

**THE
BRITISH STEEL
PENSION SCHEME**

Registered number – 12014387

REPORT AND FINANCIAL STATEMENTS
For the period ended 31 March 2018

BRITISH STEEL PENSION SCHEME

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BRITISH STEEL PENSION SCHEME

Trustee and independent advisers

Trustee Company	B.S. Pension Fund Trustee Limited
Registered Office	17th Floor 125 Old Broad Street London EC2N 1AR
Directors	AJ Johnston (Chairman) <i>Company Nominated Trustee Director appointed on 27 March 2018</i> J Regan <i>Company Nominated Trustee Director appointed on 27 March 2018</i> C Claydon <i>Independent Trustee Director appointed on 29 March 2018</i> S Corten <i>Member Nominated Trustee Director appointed on 27 March 2018</i> K Greenfield <i>Independent Trustee Director appointed on 29 March 2018</i> P Rees <i>Member Nominated Trustee Director appointed on 27 March 2018</i>
Secretary to the Trustee	M Donohue <i>Appointed 27 March 2018</i>
Administrator	B.S. Pension Fund Trustee Limited 105 Waterloo Street Glasgow G2 7BW
Principal Company and Sponsor	Tata Steel UK Limited
Actuary	G Oxtoby Willis Towers Watson
Auditor	KPMG LLP
Solicitors	Travers Smith LLP
Investment Manager	Pension Services Limited
Investment Consultant	Willis Towers Watson
Independent Investment Adviser	S Francis
Custodian	JP Morgan Chase Bank
Bankers	Barclays Bank plc
Corporate Finance Adviser	Penfida Limited
Medical Adviser	Dr S Williams

BRITISH STEEL PENSION SCHEME

Chairman's introduction

I am pleased to present the Annual Report and Financial Statements for the British Steel Pension Scheme for the period ended 31 March 2018. This is the very first Annual Report for the Scheme in its new format, following the agreement of the Regulated Apportionment Arrangement (RAA) with Tata Steel UK Limited (TSUK) and the Time to Choose exercise in 2017 under which the Old British Steel Pension Scheme (OBSPS) was separated from its sponsor and members given the opportunity to choose whether to switch to this scheme, or to remain with the old scheme and to enter a Pension Protection Fund (PPF) assessment period.

As part of the separation, Tata Steel companies were released from their obligations to the OBSPS and that scheme received £550 million from Tata Steel together with a 33% equity stake in TSUK.

Time to Choose was probably the largest pension consultation exercise of its type in the UK. Around 122,000 information packs were issued to members, just under 97,000 of whom completed and returned an option form. Of those, 86% were from members choosing to switch to this new scheme and 14% were from members choosing to move into the PPF. A take up rate at this level is highly commendable for an exercise of this type.

I am personally delighted that over 80,000 members decided that the new Scheme represented the best outcome for them based on their personal circumstances. Using Scheme assets to achieve the best and fairest outcome for the members as a whole was the key priority for the Trustee during long and complex negotiations with Tata Steel, the Pensions Regulator and the PPF. I would like to thank my former Trustee colleagues, scheme officers and advisers, and all those involved in the *Time to Choose* exercise.

Following completion of the exercise a bulk transfer of £11.2 billion was paid from the OBSPS to the Scheme. That represented the share of the old scheme assets relating to those members who had elected to join this Scheme.

The board of this Scheme has naturally been extremely busy with the process of establishing the new arrangement. Much detailed planning work required for the Integrated Risk Management framework has already been completed and other governance matters have also been advanced. Establishing a new pension scheme of the size and scope of the Scheme is not straightforward and there is much work still to be done. A key priority for the board is the conclusion of the initial actuarial valuation of the Scheme as at 31 March 2018. Good progress is being made however and I expect that the board will be in a position to update members soon.

It was a requirement of the RAA that the Trustee board should include two independent trustee directors and we have been able to move to a smaller board of directors. Currently the member nominated trustee director posts are filled on a transitional basis and the Trustee will shortly invite nominations for these roles with the appointments commencing from 1 April 2019.

Finally, this will be my final report on the Scheme as Chairman of the Trustee board as my term in that role comes to an end on 31 March 2019. Under the terms of the Framework Agreement, the role of Chairman has to be filled by one of the Independent Trustee directors and I am pleased to say that Keith Greenfield has accepted the invitation to Chair the Trustee board going forward. I wish Keith every success in the role.

On a personal level, I have been involved with the Scheme since August 1970 when I became a member, then since June 1994 as a Trustee director and latterly from February 2007 as Trustee Chairman. I will continue to serve the Scheme and its members going forward in whatever way I can.

BRITISH STEEL PENSION SCHEME

Report of the Trustee – Period ended 31 March 2018

The British Steel Pension Scheme (*the Scheme*) is operated by a Corporate Trustee, B.S. Pension Fund Trustee Limited. The Directors are pleased to present its annual report on the Scheme, together with the financial statements for the period ended 31 March 2018.

