

IMI 2014 DEFERRED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018
FUND REGISTRATION NUMBER: 12009946

IMI 2014 DEFERRED FUND

CONTENTS

YEAR ENDED 31 MARCH 2018

Contents	Page
Trustee and advisers	1
Trustee's report	2
Actuarial certificate of schedule of contributions	12
Trustee's statement about contributions	13
Independent auditor's statement on contributions	14
Independent auditor's report	15
Fund account	17
Statement of net assets	18
Notes to the financial statements	19

IMI 2014 DEFERRED FUND

TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2018

Trustee	IMI Pension Trust Limited Lakeside Solihull Parkway Birmingham Business Park Birmingham B37 7XZ
Directors of the Trustee:	Company-appointed Mr J O'Shea (Chairman) Mr G Croydon Mr P Mason Mrs L Rose Member-nominated Mr P Bissell (resigned 31 March 2018) Mrs J Cooke Mr C Dunn (appointed 1 December 2017) Mr P Russell (appointed 1 December 2017) Mrs K Strath
Investment consultants	Aon Hewitt Limited
Fund Secretary	Mr D Brown
Administrators	Towers Watson Limited
Fund Actuary	Mr C Smith
Independent auditor	KPMG LLP
Legal advisers	Squire Patton Boggs (UK) LLP
Buy in provider	Pension Insurance Corporation (PIC) (from 12 December 2017 to 29 March 2018)
Investment manager	IMI Common Investment Fund
Custodian bank	Northern Trust
Bankers	Barclays Bank

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT

YEAR ENDED 31 MARCH 2018

Composition of Trustee Board

The Trustee of the Fund is IMI Pensions Trust Limited, a wholly owned subsidiary of IMI plc. At 31 March 2018 the Trustee had four company appointed and two member nominated trustee directors (MNTD). The proportion of MNTDs to Company Appointed Directors (CAD) is split 50/50 which is higher than the 1/3rd requirement of the Pensions Act 2004. The Trustee is also the appointed Trustee of the IMI Pension Fund and the IMI 2014 Pensioner Fund.

The Trustee Board has eight Director positions. The term of appointment for MNTDs is six years.

Constitution of the Fund

The Fund was established with effect from 12 September 2014 and operates in accordance with a Definitive Trust Deed and Rules. References to "the Company" are to IMI plc, which is the Principal Employer. The Fund exists to provide benefits for employees of IMI plc and those subsidiaries that participate in the Fund. Its assets are entirely separate from those of the Company.

The Fund is a registered pension scheme by virtue of being an approved scheme (under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988). It is registered under Chapter 2 of Part 4 of Finance Act 2004.

Changes to Rules

There were no changes to the Fund Rules during the year.

Financial developments and financial statements

The financial statements included in this annual report 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.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

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 Trustees. Pension scheme regulations require the Trustees to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

(i) show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

(ii) 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 Fund'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 Fund, 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 Fund prescribed by pensions legislation, which they 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 Fund and to prevent and detect fraud and other irregularities.

Trustee's responsibilities in respect of contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received and for monitoring whether contributions are made to the Fund in accordance with the schedule.

IMI 2014 DEFERRED FUND**TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 MARCH 2018**

Membership

The changes in membership during the year are as follows:

	Deferred/ Preserved Employed members	Pensioners	Total
At 1 April 2017	3,615	213	3,828
Adjustments to prior period	(19)	16	(3)
New beneficiaries	–	2	2
Retirements	(143)	143	–
Deaths	(7)	(2)	(9)
Transfers out	(257)	(312)	(569)
Full commutations	(5)	–	(5)
Cessation of dependants pensions	–	(1)	(1)
At 31 March 2018	<u>3,184</u>	<u>59</u>	<u>3,243</u>

The adjustments to the prior period relate to late notifications which were processed after the finalisation of the financial statements in the previous period.

Individual transfers out under the pensioners above includes 299 Pensioners, 10 Widow Beneficiaries and 3 Child beneficiaries members transferred to IMI 2014 Pensioner Fund on 30 March 2018.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Pension increases

The pension increases notes that follow do not apply to members who opted for a Pension Increase Exchange in 2012. These members receive no further increases.

