

Registered number: 10024805

AMEY PENSION SCHEME

Annual report and financial statements

Year ended 31 March 2016

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Contents

	Page
Trustees and Advisers	2
Trustees' Annual Report	3
Statement of Trustees' Responsibilities for the Financial Statements	13
DC Governance Statement	14
Independent Auditor's Report	17
Independent Auditor's Statement about Contributions	18
Fund Account	19
Statement of Net Assets available for benefits	20
Notes to the Financial Statements	21
Summary of Contributions	35
Actuarial Certification of Schedule of Contributions	36

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Trustees and Advisers

Scheme Actuary:	B Huby MA MBA F.I.A. Lane Clark & Peacock LLP
Independent Auditor:	Crowe Clark Whitehill LLP
Investment Manager:	<i>Defined Benefit Section</i> Legal & General Investment Management Limited Aviva Investors Franklin Templeton Investments (terminated 8 July 2016) M&G Investments Baillie Gifford Life Limited Standard Life Investments Pyrford International BMO Global Asset Management (appointed 3 August 2015) Hayfin Capital Management LLP (appointed 29 July 2016) Just Retirement Limited (appointed 31 August 2016) <i>Defined Contribution Section</i> Friends Life (formerly Winterthur Life UK Limited) Legal & General Investment Management Limited BlackRock Advisors (UK) Limited
AVC Provider:	<i>Defined Benefit Section</i> The Equitable Life Assurance Society Friends Life (formerly Friends Provident) Friends Life (formerly Winterthur Life UK Limited) Prudential Assurance Company Limited
Investment Adviser:	Lane Clark & Peacock LLP
Legal Adviser:	CMS Cameron McKenna LLP
Scheme Administrators:	RPMI Limited Friends Life (formerly Winterthur Life UK Limited)
Bank:	Royal Bank of Scotland
Life Assurance Company:	Legal & General Assurance Society Limited (terminated 1 June 2015) Aviva Life & Pensions UK Ltd (terminated 1 June 2015)
Principal Employer:	Amey plc
Participating Employer:	Amey Services Limited
Contact for further information and complaints about the Scheme	
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Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Trustees' Annual Report

Introduction

The Trustees of the Amey Pension Scheme (the "Scheme") are pleased to present their Report together with the Financial Statements for the year ended 31 March 2016. The Scheme has Defined Benefit and Defined Contribution sections, both of which are closed to further contributions, with the exception of AVC contributions.

Management of the Scheme

Under the Rules of the Scheme, which comply with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, there are normally six Trustees, three of whom are member nominated.

During the year under review, the Trustees of the Scheme were:

BESTrustees plc	Employer nominated (removed 1 September 2016)
Pitmans Trustees Limited	Employer nominated (appointed 1 September 2016)
K Bailey	Member nominated
C Chen	Employer nominated (resigned 25 September 2015)
A Clare	Employer nominated (appointed 25 September 2015)
A Coppin	Member nominated
G Cunningham	Member nominated
C Rogers	Employer nominated (appointed 25 September 2015)
K Sexton	Employer nominated (resigned 25 September 2015)

The Member-nominated Trustees may be removed before the end of their five year term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of the Scheme or, unless the Trustees agree otherwise, employed by Amey. In accordance with the trust deed, the Principal Employer, Amey plc, has the power to appoint and remove the other Trustees of the Scheme.

During the year, the Trustees held 6 full meetings and 4 Defined Contribution sub-committee meetings.

Trust Deed and Rules

A revised consolidated deed and rules was executed as at 7 May 2013. Two amending deeds were executed as at 7 May and 23 July 2015 to allow members to exercise certain options permitted under the pensions freedom legislation and to allow for death in service lump sums to be paid by the Employer rather than by the Scheme. Following this Deed of Amendment, the Trustees have ceased to insure the death in service lump sums.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective in November 2009. The Trustees maintain training logs and have agreed a training plan to enable them to meet identified requirements. All of the Trustees have completed the Regulator's Trustee Toolkit e-learning programme.

Governance and Risk Management

The Trustees have in place a business plan which sets out their objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

The Trustees regularly review their risk register to ensure that controls are in place to monitor the key risks to which the Scheme is subject and that actions are identified to mitigate these risks.

Communication with Members

Benefit statements were sent to DC section members and to those members of the DB section who remained in Amey employment. A newsletter was sent to all DB members. Further information about communications with DC members is included in the DC Governance Statement on page 14.

Internal Dispute Resolution

The Trustees have a dispute resolution procedure which is available to any member or dependant upon request from the Secretary.

Covenant adviser review

As part of their regular review of Scheme advisers and suppliers, the Trustees reviewed the provision of covenant advice services and decided to appoint Ernst & Young LLP as covenant advisers to the Scheme.

Actuarial valuation

During the year the negotiations with the Employer relating to the triennial actuarial valuation as at 31 March 2014 were completed. The results are shown in the Report on Actuarial Liabilities on pages 5 to 7.

Employer Covenant

Following the recommendations of the last covenant review the Trustees and Amey agreed a Deed of Amendment to the Guarantee to extend the duration and quantum of the Guarantee from Amey UK plc and to add further Group Companies as Guarantors. The Trustees also continued to receive regular business updates from Amey's Chief Financial Officer.

Partial pensioner buy-in

On 31 August 2016 the Trustees entered into a bulk annuity policy with Just Retirement Limited; the policy covers the majority of pensioners under the age of 70 as at 29 July 2016, excluding members with a benefit value of under £30,000 who may be eligible for a trivial commutation lump sum. Assets were disinvested from Legal & General Investment Management, Standard Life Investments, Pyrford International and BMO Global Asset Management to meet the premium payable

Contracting out

Following the Scheme's closure to accrual, the Scheme ceased to be contracted out with effect from 5 April 2012, and a formal statement to this effect was issued by HMRC on 26 June 2012. A formal project is underway between the Scheme administrators and HMRC to resolve queries over the Scheme's past GMP liabilities.

Financial Development

The Financial Statements on pages 19 to 34 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £378,105,000 at 31 March 2015 to £369,920,000 at 31 March 2016.

Pension increases

Pensions in payment are increased annually on 1 April by 5% or by the increase in retail price index if less. The actual rate of increase on 1 April 2016 in accordance with the Rules was 1.3% (2015: 1.1%) for Amey DB members (based on January RPI) and 0.8% (2015: 2.3%) for Comax DB members and Amey DB

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

members becoming pensioners after 1 June 2010 (based on September RPI). This increase does not apply to any Guaranteed Minimum Pension, which was earned in respect of service before April 1988.

Calculation of transfer values

At the discretion of the Trustees, members can transfer the value of benefits from membership of previous employers' schemes into the Scheme. Similarly, members leaving service have the option to transfer the value of their benefits under the Scheme to another scheme or to an insurance contract. Discretionary benefits are not included in the calculation of transfer values.

Transfer values, when paid by the Scheme, are calculated and verified as required under section 97 of the Pension Schemes Act 1993. Cash equivalents paid during the period were not reduced below the actuarially calculated values.

Report on Actuarial Liabilities

Actuarial position of the Scheme

Under Section 224 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to covers its technical provisions. The technical provisions represent the present value at the valuation date of the benefits members are entitled to – this benefit is based on their service in the Scheme. This is assessed using the assumptions agreed between the Trustees and the Principal Employer and is set out in the Statement of Funding Principles, which is available to Scheme members on request.

