance benchmark

Source: Aon & investment manager

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Custody of assets

The Trustees are responsible for ensuring that the Scheme's assets continue to be securely held. The Trustees hold units in pooled funds, each of which has a custodian and administrator who are independent from the investment manager.

Legal & General is regulated by the Financial Conduct Authority.

Citi Bank and HSBC act as custodian for Legal & General.

The pooled securities are held in accordance with FSA Client Money regulations.

Legal Structure of Investment Vehicles

The legal structure of the pooled investment funds is a unit-linked insurance policy domiciled in the UK.

Review of investment performance

Performance

The gross investment returns on the Scheme's assets as at 31 December 2018 were:

Investment Fund	1 year %	3 years % pa	5 years % pa
L&G Global Equity 70:30 Index Fund	-7.5	8.1	6.0
Benchmark	-7.5	8.0	5.9
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	-0.8	6.7	8.5
Benchmark*	n/a	n/a	n/a
Total Scheme Performance	-3.8	7.3	7.3
Benchmark	n/a	n/a	n/a

Source: Aon & investment managers.

*Due to the targeted duration aspect of this fund, it is not managed to a performance benchmark.

Market Commentary to 31 December 2018

General Summary

The MSCI AC World Index fell 7.2% in local currency terms over the last year. In contrast to the strong and relatively stable equity market uptrend seen through much of 2016 and 2017, 2018 saw lower returns and higher volatility with equity markets falling sharply in the first and fourth quarters. The Q1 2018 fall was triggered by expectations of a pick-up in US inflation and interest rates. Having largely recovered in the middle of the year, global equities were then rocked by rising concerns of slowing global growth and trade wars in Q4 2018 while earnings growth expectations moderated over the period. The fourth quarter's 12.5% fall in global equities was the steepest quarterly decline since 2011. On a sector level, the more defensive Health Care (3.4%) and Utilities (4.4%) sectors were the best performers whilst the more cyclical Industrials (-12.7%) and Financials (-12.6%) sectors underperformed.

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

The US Federal Reserve (Fed) continued on their course to normalise monetary policy. Over the period, the Fed hiked the Federal Funds rate on four occasions, reaching 2.25%-2.50% in December 2018 despite gathering market worries of over-tightening. The European Central Bank (ECB) ended their asset purchase programme in December, although reinvestment of principal payments is continuing indefinitely. Meanwhile, the Bank of England (BoE) raised rates to 0.75% in August as economic data stabilised and inflation remained above target though Brexit uncertainty meant further rate rises looked unlikely.

Production cuts undertaken by the Organization of the Petroleum Exporting Countries (OPEC) and increased geopolitical tensions drove up Brent oil prices over much of the year, peaking at \$86/bbl in October. However, fears of a slowdown in global growth, coupled with high US inventories and the waiving of US sanctions for eight Iranian oil importers, caused oil prices to slump in the fourth quarter. The price of Brent Crude ended the year down 19.5% at \$54/bbl. Amidst weakening Chinese economic data and heightened trade tensions, industrial metals also fell by 18.0% over the year resulting in the S&P GSCI Commodity index to finish the year to December 2018 down 13.8%.

UK fixed interest gilt yields had a volatile year, tending to rise and fall in tandem with global yields and Brexit developments. Shorter maturity yields ended the year higher whilst longer maturity yields were broadly unchanged as Brexit uncertainty and a weak UK economy anchored the longer end of the curve. Fixed interest gilts outperformed index-linked gilts as they returned 0.6% versus -0.3%.

Sterling ended the twelve-month period 1.5% lower on a trade-weighted basis. Sterling rallied in early 2018 on the back of expectations of an increase in the base rate but then fell back amidst increasing Brexit uncertainty and broad dollar strength. Sterling weakness softened the blow of weak global equity markets to unhedged UK investors as the MSCI AC World Index loss shrunk to -3.3% in sterling terms.

UK investment grade corporate bond credit spreads – the difference between corporate and government bond yields – widened by 46bps to end the twelve-month period at 159.6bps. Spreads widened steadily through the year before widening more rapidly in the fourth quarter against a backdrop of heightened volatility of risky assets.

UK commercial property returned 7.2%, supported by a steady income return. Capital value appreciation slowed through the year with capital values falling in Q4 2018. The retail sector underperformed over the year as fears over the health of the high street took hold, UK economic performance remained lacklustre and corporate earnings in the retail sector disappointed.

UK Equities

UK equities posted a return of -9.5% over the year. Poor performance in Q1 2018, driven by expectations of tighter monetary policy and sterling appreciation, was recovered in Q2 as sterling depreciation and higher energy prices then boosted UK equities. However, UK equities stalled in the third quarter before falling 10.2% in the fourth quarter with the sizeable Energy sector hit hard by falling oil prices and the Industrial sector hit by slowing global growth and trade tensions. Brexit uncertainty was also a sizeable drag over the second half of the year.

Performance once again varied greatly across sectors. Health Care (13.0%) was the best performing sector and the only sector to post positive returns over the year. The sizeable Oil and Gas sector led the index for much of the year but was hit hard by the sharp fall in oil prices in the fourth quarter and ended the year down 1.8%. Telecommunications (-22.2%) and Technology (-23.1%) were the worst performers.

UK large cap equities (-8.7%) outperformed both mid cap (-13.3%) and small cap equities (-9.5%) over the 12-month period. Having initially lagged at the beginning of the year, UK large cap equities benefited from Brexit-induced sterling weakness which boosted their overseas earnings and Oil & Gas sector revenues. Mid-cap equities were hit by their large exposure to the underperforming Industrials sector as well as poor stock-specific performance amongst the mid-cap Healthcare sector. Small cap equities were somewhat insulated by their sizeable exposure to investment managers but suffered broad based poor performance elsewhere given their higher exposure to the weakening UK economy and Brexit-related risk.

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Overseas Equities

US equities outperformed other markets over much of the year as a strong US economy – driven by a strong labour market, increased government spending and tax cuts – boosted US corporate earnings. Earnings were particularly strong in the highly-weighted Health Care and Technology sectors. However, the gap between the US and other markets' returns narrowed sharply in December as earnings expectations were revised down, particularly in the Technology sector, as concern over an over-tightening Fed policy, the health of the Chinese economy and ongoing trade tensions took hold. Nevertheless, US equities remained the best performing region over the year, returning -4.5% in local currency terms with Health Care (7.7%) the best performing sector and Oil & Gas (-18.0%) the worst.

Fading economic momentum in the Eurozone as well as heightened political risk weighed on Europe ex UK equity performance over the year with the index returning -10.7% in local currency terms. The anti-establishment Italian government, election upsets in Germany and fears over European banks' exposure to Turkey following sharp falls in the Turkish lira all weighed on sentiment. Economic data worsened through the year with the manufacturing purchasing managers index – a forward indicator of economic growth in the region – falling from 60.6 in December 2017 to 51.4 in December 2018. Utilities (5.9%) and Oil & Gas (3.5%) were the best performing sectors whilst Financials (-18.3%) and Basic Materials (-17.7%) were the worst.

Japanese equities were the worst performing region in local currency terms in all but the third quarter, ending the year down 15.3% in local currency terms. Disappointing economic data (Japanese GDP declined in both the first and third quarters), an appreciating yen, political scandals and global trade tensions all weighed on the region over the year. The export-sensitive Technology (-23.0%) and Industrials (-20.2%) sectors were hit by concerns over global growth and trade whilst the Basic Materials (-26.7%) and Oil & Gas (-22.0%) sectors were hit by falling commodity prices in the fourth quarter. However, sterling depreciation against the yen boost returns to -7.6% in sterling terms.