Constitution of the Scheme

The British Steel Pension Scheme is a defined benefit pension scheme and since 28 March 2018 has provided benefits for former members of the Old British Steel Pension Scheme who elected to transfer into the Scheme as part of the *Time to Choose* exercise in 2017. It is governed by an interim Trust Deed dated 7 July 2017, as amended from time to time.

The Trustee holds funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed. The Scheme is closed to future accrual. Benefits in the Scheme reflect the members' entitlement under the OBSPS as at 28 March 2018 but with revised rates of increase applying in the future. No member contributions are payable.

Management of the Scheme

During the period B.S. Pension Fund Trustee Limited replaced Defacto T2 Limited as the trustee of the Scheme. The Trustee directors are listed on page 1.

The board comprises two Company Nominated Trustee Directors (*CNTDs*) including the Chairman, two Member Nominated Directors (*MNDs*) and two Independent Trustee Directors (*ITDs*).

Tata Steel UK Limited (*the Company*) is responsible for the appointment and removal of the *CNTDs*. The board is responsible for the appointment of *ITDs* and is required to consult with the Pensions Regulator ahead of any appointment. The Company must give its approval to any *ITD* nominee before the appointment can be ratified. The two *MNDs* were chosen from the Member Nominated Trustee directors of the OBSPS under transitional arrangements. The board will in due course introduce an appropriate *MND* Procedure to facilitate the nomination, selection, and appointment of replacement *MNDs*.

ITDs and *MNDs* can only be removed within their term of appointment with the approval of all other Trustee directors. *CNTDs* can serve until removed by the Company. All directors are required to retire by rotation every three years after their respective election date.

The day-to-day management and operation of the Scheme is delegated to the in-house pension administration and investment offices set out on page 1 and is supervised by the Trustee board.

Five meetings of the Trustee board were held during the period from 7 July 2017 to 31 March 2018 and Trustee directors' attendance is summarised below.

Trustee Director	Meetings attended
<i>A J Johnston</i>	5
<i>C Claydon</i>	5
<i>S Corten</i>	4
<i>K Greenfield</i>	5
<i>P Rees</i>	5
<i>J Regan</i>	5

The Trustee board will implement a governance framework intended to provide reassurance that the Scheme is well run and as a means of monitoring the effectiveness of the arrangements put in place to manage the Scheme. The governance arrangements for the Scheme will take account of the recommendations and Codes of Practice of the Pensions Regulator and best practice and be kept under continuous review.

Report on actuarial liabilities

The financial statements set out on pages 15 to 26 do not include liabilities in respect of promised retirement benefits which fall due after the period end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of the Scheme every three years.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. As described, this is assessed at least every three years using assumptions agreed between the Trustees and the employer and set out in the Statement of Funding Principles.

The first triennial actuarial valuation of the Scheme is being carried out as at 31 March 2018 the results of which will be communicated to members later in the year. Consequently, no actuarial statements are available for inclusion in the Report.

Financial developments of the Scheme

The financial statements included in this report for the period from 28 March 2018 to 31 March 2018 are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

A summary of the Scheme's financial statements is set out in the table below.

	<i>2018</i> <i>£'000</i>
<i>Net additions from dealings with members</i>	<i>11,187,023</i>
<i>Net returns on investments</i>	<i>33,680</i>
<i>Net increase in Scheme</i>	<i>11,220,703</i>
<i>Net assets at start of period</i>	<i>-</i>
<i>Net assets at end of period</i>	<i>11,220,703</i>

The Scheme received a transfer of assets to the value of £11,201,288k on 28 March 2018, reflecting the liabilities attributable to transferring members under the *Time to Choose* exercise. A further "true up" transfer of £5,100k was receivable in cash after the period end, representing a bulk transfer of £11,206,388k in total. The net returns on investment of £33,680k comprised change in market value of £31,560k and investment income of £2,192k offset by investment management expenses, including interest payable, of £72k.

A more detailed analysis of the financial developments over the period can be found in the Notes to the Financial Statements on pages 15 to 26.

Contributions

The first actuarial valuation of the Scheme will be carried out as at 31 March 2018. A Schedule of Contributions will be agreed between the Trustee and the Company and certified by the Scheme Actuary when the valuation is finalised.

The Trustee is responsible under pensions legislation for ensuring that, once required, there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Company and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the Schedule.

No contributions were payable during the period.

The Scheme Auditor reports separately on contributions payable in the Auditors' Statement about Contributions on page 12.

Membership

The membership of the Scheme at the beginning and end of the period from 28 March 2018 to 31 March 2018 (and changes during the period) are set out below.

<i>Deferred Pensioners</i>	
<i>Transferred from OBSPS</i>	18,853
	18,853
<i>Cessation of deferred pension resulting from:</i>	
<i>Transfers to Personal Pension schemes</i>	58
	58
<i>Deferred pensioners at end of period</i>	18,795
<i>Pensioners</i>	
<i>Transferred from OBSPS</i>	62,020
<i>New pensioners in period</i>	-
	62,020
<i>Cessation of benefits:</i>	
<i>Deaths during the period</i>	-
	-
<i>In payment at end of period</i>	62,020
<i>Pensioners Analysis</i>	
<i>Pensioners</i>	45,178
<i>Widow(er)s/civil partners</i>	16,842
	62,020

Included within the above are 134 pensioners and 11 beneficiaries whose benefits are provided by annuities.