An actuarial valuation of the Scheme is required at least triennially. The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2014 and since then an annual funding update as at 31 March 2016 was carried out on a consistent basis. These showed:

	Valuation at 31 March 2016	Valuation at 31 March 2014
The value of technical provisions was	(£453.8m)	(£372.5m)
The value of assets was	£340.4m	£308.3m
Shortfall	(£113.4m)	(£64.2m)
Funding level	75%	83%

The main reason the Scheme was less well funded as at 31 March 2016 was that, although the market value of the Scheme assets had increased, the expected cost of future pension provision had also increased due to a fall in the returns available on gilts.

Following the valuation the Trustees and the Principal Employer agreed to correct the funding shortfall of £64.2m by the payment of the following contributions by the Company:

- £904,200 per month by the end of each month from April 2014 to December 2015 inclusive (i.e. 21 payments); and
- £806,850 per month by the end of each month from January 2016 to July 2021 inclusive (i.e. 67 payments).

The Trustees and the Principal Employer also agreed that the Company will make the following additional deficit recovery contributions, to reflect in part the increase in the deficit resulting from post-valuation changes in market conditions:

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

- £806,850 per month by the end of each month from August 2021 to December 2023 inclusive (i.e. 29 payments).

The Actuarial Certificate in relation to the Schedule of Contributions is shown on page 36 of the Annual Report.

If the Company goes out of business or decides to stop contributing to the Scheme, the Scheme may be "wound-up" and the Company could be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future, and they also need to make a profit.

The actuarial valuation at 31 March 2014 showed that the Scheme's assets would not have been enough to buy all members' benefits from an insurance company, as the "buy-out" position at that date was:

Estimated cost of buying benefits with an insurance company	(£522.7m)
The value of assets was	£308.3m
Buy-out position shortfall	(£214.4m)

The inclusion of this information does not mean that the Company is thinking of winding up the Scheme. The fact that there was a shortfall at the last valuation has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

Actuarial Method

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

Significant technical provisions assumptions

The main financial assumptions underlying the valuation calculations as at 31 March 2014 and the update at 31 March 2016 were:

Assumption (single equivalent rates)	Valuation at 31 March 2016	Update at 31 March 2014
Rate of return from gilts	2.19% pa	3.51% pa
Discount rates:		
Pre-retirement	4.19% pa	5.51% pa
Post-retirement	2.69% pa	4.01% pa
Rate of price inflation		
Retail price inflation ("RPI")	3.14% pa	3.58% pa
Consumer price inflation ("CPI")	2.34% pa	2.78% pa

Further details of the assumptions are described below:

Pre-retirement discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 2.0% pa representing a prudent allowance for the expected out-performance of the portfolio of higher risk assets held to back benefits not currently in payment.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Post-retirement discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 0.5% pa representing a prudent allowance for the expected out-performance of the portfolio of bonds assumed to be held to back pensions in payment.

Future Retail Price inflation: term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.8% per annum.

Pension increases: derived from the term dependent rates for future price inflation allowing for the caps and the floors on pension increases according to the provisions in the Scheme rules and for assumed inflation volatility.

Pre-retirement and post-retirement mortality: 90% of the standard S2NA tables and allowance for improvements in line with CMI 2013 core projections with a long-term rate of improvement of 1.75% p.a. for males and 1.5% p.a. for females.

Membership

Details of the membership of the Scheme are given below:

Pensioners	DB Section	DC Section	2016	2015
Pensioners at the start of the year	1,370	-	1,370	1,310
Prior year adjustments	-	-	-	1
Members with preserved benefits reaching retirement	59	-	59	66
Spouses and dependants	17	-	17	17
Pensioners who died	(27)	-	(27)	(23)
Dependants who died	(1)	-	(1)	(1)
Cessation of pension	(4)	-	(4)	-
Pensioners at the end of the year	1,414	-	1,414	1,370

Members with preserved benefits	DB Section	DC Section	2016	2015
Members with preserved benefits at the start of the year	1,900	1,227	3,127	3,248
Adjustments	1	-	1	-
Deferred members becoming pensioners	(59)	-	(59)	(66)
Transfers out	(16)	(26)	(42)	(36)
Deaths	(1)	(3)	(4)	(7)
Maturities	-	(28)	(28)	(11)
Members with preserved benefit refunds	-	-	-	(1)
Members with preserved benefits at the end of the year	1,825	1,170	2,995	3,127
Total membership at the end of the year	3,239	1,170	4,409	4,497

Adjustments to previous year are due to late notifications of changes in respect of the prior year.

174 (2015: 213) of the preserved members in the DB Section are still in employment and are entitled to enhanced death benefits under the Scheme rules; the Employer insures the lump sum element of these benefits.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Investment Report

For the year ended 31 March 2016

Trustees' Investment Principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available on request. All investments made during the year were in accordance with this Statement.

The main priority of the Trustees when considering the investment policy for the defined benefit section is to ensure that the promises made about members' pensions may be fulfilled. The main priority of the Trustees when considering the investment policy for the defined contribution section is to make available investment funds which serve to meet the varying investment needs and risk tolerances of the Scheme members.

The Trustees cannot usually directly influence the managers' policies on social, environmental and ethical factors where the Trustees hold assets in pooled funds. This is due to the nature of these investments.

The Trustees cannot usually directly influence the managers' policies on the exercise of investment rights where assets are held in pooled funds; this is due to the nature of these investments. The Trustees understand that investment rights will be exercised by the investment managers in line with the managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries.

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 the investment managers.

Investment Strategy and Objectives

DB section

The Trustees' main objectives for the DB Section are that:

- the Scheme should be able to meet benefit payments as they fall due; and
- the Scheme's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

As at 31 March 2016, the investment strategy of the DB Section was based on allocations to three portfolios as follows:

- a 40% allocation to **return-seeking assets**, consisting of investments in pooled equity funds that aim to perform broadly in line with global equity markets;
- a 30% allocation to **medium risk assets**, consisting of investments in pooled diversified growth funds ("DGFs") that seek to deliver similar performance to equities with lower volatility. Within this portfolio there is also an allocation to a global bond fund; and
- a 30% allocation to **matching assets**, consisting of investments in pooled liability driven investment ("LDI") funds, an inflation opportunities fund and cash. This portfolio seeks to hedge against the risk that higher inflation or lower interest rates cause an increase in the value of the Scheme's liabilities.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

The investments of the Scheme within the Defined Benefit Section were managed during the year under review by Legal & General Investment Management Limited ("L&G"), Aviva Investors ("Aviva"), Franklin Templeton Investments ("Franklin Templeton"), M&G Investments ("M&G"), Standard Life Investment ("Standard Life"), Baillie Gifford Life Limited ("Baillie Gifford"), Pyrford International ("Pyrford") and BMO Global Asset Management ("BMO").

Over the year, the Trustees decided to implement an LDI policy to increase the Scheme's interest rate and inflation hedging levels to 50% over a 12 month period. The Trustees sold the Scheme's index-linked gilt and corporate bond holdings with L&G in order to fund this. BMO was appointed as the Scheme's LDI manager and the initial investment was made in August 2015. Monthly switches from the BMO cash fund to the BMO LDI funds commenced in September 2015.

Over the year the Aviva UK Real Estate Recovery Fund sold its last holdings and paid its final distribution on 15 February 2016. At 31 March 2016, there was a small residual holding in the fund prior to the final wind up.