Emerging Market equities returned -9.7% in local currency terms over the past year. Much of the region's negative return occurred in the second quarter as the region was hurt by US dollar strength and idiosyncratic shocks in Turkey and Brazil. Poor performance continued into the third quarter as trade tensions between the US and China escalated and concerns over the Chinese economy increased. EM equities were the best performer in the fourth quarter as a 10% decline in Chinese stocks was countered by double-digit positive returns from Brazilian stocks following the election of Jair Bolsonaro but the market still fell 7.4% over the year in local currency terms. EM currency appreciation raised the year's return to -8.9% in sterling terms.

In the FTSE All World ex UK Index, the best performing sectors (in sterling terms) were Health Care (9.0%) and Utilities (23.4%) whilst Basic Materials (-10.8%) and Consumer Goods (-8.6%) underperformed.

Currencies and Interest Rates

Sterling ended the 12-month period down 1.5% on a trade-weighted basis. Having performed well in the first quarter on the back of an agreement on a Brexit transition period and expectations of tighter UK monetary policy, sterling fell back in Q2 2018 as weak UK economic data and a lack of further progress in the Brexit negotiations increased the risk of a 'no deal' Brexit and lowered expectations of future rate hikes. A further bout of Brexit uncertainty followed the negative reaction to the EU / UK Government's proposed Brexit deal and renewed economic weakness led sterling lower towards the end of the period.

The US dollar was up 7.5% on a trade-weighted basis and 5.9% against sterling over the year. The dollar weakened through the first quarter as markets worried over increased Government borrowing to fund Trump's increased government spending. However, these fears abated in the second quarter as widening interest rate differentials with other economies as a result of tighter US monetary policy, strong economic performance and global risk aversion led the dollar higher. This positive momentum continued into the second half of the year but the Fed's softer approach to further interest rate hikes caused dollar strength to level off towards the end of the year.

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Meanwhile, sterling moved broadly sideways against the euro, falling back slightly towards the end of the period. Weaker economic data in the Eurozone and a continued easy monetary stance from the ECB kept the euro weak. The ECB's QE program ended in December but this was accompanied by indications that future rate hikes would be pushed into late-2019 to 2020. The euro depreciated by 0.6% on a trade-weighted basis and appreciated by 1.1% against sterling.

Bouts of risk aversion in global markets, amid heightened geopolitical tensions, led to safe-haven flows into the Japanese yen over the year. These flows were particularly strong in the fourth quarter given the greater risk aversion. These flows were countered by poor economic data and a continued accommodative monetary policy stance from the Bank of Japan. Overall the yen appreciated by 4.1% on a trade-weighted basis over the 12-month period and appreciated by 8.3% against sterling.

Gilt Returns

UK fixed rate gilts returned 0.6%, whilst their index-linked counterparts returned -0.3%. UK short yields underperformed as yields rose over much of the year. Yields increased a little for both medium and long-dated gilts but long gilts underperformed medium gilts, despite their smaller increase in yields, due to the index's higher duration.

Index-linked gilts outperformed fixed interest gilts, except at long maturities, as breakeven inflation ended the year higher on the back of sterling weakness and higher than expected inflation. Medium maturity index-linked gilts were once again the best performer as yields were pushed down by higher breakeven inflation. The yield-sensitive long index-linked gilts index underperformed significantly as yields rose over the year, with rises concentrated in the second and third quarter.

Fixed Interest and Index-Linked Markets

The fixed interest gilt yield curve flattened over the year with an upwards shift at the short and intermediate parts of the curve whilst the longer end was broadly flat. The policy-sensitive two-year yield rose to 0.75%, ending the year 31bps higher. The more globally-driven 10-year yield was highly volatile over the year, peaking at 1.73% in October before falling back amidst falling risk sentiment to end the year 9bps higher at 1.28%.

In contrast, the index-linked gilt yield curve steepened over the year. Short and intermediate real yields fell over the year driven by higher breakeven inflation on the back of sterling weakness following increased Brexit uncertainty through the second half of the year. In contrast, long end real yields rose slightly as breakeven inflation was more stable.

UK Investment Grade Credit

UK iBoxx non-gilt credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) widened by 46bps to 159.6bps over the 12-month period.

After touching a 10 year low in January 2018, spreads widened over 2018. In the first quarter, equity market volatility and concern over global trade widened spreads. They continued to widen in the second quarter as further trade protectionist policies were announced and Brexit concerns gathered pace. After remaining largely unchanged in the third quarter, spreads widened sharply in the fourth quarter as greater risk aversion swept through riskier markets. As a result of the rise in credit spreads, UK non-gilts returned -1.5%, underperforming fixed interest gilts.

Lower quality corporate bonds underperformed with BBB-rated credit spreads widening the most (rising by 78 bps). A-rated credit spreads rose by 41bps, AA-rated bonds moved 18 bps higher and AAA-rated spreads moved 19bps higher.

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TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

UK Property

The MSCI UK Monthly Property Index moved up by 7.5% over the year, supported mainly by stable income returns whilst capital value appreciation slowed through the year.

The increase in capital values slowed over much of the last year and then began to fall in November. Poor returns from retail properties were a key contributor, falling 3.3% in the final quarter. Overall, capital values increased 2.1% over the year. Income returns contributed 5.1% to total returns.

Vacancy rates finished the year slightly lower at 7.5%. Rental growth slowed over the period with rents declining in the fourth quarter.

Defined Contribution Section

Introduction

Contributions relating to the Defined Contribution section of the Scheme are invested in pooled funds with Prudential.

The funds in which Prudential invest are all managed by Prudential M&G, the investment management arm of Prudential in the UK and Europe. Prudential M&G offer a wide range of funds, managed on both an active and passive basis.

The individual members have delegated the responsibility for the investment decisions to the investment managers. The day-to-day management of the individual member's portfolio, which includes full discretion for stock selection, is the responsibility of the respective investment managers.

The individual members have delegated responsibility with regard to the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments to the discretion of the investment manager.

The default investment option is a lifestyle strategy and the investment options available to the members are set out in further detail in the Statement of Investment Principles ("The Statement"). The Statement complies with the regulations prescribed in the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Asset Allocation

The assets held as at 31 December 2018 are detailed in the table below. Assets as at 31 December 2017 are also shown:

Investment Fund	Fund Value at 31 Dec 2018 £	Fund Value at 31 Dec 2017 £
Prudential Overseas Equity Passive	822,593	1,190,664
Prudential UK Equity Passive	740,604	1,114,936
Prudential Long-Term Gilt	388,320	358,386
Prudential Cash	126,720	93,719
Prudential International Equity	120,887	49,718
Prudential UK Equity	59,114	10,795
Prudential All Stocks Corporate Bond	69,569	-
Prudential UK Property	43,291	-
Prudential Discretionary	12,975	-
Total Value (includes AVCs)	£2,384,073	£2,818,218

Source: Aon & investment manager

Subject to rounding

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Investment Report (continued)

Performance achieved to 31 December 2018 is shown below:

The gross investment returns on the Scheme's assets were:

	1 year	3 years	5 years
	%	% pa	% pa
Prudential Overseas Equity Passive	-5.9	11.5	9.0
Benchmark	-5.7	12.3	9.3
Prudential UK Equity Passive	-9.3	5.9	4.0
Benchmark	-9.5	6.1	4.1
Prudential Long-Term Gilt	0.0	7.0	9.1
Benchmark	0.3	7.1	9.2
Prudential Cash	0.6	0.4	0.4
Benchmark	0.5	0.3	0.3
Prudential International Equity	-7.2	11.7	9.7
Benchmark	-6.1	11.8	9.8
Prudential UK Equity	-9.2	6.2	4.4
Benchmark	-9.5	6.1	4.1
Prudential All Stocks Corporate Bond Fund	-2.0	5.2	5.6
Benchmark	-1.5	4.4	5.1
Prudential UK Property Fund	8.5	4.8	9.6
Benchmark	6.5	6.4	9.7
Prudential Discretionary Fund	-4.8	9.1	7.3
Benchmark	-4.5	6.7	5.6

Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 17 to the financial statements.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Further information

Further information about the Scheme is available, on request, to members and prospective 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 Trustees' Statement of Investment Principles can be inspected.

