

SCHEME REGISTRATION NUMBER: 100280705

**THE LOWMAN PENSION SCHEME
TRUSTEES' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

THE LOWMAN PENSION SCHEME

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THE LOWMAN PENSION SCHEME

TRUSTEES AND THEIR ADVISERS

FOR THE YEAR ENDED 31 MARCH 2019

TRUSTEES

B H Beacham (Chairman)
N J Gubb*
C Steele

* Member nominated trustee

PRINCIPAL EMPLOYER

Lowman Manufacturing Company Limited
The Island
Lowman Green
Tiverton
Devon
EX16 4LA

SCHEME ADMINISTRATORS

IFA (South) Ltd
Sovereign House
37 Middle Road
Park Gate
Southampton
Hampshire
SO31 7GH

ACTUARY

Jaime Norman FIA
BBS Consultants and Actuaries Ltd
BBS House
23-25 St George's Road
Bristol
BS1 5UU

INVESTMENT MANAGERS

Baillie Gifford & Co
1 Greenside Row
Edinburgh
EH1 3AN
Custodian: Bank of New York Mellon

Invesco Perpetual Life Limited
First Floor
The Columbia Centre
Station Road
Bracknell
RG12 1LP
Custodian: Bank of New York Mellon

Legal & General Investment Management Limited
One Coleman Street
London
EC2R 5AA
Custodian: HSBC and Citibank

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TRUSTEES AND THEIR ADVISERS

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INVESTMENT MANAGERS (CONTINUED)

Legal & General Assurance (Pensions Management) Limited
One Coleman Street
London
EC2R 5AA
Custodian: HSBC & Citibank - Index funds, CoFunds - all other funds

Aberdeen Standard Investments
1 George Street
Edinburgh
EH2 2LL
Custodian: Citibank NA London Branch

Schroder Investment Management Limited
31 Gresham Street
London
EC2V 7QA
Custodian: Chase Nominees Limited

INVESTMENT CONSULTANT

AON Hewitt Limited (until August 2018)
25 Marsh Street
Bristol
BS1 4AQ

BBS Consultants and Actuaries Ltd (from August 2018)
BBS House
23-25 St George's Road
Bristol
BS1 5UU

AUDITOR

Kreston Reeves LLP
Chartered Accountants and Statutory Auditor
A2 Yeoman Gate
Yeoman Way
Worthing
West Sussex
BN13 3QZ

BANKERS

Arbuthnot Latham & Co Limited
Arbuthnot House
7 Wilson Street
London
EC2M 2SN

SOLICITORS

Claremont Pensions Limited
97 Redland Road
Bristol
BS6 6RB

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TRUSTEES AND THEIR ADVISERS

FOR THE YEAR ENDED 31 MARCH 2019

ADDITIONAL DISCLOSURE REQUIREMENTS

The Government has issued regulations affecting the Disclosure Requirements for Occupational Pension Schemes. The additional information which the Trustees must provide in order to comply with the new regulations is given below:

The Pension Tracing Service

The Trustees are required to provide certain information about the Scheme to The Pension Tracing Service.

The Pension Service
Mail Handling Site A
Wolverhampton
WV6 7WW

(Tel no. 0800 731 0193)

The Pensions Regulator

The Pensions Regulator will investigate complaints of injustice caused by maladministration and disputes of fact or law with the Trustees, Managers or Employers.

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

(Tel no. 0345 600 1011)

The Pensions Advisory Service (TPAS)

This is an independent voluntary organisation with local advisers who are experts in pension matters. It is established to provide free advice to Scheme members and their dependants who have problems concerning explanations given by the Trustees.

The Pensions Advisory Service
120 Holborn
London
EC1N 2TD

(Tel no. 0800 011 3797)

The Pensions Ombudsman

The Pensions Ombudsman investigates complaints of unremedied injustice caused by maladministration and disputes of fact or law with the Trustees, Managers or Employer.