DC section

The Scheme has a DC section comprising two separate DC arrangements; the Amey Saver Plan ("ASP") and the Comax Money Purchase ("CMP"). In respect of each member, the employer and members formerly paid contributions at an agreed rate into an account for that member. The Trustees' primary objectives for the ASP and CMP are to provide members with access to an appropriate range of investment options, reflecting the membership profile of the DC section and the variety of ways that members can draw their benefits in retirement; and a default investment option that the Trustees believe to be reasonable for those members who do not wish to make their own investment decisions.

Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

The default option for the ASP targets cash withdrawal at retirement, since the Trustees believe that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 10 years before retirement, assets are switched gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking cash withdrawal. To help manage the volatility that members' assets experience in the growth phase of the default strategy, the Trustees have included an allocation to a DGF, which over the long term is expected to generate equity-like returns but with lower volatility than equities.

The default option for CMP is under review. In the current default arrangement, members' assets are invested in a growth phase comprising UK and overseas equities until the member reaches five years before retirement, and then assets are gradually switched into less risky investments comprising a combination of gilts and cash.

The investments available under the DC Section (ASP and CMP) were provided by Friends Life (formerly Winterthur Life UK Limited), L&G and BlackRock respectively.

Overall Scheme performance

The Scheme's assets returned -0.8% over the year as a result of:

- The Scheme's return-seeking assets returning -5.8%,
- The Scheme's medium risk assets returning -2.1%; and
- The Scheme's matching assets returning 5.4%.

The Scheme's overseas equity investments returned -5.9% (after the deduction of fees) over the period.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Because sterling depreciated and the Scheme hedges a portion of its overseas currency risk back to Sterling, performance of the Scheme's equity portfolio was below the return of an equivalent unhedged overseas equity portfolio. The Scheme's allocation to emerging market equities hurt performance.

The Scheme's DGF managers underperformed their cash based benchmarks due to the challenging market conditions, described above, over the twelve month period to 31 March 2016. The Standard Life DGF returned -4.6% over the year. Standard Life was positioned to benefit if US interest rates rose more quickly than the market expected. In practice, the rise in rates announced by the Federal Reserve came later than many had anticipated. The Baillie Gifford DGF returned -1.5% over the year. The diversified nature of the Baillie Gifford DGF provided some protection from falling equity markets. The Pyrford DGF returned 1.6% over the year. Government bonds performed well as risk-averse investors looked for safe haven assets amid equity market volatility. This was of particular benefit to the Pyrford DGF, which has a more defensive outlook compared to the Scheme's other DGF managers.

The Aviva property fund significantly underperformed its benchmark over the period to 31 December 2015, largely due to the downward revaluations of the two remaining assets within the portfolio. The last of these assets was sold in December 2015.

The Franklin Templeton global bond fund also underperformed its benchmark, currency positions being one of the main detractors from performance.

The Scheme's LDI funds managed by BMO delivered positive returns over the year. These funds are designed to hedge part of the Scheme's exposure to movements in interest rates and inflation expectations. As long-term bond yields fell over the period, the LDI assets provided some protection against the impact of movements in bond yields over the period.

Steadily increasing UK inflation (as measured by RPI) and continued positive performance from commercial property helped the M&G Inflation Opportunities Fund return 5.9%.

Review of investment performance

All performance figures shown are net of annual management fees, unless otherwise stated, as at 31 March 2016 and are sourced directly from the investment providers.

Defined Benefit Section

The table below shows the performance of the Scheme's invested assets over periods to 31 March 2016. Performance is shown net of fees unless stated otherwise.

	1 Year %		3 Year % p.a.		5 Year % p.a.	
	Fund	B'mark	Fund	B'mark	Fund	B'mark
L&G Equities ¹	-5.9	-5.9	4.4	4.3	5.4	5.3
Aviva Property ²	-7.4	10.4	5.4	15.6	4.6	10.8
Franklin Templeton Bonds ³	-6.2	4.4	-1.3	0.9	-	-
Standard Life DGF ⁴	-4.6	5.0	-	-	-	-
Baillie Gifford DGF ⁵	-1.5	4.0	-	-	-	-
Pyrford DGF ⁶	1.6	6.0	-	-	-	-
M&G Inflation Opportunities ⁷	5.9	1.6	-	-	-	-
L&G Index-Linked Gilts ⁸	-0.9	-0.9	5.9	5.8	10.5	10.5
L&G Corporate Bonds ⁸	-2.9	-3.3	4.8	4.4	7.8	7.1
BMO Real Dynamic LDI ⁹	8.9	5.5	-	-	-	-
BMO Short Real Dynamic LDI ⁹	9.5	6.5	-	-	-	-
BMO Nominal Dynamic LDI ⁹	25.2	21.4	-	-	-	-
BMO Cash ⁹	0.3	0.2	-	-	-	-
Total Scheme¹⁰	-0.8	0.4	4.5	4.4	-	-

Source: Investment Managers

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

¹ Performance shown gross of fees.

² The final asset in the Aviva property fund was sold at the end of December 2015. As such, performance is shown to 31 December 2015.

³ The inception date for Franklin Templeton is 26 July 2011 therefore five year performance is not available.

⁴ Benchmark is to outperform 6 month LIBOR by 4.3% (after fees) over rolling three year periods. The inception date is 20 June 2013 therefore longer term performance is not available

⁵ Benchmark is to outperform UK Bank of England base rate by 3.5% pa (after fees) over rolling five year periods. The inception date is 11 June 2013 therefore longer term performance is not available.

⁶ Performance has been adjusted to allow for the 0.35% pa fee rebate agreed between Pymford and the Scheme. Benchmark is to outperform the UK RPI inflation index by 4.35% (after fees). The inception date is 11 October 2013 therefore longer term performance is not available.

⁷ The inception date for M&G is 2 April 2013, therefore longer term performance is not available.

⁸ Performance shown gross of fees. The Scheme disinvested its index-linked gilt and corporate bond holdings with L&G in August 2015. As such, performance is shown to 31 August 2015.

⁹ Performance shown gross of fees. The inception date for BMO is 6 August 2015. As such, performance over 1 year is from 31 August 2015 to 31 March 2016 and longer term performance for the Scheme is not available. BMO is unable to provide partial period performance.

¹⁰ Total Scheme performance has been calculated using compounded Scheme returns over previous periods. Performance in excess of 3 years is not readily available.

Defined Contribution Section

The DC section of the Scheme makes available an appropriate range of both active and passive funds for members. The actively managed funds are expected to provide performance that differs from their respective benchmarks.

The tables below show the performance of the Scheme's assets over periods to 31 March 2016. Performance is shown before the deduction (i.e. gross) of fees.

