

TRW Pension Scheme



THINKING AHEAD



TRW Pension Scheme

Report and Accounts

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The Scheme is registered with the Pension Schemes Registry
under Registration Number 101699992

Report of the Trustee

Trustee and Advisers

Principal Employer	LucasVarity until 31 December 2012 TRW LucasVarity Limited from 31 December 2012
Trustee	TRW Pensions Trust Limited
Directors of the Trustee Company	Mr S Lunn - Chairman Mr P Almond until 14 March 2013 Mr A Bassett Mr S Batterbee Mr P Birkett* Mr R Bull* Mr M Furber from 14 March 2013 JMRC Pensions Limited (represented by Mr J Clarke) Mr R Johnston* Mr L Wolahan
Secretary	Mr R Middleton until 31 May 2012 Mr J Griffin from 1 June 2012
Investment Managers	Legal & General Investment Management CBRE Global Investors Western Asset Management Company until 29 August 2012 Goldman Sachs Asset Management from 12 July 2012 M&G Investments from 26 July 2012
Investment Advisers	Hymans Robertson LLP
Investment Performance Measurement	Mellon Analytics
Custodian of Assets	Bank of New York Mellon
Actuaries	Hymans Robertson LLP Scheme Actuary: Mr R Bowie
Administrator	Capita Employee Benefits (formerly known as Capita Hartshead)
Auditor	KPMG LLP
Bankers	National Westminster Bank
Solicitors	Travers Smith LLP Pinsents Masons LLP - Property
Medical Adviser	Capita Wellbeing and Health until 31 May 2012 Health Management from 1 June 2012
Property Valuer	Jones Lang LaSalle
Address for enquiries or complaints	TRW Administration Team Capita Hartshead House 2 Cutlers Gate Sheffield S4 7TL

**The Directors marked with an asterisk are Member Nominated Directors*

Constitution of the Scheme

The Directors of the Trustee Company are pleased to present their annual report to Scheme members, together with the accounts of the TRW Pension Scheme and the actuarial statement, for the year ended 31 March 2013.

Trustee

The Trustee of the Scheme is TRW Pensions Trust Limited, which is governed by nine Directors, named on page 2. Five are Directors nominated by the Principal Employer, three are Member Nominated Directors (those marked by an asterisk) and one is an independent Director. The Principal Employer makes all appointments and replacements. The appointment of Member Nominated Directors is in line with Trustee's arrangements for their appointment. See page 12 for details of these arrangements.

Principal Employer

The Principal Employer is TRW LucasVarity Limited, which is a wholly owned subsidiary of TRW Automotive Holdings Corp. TRW LucasVarity Limited became the Principal Employer on 31 December 2012 replacing an unlimited company, LucasVarity. This change required a deed of amendment, which was executed on 31 December 2012. The Trustee received independent legal advice confirming that the change would have no impact on the strength of the Scheme's employer covenant.

Appointments to the Board

On 14 March 2013 Mr M Furber was appointed by the Principal Employer in place of Mr P Almond who retired from Company service during the year. On 31 May 2012 Mr R Middleton retired from his position as Scheme Secretary and was replaced by Mr J Griffin. The Board would like to place on record its thanks for the contributions made by Mr Almond and Mr Middleton to the Board's activities.

Legal Status

The Scheme was established by a Trust Deed dated 30 June 1928 and is now governed by a Definitive Trust Deed dated 28 March 2011. The Scheme is a contracted out salary related scheme. All sections of the Scheme were closed to any future accrual from 30 September 2009. The Scheme is a registered pension scheme under Schedule 36 of the Finance Act 2004 with Her Majesty's Revenue and Customs (HMRC) from 6 April 2006.

Participating Employer

Prior to the closure of the Scheme to future accrual on 30 September 2009 the only participating employer whose employees were entitled to be members of the Scheme was TRW Limited.

Trustee Meetings

The Board met four times during the year to consider matters relating to the administration of the Scheme. The Board has, by resolutions passed at ordinary meetings, set up a number of sub-committees to deal with specified matters.

The quorum for the transaction of the business of the Directors is currently five, three of whom are to be Directors nominated by the Principal Employer, and either two Member Nominated Directors or a Member Nominated Director and an independent Director. Trustee decisions are usually unanimous but they may be taken by a majority vote.

The Board has delegated authority to a standing sub-committee to deal with ill health early retirement applications and items of trustee discretion. The Board has also appointed a specialist standing sub-committee to deal with investment matters, which met ten times during the year.

Other sub-committees meet as required to produce reports and recommendations for the Board. For example, the Board appointed a sub-committee to deal with, and report on, matters relating to the 31 March 2012 actuarial valuation.

Trust Deed and Rules

A copy of the Trust Deed and Rules is available for examination in Human Resource Departments and personal copies can be obtained on written application to the Scheme Secretary at a cost of £25.