Investment management

The Trustee delegates the day-to-day management of investments to Pension Services Limited (*PSL*), its in-house investment manager. It is a wholly owned subsidiary of the Scheme and regulated by the Financial Conduct Authority. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Adviser, Investment Consultant and the Scheme Actuary. The Trustee has in place an investment mandate with their investment manager which implements this strategy.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (*SIP*) has been prepared by the Trustee which incorporates the investment strategy. A copy of the *SIP* can be obtained from the administrator.

Pension Services Limited is remunerated by a fixed fee and the balance of the fees are borne by the Scheme. The performance related remuneration for members of Pension Services Limited is agreed by the Remuneration Committee of the Trustee in conjunction with the Chief Investment Officer and is based on meeting the short to medium term objectives of the Scheme in out-performing the Scheme Specific Benchmark.

The main investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the benefits payable under the Trust Deed and Rules as they fall due so that returns on the Scheme's assets are maximised whilst managing investment risk at an appropriate level. The Trustee sets the investment strategy taking into account considerations such as the long-term liabilities and the funding agreed with the Employer. The investment strategy is set out in the *SIP*.

The Trustee invests directly into equity and bonds, pooled investment vehicles, property and derivative contracts. The Trustee has authorised the use of derivatives by *PSL* for efficient portfolio management purposes and to reduce certain investment risks. The principle investment in derivatives is interest rate and inflation swaps in the *LDI* portfolio.

The nature and disposition of Scheme investments are set out below, together with the actual allocation of investments at 31 March 2018, with pooled investment vehicles and derivatives analysed by underlying economic exposure:

2018	Direct investments	Pooled investment vehicles	Derivatives	Total	Percentage
	£'000	£'000	£'000	£'000	%
<i>Fixed Interest and Interest/Inflation Swaps</i>	8,624,124	11,021	(77,965)	8,557,180	76
<i>Maturity Property</i>	984,419	-	-	984,419	9
<i>Equities (UK And Overseas)</i>	777,933	41,202	-	819,135	7
<i>Growth Property</i>	305,663	20,741	-	326,404	3
<i>Private Equity</i>	-	81,146	-	81,146	1
<i>Other</i>	452,419	-	-	452,419	4
	11,189,675	154,110	(77,965)	11,232,898	100

Other than the pooled investment vehicles and *OTC (over the counter)* derivatives (interest and inflation swaps) and property, all investments described above are quoted on recognised stock exchanges. The property portfolios are managed and valued by the investment manager on the anniversary of the date of purchase. The derivatives are valued mark to market on daily basis and the pooled investment vehicles are priced by the investment manager of those vehicles. The Trustee regards all the investments of the Scheme as readily marketable other than the pooled investment vehicles.

Pension increases

In accordance with the Rules, pensions in payment are increased every year in April in line with statutory requirements. The increases granted with effect from 1 April 2018 were as follows:

<i>Pension accrued pre 05/04/1997</i>	-
<i>Pension accrued post 06/04/1997 pre 05/04/2005</i>	3.0%
<i>Pension accrued post 06/04/2005</i>	2.5%

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (*GMP*), as these increases are provided in part by the Scheme and in part by the State. GMPs earned after April 1988 will be increased by the Scheme in line with inflation up to a maximum of 3% per annum, as required by legislation.

Deferred pensions have been increased in line with statutory requirements as is required under the Scheme Rules. There were no discretionary increases awarded in the year.

Transfers

The Scheme paid 58 transfer values during the period. All transfer payments were in respect of members of the Scheme who had elected to transfer out of the OBSPS before they became a member of the Scheme. The Trustee and Scheme Actuary agreed to provide non-statutory transfers on OBSPS terms to these members due to their particular circumstances. All of the transfer values paid during the period were calculated and verified as being on OBSPS terms by the Scheme Actuary of the OBSPS or calculated in accordance with instructions prepared by him.

The Trustee has instructed the Scheme Actuary not to take account of discretionary increases in calculating cash equivalents for transfer purposes. No transfers were reduced to less than their cash equivalent value.

Reconciliation of Guaranteed Minimum Pensions

Before 1997, contracted-out defined benefit schemes, such as the OBSPS, were required to provide Guaranteed Minimum Pensions (*GMPs*) in respect of contracted-out service. Although contracting-out in defined benefit schemes ceased in April 2016 rights earned at that date were retained and the Scheme is responsible for paying the contracted-out element of benefits payable to members who transferred from the OBSPS.

All schemes need to reconcile their GMPs with those held on HMRC's records by 31 October 2018. The reconciliation process is important because HMRC may have incomplete or inaccurate records, which could lead to their expectation about the GMP entitlement being different from the Scheme's. Thereafter schemes will no longer be able to challenge HMRC's claim as to how much GMP the scheme must provide.

The Scheme has successfully reconciled over 80% of its contracted-out records with those held by HMRC and work is ongoing to reconcile the balance ahead of the deadline.