Main Section (excluding ex MKR members), Senior Section and IMI Section (excluding former YIM Section members)

The Fund pays post retirement increases for these members each year on 1 January. The current rules allow for increases to be paid by reference to the movement in the retail prices index (RPI) for the 12 months preceding 30 September, to a maximum of 5% per year (2.5% for service after January 2006). Increases are applied to post-commuted pensions.

The post retirement increase applied on 1 January 2018 to pensions was 3.9%. Pensions commencing in the 12 months preceding 1 January 2018 receive a pro-rated increase.

The pension increases above do not apply to that element of the pensions in payment representing Guaranteed Minimum Pension (GMP) once GMP Pension Age (65 for men and 60 for women) is attained. The Fund is required to provide GMP as a consequence of contracting out of State pension arrangements. GMP earned after April 1988 will be increased by the Fund in line with inflation, as required by legislation, to a maximum of 3% per year. GMPs relate to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply.

Main Section (former MKR Scheme Members)

The same conditions apply as those in the IMI section above, except that post retirement increases for these members are applied each 1 April. On 1 April 2017 the pensions for these members were increased by 2.0% being the increase in the Retail Price Index (RPI) for the 12 months to September 2016. On 1 April 2016 an increase of 0.8% was awarded in line with the RPI increase for the 12 months to 30 September 2015.

IMI Section (former YIM Section Members)

On 1 January 2018 the increase awarded was 3.9%. In addition members receive a triennial additional bonus increase of 11% in respect of their previous membership of the YIM section. Additional triennial bonus increases are applied to post-commuted pensions.

Facsimile section

Pensions in payment are adjusted in line with the objective to pay pensions as if members had continuous service within the ICI Pension Fund. Increases prior to and after retirement are granted by taking into account the increases made under applicable ICI pension arrangements. Pensioners were awarded an increase on 1 November 2017 in line with the RPI increase for the 12 months to 31 July 2017 of 3.6%. A post 1988 GMP increase was paid to eligible pensioners on 1 April 2017 under membership of the IMI Pension Fund.

Transfer values

Individual Transfers paid by the Fund

Transfer values represent the cash equivalent of members' deferred pensions.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Actuarial liabilities

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

Under section 222 of the Pensions Act 2004, every Fund 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. This is assessed using the assumptions agreed between the trustee and the employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The actuarial valuation of the Fund was carried out by Towers Watson Limited as at 31 March 2015. The valuation Report dated 31 March 2015 showed that the technical provisions funding level was 99% over the year. The Deficit of Assets relative to the technical provisions as at 31 March 2015 is £7 million.

The Actuary's statutory estimate of the solvency funding level as at 31 March 2015 is 68%.

The most recent actuarial valuation of the Fund is being carried out as at 31 March 2018.

Method

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

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Significant actuarial assumptions

The table below summarises the main financial assumptions used to calculate the Scheme's technical provisions:

Financial assumptions	31 March 2015 % pa
Discount rate	Real gilt curve plus RPI inflation plus 1.5% for the first 10 years and 0.25% thereafter
Price inflation (RPI)	3.25
Price inflation (CPI)	2.25
Pension increases:	
RPI (0,5) pension increase	3.25
RPI (0,2.5) pension increase	2.50
CPI (0,3) pension increase	2.25
Deferred revaluation	3.25

RPI (x,y) refers to annual increases in line with RPI subject to a maximum of y% and minimum of x%.
CPI (x,y) refers to annual increases in line with CPI subject to a maximum of y% and minimum of x%.

The table below summarises the main demographic assumptions used to calculate the Scheme's technical provisions:

Demographic assumptions	31 March 2015
Mortality base tables	SAPS S2 pensioner (amounts) tables with improvements from 2007 to 2014 in line with the CMI 2013 core projection model with a long term trend of 1.5% pa
Proportion of base mortality rates	
Male pensioners - 'high paid'*	76%
Male pensioners - 'other'	118%
Female pensioners	103%
Female dependants	103%
Male dependants	111%
Future improvements	From 2014 in line with the CMI 2014 core projection model with a long term trend of 1.5% pa

*for the actuarial valuation as at 31 March 2015, this is defined as being members with accrued pensions in excess of £31,000 pa as at the valuation date. This figure is expected to increase over time, generally in line with the Fund's normal pension increases.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Administration

During the Fund year to 31 March 2018 the Fund was administered by Towers Watson Limited, who undertook the day-to-day administration. This included record keeping, accounting and operation of the pensioner payroll.