External Advisers and Service Providers

In line with UK pension scheme best practice, the Trustee has a policy of submitting all of its external advisers and service providers to a periodic review procedure.

- The Board reviewed the appointment of its independent medical adviser during the year. Health Management was appointed in place of Capita Wellbeing and Health with effect from 1 June 2012.
- Following a detailed review process lead by the Board's appointed investment sub-committee, the Board appointed M&G Investments to manage an asset backed securities portfolio with effect from 26 July 2012. The value of this investment as at 31 March 2013 is shown on page 29 of the accounts.
- Following a detailed review process lead by the Board's appointed investment sub-committee, the Board appointed Goldman Sachs Asset Management to manage a global credit portfolio with effect from 12 July 2012. The value of this investment as at 31 March 2013 is shown on page 29 of the accounts.
- The Board introduced a new retirement option for members of the Scheme in 2013. Details about this option are shown on page 9. JLT Wealth Management was appointed to provide independent financial advice in relation to this option with effect from 1 February 2013.

Financial Review

Market value of the Fund

The financial statements have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

The accounts show that during the year the value of the Scheme's assets that have been accumulated to meet its commitments, increased by £217 million. At the year-end the value of the Scheme's assets was £3,687 million compared to £3,470 million at 31 March 2012.

The increase in fund value is accounted for as follows:

Excess of expenditure over income	(£155 million)
Change in market value of investments	£310 million
Investment income (net of expenses)	£62 million
	<hr/>
	£217 million

In addition to the Scheme's main assets an additional amount of £14.5 million was held in a Trust Deposit account with Deutsche Bank for the benefit of the Trustee of the TRW Pension Scheme as at 31 March 2013.

Fund Account

Compared with the year ended 31 March 2012 there was an increase in income of £23.9 million including investment income and a decrease in expenditure of £59.5 million including investment management expenses. The main reasons for these changes were an increase in investment income of £31.4 million and a decrease in payments to leavers of £59.4 million on account of a lower volume of transfers out.

Members' Contributions

Members' contributions ceased following the closure of the Scheme to future accrual on 30 September 2009. Therefore no members' contributions were received during the year ending 31 March 2013.

Actuarial Valuation

The latest actuarial valuation was conducted by Hymans Robertson LLP as at 31 March 2012. The purpose of the valuation is to assess the current financial position of the Scheme and to determine what contributions need to be paid by the Company to provide for the benefits set out under the rules of the Scheme.

The Scheme Actuary reported that on the Trustee's statutory funding basis the Scheme had a deficit in funding of £130 million calculated as follows:

	<i>£' million</i>
Assets (excluding defined contribution liabilities):	3,485
Liabilities:	<u>3,614</u>
Shortfall ¹ :	<u>(130)</u>

The valuation was signed by the Scheme Actuary on 14 February 2013 following agreement between the Company and the Trustee on the Scheme's Statement of Funding Principles, which was also signed 13 February 2013. In light of the funding deficit identified by the Scheme Actuary, the Trustee and the Company were obliged to agree a recovery plan to set out how the Scheme would be restored to full funding. A recovery plan and Schedule of Contributions were signed by the Trustee and Company on 13 February 2013. A copy of the latest actuarial report is available on written application to the Scheme Secretary. The cost is £5.

Scheme Specific Funding

The Pensions Act 2004 brought a new funding standard for final salary pension schemes into UK law called 'Scheme Specific Funding'. Under Pensions Act 2004 the Trustee must have:

- **A statutory funding objective**

This objective is usually to have sufficient and appropriate assets to - at least - meet the Scheme's accrued liabilities. The Trustee's statutory funding objective is that the Scheme will have sufficient and appropriate assets to cover the expected cost of providing members' benefits.

- **A statement of funding principles**

This is a statement, in writing, drawn up by the Trustee, in which it sets out its policy on how it intends to meet the statutory funding objective. In this statement it explains the way the Scheme's liabilities will be calculated and what assumptions will be used. The Scheme Actuary provides the Trustee with advice on this statement. The Trustee has published its statement of funding principles and it is available for downloading on the Scheme's member website, which can be accessed at www.trwpensions.co.uk.

- **A recovery plan**

If the Scheme has insufficient assets to meet its statutory funding objective the Trustee must agree a recovery plan with the employer. This sets out how the Trustee intends to meet its statutory funding objective.

¹ Shortfall does not equal the difference between liabilities and assets due to rounding.

- **A summary funding statement**

The Trustee must provide all members and beneficiaries with an annual summary funding statement. The Trustee has published a summary funding statement during the year in accordance with Pensions Act 2004. The text of the most recent statement is printed on pages 49 to 53.