Amey Saver Plan	1 Year %		3 Years % p.a.		5 Years % p.a.	
	Fund	B'mark	Fund	B'mark	Fund	B'mark
Baillie Gifford Managed Fund	1.0	-2.9	6.3	4.3	7.9	5.0
BlackRock Aquila Life Market Advantage Fund	-0.4	0.6	3.0	0.6	4.3	0.7
BlackRock Aquila UK Over 15 Year Gilt Fund	4.2	4.0	8.7	8.6	11.3	11.1
BlackRock Aquila UK Over 5 Year Index Linked Gilt Fund	2.0	1.9	5.8	5.6	9.9	9.8
BlackRock Aquila Hist Priced Cash	0.6	0.4	0.5	0.4	0.6	0.4
BlackRock Aquila Consensus Managed Fund	-1.1	-1.1	5.7	5.6	6.3	6.3
BlackRock Aquila Global Equity 50/50	-3.1	-2.7	5.6	5.8	6.8	6.8
BlackRock Aquila UK Equity Index Fund	-4.0	-3.9	4.0	3.7	5.8	5.7
BlackRock Aquila World ex UK Index Fund	0.7	0.5	9.8	9.5	9.6	9.3
Liontrust UK Growth Fund	3.6	-3.9	7.6	3.7	10.3	5.7
M&G Corporate Bond Fund	1.6	-1.0	5.6	3.5	8.0	5.5
Threadneedle Pension Property Fund	13.2	10.6	14.8	13.0	10.4	8.8
HSBC Amanah Global Equity Index (ex NLD) Fund	1.9	3.2	10.4	10.7	10.6	10.8
Schroder Global Emerging Markets Fund	-8.7	-9.1	-1.7	-2.7	-0.2	-2.0
L&G Pre-Retirement Fund	1.4	1.4	6.3	6.3	8.9	8.8
BMO Responsible UK Income Fund	4.3	-3.9	9.6	3.7	10.6	5.7

Source: Friends Life

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Comax Money Purchase	1 Year %		3 Years % p.a.		5 Years % p.a.	
	Fund	B'mark	Fund	B'mark	Fund	B'mark
Legal & General:						
Over 15 Year Gilts Index Fund	4.1	4.0	8.6	8.6	11.2	11.1
Consensus Index Fund	-1.4	-1.5	5.0	4.9	5.8	5.7
Global Equity 50:50 Index Fund	-2.6	-2.7	6.0	5.9	6.9	6.8
Cash Fund	0.5	0.4	0.5	0.4	0.5	0.4
BlackRock:						
Global Equity 50:50 Fund	-0.7	-2.6	7.5	5.8	7.7	6.9

Source. Investment managers

AVCs

The Scheme has AVC policies with the Equitable Life Assurance Society, Friends Life and Prudential Assurance Company Limited

Custodial arrangements

The Scheme's assets are invested in a range of pooled arrangements. The Scheme's investment managers appoint the custodians of the pooled funds to carry out the safekeeping of assets, monitoring and reconciliation of documentation relating to the ownership of the underlying investments.

The Trustees are responsible for ensuring the Scheme's assets continue to be securely held. They review the custodian arrangements from time to time and the Scheme auditors are authorised to make whatever investigations they deem are necessary as part of the annual audit procedure.

Basis of investment manager's fees

The investment managers are remunerated on a fee basis which is reviewed periodically by the Trustees.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Statement of Trustees Responsibilities for the Financial Statements

The Financial Statements which are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised November 2014).

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

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

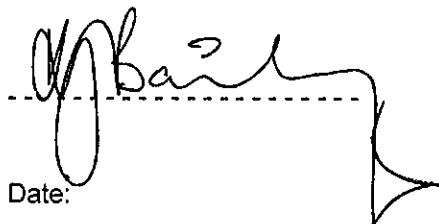
The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates 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 monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

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 appropriate internal controls

The Trustee report is signed on behalf of the Trustees by



Trustee



Trustee

Date:

17th October 2016

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

DC Governance Statement for the year ended 31 March 2016

1. Introduction

Details of the Scheme's DC arrangements are set out on page 9 of this report.

This Governance Statement sets out how we have embraced statutory governance standards which are central to the running of the Scheme. As Trustees we recognise the importance of robust governance and adopt good practice standards.

Since the end of the Scheme Year, the Trustees have completed a review of the DC Section. The Trustees have concluded that in the best interests of members, members of the ASP will be transferred to the Legal & General Master Trust with effect from 16 November 2016. The reasons for the transfer have been set out in letters to the members. It is intended in principle also to transfer the CMP members to the Legal & General Master Trust in due course.

2. Governance of the default investment arrangement

Currently over 90% of Scheme members participate in the default investment strategy. The default strategy has been designed to provide to members a lower level of exposure to investment risk as they proceed towards retirement, something that is commonly referred to as a lifestyle approach where the member's fund is de-risked closer to retirement.

One of the Trustees' key responsibilities is to ensure that, based on the aims and objectives of the default arrangement, the default strategy is designed in the best interests of all members. This duty and other governance issues relating to the default arrangement are explained in our Statement of Investment Principles. Details of the default arrangement are provided on page 9 of this report.

To help ensure that the default arrangement, as well as the self-select investments, continues to be appropriate to the Scheme's membership, we regularly review their suitability. This takes into account the range of investments, their risk profiles and the demographics of Scheme members. We also make sure that all our investments options are clearly labelled.

During the year ended 31 March 2016 we completed a review of the default arrangements and net performance against the longer term default strategy. Our review included consideration of the following:

- Ongoing suitability, governance arrangements and objectives;
- Default investment strategy; and
- Design of the default arrangement including the suitability of underlying investments

Following the review, changes have been made to the default arrangement, and the description of the default strategy on page 9 reflects these changes.

Each quarter the net performance of funds underlying the default arrangement is reviewed by the Trustees with input from the Scheme's investment managers.

3. Administration

The Trustees are required to report about the processes and controls in place in relation to the processing of "core financial transactions". The law specifies that these include the following:

- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrators. Our Scheme administration is delivered by Friends Life (for ASP) and RPMI (for CMP).

The Scheme administrators provide regular reports to the Trustees which allow us to assess how quickly and effectively the core scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

To help gain assurances that administration is dealt with promptly and accurately we undertake the following exercises with input from our administrators:

- Monitoring services against service level agreements;
- Review administration reports on a quarterly basis; and
- Review the annual administration assurance reports obtained by RPMI.

In respect of CMP members we are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly. In addition, noting that we need accurate member data to process payments correctly, we are taking steps to review and correct any problems with the member data which is held by the Scheme administrator.

In respect of ASP members, the Trustees have been dissatisfied with the service levels provided by Friends Life. This has been a contributing factor in the Trustees' decision to transfer the members to an alternative arrangement.

4. Costs and charges

CMP members do not pay any of the direct charges arising from their Scheme membership.

Transaction costs and charges borne by ASP members may have a significant impact on their pension savings, so it is important we keep the levels of these deductions under review.

On an annual basis we assess the level of annual management charges ("AMCs") and, as far as is possible, the level of transaction costs borne by members. This assessment includes all investments selected by members, i.e. the default arrangement and self-select investment options.

The AMCs for the funds making up the ASP default strategy are as follows. We are not able to state the level of transaction costs incurred by members. The Trustees do not intend to seek further information in this respect due to the decision to transfer the members to another scheme.

Fund	AMC %
BlackRock Aquila Consensus	0.43
BlackRock Aquila (50:50) Global Equity	0.38
BlackRock Aquila Over 5 Year UK Index Linked Gilt	0.43
BlackRock Aquila Cash	0.43
BlackRock Aquila Life Market Advantage (white labelled as the APS Long term growth fund)	0.68

The full range of available funds is listed on page 11 of the report; the AMCs range from 0.43% to 1.38%.

Good value for members

As part of our assessment of transaction costs and charges we considered the extent to which they offer good value to members. Our assessment took into account the range of member deductions including those associated with administration (including member communications), investment management and investment governance and the quality of Scheme stewardship, reflecting on the nature of benefits provided and service quality. Our assessment therefore considered the benefits of membership in the Scheme against costs of membership.