The Company's specialist in-house pensions team, IMI Group Pensions, provide secretarial services to the Trustee, prepares communications to members and liaises with the Fund's professional advisers. IMI Group Pensions also carries out specific duties, on behalf of the Trustee, which have been formally delegated and documented.

Operational Costs

The Company pays the operational costs of IMI Group Pensions.

The Trustee approves the fees incurred in the operation of the Fund, which are paid from the Fund's resources and monitored by IMI Group Pensions. They include the following:-

- administration services;
- actuarial and legal advice;
- audit fees;
- investment consultancy;
- bank charges;
- printing costs of all communications and information literature; and fees for medical reports requested by the Trustee.

Participating Companies

In addition to IMI plc, the Principal Employer, the following companies participated in the Fund as at 31 March 2018 :

IMI Components Ltd	IMI Webber Ltd
IMI Kynoch Ltd	IMI Precision (formerly Norgren Ltd)
IMI Scott Ltd	TA Hydronics Ltd (formerly Tour & Andersson Ltd)

The Fund is closed to future accrual of benefits.

Investment management

Investment managers

The majority of the Fund's assets are invested in the IMI Common Investment Fund (CIF). The investment managers used by the CIF is included in the financial statements of the CIF which is available on request from the contact on page 11.

Investment managers and the Fund's investment consultant are appropriately authorised under the Financial Services and Markets Act 2000 in the United Kingdom.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Investment principles

The Trustee has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995, which sets out the Trustee's general approach to risk management.

The Statement summarises how the Trustee:

- Sets the investment policy and chooses the most suitable types of investments for the Fund;
- Delegates buying and selling investments to the Investment Managers;
- Monitors the performance of the investments.

Fund performance

The performance of the assets held in the CIF over the year to 31 March 2018 has been included within the CIF Annual Report which is appended to this Annual Report. The table below shows the performance of the assets over various periods relative to the appropriate benchmarks.

Period to 31 March 2018

	Fund %	Benchmark %
1 Year	6.8	3.8
3 Years	11.4	9.0

Socially responsible investments

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers.

Rights attaching to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

Custody of assets

Northern Trust has been appointed as global custodian of the CIF's segregated assets. Where the CIF invests in pooled investment vehicles, the investment managers are responsible for appointing a custodian to safeguard the underlying assets of the pooled vehicles.

Employer related investments

There were no employer related investments during the year or at the year end.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Compliance Statement

Matters relating to the Trustee

The Trustee has received a copy of the Guide for Pension Scheme Trustees issued by the Pensions Regulator.

Cash equivalents

Cash equivalents paid during the Fund year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Fund advisers

There are written agreements in place between the Trustee and each of the Fund advisers listed on page 1 of these financial statements and also with the Principal Employer.

The changes in Fund advisers during the year and subsequently are detailed on page 1.

Pension Tracing Service, TPAS, the Pensions Ombudsman and the Pensions Regulator

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, members are advised that:

- information regarding the Fund has been given to the Pension Tracing Service
- if they have general requests for information or guidance concerning pension arrangements contact The Pensions Advisory Service (TPAS):
 - Address: 11 Belgrave Road, London, SW1V 1RB
 - Telephone: 0800 011 3797
 - Website: www.pensionsadvisoryservice.org.uk/
 - Email: enquiries@pensionsadvisoryservice.org.uk
- if they have a complaint or dispute concerning a workplace or personal pension arrangement they have the right to contact The Pensions Ombudsman free of charge:
 - Address: 10 South Colonnade, Canary Wharf, E14 4PU
 - Telephone: 0800 917 4487
 - Website: www.pensions-ombudsman.org.uk
 - Email: enquiries@pensions-ombudsman.org.uk

In addition to the above The Pensions Regulator regulates occupational pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- suspend, disqualify and remove a Trustee, or Director of a Trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The auditor and actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2018

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by beneficiaries or potential beneficiaries of the Fund and details of this can be obtained by writing to the contact below.