Individual benefit statements are provided to active members annually. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests are available free of charge once a year.

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

The Trustees of Henry Butcher Pension Fund & Life Assurance Scheme (the 'Scheme') care of:

The Personnel Department
Liquidity Services UK Limited
3rd Floor
69 Leadenhall Street
London
EC3A 2BG

Aon Hewitt Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustees with a report and financial statements on the operation of the Scheme. Aon Hewitt Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustees, the data controller. Aon Hewitt Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustees, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustees.

The Trustees or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2018

Compliance Statement

HM Revenue & Customs Registration

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

Other information

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 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 6002 537
<https://www.gov.uk/find-pension-contact-details>

Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's administration office. 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 Trustees' office.

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

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

0800 917 4487
enquiries@pensions-ombudsman.org.uk

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

STATEMENT OF TRUSTEES' RESPONSIBILITIES YEAR ENDED 31 DECEMBER 2018

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- 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 its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees also have 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.

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Further information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact address shown on page 1.

Signed for and on behalf of the Trustees:

Trustee:

Trustee:

Date:

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

DC Governance Statement and Chairman Statement

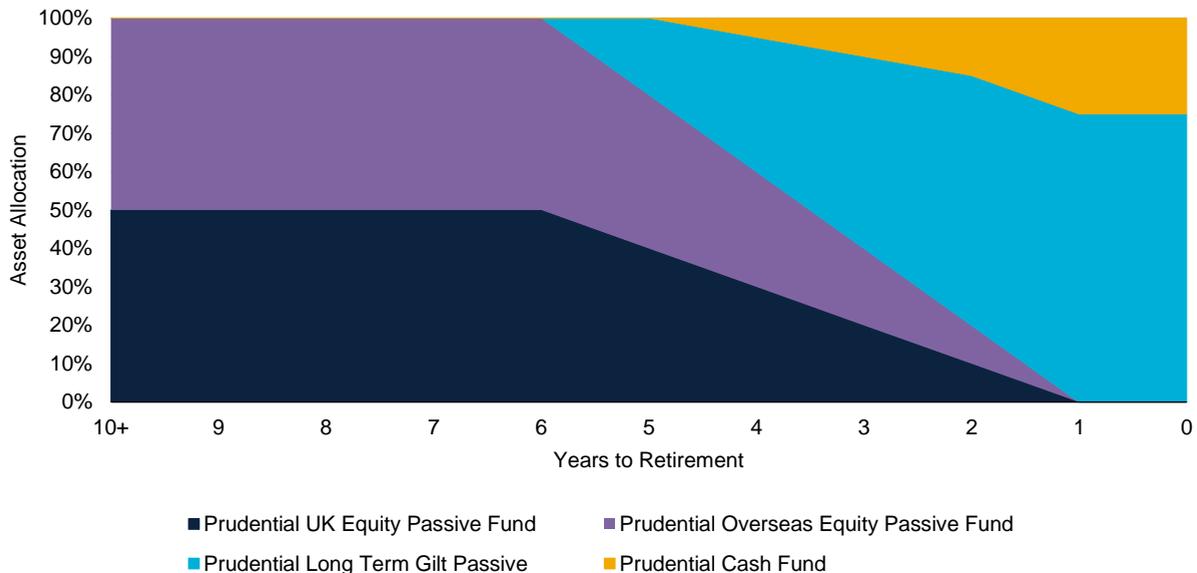
This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Henry Butcher & Co Pension Fund and Life Assurance Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant.

The default strategy invests in the Prudential UK Equity Passive Fund and the Prudential Overseas Equity Passive Fund at a ratio of 50:50 up until a member is 6 years from retirement. These equity funds expose members' savings to a high level of potential growth at a time when they can afford to take on more risk. Once members are 6 years from retirement, their assets are gradually moved out of the equity funds and into the Prudential Long Term Gilt Passive Fund and the Prudential Cash Fund, so that at retirement there is a 75:25 split between these two funds. This strategy is tailored towards members who will withdraw their 25% tax-free lump sum and purchase an annuity with the remainder of their savings.

This strategy can be illustrated using the following graph



The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustees on 16 March 2016 and a copy of which is submitted alongside this governance statement.

During the period covered by this statement there have been no significant changes to the Scheme's investment strategy. The SIP and the default strategy will be reviewed a minimum of every three years and a review is therefore overdue. The Trustees have been undertaking a detailed review of the DC Section and the best strategy for the future to ensure good member outcomes. These discussions are well advanced and a decision has been taken in principle to close the DC Section completely and transfer out all of the DC assets into arrangements that offer more flexibility and choice for the members in the long term.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

In the meantime, the Trustees monitor the performance of the default investment strategy in both a qualitative and quantitative manner. From a qualitative perspective, the Trustees are currently reviewing the Scheme's default offering relative to other strategies available within the market, considering investment factors as well as the transparency and information which can be provided to members of the Scheme. From a quantitative perspective, the Trustees consider the investment performance of each of the underlying funds within the default offering relative to their individual investment objectives and targets.

This Statement will be published on a publically available website and will be signposted in the annual benefit statements.

Processing Scheme transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions over the period covered by this statement were undertaken on the Trustees' behalf by the Scheme administrator and investment manager Prudential Global Investment Management. The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees had a service level agreement (SLA) in place with the Scheme administrator which covered the accuracy and timeliness of all core transactions and received regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamics checklists, a central financial control team separate to the admin team and daily monitoring of bank accounts. The Trustees are not aware of any issues relating to the processing of Scheme transactions during the period covered by this statement. The Trustees monitor performance against the SLA on a regular basis.

We will also perform periodic assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)*
Prudential UK Equity Passive Fund	0.550	0.31
Prudential Overseas Equity Passive Fund	0.550	0.01
Prudential Long Term Gilt Passive	0.550	-0.13
Prudential Cash Fund	0.650	0.00

Source: Prudential. *Transaction costs shown are an average over the last 5 years.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
Prudential UK Equity Passive Fund	0.550	0.31
Prudential Overseas Equity Passive Fund	0.550	0.01
Prudential Long Term Gilt Passive	0.550	-0.13
Prudential Cash Fund	0.650	0.00
Prudential All Stocks Corporate Bond	0.650	-0.10
Prudential Discretionary Fund	0.650	-0.07
Prudential Ethical	0.660	-0.03
Prudential International Equity	0.670	0.08
Prudential M&G UK Equity Pension Fund	0.660	-0.04
Prudential UK Property	1.22	0.26

Source: Prudential. *Transaction costs shown are an average over the last 5 years.