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

(Tel no. 0800 917 4487)

REGISTRATION UNDER THE DATA PROTECTION ACT 1998/ GENERAL DATA PROTECTION REGULATIONS

The Data Protection Act 1998 (DPA) was replaced by the General Data Protection Regulations (GDPR) on 25 May 2018. The provisions of the GDPR will continue to apply after the UK has left the EU (Brexit) through enactment of a recently passed Data Protection Bill.

Although the key principles still hold true, GDPR introduces some significant changes, including new contractual obligations, enhanced reporting obligations and tougher enforcement and / or sanctions for non-compliance.

FURTHER INFORMATION

Members and recognised trade unions, that is unions recognised for the purposes of collective bargaining in relation to members, are entitled to inspect copies of documents giving information about the Scheme. In some circumstances, copies of the documents can be provided but a charge will be made for copies of the trust documents (Deed and Rules) and of the actuary's report.

ENQUIRIES ABOUT THE SCHEME

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

The Trustees of the Lowman Pension Scheme

care of: The Administrator
IFA (South) Ltd
Sovereign House
37 Middle Road
Park Gate
Southampton
Hampshire
SO31 7GH

(Tel no. 01489 582011)

THE LOWMAN PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The main purpose of this report is to provide general information about the Scheme. It is not meant to provide details of the way the Scheme works, nor to provide specific personal data. That information is contained in the Scheme booklet and Members' Individual Annual Statements.

THE SCHEME

The Lowman Pension Scheme ("the Scheme") was established under an Interim Declaration of Trust dated 23 March 1973 which was then updated by a Declaration of Trust dated 22 August 2005, which together with a Definitive Trust Deed dated 22 November 1988, and subsequent Deeds of Amendment, govern the operation of the Scheme.

Following the cessation of the accrual of service in the final salary section of the Scheme on 31 March 2004, which was service contracted out of the earnings related element of the State pension scheme, the Trustees have relinquished their contracted-out certificate to the Department of Social Security.

This is now a hybrid Scheme, with a money purchase section which has actively contributing members.

The Scheme comprises two sections:

- The Defined Benefit Section which provides benefits based on a member's salary and length of service; and
- The Defined Contribution Section which provides benefits based on a member's accumulated fund.

TAX STATUS OF THE SCHEME

The Scheme is a "registered pension scheme" for tax purposes under the Finance Act 2004. There is no reason, to the Trustees' knowledge, why registration should be prejudiced or withdrawn.

TRUSTEES OF THE SCHEME

The Trustees of the Scheme who served throughout the year were BH Beacham, NJ Gubb and C Steele.

The statutory power of appointing new Trustees and of removing Trustees from office is vested in the Principal Employer, Lowman Manufacturing Company Limited. With the agreement of the Principal Employer the Trustees have made arrangements for the selection of member-nominated Trustees in accordance with the requirements of the Pensions Regulator.

TRUSTEE MEETINGS

During the year there were four meetings of the Trustees to discuss the affairs of the Scheme and to deal with discretionary matters. The meetings and procedures of the Trustees as a body are regulated by governing documents which set out the voting arrangements between the Trustees on matters that arise that require a Trustee decision. The voting arrangements are on a majority basis, where the Chairman has the casting vote.

THE LOWMAN PENSION SCHEME

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

MEMBERSHIP STATISTICS

The number of members in the Scheme as at 31 March 2019 was as follows:

	Active members	Deferred members	Pensioners	Total
Final Salary Section:				
At 1 April 2018	-	80	215	295
Retirements	-	(1)	1	-
Transfer Out	-	(2)	-	(2)
Commutation	-	-	(1)	(1)
Deaths	-	-	(8)	(8)
New dependants	-	-	1	1
	-	77	208	285
Money Purchase Section:				
At 1 April 2018	5	55	-	60
Joiners	2	1	-	3
Withdrawals	(1)	-	-	(1)
Transferred out	-	(2)	-	(2)
	6	54	-	60

The pensioners reported include 166 members and widowed spouses (2018 - 173) whose pensions have been secured by the purchase of annuities held in the Trustees' names. The Trustees' policy for recognition of these annuity policies is set out in note 3 to the financial statements. As at 31 March 2019 there were 42 members (2018 - 42) in receipt of pensions funded from the Scheme's direct resources.