Contact for further information

Any queries or complaints about the Fund, including requests from individuals for information about their benefits or for a copy of Fund documentation, should be sent in the first instance to:

**Alex Ives
Towers Watson Limited
Westgate
120-130 Station Road
Redhill
Surrey
RH1 1WS**

E mail: imipensions@willistowerswatson.com

On behalf of IMI Pensions Trust Limited

Trustee Director

Trustee Director

IMI 2014 DEFERRED FUND

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of the schedule of contributions

Name of scheme: IMI 2014 Deferred Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contribution shown in the schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2015 to be met by the end of the period specified in the recovery plan dated 8 December 2015.

Adherence to statement of funding principles

I hereby certify that, in my opinion, the schedule of contributions is consistent with the Statement of Funding Principles dated 8 December 2015.

The certification of the adequacy of rates of contribution 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 Plan were to be wound up.

Signature: Colin Smith

Date: 8 December 2015

Colin Smith
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Authorised and regulated by the Financial Conduct Authority

IMI 2014 DEFERRED FUND

TRUSTEE'S STATEMENT ABOUT CONTRIBUTIONS

YEAR ENDED 31 MARCH 2018

Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer contributions payable to the Fund under the schedule of contributions dated 8 December 2015 in respect of the Fund year ended 31 March 2018. The Fund Auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

No contributions were due under the schedule of contributions during the year.

On behalf of IMI Pensions Trust Limited

Trustee Director

Trustee Director

Date:

Date:

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

YEAR ENDED 31 MARCH 2018

We have examined the summary of contributions payable under the schedule of contributions to the IMI 2014 Deferred Fund in respect of the Fund year ended 31 March 2018 which is set out on page 13.

In our opinion contributions for the Fund year ended 31 March 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 8 December 2015.

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 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 Fund and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 3, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund 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 to the Fund 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 Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's 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 Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Nadia Dabbagh-Hobrow,
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date:

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of IMI 2014 Deferred Fund ("the Fund") for the year ended 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 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 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 Fund year;
- 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 Fund 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), the Chair's Statement, and the actuarial certification of the schedule 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 3, the Fund 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 Fund'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 Fund, or have no realistic alternative but to do so.

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2018

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 Fund 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 Fund 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 Fund Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow,
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date:

IMI 2014 DEFERRED FUND**FUND ACCOUNT****YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
Contributions and benefits			
Employer contributions		—	9,000
Total contributions	3	—	9,000
Benefits payable	4	(4,893)	(4,980)
Payments to and on account of leavers	5	—	(33,459)
Transfers out	6	(96,051)	(7,600)
Administrative expenses	7	(1,307)	(1,037)
Other payments	8	—	(1)
		<u>(102,251)</u>	<u>(47,077)</u>
Net withdrawals from dealings with members		(102,251)	(38,077)
Returns on investments			
Investment income	9	2,201	2,395
Change in market value of investments	10	5,956	112,385
Investment management expenses	11	(144)	(85)
Net return on investments		8,013	114,695
Net (decrease)/increase in the fund during the year		(94,238)	76,618
Net assets of the Fund			
At 1 April		623,318	546,700
At 31 March		529,080	623,318

The notes on pages 19 to 28 form part of these financial statements.

IMI 2014 DEFERRED FUND**STATEMENT OF NET ASSETS (AVAILABLE TO MEET BENEFITS)****AS AT 31 MARCH 2018**

		2018	<i>2017</i>
	Note	£000	<i>£000</i>
Investment assets	10		
Pooled investment vehicles	13	470,357	<i>616,804</i>
Other investments		54,631	<i>4,780</i>
		524,988	<i>621,584</i>
Current assets	20	5,348	<i>2,492</i>
Current liabilities	21	(1,256)	<i>(758)</i>
Net assets of the Fund at 31 March		529,080	<i>623,318</i>

The notes to the financial statements form part of these financial statements.

The financial statements summarise the transactions of the Fund 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 Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on the actuarial liabilities on page 6 of the Annual Report and these financial statements should be read in conjunction with this report.

The financial statements were approved by the Trustee and signed on behalf of the board by:

Trustee Director**Trustee Director****Date:****Date:**

The notes on pages 19 to 28 form part of these financial statements.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP)(Revised November 2014).