Risk Management

The Trustee is engaged in the design and implementation of an Integrated Risk Management framework. The framework will facilitate consideration of the risks that may affect the Scheme, in particular how they might interact and how they can best be managed should the risks materialise. The framework will also assist the Trustee to identify when opportunities arise to reduce Scheme risk. The completed framework is due to be in place by the end of 2018.

Data Protection

The General Data Protection Regulation (*GDPR*) imposes obligations on those who hold and process personal data and provides data subjects with certain rights. The Trustee is the data controller for the Scheme and is required to hold personal data relating to Scheme members, who are data subjects, in order to administer and pay benefits. The GDPR applies to the Trustee in respect of such data.

The Trustee is committed to protecting and respecting the privacy of members' personal data and has put in place agreements with relevant third parties to ensure that data is protected and used properly. The Trustee will only share the information necessary to administer and operate the Scheme or if required to do so by law.

A Privacy Statement, which describes how the Scheme obtains, holds, and uses personal data can be found on the scheme website.

Disclosure requirements

The Pensions Regulator (*tPR*) is responsible for the regulation of UK workplace pension schemes. In accordance with regulatory requirements the Scheme submits an annual scheme return to tPR. The Trustee is also required to provide certain information to tPR for the purposes of maintaining a record of the addresses and other basic details of all UK occupational pension plans in operation. TPR can be contacted at Napier House, Trafalgar Place, Brighton BN1 4DW

The Early Resolution Service of the Pensions Ombudsman (*TPO*) provides free advice to pension scheme members and beneficiaries who have problems concerning pensions. The Pensions Ombudsman can also investigate and determine any complaint or dispute of fact or law in relation to occupational pension schemes. TPO can be contacted at 10 South Colonnade Canary Wharf London E14 4PU. The Scheme operates an Internal Dispute Resolution Procedure (*IDRP*) and members should raise any disputes with the Trustee in the first instance. Details of the IDRPs can be found on the scheme website.

General enquiries about the Scheme, or about an individual's entitlement to benefits, should be addressed to the Administrator. Alternatively, enquiries may be made by e-mail to pension.enquiries@bspensions.com or via the Scheme website at www.bsbspensions.com or by telephone on 0330 440 0844.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 26 October 2018.

A J Johnston
Chairman

J Regan
Director

BRITISH STEEL PENSION SCHEME

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the period from 7 July 2017 to 31 March 2018 and of the amount and disposition at the end of the period of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the period; 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 accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

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

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

BRITISH STEEL PENSION SCHEME

Independent auditor's report to the Trustee of the British Steel Pension Scheme

Opinion

We have audited the financial statements of the British Steel Pension Scheme (*the Scheme*) for the period from 7 July 2017 to 31 March 2018 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in Note 1. In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the period from 7 July 2017 to 31 March 2018 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 period;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (*ISAs (UK)*) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The trustee is responsible for the other information, which comprises the trustee's report (including the report on actuarial liabilities and the summary of contributions). Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 9 the scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the scheme trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme trustee those matters we are required to state to it 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 trustee, for our audit work, for this report, or for the opinions we have formed.

Jatin Patel
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

BRITISH STEEL PENSION SCHEME

Independent Auditor's statement about contributions to the Trustee

Statement about contributions

We have examined the summary of contributions payable under the Scheme rules and on the recommendation of the actuary to the British Steel Pension Scheme in respect of the period from 7 July 2017 to 31 March 2018 which is set out on page 5.

In our opinion contributions for the period from 7 July 2017 to 31 March 2018 as reported in the summary of contributions and payable under the Scheme rules and the recommendation of the actuary have been paid in accordance with the Scheme rules and the recommendation of the actuary.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the Scheme rules and the recommendation of the actuary. 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 Scheme rules and the recommendation of the actuary.

Respective responsibilities of trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 9, until the first Schedule of Contributions is certified, the Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the Scheme rules and the recommendation of the actuary.

Subsequently, the Trustee is responsible, under the Pensions Act 2004, 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 Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the Schedule of Contributions. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the Scheme by the Company in accordance with the Schedule of Contributions.

Until the first Schedule of Contributions is certified, it is our responsibility to provide a statement about contributions paid under the Scheme rules and the recommendation of the actuary to the Scheme and, subsequently under the schedule of contributions and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee, for our work, for this statement, or for the opinions we have formed.

Jatin Patel
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

BRITISH STEEL PENSION SCHEME

Fund account for the period 31 March 2018

	<i>Notes</i>	<i>Total 2018 £'000</i>
<hr/> <i>Contributions and Benefits</i> <hr/>		
-		
<hr/>		
<i>Bulk Transfer</i>	4	11,206,388
<i>Payments to and on account of leavers</i>	5	(19,147)
<i>Administrative expenses</i>	6	(218)
		<hr/> 11,187,023
<i>Net additions from dealings with members</i>		11,187,023
<hr/>		
<i>Return on Investments</i>		
<i>Investment income</i>	7	2,192
<i>Change in market value of investments</i>	12	31,560
<i>Interest payable</i>	9	(3)
<i>Investment management expenses</i>	16	(22)
<i>Investment administration expenses</i>	17	(47)
<i>Net return on investments</i>		33,680
<i>Net increase in the fund during the Period</i>		11,220,703
<hr/>		
<i>Net Assets of the Scheme</i>		
<i>At beginning of period</i>		-
<i>At end of period</i>		11,220,703

The notes on pages 15 to 26 form part of these financial statements.