The Trustees' review of the ASP (referred to in the introduction) concluded that although the AMCs paid by members are competitive, other aspects of Scheme membership in particular the quality of administration and the range of retirement options available did not represent best value for members, leading to the decision to transfer these members to another arrangement. The Trustees are further considering the value for money for CMP members.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

5. Trustee knowledge and understanding ("TKU")

Upon appointment and on an ongoing basis, Trustees of the Scheme are required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This is managed in a number of ways including:

- All Trustees are required to complete the Pensions Regulator's eLearning trustee toolkit;
- Regular training sessions by the Scheme Actuary and other Scheme advisers are included in the Trustee meeting schedule; and
- Attending seminars and pensions events

In addition to the skills within the trustee board, we have also appointed a number of professional advisers who provide specialist support and advice. This includes the Scheme's Legal Adviser, Actuary, Auditors and Investment Consultant. Pooling all these resources means that the trustee board is well equipped to exercise its functions as Trustees and manage the Scheme effectively.

Signed:



Chairman of the Amey Pension Scheme Trustees

Date:

17/10/16

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Independent Auditor's report to the Trustees of the Amey Pension Scheme

We have audited the financial statements of the Amey Pension Scheme for the year ended 31 March 2016 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related Notes, which are set out on pages 19 to 34.

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).

This report is made solely to the Trustees, as a body, in accordance with 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 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 and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

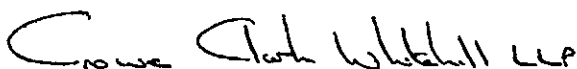
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report, which comprises the Trustees' Report, DC Governance Statement and the Actuarial Certificate to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 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.



Crowe Clark Whitehill LLP
Statutory Auditor
London

Date: 20 October 2016

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Independent Auditor's statement about contributions to the Trustees of the Amey Pension Scheme

We have examined the summary of contributions payable to the Amey Pension Scheme, for the Scheme year ended 31 March 2016 which is set out on page 36.

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

Respective responsibilities of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.


It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes 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.

Statement about contributions payable under the Schedules of Contributions

In our opinion, contributions for the Scheme year ended 31 March 2016 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 4 July 2012 for the period 1 April 2015 to 9 June 2015 and in accordance with the Schedule of Contributions certified by the Scheme actuary on 10 June 2015 for the period 10 June 2015 to 31 March 2016.



Crowe Clark Whitehill LLP
Statutory Auditor
London

20 October 2016

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Fund Account

For the year ended 31 March 2016

	Notes	DB section 2016 £000	DC section 2016 £000	Total 2016 £000	DB section 2015 £000	DC section 2015 £000	Total 2015 £000
Contributions and Benefits							
Employer contributions		10,906	-	10,906	11,107	-	11,107
Employee contributions		44	-	44	154	-	154
Total contributions	3	10,950	-	10,950	11,261	-	11,261
Transfer in	4	-	-	-	41	-	41
Other income	5	3	-	3	13	-	13
		10,953	-	10,953	11,315	-	11,315
Benefits paid or payable	6	(8,011)	(642)	(8,653)	(7,719)	(209)	(7,928)
Payments to and on account of leavers	7	(4,341)	(790)	(5,131)	(1,260)	(791)	(2,051)
Other payments	8	(17)	-	(17)	(51)	-	(51)
Administration expenses	9	(1,009)	-	(1,009)	(781)	-	(781)
		(13,378)	(1,432)	(14,810)	(9,811)	(1,000)	(10,811)
Net (withdrawals)/additions from dealings with members		(2,425)	(1,432)	(3,857)	1,504	(1,000)	504
Returns on investments							
Investment income	10	2,248	-	2,248	1,512	-	1,512
Change in market value of investments	12	(5,000)	(1,144)	(6,144)	33,878	3,430	37,308
Investment management expenses	11	(422)	(10)	(432)	(271)	(6)	(277)
Net return on investments		(3,174)	(1,154)	(4,328)	35,119	3,424	38,543
Net (decrease)/increase in fund during the year		(5,599)	(2,586)	(8,185)	36,623	2,424	39,047
Transfers between sections	20	1,088	(1,088)	-	58	(58)	-
Net assets of the Scheme at 1 April		347,741	30,364	378,105	311,060	27,998	339,058
Net assets of the Scheme at 31 March		343,230	26,690	369,920	347,741	30,364	378,105

The notes on Pages 21 to 34 form part of these Financial Statements.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Statement of Net Assets available for benefits

	Notes	31 March 2016 £	31 March 2015 £
Defined Benefit section			
Investment assets	12		
Pooled investment vehicles		339,234	343,567
AVC investments		2,824	3,051
Total investments		<u>342,058</u>	<u>346,618</u>
Current assets	18	1,637	1,726
Current liabilities	19	<u>(465)</u>	<u>(603)</u>
Net assets of the Defined Benefit section at the end of the year		<u>343,230</u>	<u>347,741</u>
Defined Contribution section			
Investment assets	12		
Pooled investment vehicles		26,684	30,344
Total investments		<u>26,684</u>	<u>30,344</u>
Current assets	18	8	20
Current liabilities	19	<u>(2)</u>	<u>-</u>
Net assets of the Defined Contribution section at the end of the year		<u>26,690</u>	<u>30,364</u>
Net assets of the Scheme at the end of the year		<u>369,920</u>	<u>378,105</u>

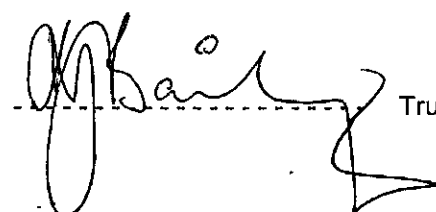
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme period. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report of Actuarial Liabilities on page 5 and these financial statements should be read in conjunction with this report.

The notes on Pages 21 to 34 form part of these financial statements.

The financial statements on pages 19 to 34 were approved by the Trustees on *17th October 2016*

Signed on behalf of the Trustees


----- Trustee


----- Trustee

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

1. BASIS OF PREPARATION

These Financial Statements have been prepared as at 31 March 2016 in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2015). This is the first year FRS 102 and the Revised SORP have been applied to the Scheme's financial statements. No significant changes have arisen as a result of this.

In adopting FRS 102, the Trustees have adopted the provisions 'Amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland – Fair value hierarchy disclosures (March 2016)' early.

2. ACCOUNTING POLICIES

The principal accounting policies are set out below.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis.

2.2 Valuation of investments

The market value of pooled investment vehicles is taken as the bid price or single price at the accounting date, as advised by the investment managers.

The AVC investments include insurance policies with The Equitable Life Assurance Society, Friends Life (formerly Friends Provident and Winterthur Life UK Limited) and Prudential Assurance Company Limited. The market value has been taken as the surrender values of the policies of assurance at the year end, as advised by the AVC providers.

2.3 Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

Augmentations are accounted for in accordance with the agreement under which they are received or, in absence of an agreement, on a receipts basis.

Employer deficit funding contributions are accounted for on the due dates in accordance with the Schedule of Contributions.

PPF Levies are paid by the Scheme when they fall due and then reimbursed by the Employer.

The Scheme has purchased annuity policies to cover certain pensions in payment. The cost of acquiring these policies is included in the fund account in the period of purchase and represents the cost of discharging the obligations of the Scheme to the relevant members at the time of purchase.