The 0.75% fee cap only applies to the default arrangement; hence some of the funds above exceed this amount.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member								
Years from now	Default Strategy <i>(most popular option)</i>		Prudential Overseas Equity Passive Fund <i>(highest expected return fund)</i>		Prudential Long Term Gilt Passive <i>(cheapest and lowest expected return fund)</i>		Prudential UK Property <i>(most expensive fund)</i>	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£123,887	£123,046	£123,887	£123,224	£117,918	£117,282	£122,280	£120,538
3	£140,597	£137,818	£140,597	£138,402	£121,686	£119,781	£135,322	£129,758
5	£158,637	£153,547	£158,637	£154,611	£125,367	£122,196	£149,034	£139,173

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

7	£173,025	£165,563	£178,112	£171,920	£128,962	£124,528	£163,451	£148,789
10 (retirement)	£182,168	£171,739	£210,268	£200,112	£134,198	£127,879	£186,477	£163,596
Total Fees	£9,854		£8,644		£6,653		£20,534	

Illustrations for a "Young" member

Years from now	Default Strategy <i>(most popular option)</i>		Prudential Overseas Equity Passive Fund <i>(highest expected return fund)</i>		Prudential Long Term Gilt Passive <i>(cheapest and lowest expected return fund)</i>		Prudential UK Property <i>(most expensive fund)</i>	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£123,887	£123,046	£123,887	£123,224	£117,918	£117,282	£122,280	£120,538
3	£140,597	£137,818	£140,597	£138,402	£121,686	£119,781	£135,322	£129,758
5	£158,637	£153,547	£158,637	£154,611	£125,367	£122,196	£149,034	£139,173
10	£210,268	£197,471	£210,268	£200,112	£134,198	£127,879	£186,477	£163,596
15	£272,792	£248,856	£272,792	£253,731	£142,525	£133,093	£228,915	£189,335
20	£338,474	£300,321	£348,505	£316,919	£150,375	£137,876	£277,015	£216,462
23 (retirement)	£346,989	£303,616	£401,398	£360,122	£154,868	£140,554	£308,904	£233,436
Total Fees	£33,603		£28,443		£16,175		£58,399	

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Younger" members' pots at retirement would be £119,816 and £123,558 respectively in today's money.

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age	
<ul style="list-style-type: none"> • "Average" member • "Young" member 	53 <i>(the average age of the Scheme's membership)</i> 40 <i>(the youngest member of the Scheme)</i>
Scheme Retirement Age	63

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

Starting Pot Size	£116,000 (<i>median pot size of the Scheme's membership</i>)
Starting Salary	£29,588 (<i>the average UK salary in 2018 according to the Office for National Statistics, as Scheme data was unavailable</i>)
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	6% p.a.
Employee annual contributions	5% p.a.
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> • Default Strategy <ul style="list-style-type: none"> ○ Prudential UK Equity Passive Fund ○ Prudential Overseas Equity Passive Fund ○ Prudential Long Term Gilt Passive ○ Prudential Cash Fund • Prudential Overseas Equity Passive Fund • Prudential Long Term Gilt Passive • Prudential UK Property 	<ul style="list-style-type: none"> 4.0% above inflation 4.0% above inflation 1.2% below inflation 1.0% below inflation 4.0% above inflation 1.2% below inflation 2.6% above inflation

Value for Members

Albeit no formal value for money assessment has been carried out over the reporting period, the Trustees have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustees have assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

Additionally, during the year covered by this statement the Trustees conducted a review of their advisers as part of normal good governance. We interviewed a number of different consultancy firms as part of a formal process and decided to appoint JLT (now Mercer) with effect from 1 November 2018. The Trustees made their decision based upon an assessment of services, people and value for money.

The Trustees have also considered if winding-up the Scheme into a Master Trust or Group Personal Pension arrangement would provide better value for money for members and may investigate this option further in the medium-term.

This Statement will be published on a publically available website and will be signposted in the annual benefit statements.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

Additional Voluntary Contributions (AVCs)

The Trustees also make available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is provided via Royal London (formerly Scottish Life) and has been closed to new contributions since March 2009. Royal London were unable to provide the relevant TERs and transaction costs in time to be included in this statement, but the Trustees will continue to challenge them to obtain the required information.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustees review their training needs at every trustee meeting and maintain a trustee training log. The Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors was one of the key criteria that the Trustees considered when formally reviewing their advisors during 2018. The Trustees include legislative updates and Trustee Knowledge and Understanding on the agenda for each of their meetings.

Over the course of 2018, two new Trustees were appointed both of whom are in the process of completing the Pension Regulator's Trustee Toolkit. The sole continuing Trustee has completed the Toolkit. All the Trustees are also expected to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles and take professional advice, where appropriate, when interpreting these documents. An example of this recently was the review of the Rules by Squire Patton Boggs for the purposes of considering the transfer of the Scheme's DC assets and closure of the DC section.

Notwithstanding the disruption to the Trustee board during 2018 and the process of appointing new consultants, actuaries and administrators, the Trustees received dedicated training and guidance throughout the year. Aon delivered training at Trustee meetings on Integrated Risk Management as well as guidance on the General Data Protection Regulation and DC governance requirements. Following the appointment of JLT/Mercer in November 2018, the Trustees received training from their Scheme Actuary on funding and the triennial actuarial valuation process and their investment consultant provided an introduction on Environmental, Social and Governance investment considerations that has since been followed up with formal training. Two of the Scheme's new Trustees also participated in a dedicated DB training day run by Aon.

Now that the Trustee board is settled and the new advisers fully in place, JLT/Mercer have been asked to carry out a Trustee effectiveness survey and to prepare a full Risk Register. This work will be progressed during Q3 and Q4 2019 and will provide the Trustees with better insight as to their training needs as well as into the areas of Scheme governance that may need attention or further assessment.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are enabled properly to exercise our functions as Trustees of the Scheme. In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise trustees cannot be certain that a scheme remains fit for purpose. The ongoing review of the DC Section of the Scheme is designed to reflect better member needs in the context of Pension Freedoms and the perceived needs of the membership.

Given the extent of the training above, the Trustees are comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustees have demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustees' current policies.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2018

The Chair's statement regarding DC governance was approved by the Trustees and signed on their behalf by:



Mr Terry Edmondson

Chair of the Trustees

Date: 30/07/2019

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of the Henry Butcher Pension Fund & Life Assurance Scheme for the year ended 31 December 2018 which comprise the fund account, the statement of net assets (available for benefits) and the related notes 1 to 20, including a summary of significant accounting policies. 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 in the UK and Republic of Ireland'.

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 2018, 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual report section of our report below. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the annual report in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the annual report is not appropriate; or
- the Trustees have not disclosed in the annual report any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months the date when the annual report are authorised for issue.