CONTRIBUTIONS

As set out in the Trustees' responsibilities on page 10, the Trustees are responsible for ensuring that a Schedule of Contributions is prepared to show the rates and timings of contributions payable to the Scheme. As the Scheme is split into two sections, namely the Defined Benefit (DB) section and the Defined Contribution (DC) section, the current Schedule of Contributions distinguishes between contributions receivable under each section.

For a comment on contributions to the Final Salary section, see "Actuarial Valuation" on page 9. All defined benefit contributions due to the Scheme have, in all material respects, been paid at least in accordance with the Schedule of Contributions.

Each Defined Contribution member has an individual account within the Scheme. Contributions, together with the investment returns, accumulate to provide a sum from which benefits are arranged at retirement. The normal employer and member contributions to the Scheme are at the rate of 4.5% and 4% of Pensionable Salary respectively. The employers also contribute to the cost to the Scheme of providing life assurance benefits to employees.

The Schedule of Contributions in operation for the first part of the year was certified by the actuary on 12 May 2015, and covered both the Defined Contribution and Defined Benefit contributions to the Scheme.

The Employer has made the payments into the Scheme stipulated by the Schedule of Contributions dated 12 May 2015, until 6 June 2018.

An updated Schedule of Contributions was produced following the completion of the actuarial valuation as of 1 April 2017, and applied to the latter part of the year.

The Principal Employer and the Trustees agreed the second Schedule of Contributions and it was certified by the actuary on 6 June 2018. Under this the Principal Employer is to pay deficit funding contributions as set out below:

- from 1/5/2018 to 30/6/2021 - monthly contributions of £25,000.

The Scheme Actuary has calculated that, based on the assumptions agreed by the Trustees, the funding shortfall is expected to be eliminated by 30 June 2021.

In addition the Principal Employer also settles some of the Scheme expenses, in accordance with the Schedules of Contributions.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

INVESTMENT MANAGEMENT

The Scheme investments are managed by the investment managers appointed by the Trustees listed on pages 1 and 2 .

The Trustees have a responsibility to ensure that the Scheme's assets are appropriately invested and also that the best possible return is achieved through an acceptable level of risk. The Trustees regularly review the performance being achieved by the investment managers although the Trustees are not involved in the day-to-day investment decisions. The day-to-day management and safe custody of the Scheme's investments has been delegated by the Trustees to the investment managers.

The investment managers are remunerated by fees based on a percentage of funds under management.

All the Scheme's assets are considered readily marketable other than annuities held in the Trustees' name.

The Scheme's investment assets supporting the Defined Benefits are managed by Baillie Gifford & Co, Legal & General Investment Management Limited, Aberdeen Standard Investments, Invesco Pensions Limited and Schroders Investment Management Limited and are held in units registered in the name of the Trustees. The assets held in respect of the Defined Contribution accounts are managed by Legal & General Assurance Society Limited and are allocated to the members whilst the underlying investments represented by the units are held on the managers' behalf by third party custodians.

The Trustees delegate the management of individual investment holdings to the managers of the various pooled funds in which the Trustees have investments. The Trustees monitor the performance and appropriateness of the investment types and the individual managers. All investments are actively managed.

The Scheme's investment managers are periodically remunerated on a percentage of the value of the holdings. Some managers do not make charges explicitly but take charges in the form of unit disposals - see DC Governance Statement on page 11 onwards.

INVESTMENT PERFORMANCE

OBJECTIVE

The Trustees' primary objectives are:

- i) To ensure that sufficient assets are available to pay out members' benefits as and when they arise.
- ii) To improve the funding level on an ongoing basis over the short term.
- iii) To improve the funding level on a buyout basis over the longer term.

The Trustees' investment objective is to maximise the return on the Scheme's assets within the constraints of meeting these primary objectives whilst controlling the level of risk.