2.4 Transfer Values

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

2.5 Other income

Interest on bank deposits is accounted for as it accrues

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

2.6 Administrative and investment management expenses and other payments

Administrative and investment management expenses and other payments are accounted for on an accruals basis.

3. CONTRIBUTIONS

	DB Section £000	2016 DC Section £000	Total £000
<i>Contributions from employer:</i>			
Deficit funding	10,558	-	10,558
Reimbursement of PPF Levy	330	-	330
Augmentations	18	-	18
	<u>10,906</u>	<u>-</u>	<u>10,906</u>
<i>Contributions from employees:</i>			
AVCs	44	-	44
	<u>10,950</u>	<u>-</u>	<u>10,950</u>

	DB Section £000	2015 DC Section £000	Total £000
<i>Contributions from employer:</i>			
Deficit funding	10,851	-	10,851
Reimbursement of PPF Levy	219	-	219
Augmentations	37	-	37
	<u>11,107</u>	<u>-</u>	<u>11,107</u>
<i>Contributions from employees:</i>			
AVCs	154	-	154
	<u>11,261</u>	<u>-</u>	<u>11,261</u>

In accordance with the Schedule of Contributions, amounts have been received to reduce the scheme deficit. £10.85m is due each year from January 2013 to December 2015 inclusive, and £8.23m from January 2016 to April 2023 inclusive.

4. TRANSFERS IN

	DB Section £000	2015 DC Section £000	Total £000
Transfers in	<u>41</u>	<u>-</u>	<u>41</u>

Relates to a transfer in to a member's AVC account of sums which had been paid in error by the Employer to another pension arrangement.

5. OTHER INCOME

	DB Section £000	2016 DC Section £000	Total £000
Interest on cash held by Trustees	3	-	3
	<u>3</u>	<u>-</u>	<u>3</u>

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

	DB Section	2015 DC Section	Total
	£000	£000	£000
Interest on cash held by Trustees	6	-	6
Other income received	7	-	7
	13	-	13

6. BENEFITS PAID OR PAYABLE

	DB Section	2016 DC Section	Total
	£000	£000	£000
Pensions	6,245	-	6,245
Commutation of pensions and lump sum retirement benefits	1,371	581	1,952
Pension sharing orders	241	-	241
Purchase of annuities	-	61	61
Lump sum death benefits from preserved	134	-	134
Lump sum death benefits from retirement	20	-	20
	8,011	642	8,653

The Scheme purchased annuities to cover pensions in payment from various insurance companies.

	DB Section	2015 DC Section	Total
	£000	£000	£000
Pensions	5,844	-	5,844
Commutation of pensions and lump sum retirement benefits	1,748	69	1,817
Pension sharing orders	76	-	76
Purchase of annuities	13	124	137
Lump sum death benefits from preserved	8	16	24
Lump sum death benefits from retirement	30	-	30
	7,719	209	7,928

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	DB Section	2016 DC Section	Total
	£000	£000	£000
Individual transfers out to other schemes	4,341	790	5,131

	DB Section	2015 DC Section	Total
	£000	£000	£000
Individual transfers out to other schemes	1,260	791	2,051

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

8. OTHER PAYMENTS

	DB Section £000	2016 DC Section £000	Total £000
Premiums on term insurance policies	17	-	17

From 1 June 2015, the liability for insuring members still employed by the Employer transferred from the Scheme to the Employer.

	DB Section £000	2015 DC Section £000	Total £000
Premiums on term insurance policies	51	-	51

9. ADMINISTRATION EXPENSES

	DB Section £000	2016 DC Section £000	Total £000
Actuarial	257	-	257
Administration	130	-	130
Legal	40	-	40
Audit	20	-	20
Pension Protection and other levies	337	-	337
Trustee Secretarial	61	-	61
Independent Trustee fees	68	-	68
Printing and design costs	86	-	86
Miscellaneous expenses	10	-	10
	1,009	-	1,009

Expenses incurred by the Defined Contribution Section are paid in part by charges on the pooled investment vehicles and otherwise through the Defined Benefit Section

The PPF levy has been reimbursed by the Company.

The printing and design costs in 2016 included member newsletters and benefit statements, and additional communications to the Saver Plan members to inform them of changes in the default strategy and the available funds

	DB Section £000	2015 DC Section £000	Total £000
Actuarial	222	-	222
Administration	129	-	129
Employer covenant review	31	-	31
Legal	20	-	20
Audit	19	-	19
Pension Protection and other levies	235	-	235
Trustee Secretarial	52	-	52
Independent Trustee fees	42	-	42
Printing and design costs	14	-	14
Miscellaneous expenses	17	-	17
	781	-	781

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

10. INVESTMENT INCOME

	DB Section £000	2016 DC Section £000	Total £000
Income from pooled fund vehicles	2,248	-	2,248

	DB Section £000	2015 DC Section £000	Total £000
Income from pooled fund vehicles	1,512	-	1,512

11. INVESTMENT MANAGEMENT EXPENSES

	DB Section £000	2016 DC Section £000	Total £000
Administration, management and custody	302	10	312
Investment fee rebates	(94)	-	(94)
Consultancy	214	-	214
	422	10	432

	DB Section £000	2015 DC Section £000	Total £000
Administration, management and custody	234	6	240
Investment fee rebates	(127)	-	(127)
Consultancy	164	-	164
	271	6	277

12. RECONCILIATION OF INVESTMENTS

The movements in total investments during the year were as follows:

DEFINED BENEFIT SECTION

	Value at 1 April 2015 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2016 £000
Pooled investment vehicles	343,567	137,328	(136,632)	(5,029)	339,234
AVC investments	3,051	50	(306)	29	2,824
	346,618	137,378	(136,938)	(5,000)	342,058

The following transactions are included within purchases and sales. During the year, £74.9m was transferred from Legal & General Investments to BMO Global Asset Management (BMO). Following this transfer, BMO switched £58.3m from its cash and transition funds to its Dynamic funds.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

DEFINED CONTRIBUTION SECTION

	Value at 1 April 2015 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2016 £000
Pooled investment vehicles	30,344	71,068	(73,584)	(1,144)	26,684
Allocated to members	28,294				25,620
Not allocated to members	2,050				1,064
	<u>30,344</u>				<u>26,684</u>

Purchases and sales include £67.7m (2015: £18.0m) of Lifestyle switches and fund transitions. In September 2015 there was a fund transition where all members were switched into new funds which were made available to the Scheme, this caused the large increase in switches compared to last year.

13. POOLED INVESTMENT VEHICLES

As at 31 March 2016 the Scheme's investment in pooled investment vehicles comprised:

DEFINED BENEFIT SECTION

	2016 £000	2015 £000
Equity funds	114,269	121,504
Bond funds	58,351	123,337
LDI funds	58,383	-
Diversified growth funds	87,910	89,363
Cash funds	20,302	8,910
Property funds	19	453
	<u>339,234</u>	<u>343,567</u>

The diversified growth funds hold a variety of investments including equities, bonds, derivatives, commodities and property.