Other information

The other information comprises the information included in the report and financial statements other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustees are responsible for the other information.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES YEAR ENDED 31 DECEMBER 2018

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 18, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustees, as a body, 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's trustees 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 Scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Reading
Date:

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

FUND ACCOUNT YEAR ENDED 31 DECEMBER 2018

	Note	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Employer contributions	3	-	53,178	53,178	174,000	60,220	234,220
Employee contributions	3	-	49,812	49,812	-	54,843	54,843
		-	102,990	102,990	174,000	115,063	289,063
Benefits payable	4	(434,055)	-	(434,055)	(456,811)	-	(456,811)
Transfers out	5	(764,842)	(378,039)	(1,142,881)	(690,361)	(41,346)	(731,707)
Administrative expenses	6	(236)	-	(236)	(268)	-	(268)
		(1,199,133)	(378,039)	(1,577,172)	(1,147,440)	(41,346)	(1,188,786)
Net (withdrawals)/additions from dealing with members		(1,199,133)	(275,049)	(1,474,182)	(973,440)	73,717	(899,723)
Investment income	7	452	-	452	13	-	13
Change in market value of investments	8	(749,847)	(159,687)	(909,534)	1,623,883	302,043	1,925,926
Net returns on investments		(749,395)	(159,687)	(909,082)	1,623,896	302,043	1,925,939
Net (decrease) /increase in the fund during the year		(1,948,528)	(434,736)	(2,383,264)	650,456	375,760	1,026,216
Net assets of the scheme at 1 January				<u>20,411,770</u>	<u>2,827,073</u>	<u>23,238,843</u>	<u>19,761,314</u>
at 31 December				<u>18,463,242</u>	<u>2,392,337</u>	<u>20,855,579</u>	<u>20,411,770</u>
					<u>2,827,073</u>	<u>23,238,843</u>	

The notes on pages 30 to 41 for part of these financial statements.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED 31 DECEMBER 2018

	Note	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Investment assets							
Pooled investment vehicles	10	18,265,229	2,364,370	20,629,599	20,306,250	2,796,782	23,103,032
AVC investments	11	41,987	19,703	61,690	39,583	21,436	61,019
Total net investments		18,307,216	2,384,073	20,691,289	20,345,833	2,818,218	23,164,051
Current assets	15	156,026	8,264	164,290	87,553	8,855	96,408
Current liabilities	16	-	-	-	(21,616)	-	(21,616)
Net assets available for benefits at 31 December		18,463,242	2,392,337	20,855,579	20,411,770	2,827,073	23,238,843

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. 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 report on actuarial liabilities included in the Trustees' report and these financial statements should be read in conjunction with it.

The notes on pages 30 to 41 form part of these financial statements.

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

Trustee:

Trustee:

Date:

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidelines set out in the Statement of Recommended Practice (SORP) (2015) - Financial Reports of Pension Schemes.

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

2. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied unless otherwise stated.

Functional and Presentational Currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

2.1 Contributions

Normal contributions, both from employees and Employers, are accounted for on an accruals basis in the period to which they relate.

2.2 Transfers to other schemes

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

2.3 Benefits payable

Pensions in payment are accounted for in the period to which they relate.

Benefits to members are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustees of their decision on the type and amount of the benefit to be taken. If there is no member choice, benefits are accounted for on the date of leaving.

2.4 Administrative expenses

Administrative expenses are accounted for on an accruals basis.

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, which is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Valuation and classification of investments

Pooled investment vehicles are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

Change in market value

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 and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

3. Contributions

	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Employer						
Normal	-	53,178	53,178	-	60,220	60,220
Deficit funding	-	-	-	174,000	-	174,000
	-	53,178	53,178	174,000	60,220	234,220
Employee						
Normal	-	49,812	49,812	-	54,843	54,843
	-	49,812	49,812	-	54,843	54,843

When determining the Recovery Plan an allowance was made for the improvement in the funding position due to experience since the valuation date. The estimate of post-valuation experience up to 25 January 2017 revealed a funding surplus at this date. It was agreed that no further deficit contributions were required from March 2017. During the next valuation as at 31 December 2018 the Trustees and Company will review the position.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Benefits payable

	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Pensions	422,832	-	422,832	392,746	-	392,746
Commutations of pensions and lump sum retirement benefits	11,223	-	11,223	56,710	-	56,710
Lump sum death benefits	-	-	-	7,355	-	7,355
	434,055	-	434,055	456,811	-	456,811

5. Transfers out

	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Individual transfers out to other schemes	764,842	378,039	1,142,881	690,361	41,346	731,707

6. Administrative expenses

	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Bank charges	236	-	236	268	-	268

The administration of the Scheme is provided by the Principal Employer. These costs are not charged to the Scheme.

7. Investment income

	DB £	DC £	2018 Total £	DB £	DC £	2017 Total £
Interest on cash deposits	452	-	452	13	-	13

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Investments

	Opening value at 1 Jan 2018	Purchases at cost	Sales Proceeds	Change in market value	Closing value at 31 Dec 2018
	£	£	£	£	£
Defined benefit section					
Pooled investment vehicles	20,306,250	-	(1,275,999)	(765,022)	18,265,229
AVCs	39,583	-	(12,771)	15,175	41,987
	<u>20,345,833</u>	<u>-</u>	<u>(1,288,770)</u>	<u>(749,847)</u>	<u>18,307,216</u>
Total DB net investments	<u>20,345,833</u>				<u>18,307,216</u>
Defined contribution section					
Pooled investment vehicles	2,796,782	555,407	(829,865)	(157,954)	2,364,370
AVCs	21,436	-	-	(1,733)	19,703
	<u>2,818,218</u>	<u>555,407</u>	<u>(829,865)</u>	<u>(159,687)</u>	<u>2,384,073</u>
Total DC net investments	<u>2,818,218</u>				<u>2,384,073</u>
Total net investments	<u>23,164,051</u>				<u>20,691,289</u>

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid. Accordingly, the assets identified as designated to members do not form a common pool of assets available to members generally. All DC section assets are designated to members.

9. Transaction Costs

Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustees to quantify these indirect costs.

10. Pooled investment vehicles

	DB 2018 £	DC 2018 £	Total 2018 £	DB 2017 £	DC 2017 £	Total 2017 £
Bond funds	10,353,201	457,889	10,811,090	11,219,401	358,386	11,577,787
Equity funds	7,912,028	1,723,495	9,635,523	9,086,849	2,344,676	11,431,525
Cash funds	-	126,720	126,720	-	93,720	93,720
Property funds	-	43,291	43,291	-	-	-
Other funds	-	12,975	12,975	-	-	-
	<u>18,265,229</u>	<u>2,364,370</u>	<u>20,629,599</u>	<u>20,306,250</u>	<u>2,796,782</u>	<u>23,103,032</u>

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11. AVC Investments

	DB	DC	2018	DB	DC	2017
	£	£	Total	£	£	Total
			£			£
Prudential	-	19,703	19,703	-	21,436	21,436
Scottish Life	41,987	-	41,987	39,583	-	39,583
	41,987	19,703	61,690	39,583	21,436	61,019

The Trustees holds assets which are separately invested from the main scheme to secure additional benefits on a money purchase basis for those members electing 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 to their account and movements during the year.

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

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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 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 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), 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 Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Investment Risk Disclosure – Measuring and Managing

Defined Benefit Section

Note that, in the case of market risk, the Trustees make the distinction between risks that arise from interest rate exposure, currency exposure and other price risk, as well as the distinction between direct and indirect risks.

Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Direct credit risk exists through the investment in pooled investment vehicles and is mitigated by holding a diversified portfolio of securities.

This is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification across a number of pooled arrangements. The Trustees carry out due diligence checks on the appointments of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Indirect credit risk exists through the credit exposure of the underlying securities within the pooled funds. The objective of taking on indirect credit exposure within the pooled funds is to obtain a higher expected return than would be obtained from investing solely in government bonds or secured overnight borrowing.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Investment Risk (continued)

The indirect credit risk is managed by ensuring that guidelines are in place for the investment manager to ensure an appropriate overall level credit quality and diversification of issuers and counterparties commensurate with the objectives of the investment.