Membership

Pensioners

Pensioners at 31 March 2012	34,624	
Plus:		
Deferred pensions commencing	307	
Dependants pensions commencing during year	540	
Less:		
Deaths of pensioners	1,196	
Deaths of dependants	611	
Trivial pensions fully commuted	12	
 Pensioners at 31 March 2013		33,652
 <i>Comprising of:</i>		
<i>Pensioners (former employees)</i>	24,683	
<i>Spouses and Qualifying Dependants</i>	8,846	
<i>Children</i>	123	

Deferred Pensioners

Deferred Pensioners at 31 March 2012	15,044	
Plus:		
Separation of combined record	1	
Less:		
Pensions commencing during the year	307	
Deaths of deferred pensioners	28	
Transfers to other pension arrangements	158	
Ill health pension fully commuted	1	
Trivial pensions fully commuted	18	
 Deferred pensioners at 31 March 2013		14,533
 Total Membership at 31 March 2013		<hr/> 48,185 <hr/>

Scheme Benefits

Benefit Changes

A deed of amendment was executed on 21 December 2012 to enable all retiring members to receive detailed information regarding the full range of their potential retirement benefits, including those available externally by transferring their benefits out of the Scheme. In addition, for members who are interested in exploring external options, the deed enables advice to be provided by an independent financial adviser with the cost funded by the Scheme.

Pension Increases

The increases to pensions from 1 April 2013 were dependent on which section of the Scheme each person is a member.

For pensions in deferment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	All pension	2.7% ⁽¹⁾
	Temporary and Early Retirement Allowance	2.2% ⁽²⁾
Steering Systems and UK (leavers pre 1 January 1986)	All pension	0%
Steering Systems and UK (leavers post 31 Dec 1985 and pre 1 Jan 1991)	Pension accrued pre 1 Jan 1985	0%
	Pension accrued post 31 Dec 1984	2.7% ⁽³⁾
Steering Systems and UK (leavers post 31 Dec 1990), 100ths (2004), Closed SRBS A (2004), and 100ths (2006)	Pension accrued pre 6 Apr 2009	2.7% ⁽³⁾
	Pension accrued post 5 Apr 2009	2.5% ⁽⁴⁾

Notes:

- (1) Annual CPI increase (January 2013) up to a maximum of 7%.
- (2) Annual CPI increase (September 2012).
- (3) Annual CPI increase (January 2013) up to a maximum of 5%.
- (4) Annual CPI increase (January 2013) up to a maximum of 2.5%.

For pensions in payment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	Pension in excess of GMPs	2.7% ⁽¹⁾
	Temporary pensions	2.2% ⁽²⁾
SRBS A, C, A (57.5), and C (57.5)	All pension	2.7% ⁽¹⁾
	Temporary pensions	2.2% ⁽²⁾
Steering Systems	Pension in excess of GMPs accrued pre 1 Apr 1992	2.5% ⁽³⁾
	Pension in excess of GMPs accrued post 31 Mar 1992	3.3% ⁽⁴⁾
UK	Pension in excess of GMPs	3.3% ⁽⁴⁾
100ths (2004), and SRBS A (2004)	Pension accrued pre 6 Apr 2005	2.7% ⁽⁵⁾
	Pension accrued post 5 Apr 2005	2.5% ⁽⁶⁾
	Temporary pensions	2.2% ⁽²⁾
100ths (2006)	All pension	2.5% ⁽⁶⁾
	Temporary pensions	2.2% ⁽²⁾

Guaranteed Minimum Pensions:

GMP earned between 6 Apr 1978 and 5 Apr 1988	N/A ⁽⁷⁾
GMP earned between 6 Apr 1988 and 5 Apr 1997	2.2% ⁽⁸⁾

Notes:

- (1) Annual increase in CPI (January 2013) up to a maximum of 7%.
- (2) Annual increase in CPI (September 2012).
- (3) Fixed 2.5% a year.
- (4) Annual increase in RPI (January 2013) up to a maximum of 5%.
- (5) Annual increase in CPI (January 2013) up to a maximum of 5%.
- (6) Annual increase in CPI (January 2013) up to a maximum of 2.5%.
- (7) All increases are provided by the State.
- (8) Annual CPI increase (September 2012) up to a maximum of 3%. Additional inflationary increases are provided by the State.

Additional Voluntary Contributions (AVCs)

The actuaries have certified that the rate of interest to be applied to cash accumulation AVC balances held in the Scheme for the whole Scheme year ended 31 March 2013 is 4.1%.

For those who retire, die, or transfer their AVCs from the Scheme, between 1 April 2012 and 31 March 2013, no terminal bonus will be paid.

AVCs paid to an external provider receive the return declared by those providers.

The Scheme's AVC arrangements were closed to further contributions from 5 April 2006.

Money Purchase Underpin Account

This is applicable to members of the Closed Eightieths Section of the Scheme. Each year, twice the member's contributions are credited to the account. Interest is applied to the balance of the account on an annual basis equal to the full rate of return of the Scheme.

The full rate of return of the Scheme for the year ended 31 December 2012 was 4.1%.