BRITISH STEEL PENSION SCHEME

Statement of net assets (available for benefits) as at 31 March 2018

	<i>Notes</i>	<i>Total 2018 £'000</i>
<i>Investment assets</i>	<i>12</i>	
<i>Equities</i>		<i>777,933</i>
<i>Bonds</i>		<i>8,624,124</i>
<i>Properties</i>		<i>1,290,082</i>
<i>Pooled investment vehicles</i>	<i>10</i>	<i>154,110</i>
<i>Derivatives</i>	<i>11</i>	<i>3,379</i>
<i>Other investments</i>		<i>11</i>
<i>Cash</i>		<i>194,768</i>
<i>Other investment balances</i>		<i>158,581</i>
		<i>11,202,988</i>
<i>Investment liabilities</i>		
<i>Derivatives</i>	<i>11</i>	<i>(81,344)</i>
		<i>(81,344)</i>
<i>Total net investments</i>		<i>11,121,644</i>
<i>Current assets</i>	<i>19</i>	<i>113,060</i>
<i>Current liabilities</i>	<i>20</i>	<i>(14,001)</i>
		<i>99,059</i>
<i>Net Assets of the Scheme</i>		<i>11,220,703</i>

The notes on pages 15 to 26 form part of these financial statements. The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme period.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 26 October 2018.

A J Johnston
Chairman

J Regan
Director

BRITISH STEEL PENSION SCHEME

Notes to the financial statements

1. General information

The British Steel Pension Scheme is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to former members of the Old British Steel Pension Scheme who elected to switch into the Scheme in preference to entering a Pension Protection Fund assessment period. The scheme is not open to new members.

The address of the Scheme's principal office is 125 Old Broad Street, London, EC2N 1AR. B.S. Pension Fund Trustee Limited is the corporate managing trustee and its six directors are the owners of the company shares on equal basis and they hold these shares on trust for the membership.

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of Preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (Revised November 2014).

3. Accounting policies

a) Investments

The principal accounting policies of the Scheme are as follows:

- i. Investments are included at fair value.
- ii. The majority of listed investments are stated at bid price at the date of the Statement of Net Assets.
- iii. Accrued income is accounted for within investment income. Where applicable, fixed interest and index linked securities have their respective sinking factors and indexation factors applied to the valuation.
- iv. Unquoted securities are included at fair value estimated by the Trustees based on advice from the investment manager.
- v. The private equity portfolio, infrastructure funds and the high return fixed interest funds have been valued using the latest company or limited partnership financial statements as at 31 March 2018, or at fair value if lower, as determined by the Investment Committee on behalf of the Trustee, based on advice from the investment manager.
- vi. Freehold and long leasehold (over fifty years) property purchased prior to 1 July 2017 has been included at an open-market internal valuation made during the period for each property in the month of the anniversary of purchase. The valuation is in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and Practices. These valuations have been agreed by a sub-committee comprising the Property Adviser, the Chief Investment Officer, the Head of Property and the Senior Valuation Surveyor, and have been approved by the Investment Committee. Property purchased on or after 1 July 2017 has been included at cost. Property purchases and sales are recognised at the point of completion. The Scheme's property deeds are held at Tata Steel UK Limited's records centre, under the control of the Scheme.

- vii. Maturity portfolio properties tend to share certain characteristics, namely long lease terms, good tenant covenants and rent reviews subject to inflation linked uplifts. These properties are valued on the same basis as the properties held in the Growth portfolio i.e. valued on the anniversary of the purchase date. The net income related to the Maturity properties has been separately disclosed.
- viii. Property development costs are valued as per the contractual agreement at the balance sheet date and are held at cost until completion.
- ix. Annuities purchased in the name of the Trustee have been included at nil value in the financial statements on the grounds of materiality.
- x. Derivatives are stated at fair value as at 31 March 2018.
 - Exchange traded derivatives are stated at fair value determined by using market quoted prices.
 - Swaps are valued taking the current value of future cash flows arising from the swap determined by using discounted cash flow models and market data at 31 March 2018.
 - All gains and losses arising on derivative contracts are reported within “Change in Market Value”.
 - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.
- xi. Repurchase and Reverse Repurchase arrangement.