The Trustees accept the indirect credit risk associated with managing the Scheme's interest rate exposure as this is unavoidable if they are to manage these exposures effectively.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme is exposed to currency risk due to the investment in overseas securities through pooled investment vehicles. The investment in overseas equities is designed to increase the number of securities that can be considered for inclusion in the portfolio and thereby improve the risk/reward and diversification characteristics of this investment. The Trustees are satisfied that the expected benefits from allowing the Scheme to invest in overseas securities compensates for the associated currency risk. Although a proportion of the underlying assets are held in overseas currencies, the pooled funds are denominated in sterling.

The Trustees receive regular reports on the composition of the investment funds and the total portfolio and can therefore measure the size of the exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in market interest rates will directly affect the fair value of a proportion of the Scheme's holdings in fixed income securities. The primary objective of holding these instruments is to help the Scheme be better matched to the interest rate exposures of the payments that it needs to make to the beneficiaries. To manage interest rate risk, the allocation to the fixed income portfolio is kept under review.

Other Price Risk

In addition to credit risk, currency risk and interest rate risk, investments may be subject to idiosyncratic price risks that arise from factors affecting that asset class or individual investment.

Before investing in any asset class, or entrusting the Scheme's assets to a particular manager, the Trustees take advice on the risks involved both on a quantitative and qualitative basis from their investment consultant. The decision as to whether to invest in a particular fund is delegated to the manager within specified investment restrictions.

The purpose of accepting these risks is to ensure that, when considered as a whole, the assets of the Scheme have a suitably diversified portfolio in terms of the type of risk taken and the sources of expected future returns.

These risks are managed by ensuring that the portfolio is well diversified both across asset classes and within each individual asset class. In addition the Trustees take advice from their investment consultant as to the continuing suitability of the asset classes and managers in which they invest.

The Trustees receive regular reports from their managers setting out the nature and extent of the risks in the Scheme's assets.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Investment Risk (continued)

Investment Risk Disclosure – Measuring and Managing

The table below sets out the risk exposure of the investments of the Scheme:

	Investments				
	Direct Risk	Indirect Risk			
	Credit	Credit	Currency	Interest Rate	Other
Legal & General Global 70:30 Index Equity Fund	✓	-	✓	-	✓
Legal & General AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	✓	✓	-	✓	-
Value of assets exposed to risk as at 31 December 2018		£18,265,229			
Value of assets exposed to risk as at 31 December 2017		£20,306,250			

Source: Aon & investment manager

Direct risks do not involve any Currency, Interest Rate and Other Price risk

Direct credit risk is the risk associated with the possibility of default by the underlying investment managers. As the Scheme invests in pooled

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Investment Risk (continued)

Investment Risk Disclosure – Measuring and Managing

Direct Credit Risk

The Defined Contribution Section is subject to direct credit risk in relation to pooled investment holdings in Prudential.

Prudential is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. Prudential invests all the Scheme's funds in its own investment unit linked funds and it does not use any other investment funds or reinsurance arrangements. In the event of default by Prudential, the Scheme is protected by the Financial Services Compensation Scheme.

Indirect credit and market risks

The Defined Contribution Scheme is also subject to indirect credit and market risk arising from the underlying investments held in the Prudential funds. The funds which have significant exposure to these risks are set out below:

	Investments					
	Direct Risk	Indirect Risk				
	Credit	Credit	Currency	Interest Rate	Other	
Prudential Overseas Equity (Passive)	✓	-	✓	-	✓	
Prudential UK Equity Passive	✓	-	-	-	✓	
Prudential Long-Term Gilt Passive	✓	✓	-	✓	✓	
Prudential Cash Fund	✓	✓	-	✓	✓	
Prudential International Equity	✓	-	✓	-	✓	
Prudential UK Equity	✓	-	-	-	✓	
Prudential All Stocks Corporate Bond	✓	✓	✓	✓	✓	
Prudential UK Property	✓	✓	✓	-	✓	
Prudential Discretionary	✓	✓	✓	✓	✓	
Value of assets exposed to risk as at 31 Dec 2018		£2,384,073				
Value of assets exposed to risk as at 31 Dec 2017		£2,818,218				

Source: Aon & investment manager

The analysis of these risks set out above is at Scheme level. Member level risk exposures will depend on the funds invested in by members.

The Trustees have selected the above funds and have considered the indirect risks in the context of the investment strategy. This is described in the Trustees' Statement of Investment Principles.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the Scheme net assets as at 31 December 2018.

	2018		2017	
	Value £	%	Value £	%
DB investments				
L&G AAA Fixed Interest over 15 years	10,353,201	50	9,086,849	39
L&G Global Equity 70:30	7,912,028	38	11,219,401	48
DC investments				
Prudential Overseas Equity Passive	-	-	1,180,076	5

15. Current assets

	2018		2017			
	DB £	DC £	Total £	DB £	DC £	Total £
Employer contributions due	3,403	4,253	7,656	3,403	4,618	8,021
Employee contributions due	-	4,011	4,011	-	4,237	4,237
Prepayments	28,388	-	28,388	27,914	-	27,914
Bank	119,187	-	119,187	51,189	-	51,189
Due from employer	5,048	-	5,048	5,048	-	5,048
	156,026	8,264	164,290	87,554	8,855	96,409

All contributions due to the Scheme were received in accordance with the Schedule of Contributions. DC assets are designated to members.

16. Current liabilities

	2018		2017			
	DB £	DC £	Total £	DB £	DC £	Total £
Accrued benefits	-	-	-	21,616	-	21,616

17. Employer related investments

There were no direct Employer related investments during the year. The Trustees recognise that indirect investment in the Employer's parent company, is possible through holdings in pooled investment vehicles. Based on information provided by the investment managers the Trustees believe that any indirect exposure to shares in the Employer has not exceeded 0.1% of the Scheme assets at any time during the year.

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. Related Party Transactions

Contributions received into the Scheme and any benefits paid in respect of Trustees who are members of the Scheme have been made in accordance with the Trust Deed and Rules. One of the Trustees is a deferred member of the Scheme with a preserved benefit.

Administrative expenses, compensation to Trustees for their services, PPF Levies, other levies and life assurance premiums of the Scheme are borne by the Principal Employer.

19. Contingent assets and liabilities

GMP Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustees are now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any adjustment to individual's benefits quantified, then members will be advised.

Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Other than as disclosed above, in the opinion of the Trustees, the Scheme had no contingent liabilities as at 31 December 2018 (2017: none).

20. Capital commitments

There were no capital commitments outstanding at 31 December 2018 (2017: none).

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2018

Independent Auditor's Statement about Contributions to the Trustees of the Henry Butcher Pension Fund & Life Assurance Scheme

We have examined the summary of contributions to the Henry Butcher Pension Fund and Life Assurance Scheme for the Scheme year ended 31 December 2018 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 December 2018 as reported in the attached 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 certified by the Scheme Actuary on 7 March 2017.

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 on page 43 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.

Respective responsibilities of Trustees and Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions 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 and to report our opinion to you.

Use of our statement

This statement is made solely to the Scheme's Trustees, 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 audit work has been undertaken so that we might state to the Scheme's Trustees 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 Scheme's Trustees as a body, for our work, for this statement, or the opinion we have formed.