DEFINED CONTRIBUTION SECTION

	2016 £000	2015 £000
Equity funds	22,392	24,510
Bond funds	1,814	3,037
Cash funds	1,943	2,310
Property funds	535	487
	<u>26,684</u>	<u>30,344</u>

14. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Trustees hold assets invested separately from the main fund in the form of individual insurance policies. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement each receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year. The total amount of AVC investments at the period end is shown below.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

DEFINED BENEFIT SECTION	2016	2015
	£000	£000
The Equitable Life Assurance Society	560	584
Friends Life (formerly Friends Provident)	846	1,021
Prudential Assurance Company Limited	183	187
Friends Life (formerly Winterthur Life UK Limited)	1,235	1,259
	2,824	3,051

15. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy.

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

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

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

The Scheme's investments have been analysed using the above hierarchy categories as follows:

	2016			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
DEFINED BENEFIT SECTION				
Pooled investment vehicles	-	339,215	19	339,234
AVC investments	-	2,361	463	2,824
	-	341,576	482	342,058
DEFINED CONTRIBUTION SECTION				
Pooled investment vehicles	-	26,149	535	26,684
	-	367,725	1,017	368,742

	2015			
	Category 1	Category 2	Category 3	Total
	£000	£000	£000	£000
DEFINED BENEFIT SECTION				
Pooled investment vehicles	-	343,114	453	343,567
AVC investments	-	2,523	528	3,051
	-	345,637	981	346,618
DEFINED CONTRIBUTION SECTION				
Pooled investment vehicles	-	29,857	487	30,344
	-	375,494	1,468	376,962

16. INVESTMENT RISKS

This note includes information in relation to certain investment risks.

When deciding how to invest the Scheme's assets, the Trustees consider a wide range of risks, including credit risk and market risk, as defined below.

Credit risk this is the risk that one party to a financial instrument will cause a financial loss for the

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk. The Trustees have also decided to disclose information on inflation 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 and inflation risk: these are the risks that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates and inflation expectations.

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, inflation risk or currency risk). These changes may be 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 their investment adviser. The Scheme has exposure to these risks via its investments. The Trustees manage investment risks, including credit risk and market risk, by considering the Scheme's investment objectives, the investment strategy and the advice of their investment advisers. Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the pooled fund selection. The Trustees monitor the performance of the strategy and associated risks, and each investment manager, against its objectives and restrictions, on a regular basis. Details on the Scheme's investment objectives and strategy are contained in the Investment Report, earlier in this document.

DB Section

The table below summarises the Scheme's pooled fund holdings within each of the Return-seeking, Medium Risk and Matching portfolios, as set out in the Scheme's Investment Strategy and Objectives, as shown on page 8.

DB strategy holdings	31 March 2016 £000	2016 %	2016 Target %	31 March 2015 £000
Return-seeking				
L&G Equities	114,269	34		121,504
Aviva Property	19	0		453
	114,288	34	40	121,957
Medium Risk				
Franklin Templeton Bonds*	10,918	3		11,640
Standard Life DGF	29,505	9		30,919
Baillie Gifford DGF	30,801	9		31,264
Pyrford DGF	27,604	8		27,180
	98,828	29	30	101,003
Matching				
M&G Inflation Opportunities*	47,432	14		44,784
L&G Index-Linked Gilts*	-	-		20,414
L&G Corporate Bonds*	-	-		46,499
L&G Cash	-	-		8,910
BMO Real Dynamic LDI	30,128	9		-
BMO Short Real Dynamic LDI	16,610	5		-
BMO Nominal Dynamic LDI	11,645	3		-
BMO Cash	20,303	6		-
	126,118	37	30	120,607
Total	339,234	100	100	343,567

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

The DGF funds total £87.9m (2015: £89.4m), the LDI funds total 58.4m (2015: nil) and the bond funds* total £58.4m (2015: £123.3m).

The table below summarises the Scheme's pooled investment vehicles that have significant exposure to credit and market risks.

	Credit risk	Currency risk	Interest rate risk	Other price risk
Return seeking				
L&G equity funds	○	●	○	●
Aviva property fund	○	○	○	●
Medium risk				
Diversified growth funds	●	●	●	●
Franklin Templeton bond fund	●	●	●	○
Matching				
M&G inflation opportunities fund	●	○	●	●*
BMO liability driven investment funds	●	○	●	○
BMO cash fund	●	○	●	○

Key: The risk noted affects the fund significantly (●) or hardly/ not at all (○)

** This fund has some risk, but it is not deemed significant*

Further information on the Trustees' approach to risk management, credit and market risk is set out below. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

(i) Credit risk

The Scheme invests in pooled funds and is therefore exposed to direct credit risk in relation to the solvency of the investment manager and custodian of those funds.

Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing investments.

All of the Scheme's assets are held in pooled funds comprising: unit linked insurance funds (L&G, Baillie Gifford and Standard Life funds), Jersey property unit trust (Aviva fund) and open ended investment funds (Pyrford, Franklin Templeton, M&G and BMO funds). The exposure to each of these can be seen in the DB strategy holdings table.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds and other assets of a contractual nature. The indirect exposure is primarily from the Scheme's exposure to investments in the Franklin Templeton bond fund, M&G inflation opportunities fund (which includes exposures to long lease property, index-linked gilts and other assets that provide inflation linked cashflows) and the DGFs (Baillie Gifford, Standard Life and Pyrford). The exposure to these funds is shown in the DB strategy holdings table.

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers or highly rated investment grade issuers (including UK government), as well as conducting

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

thorough research on the likelihood of default of those issuers and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the managers change the underlying investments in line with their views on markets, asset classes and specific securities.

Within the LDI portfolio, there is indirect exposure to credit risk as BMO uses derivative instruments (such as swaps, repos and reverse repos) to hedge risk associated with the Scheme's liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as diversification of exposure to counterparties and careful initial selection and ongoing monitoring of counterparties. In addition, the derivative positions are collateralised daily, so as to aim to limit credit risk to one day's adverse market movements.

Cash within the cash fund is held with financial institutions which are at least investment-grade credit rated

(ii) Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Although all the pooled funds held by the Scheme are priced in Sterling, the Scheme is subject to currency risk because some of the underlying assets are priced in other currencies. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that it diversifies the strategy and is appropriate.

The Scheme's assets that have exposure to indirect currency risk are the DGFs £87.9m (2015: £89.4m), the L&G equity funds £114.3m (2015: £121.5m) and the Franklin Templeton global bond fund £10.9m (2015: £11.6m). The Scheme's overall exposure to foreign currencies will vary over time as the investment managers change the underlying investments. The Scheme's holdings in the pooled developed market equity fund £97.7m (2015: £105.5m) are hedged back to Sterling, while its holdings in the pooled emerging market equity fund £16.6m (2015: £16.1m) are not hedged. The Scheme's equity holdings are hedged back to Sterling as far as possible. The exposure to these funds is shown in the DB strategy holdings table.

The Scheme's exposure to currency risk is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the fund managers.

(iii) Interest rate and inflation risk

Some of the Scheme's assets are subject to interest rate and inflation risk. However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner. The Scheme assets with a material exposure to changes in interest rates and expected inflation are the BMO LDI funds and M&G inflation-opportunities fund which are matching assets as per the Investment Strategy and Objectives on page 8 and make up, along with the BMO Cash holdings, 37% of the Scheme's assets (benchmark 30% +/-5%), this is not in line with the SIP. The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustees will consider with their advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cashflow.

The Franklin Templeton bond fund which is part of the medium risk assets referred to on page 8 is also subject to interest rate and inflation risk.

The DGFs may also have some sensitivity to changing interest rates and inflation expectations, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

a significant driver of returns due to the investment approaches of these funds. The amount invested in each of these mandates is shown on page 28.