PERFORMANCE

Investment returns for Defined Benefit investments assets, not including the annuity policies, held for the periods to 31 March 2019 were as follows:

	3 months (%)	12 months (%)	3 years (% p.a.)
Invesco	3.4	1.1	1.3
Benchmark equities*	9.4	6.4	9.5
Relative performance	-6.0	-5.3	-8.2

Source: Invesco, performance is net of fees.
 *Benchmark returns based on FTSE All-Share Index.

	3 months (%)	12 months (%)	3 years (% p.a.)
Baillie Gifford	8.9	8.1	12.1
UK equities*	9.4	6.4	9.5
Relative performance	-0.5	+1.7	+2.6
Global equities**	11.7	5.0	10.8
Relative performance	-2.8	+3.1	+1.3
Benchmark return***	6.5	4.5	7.7
Relative performance	+2.4	+3.6	+4.4

Source: Baillie Gifford, performance is net of fees.
 *UK equity returns based on FTSE All-Share Index.
 **Global equity returns based on FTSE World index – GBP Hedged.
 ***Benchmark returns based on the Mixed Investment 40%-85% Shares IA Sector median.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

	3 months (%)	12 months (%)	3 years (% p.a.)
ASI	3.8	-0.1	1.2
UK equities*	9.4	6.4	9.5
Relative performance	-5.6	-6.5	-8.3
Global equities**	11.7	5.0	10.8
Relative performance	-7.9	-5.1	-9.6
Target return***	1.5	5.9	5.7
Relative performance	+2.3	-6.0	-4.5

Source: ASI. Performance is gross of fees.

*UK equity returns based on FTSE All-Share Index

**Global equity returns based on FTSE World Index – GBP Hedged

***Target return based on 6-month LIBOR plus 5% per annum

[NB: The above Aberdeen Standard Investment (ASI) fund is the GARS fund]

	3 months (%)	12 months (%)	3 years (% p.a.)
Schroders	4.9	0.1	5.2
UK equities*	9.4	6.4	9.5
Relative performance	-4.5	-6.3	-4.3
Global equities**	11.7	5.0	10.8
Relative performance	-6.8	-4.9	-5.6
Target return***	1.2	6.9	7.3
Relative performance	+3.7	-6.8	-2.1

Source: Schroders, performance is gross of fees.

*UK equity returns based on FTSE All-Share Index.

**Global equity returns based on FTSE World Index – GBP Hedged.

***Target return based on CPI inflation plus 5% per annum.

	3 months (%)			12 months (%)			3 years (% p.a.)		
	LGIM	Index	Dev.	LGIM	Index	Dev.	LGIM	Index	Dev.
Corporate Bonds	3.6	3.6		3.8	3.6	+0.2	4.4	4.2	+0.2

Source: LGIM. Gross of fees basis. Longer term performance for currency hedged equities provided for information only.

Investment returns for Defined Contribution investments assets held for the periods to 31 March 2019 were as follows:

PERFORMANCE NET OF FUND MANAGEMENT CHARGES		
Name	1 year	3 Years
L&G (PMC) Global Eq Fxd Wghts (50:50) Idx 3-Pen	7.3	11.4
L&G (PMC) Cash 3-Pen	0.5	0.3
L&G (PMC) Multi-Asset 3-Pen	6.7	9.1
L&G (PMC) Pre-Retirement 3-Pen	5.1	5.9
L&G (PMC) World Emerging Markets Eq Index 3-Pen	1.2	13.8

Source: Lipper

COMMENTARY

Overall global equity markets have largely been positive for the past twelve months, returning around 5% in local currency terms. However, this figure masks the marked increase in volatility seen over the last year.

Having initially suffered a correction earlier in the year, markets recovered their poise somewhat over the summer months of 2018. However, things took a turn for the worse in Q4 2018, with global equities suffering their worst quarter since the Eurozone sovereign debt crisis of 2011. Already dented by a range of geopolitical factors throughout 2018, market sentiment deteriorated further by the combination of slowing growth and the initial suggestion from the US Federal Reserve ('the Fed') that further interest rate rises would follow the increase in December 2018.