Transfer payments to the Scheme

Transfer payments paid into the transfer account before 1 April 1997 received the 4.1% rate of return achieved by the Scheme for the year ended 31 December 2012.

Transfer payments received from 1 April 1998 up to 31 March 2006 provided deferred pensions. These are increased in line with standard deferred pensions on 1 April each year.

Since 1 April 2006 the Scheme has not accepted transfer payments from other pension schemes or other pension providers.

Transfer payments from the Scheme

The calculation of transfer payments are made on the basis determined by the Scheme's actuaries and meets the requirements of the Pension Schemes Act 1993 and the Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996 No. 1847). The Trustee has directed the Actuary not to take discretionary pension increases into account in the calculation of transfer payments.

The Board has agreed that the Scheme Actuary will monitor the Scheme's funding level and inform the Scheme administrator of any reduction in the level of transfer values paid from the Scheme that is required to protect the Scheme's funding level. Since 31 March 2011 there has been no reduction applied to transfer values.

Compliance Statement

Pensions Act 1995 and 2004

Appointment of advisers

The Pensions Act 1995 requires the Trustee to appoint its own advisers. All the advisers have formally accepted the appointments and confirmed that they will notify the Trustee should any conflicts of interest arise in relation to the Scheme. The advisers are listed on page 2.

Member Nominated Directors

The Pensions Act 2004 requires trustees of pension schemes to implement their own arrangements for appointing Member Nominated Directors (MNDs).

The Trustee's arrangements involve inviting nominations for vacancies from active, deferred or pensioner members. Widow(ers), dependant members and pension sharing spouses are ineligible for nomination.

The nominations are then reviewed by the Board's appointments committee and a shortlist created. Short-listed candidates are then interviewed by a Trustee sub-committee and a decision on an appointment is then made by the Trustee sub-committee.

Successful candidates are appointed for a period of four years.

Internal Disputes Resolution Procedure

The Board has in place an Internal Disputes Resolution Procedure. Full information on how to refer a query/complaint to the Internal Disputes Resolution Procedure is available by writing to the Secretary to the Trustee at:

TRW Pension Scheme
Corporate Services
Shirley
Solihull
B90 4JJ

Statement of Investment Principles

On 8 October 2012, the Trustee Board revised its Statement of Investment Principles. See pages 41 to 48 for a copy of the revised statement.

Funding Documents

The Board approved the Scheme's Statement of Funding Principles on signed 13 February 2013. A copy is available for downloading on the Scheme's member website, which can be accessed at www.trwpensions.co.uk. In light of the funding deficit the Board also agreed a recovery plan and Schedule of Contributions with the Company, which were signed on 13 February 2013.

Internal Controls

A compliance statement is produced annually by the Scheme Secretary and the Scheme's administrator for the Trustee, to provide information to the Board regarding the administration of the Scheme. The statement outlines the statutory requirements along with non-statutory best practice. It details any breaches that have occurred during the year. In response to the Pension Regulator's code on internal controls the Board has prepared a schedule of risks faced by the Scheme. The contents of the risk register are taken into account when the Board set its goals, as part of its annual Business Plan.

Myners compliance

On 6 February 2003 the Board approved its response to the ten Myners principles. This response is contained in a document called Principles of Investment Decision Making.

In 2007 the Government asked the National Association of Pensions Funds (NAPF) to assess the extent to which pensions fund trustees are applying these principles. Following the NAPF's recommendations the Government issued a consultation paper outlining six simplified high-level principles.

At the Board meeting on 4 October 2011 the Board approved an updated Principles of Investment Decision Making document. The document is in line with the best practice outlined in the October 2008 Government response to the consultation paper.

In Notes 17 to 20 to the Accounts the transaction and management costs of the investment portfolios are disclosed. This is in line with the requirements of the original Myners principles.

Corporate governance and shareholder activism

The Trustee considers corporate, environmental and social responsibility issues as far as they impact the performance of the assets of the Scheme. The policies of the Trustee's investment managers are in line with the Trustee's policy.

The Trustee has delegated the exercise of voting rights to the Scheme's investment managers on the basis that voting rights should be exercised with the aim of preserving and enhancing long-term shareholder value. The investment managers provide reports on votes cast to the Trustee on a quarterly basis.

Legal & General Investment Management is the only investment manager appointed by the Trustee that invested in company shares on behalf of the Trustee during the year. The policy of Legal & General Investment Management in respect of responsible ownership is set out below:

- Legal & General Investment Management's activity in all facets of corporate governance is integral to its investment process. It applies all the principles set out in the Institutional Shareholders' Committee's Responsibilities of Institutional Shareholders' and Agents – Statement of Principles which was updated in June 2007. Specifically, Legal & General Investment Management focuses on the effectiveness of a company's board of management and its remuneration policy, business strategy and business practices, taking into account social, ethical and environmental business issues.