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currency conversion

Assets and liabilities in foreign currencies, including the effect of forward exchange contracts, are expressed in sterling at the rates of exchange ruling at the period end. Surpluses and deficits arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses. Other surpluses and deficits are dealt with as other receipts or payments as appropriate.

Contributions

Contributions are accounted for on an accruals basis at rates agreed by the Trustee as recommended by the actuary.

Transfers to and from other schemes

Individual transfers in or out are accounted for when received or paid which is normally when member liability is accepted/discharged.

The buy out has been accounted for in accordance with the terms of the agreement.

Benefits

Pensions payable in respect of the Fund year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for on a cash basis if members can exercise a choice in relation to these benefits or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Fund.

Expenses

Administrative expenses and investment management expenses are accounted for by reference to the period to which they relate.

Annuity policies

The Trustee does not hold annuity policies in the name of the Trustee.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

2. Accounting policies *(continued)*

Investment income

Investment income in respect of the Special Purpose Vehicle is accounted for under the agreement under which it is being paid.

Investment income arising from the underlying investments of the Pooled investment vehicles is reinvested within the Pooled investment vehicles and reflected in the unit price. It is reported within 'Change in Market Value'.

Interest is accrued on a daily basis.

Investments

Investments are included at fair value.

The Fund's interest in the Scottish Limited Partnership (SLP) is stated at the Trustee's estimate of the present value of expected cashflows arising from the SLP. The discount rate used to determine present value is based on market gilt rates at the reporting date adjusted for credit, funding and liquidity risks. The value of the SLP at the year end is split between the IMI 2014 Pensioner Fund and IMI 2014 Deferred Fund based on an independent valuation by PricewaterhouseCoopers LLP.

Investment holdings in the IMI Common Investment Fund are stated at bid price for funds with bid / offer spreads, or single price where there are no bid/offer spreads as provided by the custodian.

3. Contributions receivable

	2018 £000	2017 £000
Employer contributions		
Deficit funding	–	9,000
	<u>–</u>	<u>9,000</u>

4. Benefits payable

	2018 £000	2017 £000
Pensions	1,514	1,578
Commutations and retirement lump sums	3,220	3,269
Lump sum death benefits	159	133
	<u>4,893</u>	<u>4,980</u>

5. Payments to and on account of leavers

	2018 £000	2017 £000
Purchase of deferred annuities	–	33,459
	<u>–</u>	<u>33,459</u>

In the previous year, the Trustee bought out benefits of £33.459m for 209 members with PIC.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

6. Transfers out

	2018 £000	2017 £000
Individual transfers out	50,151	7,600
Group transfers out	45,900	—
	<u>96,051</u>	<u>7,600</u>

During the year, the Trustee offered members a Flexible Retirement Offer as a result of which the individual transfers out during the year were significantly higher.

The group transfers out represents members who have retired and whose benefits were included in the buy in policy set up in December 2017. This policy, with the associated members, was transferred into the name of the IMI 2014 Pensioner Fund in March 2018.

7. Administrative expenses

	2018 £000	2017 £000
Administration fees	492	346
Legal fees	73	58
Regulatory levies	68	56
Actuarial fees	312	291
Audit fee	44	26
Communications fees	81	107
Other fees	237	153
	<u>1,307</u>	<u>1,037</u>

8. Other payments

	2018 £000	2017 £000
Premiums on term assurance policies	—	1

9. Investment income

	2018 £000	2017 £000
Income from pooled investment vehicles	28	40
Annuity income	364	513
Income from Special Purpose Vehicle	1,807	1,841
Interest on cash deposits	2	1
	<u>2,201</u>	<u>2,395</u>

IMI 2014 DEFERRED FUND**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2018**

10. Investments

	Value at 01/04/17	Purchases at cost	Sales proceeds	Change in market value	Value at 31/03/18
	£000	£000	£000	£000	£000
Pooled investment vehicles	616,804	220,015	(399,680)	33,218	470,357
Insurance policies	–	52,750	(45,900)	(6,850)	–
Other investments	4,780	70,263	–	(20,412)	54,631
	<u>621,584</u>	<u>343,028</u>	<u>(445,580)</u>	<u>5,956</u>	<u>524,988</u>

Explanatory note

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

Costs are borne by the Fund in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the unit price of these investments and are not therefore separately identifiable.

