SUMMARY FUNDING STATEMENT

This statement brings you up to date on the Scheme's funding position.

Background

The Scheme is a 'defined benefit' pension arrangement. This means that your benefits are based on your salary and length of service in the Scheme. The Scheme has a pool of money to pay for these benefits as they become due; it does not hold assets separately for each individual member.

At least once every three years, the Scheme undergoes a thorough financial 'health check' called a valuation. When carrying out the valuation, the Scheme Actuary compares how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are higher than its liabilities, there is a 'surplus'; if they are lower, there is a 'shortfall' or 'deficit'.

As part of the valuation, the Trustee agrees a funding plan (the Statement of Funding Principles) with the Company, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. This is why the Scheme relies on the Company's ongoing support.

In the years between valuations, we receive less formal, yearly updates from the Actuary on the Scheme's progress. These do not go into the same level of detail as a formal valuation, but they provide enough information for us to keep track of any changes in the Scheme's position and consider any action we might need to take.

At a glance

The table below includes:

- a recap of the position at the 31 January 2017 update, which we reported in our previous summary funding statement;
- the results of the latest valuation on 31 January 2018; and
- the estimated position at the 31 January 2019 update.

	Update	Valuation	Update
	31 January 2017	**31 January 2018**	**31 January 2019**
Assets (A)	£186.3m	£198.7m	£199.5m
Liabilities (B)	£200.5m	£196.5m	£205.7m
Surplus / (Shortfall) (A-B)	**(£14.2m)**	**£2.2m**	**(£6.2m)**
Funding level (A/B)	93%	101%	97%

How the funding position has changed

The funding position improved over the year to 31 January 2018, due to Company contributions and better than expected investment returns. This was partially offset by changes in financial market conditions increasing the value of the liabilities.

The funding position worsened over the year to 31 January 2019, mainly due to lower than assumed investment returns and changes in financial market conditions. This was partially offset by the contributions paid over the year.

Company support

Following the 2018 valuation, the Company agreed to continue paying contributions of £9m a year until 30 June 2022.

Payment to the Company

We have to tell you whether there has been any payment made to the Company out of the Scheme's assets since the last summary funding statement – this has not been the case.

In certain circumstances, the Pensions Regulator can:

- direct how the Scheme's liabilities must be calculated;
- set the period for removing any funding shortfall; and
- set the level of Company contributions to be paid.

None of these things have happened in the Scheme.

If the Scheme were to end

Even if funding is temporarily below target, benefits will still be paid in full while the Scheme is still running. However, as part of the valuation, the Actuary is required to look at what would happen if the Scheme started to 'wind up' – that is, to close down completely. This does not mean that the Trustee or Company are considering this step.

When pension schemes wind up, benefits may be secured with an insurance company. The cost of securing pensions in this way is considerably more expensive than if the Scheme were to continue with the support of the employer. This is because insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. A scheme that aimed to cover this cost would be likely to have far more money than it actually needs to keep running normally.

If our Scheme had started to wind up on 31 January 2018, the Actuary estimated that it would need £276.8m to secure members' benefits. This was £77.4m more than the value of its assets on that date.

If the Scheme did not have enough assets to secure all benefits, the Company would have to make up the difference. If the Company is not there to pay for any shortfall (for example, it had become insolvent), the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at **www.ppf.co.uk**.