(iv) Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the equity pooled fund holdings which are return seeking assets as set out on page 8 and make up 34% of the Scheme's assets (benchmark 40% +/-5%) which is not in line with the SIP, and DGFs which are medium risk assets referred to on page 8 and make up along with Franklin Templeton bond funds 29% of the Scheme's assets (benchmark 30% +/-5%), being subject to movements in equity prices.

The M&G inflation opportunities fund is part of the matching assets referred to on page 8 and is exposed to movements in the property market.

The Trustees monitor this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustees believe that the Scheme's DB assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The exposure to other price risk within a number of the pooled funds will vary over time depending on how the managers change the underlying asset allocation to reflect their market views.

(v) Non-investment risks

The Trustees recognise there are other, non-investment risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

DC Section

The Trustees' objectives and investment strategy to making available an appropriate range of investment options for members of the ASP and CMP is shown in the Investment Report on page 8.

(i) Direct credit risk

The ASP section is subject to direct credit risk in relation to Friends Life, the platform provider, and the managers of the underlying pooled funds made available to members on this platform. The CMP Scheme is subject to direct credit risk in relation to L&G and BlackRock, the managers of the pooled funds made available to members.

Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment platform provider and investment managers, the regulatory environment in which the platform provider and managers of the pooled funds operate, and diversification of the investments amongst a number of pooled arrangements.

In the event of default by Friends Life, the ASP section is protected by the Financial Services Compensation Scheme ("FSCS"). For insurance policy arrangements such as that which the ASP

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

section has with Friends Life, the FSCS aims to ensure the members would get back 100% of any loss with no upper limit. However, in the event of default by one of the underlying fund providers the members would not be covered by the FSCS, because Friends Life is the fund provider and there is no direct relationship between the fund managers and the members. Within the CMP Scheme the members invest directly with the fund providers (there is no DC platform), and so default by a fund provider would be covered by the FSCS.

(ii) Indirect credit and market risk

The ASP and CMP sections are subject to indirect credit and market risk arising from the underlying investments held in the pooled funds made available to members. Member level risk exposures will be dependent on the funds invested in by members.

The ASP and CMP sections are indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds. The indirect exposure to credit risk mainly arises from the ASP's and CMP's bond and cash investments but also in multi-asset investments

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers and conducting thorough research on the probability of default of those issuers. The magnitude of credit risk within each fund will vary over time, as the managers change the underlying investments in line with its views on markets, asset classes and specific bonds.

The majority of both the ASP's and CMP's members invest in the default funds, overall the default funds represent around 85% and 60% (2015: 86% and 59%) of each sections' investments respectively. The market risk disclosures have therefore focussed on these funds. The ASP and CMP are subject to indirect currency, interest rate and other price risk arising from the underlying financial instruments held in the following funds:

ASP

- The multi-asset fund is exposed to currency, interest rate and other price risks.
- The equity fund is exposed to currency and other price risks.
- The bond fund is exposed to interest rate risk.
- The cash fund is exposed to interest rate risk.

CMP

- The equity fund is exposed to currency and other price risks.
- The bond fund is exposed to interest rate risk.
- The cash fund is exposed to interest rate risk.

17. CONCENTRATION OF INVESTMENTS

There are seven investment funds (see list below) in which more than 5% of the total value of the net assets of the Scheme are invested:

	Value at 31 March 2016 £000	% of Total Fund 2016	Value at 31 March 2015 £000	% of Total Fund 2015
M&G	47,432	12.8	44,783	11.8
Baillie Gifford	30,801	8.3	31,264	8.3
Standard Life	29,505	8.0	30,919	8.2
Pyrford	27,180	7.5	27,604	7.3
L&G Global Equities	105,451	26.4	97,634	25.8
F&C Real Dynamic	30,128	8.1	-	-
F&C Sterling Liquidity	20,302	5.5	-	-

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

18. CURRENT ASSETS

	2016		Total £000
	DB Section £000	DC Section £000	
Cash balances	1,637	8	1,645

	2015		Total £000
	DB Section £000	DC Section £000	
Cash balances	1,721	20	1,741
AVC contributions due	5	-	5
	1,726	20	1,746

AVC contributions due to the Scheme relate to the month of March 2015 and were paid to the Scheme within agreed timescales.

A reimbursement in respect of 2012 and 2013 AVC contributions paid by the Scheme instead of the Employer was paid on 16 April 2014.

19. CURRENT LIABILITIES

	2016		Total £000
	DB Section £000	DC Section £000	
Pensions paid in arrears	205	-	205
Benefits accrued	21	-	21
Accrued expenses	239	2	241
	465	2	467

	2015		Total £000
	DB Section £000	DC Section £000	
Pensions paid in arrears	197	-	197
Unpaid benefits	198	-	198
Accrued expenses	208	-	208
	603	-	603

20. TRANSFERS BETWEEN SECTIONS

	2016		Total £000
	DB Section £000	DC Section £000	
Transfers between sections	1,088	(1,088)	-

	2015		Total £000
	DB Section £000	DC Section £000	
Transfers between sections	58	(58)	-

Following a rule amendment dated 7 May 2015 which allowed Scheme expenses to be met from the Reserve Account, £1m was transferred from the DC Reserve Account to the Trustees' bank account to meet general Scheme expenses.

Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

21. RELATED PARTY TRANSACTIONS

Of the Trustees, Messrs Bailey, Coppin, and Cunningham are members of the Scheme and receive benefits on the same terms as normally granted to members. BESTrustees plc and A. Clare receive a fee in respect of their role as Trustees, as disclosed in note 9. Messrs Clare and Rogers are not members of the Scheme. There have been no other related party transactions.

22. CONTINGENT LIABILITIES

In the opinion of the Trustees, the Scheme had no contingent liabilities at 31 March 2016 (2015: nil)

23. EMPLOYER RELATED INVESTMENTS

There were no employer-related investments at any time during the year.

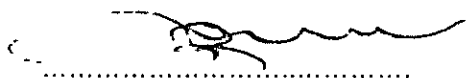
Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Trustees' Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2016

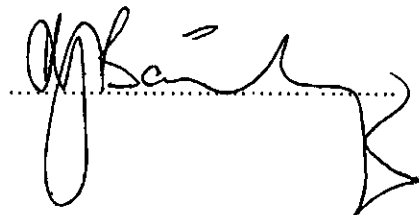
During the year, the contributions paid to the Scheme by the Employer under the Schedules of Contributions were as follows:

	DB Section £000
Employer deficit funding contributions	10,558
Employer reimbursement of PPF levies	330
Augmentations	18
Total contributions as reported in the auditor's statement about contributions	<u>10,906</u>
Member AVC contributions	44
Total contributions reported in the financial statements	<u>10,950</u>



Signed by the Trustees

17a October 2016



Amey Pension Scheme annual report and financial statements

Year ended 31 March 2016

Actuarial Certification of Schedule of Contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that as at the valuation date, 31 March 2014, the statutory funding objective could have been expected to continue to be met for the period for which the Schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 10 June 2015.

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

Signature: *B J Huby* **Date:** 10 June 2015

Name: B J Huby **Qualification:** Fellow of the Institute and Faculty of Actuaries

Address: St Paul's House, St Paul's Hill, Winchester, SO22 5AB

Name of Employer: Lane Clark & Peacock LLP