11. Investment management expenses

	2018	2017
	£000	£000
Administration, management and custody	<u>144</u>	<u>85</u>

12. Taxation

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income and capital gains tax.

IMI 2014 DEFERRED FUND**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2018**

13. Common investment fund

	2018	<i>2017</i>
	£000	<i>£000</i>
IMI Common Investment Fund	<u>470,357</u>	<i><u>616,804</u></i>

The funds held by Investment manager in the IMI Common Investment Fund are as follows:

	2018	<i>2017</i>
	£000	<i>£000</i>
Cash	1,870	<i>10,468</i>
Commercial Real Estate Debt	58,894	<i>31,443</i>
Corporate Bonds	80,033	<i>209,446</i>
Diversified Credit Fund	85,627	<i>86,936</i>
Fund of Hedge Funds	725	<i>–</i>
Gilts	125,358	<i>160,085</i>
Global Macro	427	<i>111</i>
Private Equity Fund	112,975	<i>112,233</i>
Property Fund	4,448	<i>6,082</i>
	<u>470,357</u>	<i><u>616,804</u></i>

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

14. Special purpose vehicles

	2018	2017
	£000	£000
Special Purpose Vehicles	<u>54,631</u>	<u>4,780</u>

As part of a package of initiatives to fund the deficit and remove volatility, the Principal Employer made a one-off deficit funding contribution of £48.6 million into the IMI Pension Fund to be invested in a Special Purpose Vehicle (SPV). The SLP holds loan notes issued by IMI Overseas Investments Limited. On the insolvency of a participating employer of the SLP or IMI Overseas Investments Limited or the General Partner, the Fund is entitled to a proportion (based on the self-sufficiency deficit) of the lower of:

- £48,600,000;
- Buy-out deficit;
- Net value of the SLP assets.

The Trustee agreed to transfer the SPV from the IMI Pension Fund to the two separate schemes on 1 December 2014 based on the proportion of the self-sufficiency deficit at that date. Going forward, interest cashflows also get paid into the participating schemes as a proportion of the self-sufficiency deficits up to the earlier of 2030 or when both Funds have a surplus on a self-sufficiency basis.

On 31 January 2017 the Trustee received a contribution of £9m from IMI plc and used this to invest in the IMI 2017 Scottish Limited Partnership, which alongside the IMI 2014 Pensioner Fund invested in a £64.8m loan issued by IMI Overseas Investments Limited paying a fixed rate of 4.01% pa. The partnership terms are very similar to the 2010 SPV whereby interest is received to the earlier of June 2030 or when both schemes are in a surplus on a self-sufficiency basis (Gilts + 0.25%).

On 28 March 2018, the Fund purchased the portion of the SPVs held by the IMI 2014 Pensioner Fund for £70,263,000. This amount is higher than the year end valuation due to the inclusion of an allowance for illiquidity premium in the transaction price.

15. Insurance policies (annuity buy in policies)

In December 2017, the Trustee transferred £52.75m into a buy-in policy with Pension Insurance Corporation to annuitise some of the pensioners of the Fund. In March 2018, the pensioners and the related buy in policy were transferred to the IMI 2014 Pensioner Fund.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

16. Fair value determination

The fair value of financial instruments has been disclosed 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 (i.e. developed using market data) 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 Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 March 2018			Total
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Pooled investment vehicles	–	207,688	262,669	470,357
Other investments	–	–	54,631	54,631
	<u>–</u>	<u>207,688</u>	<u>317,300</u>	<u>524,988</u>

	<i>At 31 March 2017</i>			<i>Total</i>
	Level 1 £000	Level 2 £000	Level 3 £000	<i>£000</i>
Pooled investment vehicles	–	380,110	236,694	616,804
Other investments	–	–	4,780	4,780
	<u>–</u>	<u>380,110</u>	<u>241,474</u>	<u>621,584</u>

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

17. Investment risk disclosures

Investment policy and objectives

The Trustee aims to invest the assets of the Fund prudently with the aim of ensuring that the benefits promised to members are provided as they fall due. In setting investment strategy, the Trustee aims to define a diversified investment approach so as to balance the long-term real investment return of the asset portfolio with the investment risks inherent in and associated with both the investment assets and the Fund's liabilities.