- By voting on all FTSE 100 UK company resolutions and maintaining regular dialogue with company management, the necessity for active intervention is minimized, but not eliminated. Legal & General Investment Management actively intervenes when they believe that this intervention would result in a substantial benefit to shareholders.
- The governance activity of its fund managers/analysts is supported by a manager dedicated to corporate governance and socially responsible investment issues. Legal & General Investment Management also plays a leading role in assisting the Association of British Insurers (ABI) to identify issues and in facilitating discussion with companies.
- Documents detailing the policies of all the investment managers appointed by the Trustee in respect of corporate, environmental and social responsibility are available on the managers' websites.

Investment Report

Investment managers

As at 31 March 2013 the following investment managers were appointed by the Board:

- Legal & General Investment Management
- CBRE Global Investors
- M&G Investments
- Goldman Sachs Asset Management

The Trustee's appointed investment managers were regulated by the Financial Services Authority during the year and from 1 April 2013 will be regulated by either or both of its successors - the Prudential Regulation Authority and Financial Conduct Authority. In addition, CBRE Global Investors is a member of the Royal Institution of Chartered Surveyors.

The investment management costs are borne by the Scheme and detailed in the accounts.

Custody of investments

The majority of the Scheme's segregated assets are held by the Trustee's appointed custodian, Bank of New York, Mellon. A custodian agreement between Bank of New York Mellon and TRW Pensions Trust Limited details the terms on which the custodian holds the Scheme's assets and the respective responsibilities of the custodian and the Trustee. All of the title documents of the Scheme's assets are held by the custodian under the control of the Trustee. Physical documents are held in a strong room and access is limited by the custodian's own strict security procedures. Regular reconciliations of the holdings are carried out and a copy of the custodian's report on internal controls is kept and reviewed by the Scheme Administrator.

The Scheme's investments held by the custodian are registered as follows:

- United Kingdom investments are in the name of a nominee of the custodian with the designation account 'TRW Pensions Trust Limited' or some other account designation specifying they are the assets of TRW Pensions Trust Limited.
- United States investments are in the name of a nominee with the designation on the books and records of the custodian which is specific to TRW Pensions Trust Limited added to the nominee's name.
- Other investments are in the name of either the custodian or a nominee with a designation to make clear the registered holder is not the beneficial owner.

The custodian will only release title documents after a series of security checks have taken place. These include:

- A dual electronic instruction to the custodian involving the use of passwords.
- The custodian has received payment.

Cash is placed on short-term deposit with banks in the name of TRW Pensions Trust Limited.

Pinsent Masons LLP provides custody services for the property documentation relating to the property investments of TRW Pensions Trust Limited. Pinsent Masons LLP has secure deed rooms and operates a computerised deed record system. No deed can be removed from the deed room except by specific request from the relevant fee earner or their secretary on behalf of the fee earner. Access to the secure deed room is only by personnel authorised by Pinsent Masons LLP.

Internal controls

The Trustee has received and reviewed the following reports dealing with the internal controls of its appointed investment managers and custodian:

Company	Appointment	Reporting Period
Bank of New York Mellon	Custodian	1 April 2012 to 31 March 2013
Legal & General Investment Management	Investment Manager	1 January 2012 to 31 December 2012
CBRE Global Investors	Investment Manager	1 April 2011 to 31 December 2011
M&G Investments	Investment Manager	1 January 2012 to 31 December 2012
Goldman Sachs Asset Management	Investment Manager	1 October 2011 to 30 September 2012

These reports have been reviewed to ensure that the controls are appropriate to the requirements of the Scheme.

Asset allocation

The Trustee acts on the advice of its Investment Sub-Committee, its investment adviser and the Scheme Actuary to put in place an investment structure whereby the Scheme's liabilities determine the type of assets held by the Scheme. This approach to investments is called 'liability driven investment' (LDI). The Trustee considers the investments to be suitable to the Scheme's stated objectives. The central features of this strategy are as follows:

- To manage the interest rate and inflation risk inherent in the Scheme's liabilities by the implementation of swap contracts.
- To retain an exposure to equity markets through a combination of physical assets and derivatives to target a level of long term investment return necessary for the Scheme to meet its funding objective. This exposure is managed through the use of derivative collars to limit the volatility associated with equity investments.
- A controlled use of derivatives to increase the yield on the Scheme's physical assets through exposure to credit markets.

At the year end the majority of the Scheme's assets were managed by Legal & General Investment Management. These assets form a 'collateral pool' designed to support the LDI strategy and to provide collared exposure to equity market returns. The collateral pool comprises the following physical assets:

- UK Gilts
- UK Index-linked Gilts
- Corporate bonds
- Money market instruments
- Cash

The remainder of the Scheme's assets are a combination of:

- Pooled equities
- Property
- Corporate bonds
- Asset backed securities

The Scheme's largest physical investments

The Scheme's largest 20 physical holdings excluding cash and derivatives at the year end is shown in the table below.