Under repurchase (repo) arrangements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (reverse repo) arrangements, the Scheme does not recognise the collateral securities received as assets in its Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in Financial Statements.

b) Investment income

- i. Dividends from quoted securities are accounted for when the security is declared ex-dividend.
- ii. Fixed interest income and index linked interest income have indexation and sinking factors applied to the income receivable where applicable.
- iii. Interest is accrued on a daily basis.
- iv. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- v. Rents from properties are recognised in accordance with the terms of the underlying leases and stated net of expenses.
- vi. Income from reverse repurchase agreements is accrued on a daily basis dependent on the market rate prevailing on the day.
- vii. Receipts from annuity policies held by the Trustees to fund benefits payable to Scheme members are included within investment income on an accruals basis.

c) Foreign currencies

The functional and presentational currency of the Scheme is sterling. Balances denominated in foreign currencies are translated into sterling at the rate prevailing at 31 March 2018. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling on the date of the transaction. Differences arising on investment balance translation are accounted for in “Change of market value” in the Fund Account.

d) Contributions

- i. There is no further accrual of benefits in the Scheme and no ordinary contributions from employees or employer are payable.
- ii. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.

e) Payments to members

- i. Benefits are accounted for in the year in which they fall due for payment. Where there is a choice, benefits are accounted for in the year in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pensions in payment are accounted for in the period to which they relate.
- ii. Individual transfers out are accounted for when paid which is normally when member liability is discharged.
- iii. Group transfers are accounted for in accordance with the terms of the transfer agreement.

f) Expenses

Expenses are accounted for on an accruals basis. The Scheme bears all of the direct costs of administration.

4. Bulk transfer

The bulk transfer in of £11,206,388k represents £11,201,288k of assets and cash transferred to the Scheme in respect of members of the OBSPS on 28 March 2018 plus a further of £5,100k in respect of the final “true up” which is receivable post balance sheet. The initial bulk transfer of £11,201,288k comprised of £10,960,184k in assets and £201,104k in cash.

5. Payments to and on account of leavers

	<i>2018</i>
	<i>£'000</i>
<i>Transfers to personal pension arrangements</i>	<i>(19,147)</i>
	<i>(19,147)</i>

6. Administrative expenses

	<i>2018</i>
	<i>£'000</i>
<i>Other</i>	<i>(218)</i>
	<i>(218)</i>

7. Investment income

	2018
	£'000
<i>Dividends from equities</i>	26
<i>Income from bonds</i>	1,659
<i>Net rental income</i>	489
<i>Net income from class actions</i>	18
<i>Income before taxation</i>	2,192
<i>Taxation</i>	-
<i>Net income</i>	2,192

8. Taxes on investment income

The British Steel Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

9. Interest payable

	2018
	£'000
<i>Cash deposits – foreign currency</i>	(3)
<i>Interest payable</i>	(3)

Interest payable is due to interest charges for holding foreign currencies.

10. Pooled Investment Vehicles (PIVs)

The Scheme's holdings of PIVs are analysed below:

	2018
	£'000
<i>Global bond funds</i>	11,021
<i>UK equity funds</i>	9,060
<i>Global equity funds</i>	32,142
<i>Global property funds</i>	20,741
<i>UK private equity funds</i>	33,843
<i>Global private equity funds</i>	47,303
	154,110

11. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives in a controlled manner to facilitate the timely implementation of significant asset allocation moves, for the purpose of efficient portfolio management, to reduce investment risk and to facilitate closer asset/liability management. The use of derivative contracts for such purposes is subject to prior approval by the Investment Committee.

Swaps

The Trustee's aim is to match, as far as possible, the fixed income portfolio to the Scheme's long-term liabilities, particularly in relation to their sensitivities to inflation rate and interest rate movements.

Inflation swaps are used as "overlays" in conjunction with the increased non-government fixed interest bond holdings to match liabilities and to improve potential returns. The Scheme has inflation swap contracts outstanding as at 31 March 2018 relating to its fixed interest investment portfolio and these contracts are traded Over The Counter ("OTC"). The details are:

	<i>Period to 31 March 2018</i>	
	<i>Assets</i>	<i>Liabilities</i>
	<i>£'000</i>	<i>£'000</i>
<i>Swaps – interest rates</i>	752	-
<i>Swaps – inflation</i>	2,627	(81,344)
	3,379	(81,344)

OTC contracts are used to transform floating rate interest income from certain investments into fixed income returns which are better suited to the liability profile of the Scheme. The Scheme has the following interest rate swap contracts outstanding as at 31 March 2018:

<i>Type of swap</i>	<i>Number of contracts</i>	<i>Expiration</i>	<i>Nature of swap</i>	<i>Notional amount of outstanding contracts</i>	<i>Aggregate assets</i>	<i>Aggregate liabilities</i>
				<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Interest rate swap</i>	2	<i>April 2018 – June 2019</i>	<i>Pay LIBOR for 3.62% – 3.84%</i>	<i>30,000/0</i>	752	-

Under the OTC contracts for inflation rate and interest rate contracts, the Scheme had deposited £78,879,000 and received £Nil of Gilts as collateral for the fair value with the various market counterparties as at 31 March 2018. The Scheme held collateral against the contracts showing unrealised gains and posted collateral for unrealised losses. The deposited collateral is reported within the Scheme's net assets.