Ernst & Young LLP
Statutory Auditor
Reading
Date:

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2018

During the year ended 31 December 2018, the contributions payable to the Scheme were as follows:

	DB Employers	DB Employees	DC Employers	DC Employees	Total
	2018	2018	2018	2018	2018
	£	£	£	£	£
Contribution payable under the Schedule of Contributions					
Normal	-	-	53,178	49,812	102,990
Total contributions reported in the financial statements	-	-	53,178	49,812	102,990

Approved by the Trustees and signed on their behalf:

Trustee:

Trustee:

Date:

HENRY BUTCHER PENSION FUND & LIFE ASSURANCE SCHEME

ACTUARIAL STATEMENTS

Henry Butcher Pension Fund and Life Assurance Scheme (the "Scheme") Certification of Schedule of Contributions

Adequacy of rates of contributions

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 continue to be met for the period for which the schedule is to be in force.

Adherence to Statement of Funding Principles

I certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 7 March 2017.

The certification of the adequacy of 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	IAN GRANT-TURTON
Name	Ian Grant-Turton Fellow of the Institute and Faculty of Actuaries
Date	7 March 2017
Address	Aon Hewitt Limited, Briarcliff House, Kingsmead, Farnborough, Hampshire GU14 7TE

APPENDIX

The Henry Butcher & Co Pension Fund and Life Assurance Scheme ("the Scheme")

Statement of Investment Principles ("the Statement")

Defined Benefit Section

1. Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 24 November 2015. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The Scheme comprises two sections: a Defined Benefit Section ("DB Section") and a Defined Contribution Section ("DC Section"). This Statement is purely for the Defined Benefit Section of the Scheme. The Statement for the DC Section is a separate document.

2. Consultations made

The Trustees have consulted with the principal employer, GoIndustry UK Limited ("the Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Hewitt Ltd who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Objectives and policy for securing objectives

The Trustees' objectives for setting the investment strategy of the Scheme have been set out below. The Trustees' primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- "stability objective"- to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" - to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of Employer's covenant when determining the expected improvement in the solvency position of the Scheme.

APPENDIX

The Trustees recognise that these objectives may conflict. For example, a larger allocation to more defensive assets may give greater security, but may result in a level of contributions that the employer may find too difficult to support. The Trustees also recognise that in resolving this conflict, it is necessary to accept some risk.

4. Investment risk measurement and management

Strategic risk

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

Covenant risk

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring Employers in particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Manager risks (activities by the investment manager)

The Trustees monitor the risks arising through the selection or appointment of investment managers on a quarterly basis via investment monitoring reports prepared by their professional advisors. Expected deviation from the benchmark (for a passive manager) or outperformance target (for an active manager) is detailed in the appendix of this Statement.

The Trustees have appointed Aon Hewitt to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives. The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) may indicate that the investment managers are taking a higher level of risk than indicated.

5. The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

As part of the ongoing Trustees' training, a broad range of asset classes, including alternatives, will be considered as and when the need and opportunity arises. This is kept under regular review by the Trustees in conjunction with its advisers.

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6. Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Day to day selection of stocks is delegated to the investment managers appointed by the Trustees. As regards the review and selection of the investment managers, the Trustees take expert advice from their advisers as required.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the Employer.

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8. Expected returns on assets

Over the long-term the Trustees' expectations are:

- for the "growth" assets (UK and overseas equities), to achieve a return which at least keeps pace with the increase in average weekly earnings over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;

- for the "matching" assets;

- for index-linked bonds, to achieve a rate of return in excess of price inflation, and short-term price behaviour in line with the cost of providing index-linked annuities;

- for monetary assets (UK and overseas bonds, cash etc.) to achieve a rate of return which is at least in line with changes in the cost of providing fixed income annuities.

Aon Hewitt's current expected nominal return assumptions for the next 10 years, as taken from their 'Capital Market Assumptions' dated 30 September 2015, are as follows:

- UK inflation - CPI 2.0% pa / RPI 3.1 % pa
- UK equities - 7.3% pa
- 15 year UK index-linked gilts - 1 .9% pa
- 15 year UK fixed income gilts - 2.6% pa
- 10 year UK investment grade corporate bonds - 3.5% pa

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

9. Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

10. Social, environmental or ethical considerations

The Trustees do not currently have an active policy in place with regard to the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. These matters are however kept under review by the Trustees, in consultation with their investment consultant and investment managers.

11. Activism, and the exercise of the rights attaching to investments

The Trustees do not currently have a specific policy in relation to the exercise of the rights (including voting rights) attaching to investments. These matters are however kept under review and the Trustees are aware of the policy towards corporate governance adopted by their investment managers and receive regular reports on their activity.

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Appendix to Statement of Investment Principles

Investment strategy for the Henry Butcher & Co Pension Fund and Life Assurance Scheme

Defined Benefit Section

1. Trustees' investment objectives

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in this Statement.

As at 30 October 2015, the asset allocation was as follows:

Asset class	Allocation
Global equities	42%
Fixed interest bonds	58%

The assets are not rebalanced but the allocation between and equities and bonds is reviewed on a periodic basis to ensure that the investments are appropriate to the Scheme's circumstances. Significant investments and disinvestments are made by taking account of the assets and liabilities of the Scheme.

The investment strategy is reviewed periodically, following formal triennial actuarial valuations and additionally whenever there is a significant change in the Scheme's circumstances.

2. Professional advisers who assist the Trustees

Investment Managers

The Trustees have appointed the following investment manager with whom the day-to-day responsibility for the investment of the Scheme's assets rests:

- Legal & General Investment Manager who are regulated by FCA to manage the total Scheme assets.
- Assets are invested passively in the Global Equity (70:30) Index Fund and the AAA Fixed Interest Over 15 Year Fund.
- The Global Equity (70:30) Index Fund benchmark is:

70% UK equity (the return is based on that of the FTSE All-Share Index); and

30% overseas equity (the return is based on that of an overseas allocation mirroring that of the overseas equity distribution of the average Fund in the CAPS Pooled Pension Fund Update- Balanced Funds Section).

- The AAA Fixed Interest Over 15 Year Fund has a benchmark of the FTSE A Government (Over 15 Year) Index and aims to capture the yield spread over gilts of AAA-rated long dated fixed interest securities.

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- The investment managers prepare quarterly reports to the Trustees including:
 - a valuation of all investments held for the Scheme;
 - records of all transactions together with a cash reconciliation;
 - a review of recent actions undertaken on behalf of the Scheme together with a summary of their current policy.
- In addition the Trustees may from time to time hold insurance policies or other assets which are earmarked for the benefit of certain members. These may include for example:
 - Assets secured by Additional Voluntary Contributions (AVC's) or other arrangements made individually by the Trustees.

AVC's are invested with Prudential.

The investment managers are periodically reviewed on an ongoing basis against their objectives as set out above.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

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The Henry Butcher & Co Pension Fund and Life Assurance Scheme ("the Scheme")

Statement of Investment Principles ("the Statement")

Defined Contribution Section

1. Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

The effective date of this Statement is 24 November 2015. The Trustees will review this Statement at least every three years and without delay either where any significant change in investment policy is contemplated or the demographic profile of the relevant members changes.

The Scheme comprises two sections: a Defined Benefit Section ("DB Section") and a Defined Contribution Section ("DC Section"). This Statement is purely for the Defined Contribution Section of the Scheme. The Statement for the DB Section is a separate document.