Asset Class	Security	Maturity	Market Value £'million	% of total investment assets less investment liabilities
UK Treasury	Index Linked 1.125%	22/11/37	245.5	7.59
UK Treasury	Index Linked 2.500%	17/07/24	244.6	7.56
UK Treasury	Index Linked 1.125%	22/11/32	202.4	6.26
UK Treasury	Fixed 4.250%	07/12/46	192.1	5.94
UK Treasury	Fixed 4.250%	07/12/40	174.7	5.40
UK Treasury	Index Linked 1.875%	22/11/22	161.6	5.00
UK Treasury	Index Linked 2.500%	16/04/20	104.1	3.22
UK Treasury	Index Linked 0.375%	22/03/62	81.5	2.52
UK Treasury	Index Linked 0.750%	22/03/34	79.5	2.46
UK Treasury	Index Linked 0.625%	22/03/40	67.3	2.08
UK Treasury	Index Linked 1.250%	22/11/17	43.7	1.35
UK Treasury	Index Linked 1.250%	22/11/27	42.2	1.31
Asset Backed Security	Eirles Two E5X A1X	27/10/20	28.0	0.87
Asset Backed Security	Residential Mortgages 26 A1	14/02/41	18.7	0.58
Asset Backed Security	Aggregator Of Loans 1 A1	25/05/51	14.5	0.45
Asset Backed Security	Isobel Finance No. 1 A1	17/10/38	13.4	0.41
Asset Backed Security	RMAC 2005 NS3X A2A	12/06/43	12.7	0.39
Asset Backed Security	Newgate Funding 1 A4	01/12/50	12.0	0.37
Asset Backed Security	Granite Mortgages 04 2 3C	20/06/44	11.6	0.36
Asset Backed Security	Opera Finance METR METC	20/02/17	11.6	0.36
			<u>1,761.9</u>	<u>54.48</u>

Statement of Investment principles

The Statement of Investment Principles deals with the following topics:

- Fund managers
- Investment adviser
- Investment objectives
- The kind and balance of investments
- Risk
- Expected return on investments
- Mandates to the investment managers
- Investment management fees
- Realisation of investments
- Statutory funding objective
- Socially responsible investment
- Exercise of voting rights
- Custodian

The current statement, implemented from 8 October 2012, is included on pages 41 to 48. A separate copy of the statement can be obtained by writing to the Scheme Secretary.

Employer related investments

During the year the Scheme had no investment in TRW Automotive Holdings Corporation, and no direct investments in any connected employer.

There were no member contributions due from the employer.

Stock lending

As at 31 March 2013, the majority of Scheme's assets were held under the segregated custody of Bank of New York Mellon, which did not engage in any stock lending.

Review of investments

During the year the Trustee, with the help of its professional advisers, has carefully considered the Scheme's investments. They are satisfied that the investments conform to all the statutory criteria.

Investment performance

Independent performance measurement is provided to the Scheme by Mellon Analytics.

Benchmark

The investment performance benchmark for the Scheme is the Scheme's liabilities. The Scheme's liabilities are measured on a Technical Provisions basis (Statutory Funding Basis) and other actuarial bases. In order to meet the Scheme's immediate and long term funding objectives, the Scheme's assets must outperform its liabilities. The performance of the Scheme's assets measured against its liabilities for the year ended 31 March 2013 is shown below:

<i>Asset performance</i>	<i>Liabilities measured on a Technical Provisions basis</i>	<i>Liabilities measured on an Economic basis¹</i>
+11.24%	+7.2%	+5.6%

As a consequence of the Scheme's asset and liability outperformance, the Scheme's estimated funding position as at 31 March 2013 is:

<i>Date</i>	<i>Funding position on a Technical Provisions basis</i>	<i>Funding position measured on an Economic basis</i>
31 March 2013	101%	88%

Returns

The Scheme return measured over one, three, five and ten years are detailed below.

Period to 31 December 2012	Annual Return
Last year	4.08%
Last 3 years	10.24%
Last 5 years	5.02%
Last 10 years	8.91%

Source: Mellon Analytics (for asset performance) and Hymans Robertson (for liability performance). These figures are based upon various estimates and assumptions and have been provided for the sole use and benefit of the Trustee of the TRW Pension Scheme and not for any other party. Hymans Robertson LLP makes no representation or warranty to any third party as to the accuracy or completeness of the information.

¹ An 'Economic basis' refers to a level of funding that incorporates more prudent assumptions about future investment returns (i.e. a discount rate in line with the yields available from UK Government bonds or swaps) and life expectancy than the Technical Provisions basis. At this level of funding the Scheme would be expected to be in a position to deliver benefits on a self sufficient basis with a high degree of certainty.