<i>Type of swap</i>	<i>Number of contracts</i>	<i>Expiration</i>	<i>Nature of swap</i>	<i>Notional amount of outstanding contracts</i>	<i>Aggregate assets</i>	<i>Aggregate liabilities</i>
				<i>£'000 / \$'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Within 5 years</i>						
<i>Inflation swap</i>	2	<i>December 2018 – January 2019</i>	<i>Pay 2.06% - 2.60% for UK RPI</i>	<i>25,000 / 0</i>	2,543	-
<i>Inflation swap</i>	1	<i>January 2019</i>	<i>Pay 1.65% for US CPI</i>	<i>0 / 50,000</i>	84	-
<i>Within 5 to 10 years</i>						
<i>Inflation swap</i>	1	<i>February 2024</i>	<i>Pay 2.35% for US CPI</i>	<i>0 / 50,000</i>	-	(2,650)
<i>Within 10 to 15 years</i>						
<i>Inflation swap</i>	12	<i>June 2028 – January 2029</i>	<i>Pay 1.95% - 2.89% for US CPI</i>	<i>0 / 50,000</i>	-	(76,552)
<i>With 45 years</i>						
<i>Inflation swap</i>	1	<i>January 2059</i>	<i>Pay 3.33% for UK RPI</i>	<i>10,000 / 0</i>	-	(2,142)
					2,627	(81,344)

12. Investments reconciliation

Reconciliation of investments held at the beginning and the end of the period.

	<i>Opening Value</i>	<i>Purchase Costs</i>	<i>Sale Proceeds</i>	<i>Transfers / Re-classification at 28 March 2018</i>	<i>Change in Market Value</i>	<i>Closing Value</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Equities</i>	-	2	(35)	767,851	10,115	777,933
<i>Bonds</i>	-	4	(92,165)	8,695,410	20,875	8,624,124
<i>Properties</i>	-	-	-	1,290,082	-	1,290,082
<i>Pooled Investment Vehicles</i>	-	-	-	153,051	1,059	154,110
<i>Derivatives</i>	-	-	-	(77,476)	(489)	(77,965)
<i>Other investments</i>	-	-	-	11	-	11
	-	6	(92,200)	10,828,929	31,560	10,768,295
<i>Cash deposits London</i>				146,719		194,768
<i>Cash deposits Glasgow</i>				94,385		52,475
<i>Other investments</i>				127,937		158,581
<i>Net current assets</i>				3,318		46,584
<i>Total net investment assets</i>				11,201,288		11,220,703
<i>Bulk transfer in</i>						11,201,288
<i>Final True Up</i>						5,100
<i>Movement in period</i>						14,315
<i>Total net investment assets</i>						11,220,703

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

13. Transaction costs

Included within the Scheme purchases and sales are direct transaction costs of £3,000 comprising fees, commissions and stamp duty. These costs are attributable to the key asset classes as follows:

	<i>Fees</i>	<i>Commissions</i>	<i>Stamp duty</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Equities</i>	1	-	-	1
<i>Direct research costs</i>	2	-	-	2
	3	-	-	3

Since the introduction of MiFID II (Markets in Financial Instrument Directive) II on 3 January 2018, direct Research Costs have been separately disclosed. Transaction costs are borne by the Scheme in relation to transactions in pooled investments vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

14. 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 active market for an 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 (i.e. developed using market data) for 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.

For the purpose of this analysis, daily priced funds have been included in Level 1, weekly priced funds in Level 2 and monthly and quarterly net asset values for Private Equity funds and Limited Liability Partnerships in Level 3.

The Scheme's investment assets and liabilities have been categorised using the above fair value hierarchy as follows:

<i>As at 31 March 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Equities</i>	777,932	-	1	777,933
<i>Bonds</i>	3,202,853	5,421,271	-	8,624,124
<i>Pooled investment vehicles</i>	61,943	11,279	80,888	154,110
<i>Swaps</i>	-	(77,965)	-	(77,965)
<i>Properties</i>	-	-	1,290,082	1,290,082
<i>Investment in subsidiaries</i>	-	-	11	11
<i>Cash</i>	194,768	-	-	194,768
<i>Other investment balances</i>	158,581	-	-	158,581
	4,396,077	5,354,585	1,370,982	11,121,644

15. Investment risk

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

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

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

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

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

Other price risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee manages investment risk, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's investment manager, Pension Services Limited and monitored by the Trustee with regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Credit risk

The Scheme is subject to credit risk as it invests in bonds, OTC derivatives, has cash balances, undertakes securities lending activities and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

<i>Period to 31 March 2018</i>	<i>Investment grade</i>	<i>Non-investment grade</i>	<i>Unrated</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Bonds</i>	8,410,533	129,907	83,684	8,624,124
<i>Pooled investment vehicles</i>	-	-	154,110	154,110
<i>Swaps</i>	(77,965)	-	-	(77,965)
<i>Cash</i>	194,768	-	-	194,768
	8,527,336	129,907	237,794	8,895,037

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Scheme also invests in high yield bonds which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit rating. This is the position at the period-end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Note 11).