2. Consultations made

The Trustees have consulted with the principal employer, GoIndustry UK Limited ("the Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the appointment of the investment provider and for monitoring the investment provider. In addition, the Trustees are responsible for the choice of investment options made available to members of the Scheme, including the Default Option into which assets are invested in the absence of any instructions from the member.

The Trustees are also responsible for the preparation of this Statement and have obtained written advice on the preparation of this Statement. This advice was provided by Aon Hewitt Ltd who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Objectives and policy for securing objectives

The Trustees' objectives for setting the investment strategy of the Scheme have been set out below.

The Trustees' primary objectives are:

- To provide members with a core range of investment options to meet their individual risk/return requirements and to monitor and review the core range on a regular basis;
- To ensure that the fund range recognises that members' investment needs change as they progress towards retirement age with younger members seeking real growth and older members' greater security;
- To provide a pension facility to enable members to accumulate a fund at retirement with which to purchase a pension annuity and/or pay a (currently tax-free) cash sum;

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- To ensure that the individual fund options are managed to achieve a return commensurate with an acceptable level of risk given the stated aims of each fund.

Members are responsible for selecting the fund or combination of funds in which they wish to invest their pension accounts from the available range. Before making an investment decision members are advised and expected to read the available information on the fund range and any appropriate materials that the Trustees make available. Further information can be obtained from the Trustees and, if they wish, members can obtain advice at their own expense.

4. Investment risk measurement and management

Having taken independent advice, the Trustees have identified the principal defined contribution investment risks and have endeavored to ensure that the range of funds and the lifestyle strategies provide members with the ability to manage these risks. Information about the fund range is provided in the Appendix of this Statement.

Risks	Objective and fund types
Inflation - the risk that an investment does not sufficiently exceed the cost of living.	To aim for a total return from the investments that exceeds inflation by an appropriate margin. For example, equity funds.
Capital - the risk of a fall in the value of the members' investments.	To aim for the protection of the capital value of the accumulated savings as the member approaches the time to draw the benefits. For example, a cash fund.
Conversion - the risk that the value of the investments falls relative to the cost of securing a pension.	To aim for the value of the accumulated fund to move broadly in line with the cost of a pension. For example, the long-dated and index-linked bond funds.
Manager underperformance - the risk of an active manager underperforming the index.	To provide access to passive fund choices.

The Trustees recognise that the needs of members will vary according to their attitude to risk, investment sophistication, other retirement assets and duration to retirement. The Trustees have therefore made available a core range of pooled investment funds to satisfy the reasonable risk and return combinations of most members.

5. The balance between different kinds of investments

Members of the defined contribution section and AVC contributors are responsible for considering the need for diversification and the suitability of each asset class when choosing the fund or combination of funds in which to invest their individual accounts.

6. Choosing investments

The Trustees have installed a default lifestyle matrix of funds. The default lifestyle arrangement has been designed to match the members' investments to their individual time from retirement. The objective of this arrangement is a reasonable balance between risk and return. The default investment option invests all of each member's account in line with the following table:

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Years before normal retirement age	Prudential UK Equity Passive Fund	Prudential Overseas Equity Passive Fund	Prudential Retirement Protection Fund	Prudential Cash Fund
6 or more	50%	50%	0%	0%
5	40%	40%	20%	0%
4	30%	30%	35%	5%
3	20%	20%	50%	10%
2	10%	10%	65%	15%
1	0%	0%	75%	25%

The matrix is designed to enable the member to buy long term growth assets early in his career, and switch to assets better matching the purchase of an annuity together with 25% of the funds taken as a tax free lump sum at retirement. Precise details of how members' assets are switched into these funds are set out in the Members' booklet.

7. Potential risks

The main risks with this type of arrangement are as follows:

Market fluctuations - where unit linked policies are used, the value of policies allocated for member benefits may fluctuate with the movement in the underlying asset values. This means that, at a member's retirement, there is the possibility that the fund will have to be realised at an inopportune time to provide retirement benefits. Where members are making their own investment choices, it should be noted that the risk profile of the members' assets will be affected by their choice of funds, and that the range of funds that are available includes funds that are aimed at offering relative security as retirement approaches.

Inflation - the absolute return on investments and hence the value of the pension policy may be diminished by inflation. To help mitigate this risk, a range of funds is offered which aim to provide real growth over the long term.

Assets may not be readily realisable - a member may want to use policy proceeds for benefits at a time when there may be a delay in realisation (mainly related to investments in property based funds). The fund options available, however, enable members to link their policies to more liquid investments as they approach retirement.

8. Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the Employer.

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9. Expected returns on assets

Aon Hewitt's current expected nominal return assumptions for the next 10 years, as taken from their 'Capital Market Assumptions' dated 30 September 2015, are as follows:

- UK inflation - CPI 2.0% pa / RPI 3.1 % pa
- UK equities - 7.3% pa
- 15 year UK index-linked gilts - 1.9% pa
- 15 year UK fixed income gilts - 2.6% pa
- 10 year UK investment grade corporate bonds - 3.5% pa

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

10. Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

All of the assets held are realisable at short notice (through the sale of units in pooled funds).

11. Social, environmental or ethical considerations

The Trustees do not currently have an active policy in place with regard to the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. These matters are however kept under review by the Trustees, in consultation with their investment consultant and investment managers.

12. Activism, and the exercise of the rights attaching to investments

The Trustees do not currently have a specific policy in relation to the exercise of the rights (including voting rights) attaching to investments. These matters are however kept under review and the Trustees are aware of the policy towards corporate governance adopted by their investment managers and receive regular reports on their activity.

13. Additional Voluntary Contributions ("AVCs") Arrangements

Some members have paid AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

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Appendix to Statement of Investment Principles

Investment strategy for the Henry Butcher & Co Pension Fund and Life Assurance Scheme

Defined Contribution Section

The Trustees have installed a default lifestyle matrix of funds. The default lifestyle arrangement has been designed to match the members' investments to their individual time from retirement. The objective of this arrangement is a reasonable balance between risk and return.

The matrix is designed to enable the member to buy long term growth assets early in his career, and switch to assets better matching the way pension will be drawn as retirement approaches. Lifestyling occurs over a five year period and assets are progressively switched into bonds and cash. Precise details of how members' assets are switched into these funds are set out in the Members' booklet.

In addition to the default lifestyle fund options, full details of the entire fund range provided by Prudential M&G are set out in the Members' booklet and on Prudential's website.

1. Investment options

The default lifestyle fund range comprises:

1.1. Equity Fund [High risk return profile]

Manager	Fund	Benchmark	Target
Prudential M&G	UK Equity Passive Fund	FTSE-A All Share Index	Track the benchmark
Prudential M&G	Overseas Equity Passive Fund	Composite of overseas Indices	Track the benchmark

1.2 Bond Fund [Low risk return profile]

Objective is to invest in assets which provide a 'hedge' against fluctuating annuity prices.

Manager	Fund	Benchmark	Target
Prudential M&G	Retirement Protection Fund	FTSE A Over 15 year UK Gilt Index	Track the benchmark

1.3 Cash Fund [Lowest risk return profile]

Manager	Fund	Benchmark	Target
Prudential M&G	Cash Fund	London Interbank 7 Day Deposit Rate	Outperform the benchmark

2. Fee structure for advisers and managers

2.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

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2.2 Investment managers

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

The single annual management charge made, if a member selects any of Prudential's own funds, will be 0.65% of the fund value for an active fund or 0.55% of the fund value for a passive fund.

3. Additional Voluntary Contributions

AVCs are invested with the Prudential.