Statement of Trustee responsibilities for the financial statements

The audited financial statements are the responsibility of the Trustee. They are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). 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 Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- Contain the information specified in the Schedule to 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 judgments on a reasonable and prudent basis. It is also responsible for 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 has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Conclusion

The Directors acknowledge with thanks the help and support they have received from everyone associated with the administration of the Scheme.

If a member has any queries about the operation of the Scheme or about their benefits they should raise them with Capita Employee Benefits at the address shown on page 2.

By order of the Directors of TRW Pensions Trust Limited.

Mr Joel Griffin
Scheme Secretary

10 October 2013

Fund Account & Net Assets Statement

Fund Account

Contributions and Benefits	Note	2013 £'000	2012 £'000
Contributions	3	30,000	37,500
		30,000	37,500
Benefits payable	4	(166,054)	(166,434)
Payments to and on account of leavers	5	(14,606)	(74,001)
Administration expenses	6	(1,274)	(1,362)
Professional adviser fees and levies	7 & 8	(2,574)	(2,277)
		(184,508)	(244,074)
Net withdrawals from dealings with members		(154,508)	(206,574)
Returns on investments			
Investment income	9	66,606	35,154
Change in market value of investments	16	310,325	538,901
Investment management expenses	20	(5,029)	(4,908)
Net returns on investments		371,902	569,147
Net increase in the fund during the year		217,394	362,573
Net assets of the Scheme at 1 April 2012		3,470,271	3,107,698
Net assets of the Scheme at 31 March 2013		3,687,665	3,470,271

The accompanying notes on pages 25 to 35 form part of these financial statements.

Net Assets Statement

	Note	2013 £'000	2012 £'000
Investment assets			
Pooled investment vehicles	10 & 16	1,212,128	1,419,346
Fixed interest securities	11 & 16	865,888	585,853
Index Linked securities	11 & 16	1,272,444	1,087,766
Property	12 & 16	138,612	169,005
Equities	13 & 16	1,208	707
External Additional Voluntary Contributions	14 & 16	1,184	1,175
Current investment assets	22	13,430	14,041
Cash deposits	16	214,806	30,705
Derivative assets	15 & 16	1,009,015	1,221,627
		<hr/>	<hr/>
		4,728,715	4,530,225
Investment liabilities			
Derivative liabilities	15 & 16	(1,038,267)	(1,056,957)
Current investment liabilities	22	(5,624)	(6,466)
		<hr/>	<hr/>
		(1,043,891)	(1,063,423)
Current assets	21	5,946	6,973
Current liabilities	21	(3,105)	(3,504)
		<hr/>	<hr/>
Net assets of the Scheme at 31 March 2013		3,687,665	3,470,271

The accompanying notes on pages 25 to 35 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 year. The actuarial position of the Scheme which does take account of such obligations is dealt with in the Summary of Funding Statement and actuarial certificates included on page 49 of the annual report. These financial statements should be read in conjunction with the Summary of Funding Statement and actuarial certificates.

Approved by the Directors of the Trustee Company

Mr Steven Lunn
Chairman

Mr Paul Birkett
Director

10 October 2013

Notes to the Accounts

Note 1 Basis of Preparation

The financial statements have been prepared and audited in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor Regulations 1996) and with the guidelines set out in the Statement of Recommended Practice (revised May 2007). Financial Reports of Pension Schemes (the Revised SORP).

Note 2 Accounting Policies

The principal accounting policies of the Scheme are as follows:

- Income from equity investments is brought into account at the ex-dividend date. Income from pooled investment vehicles is re-invested and reflected in the unit price. Property income is earned in accordance with the terms of the lease. Income from fixed interest securities, index linked securities and cash is recognised as the interest accrues.
- Company and members' contributions are accounted for on an accruals basis at rates agreed between the Trustee and the Employer based on the recommendation of the actuary and the Schedule of Contributions.
- Expenses are dealt with on an accruals basis.
- Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.
- Transfer payments in respect of members transferred to and from the Scheme during the year are included in the accounts on the basis of sums advised by the actuary at the time the accounts for the year they are finalised.
- Listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement. Unlisted investments are priced using quotes provided by external brokers.
- Pooled investment vehicles are stated at bid price for funds with bid/offer spread or single price where there are no bid/offer spreads, as provided by the investment manager.
- Foreign currency investments are translated into sterling at the rates of exchange ruling at the net assets statement due. Foreign currency investment income is recorded at the rate ruling at the date of the transaction.
- Derivatives:
 - Derivatives are stated at market value.
 - Exchange traded derivatives are stated at market values determined using market quoted prices.
 - For exchange traded derivative contracts which are assets, market value is based on quoted bid prices.
 - For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
 - Over the counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reported with 'Change in Market Value'.
- The property investments of the Scheme are included in the accounts at open market value at the net assets statement date. This value is determined by independent external valuers in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The properties have been valued by the Scheme's property valuer (see note 12). No depreciation is provided on property assets in accordance with SSAP19: Accounting for Investment Properties.
- Purchases and sales of properties are recognised in the accounts upon unconditional exchange of contracts. Property rental income is recognised on an accruals basis.