Cash is held within financial institutions which are at least investment grade credit rated. The Scheme engaged in a Repurchase agreement during the period, and on the 31 March 2018, received £nil in collateral from the market counterparty.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

<i>Period to 31 March 2018</i>	<i>Total</i>
	<i>£'000</i>
<i>Authorised unit trusts</i>	<i>26,455</i>
<i>Open ended funds</i>	<i>11,021</i>
<i>Limited liability partnerships</i>	<i>65,444</i>
<i>Closed ended funds</i>	<i>51,190</i>
	<i>154,110</i>

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposures through a selective currency hedging policy.

The Scheme's total net unhedged exposure by major currency at the period-end was as follows:

<i>Period to 31 March 2018</i>	<i>Total</i>
	<i>£'000</i>
<i>US Dollar</i>	<i>535,498</i>
<i>Euro</i>	<i>164,396</i>
<i>Japanese Yen</i>	<i>26,666</i>
<i>Canadian Dollar</i>	<i>61,120</i>
<i>Hong Kong Dollar</i>	<i>21,648</i>
<i>Swiss Franc</i>	<i>13,549</i>
<i>Swedish Krona</i>	<i>8,790</i>
<i>Australian Dollar</i>	<i>7,565</i>
<i>Danish Krona</i>	<i>5,779</i>
<i>Norwegian Krona</i>	<i>1,936</i>
<i>Other</i>	<i>148</i>
	<i>847,095</i>

Interest rate risk

The Scheme is subject to interest rate risk on the investments comprising bonds and interest rate swaps held directly or through pooled investment vehicles and cash. At the period end the portfolio comprised of:

<i>Period to 31 March 2018</i>	<i>Total</i>
	<i>£'000</i>
<i>Direct</i>	
<i>Bonds</i>	8,624,124
<i>Swaps</i>	(77,965)
	8,546,159
<i>Indirect</i>	
<i>Bond PIVs</i>	11,021
	11,021
	8,557,180

Other price risk

Other price risk arises principally in relation to the Scheme's growth portfolio which includes directly held equities, equities held in pooled vehicles, hedge funds, and private equity and investment properties. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the -end, the Scheme's exposure to investments subject to other price risk was:

<i>Period to 31 March 2018</i>	<i>Total</i>
	<i>£'000</i>
<i>Direct</i>	
<i>Equities</i>	777,933
<i>Investment properties</i>	1,290,082
	2,068,015
<i>Indirect</i>	
<i>Equity PIVs</i>	41,202
<i>Property PIVs</i>	20,741
<i>Private Equity PIVs</i>	81,146
	143,089
	2,211,104

Other risks

The Scheme's longevity risk is currently borne by means of a prudent financial buffer, which can act to offset any rise in longevity. The Trustee is currently considering whether and how to mitigate longevity risk. The risk that the employer may become insolvent, thus putting the Scheme into a PPF assessment period, or may be unable to meet future financial obligations to the Scheme, is measured by receiving regular financial updates from the Company and by carrying out periodic independent covenant assessments.

16. Investment management expenses

	<i>Total</i>
	<i>£'000</i>
<i>Fees paid to Pension Services Limited</i>	<i>(20)</i>
<i>Fees paid to custodian</i>	<i>(2)</i>
	<i>(22)</i>

Pension Services Limited is an in-house investment manager with sole responsibility for managing Scheme investments.

17. Investment administration expenses

	<i>Total</i>
	<i>£'000</i>
<i>Staff costs</i>	<i>(39)</i>
<i>Establishment costs</i>	<i>(4)</i>
<i>Utilities</i>	<i>(1)</i>
<i>IT costs</i>	<i>(1)</i>
<i>Other expenses</i>	<i>(1)</i>
<i>Non-recoverable VAT</i>	<i>(1)</i>
	<i>(47)</i>

18. Outstanding capital commitments

	<i>Total</i>
	<i>£'000</i>
<i>Properties</i>	
<i>Commitments in Maturity properties</i>	<i>231</i>
<i>Commitments in Growth properties</i>	<i>251</i>
	<i>482</i>
<i>Other</i>	
<i>Commitments in infrastructure and alternative investments</i>	<i>11,629</i>
	<i>11,629</i>
	<i>12,111</i>

19. Current Assets

	<i>Total</i>
	<i>£'000</i>
<i>UK cash deposits</i>	<i>52,475</i>
<i>Pre-paid pensions</i>	<i>32,448</i>
<i>Other</i>	<i>28,137</i>
	<i>113,060</i>

20. Current liabilities

	<i>Total</i>
	<i>£'000</i>
<i>Unpaid benefits</i>	-
<i>Other</i>	<i>(14,001)</i>
	<i>(14,001)</i>

21. Related party transactions

At 31 March 2018, the two independent directors were not members of the pension scheme. Of the remaining four directors of the Trustee, two were members of the Scheme and two have transferred their benefits to an external pension provider. The two directors who are Scheme members receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee Company and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears all costs of administration in the Glasgow and London offices.

22. Employer related investments

The Scheme holds a stake in the Sponsor Company which was granted as a condition of the Regulated Apportionment Arrangement entered into by the Company and the Trustee of the Old British Steel Pension Scheme in 2017. The Trustee values this stake to be £nil.