The asset allocation is set out in the table below:

Asset allocation

Asset Class	31 March 2018 Allocation
Diversified Income	18.2
PIMCO	18.2
Global Corporate Bonds	17.0
Fidelity	17.0
Liability Driven Investment (LDI)	26.7
LGIM	26.7
Alternatives	37.7
M&G Real Estate Debt	12.5
Multi-manager Private Equity	24.0
Bluecrest Hedge Fund	0.1
Gottex Hedge Fund	0.2
CBRE Property	0.9
Cash	0.4
Cash	0.4
Total Assets	100.0

Note: the Fund's hedge fund and property holdings are gradually being liquidated.

The assets listed in the table above are invested in a Common Investment Fund ("CIF"). The CIF pools the assets of the Fund with those of the IMI 2014 Pensioner Fund. A unitisation process managed by Northern Trust determines the share of each underlying fund manager mandate which is allocated to each of the two Funds.

In addition to the assets invested through the CIF, the Fund has an interest in two Special Purpose Vehicles known as the IMI Scottish Limited Partnerships ("SLPs"). The SLPs were set up in June 2010 and January 2017 to provide income streams for 20 years and (up to) 13 years respectively from their inception.

Risk management and risk mitigation

The Trustee is responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee monitors the Fund's risks periodically, monitoring and measuring the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

An investment advisor has been appointed to assist the Trustee in determining and implementing the investment strategy for the Fund.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

17. Investment risk disclosures *(continued)*

Investment risks

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:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables.

Market risk 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 – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – 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 – primarily equity prices), 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 Fund has exposure to these risks through its investment in the CIF and its interest in the SLPs. For detailed risk disclosures relating to the Fund's investments within the CIF, please refer to the separate CIF disclosures.

SLP

The Fund holds the right to receive annual cash distributions from two Scottish Limited Partnerships where the underlying assets are fixed interest loan notes issued by IMI Overseas Investments Limited. The relevant risks to the Fund are detailed below:

- **Credit risk** - the loan note has a corporate issuer and is valued using a corporate bond yield curve;
- **Interest rate risk** - the assets are streams of fixed annual payments discounted using a BBB yield curve. Increases in yields will, all else equal, decrease the value of the SLPs;
- **Other price risk** - the annual payments from the SLPs are conditional upon the company paying a dividend and may cease if the Fund becomes fully funded.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

18. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Fund:

	2018		2017	
	£000	%	£000	%
IMI CIF Gilts Fund	125,358	23.69	160,085	25.68
IMI CIF Private Equity Fund	112,975	21.35	112,233	18.00
IMI CIF Diversified Credit Fund	85,627	16.38	86,936	13.95
IMI CIF Corporate Bond Fund	80,033	15.13	209,446	33.60
IMI Commercial Real Estate Debt Fund	58,894	11.13	31,443	5.04
Special Purpose Vehicle - Non CIF	54,631	10.33	–	–

19. Employer related investments

There were no employer related investments during the year or at the year end.

20. Current assets

	2018	2017
	£000	£000
Amounts due from the IMI 2014 Pensioner Fund	1,314	1,314
Benefits paid in advance	127	143
Cash balances	3,907	1,035
	<u>5,348</u>	<u>2,492</u>

21. Current liabilities

	2018	2017
	£000	£000
Unpaid benefits	122	277
Accrued expenses	1,134	481
	<u>1,256</u>	<u>758</u>

22. Related party transactions

One Trustee Director, who became a pensioner of the Fund during the year, received pension payments during the year in accordance with the Trust Deed and Rules.

IMI Pension Trust Limited, the Corporate Trustee, is also the Corporate Trustee for IMI 2014 Pensioner Fund and IMI Retirement Savings Plan.

The IMI Common Investment Fund holds investments for both the IMI 2014 Deferred Fund and IMI 2014 Pensioner Fund.

IMI plc is the sponsoring employer for IMI 2014 Deferred Fund, IMI 2014 Pensioner Fund, IMI Retirement Savings Plan and IMI Common Investment Fund.

The Trustee is not aware of any additional material related party transactions that require disclosure in the financial statements.