Note 3 Contributions

	2013 £'000	2012 £'000
Company contributions – deficit funding ¹	30,000	37,500
	<u>30,000</u>	<u>37,500</u>

Note 4 Benefits payable

	2013 £'000	2012 £'000
Pensions	159,890	158,600
Commuted lump sums	5,810	7,413
Death benefits	354	421
	<u>166,054</u>	<u>166,434</u>

Note 5 Payments to and on account of leavers

	2013 £'000	2012 £'000
Transfers to other schemes	14,606	73,992
Transfers to State Scheme	0	9
	<u>14,606</u>	<u>74,001</u>

Note 6 Administration expenses

	2013 £'000	2012 £'000
Administration	868	1,051
Secretarial and Trustee expenses	403	308
Website	3	3
	<u>1,274</u>	<u>1,362</u>

¹ Deficit funding contributions of £30 million have been paid in accordance with the Schedules of Contributions certified by the actuary on 22 December 2011 and 14 February 2013. In accordance with the Schedules of Contributions in place at 31 March 2013 deficit funding contributions of £30 million a year are due to be paid until 31 December 2023 or until the Scheme reached 100% funding on a 'conservative basis'.

Note 7 Professional adviser fees	2013 £'000	2012 £'000
Hymans Robertson - Actuarial fees	322	381
Hymans Robertson - Investment Adviser fees	178	225
Travers Smith – Legal fees	145	26
KPMG – Audit fees	108	77
Penfida Partners – Covenant assessment fees	73	0
KPMG – Risk Management	36	106
Other advisers	11	2
Club Vita – Longevity analysis	10	10
Health Management – Medical fees	6	0
Capita Health and Wellbeing – Medical fees	3	14
Allen & Overy – Legal fees	0	218
Knight Frank – Investment Adviser fees	0	17
Zolfo Cooper – Covenant assessment fees	0	174
	<hr/>	<hr/>
	892	1,250

Note 8 Regulatory levies	2013 £'000	2012 £'000
Pension Protection Fund (Scheme based)	243	428
The Pensions Regulator	107	113
Pension Protection Fund (Risk based) ¹	1,332	486
	<hr/>	<hr/>
	1,682	1,027

Note 9 Investment income	2013 £'000	2012 £'000
Income from fixed interest securities	27,473	16,263
Income from Index Linked securities	23,074	5,498
Rents from property	11,200	11,013
Income from pooled investment vehicles	3,689	2,326
Interest on cash account	1,007	113
Annuity Income	116	128
Dividends from equities	66	(185)
Write-off of non recoverable withholding tax	(19)	(2)
	<hr/>	<hr/>
	66,606	35,154

¹ The risk based Pension Protection Fund levy is a function of several factors including the Scheme's funding position on a prescribed basis and the credit rating of the corporate entities connected with the Scheme measured by Dun & Bradstreet. The increase in the risk based levy from 2012 is due to changes in these factors.

Note 10 Pooled investment vehicles

	2013 £'000	2012 £'000
<i>UK Listed</i>		
UK Corporate Bond Funds – Legal & General	491,129	433,053
US Corporate Bond Funds – Legal & General	233,858	0
UK Equity Index Fund – Legal & General	213,260	204,109
Unit Trusts – Fidelity	58	0
Unquoted 2nd Fund – Mercury	3	3
<i>Overseas Listed</i>		
Liquidity Fund – Legal & General	270,904	781,385
Liquidity Fund – Goldman Sachs Asset Management	1,945	0
Smaller European Companies Fund – Montanaro	971	796
	<hr/> 1,212,128	<hr/> 1,419,346

Note 11 Fixed interest and index linked securities

Fixed interest	2013 £'000	2012 £'000
<i>UK</i>		
Corporate Bonds – Western Asset Management Company	0	196,308
Government Bonds and Floating Rate Notes – Legal & General	384,983	388,630
Corporate Bonds – Goldman Sachs Asset Management	1,778	0
Asset Backed Securities – M&G Investment Management	241,275	0
<i>Overseas</i>		
Corporate Bonds – Western Asset Management Company	0	915
Corporate Bonds – Goldman Sachs Asset Management	159,312	0
Asset Backed Securities – M&G Investment Management	78,540	0
	<hr/> 865,888	<hr/> 585,853
Index linked		
	2013 £'000	2012 £'000
<i>UK</i>		
Government Bonds – Legal & General	1,272,444	1,087,766
	<hr/> 1,272,444	<hr/> 1,087,766

Note 12 Market value of property investments

Sector	2013	2012	Geographical	2013	2012
	£'000	£'000		£'000	£'000
Industrials	44,640	60,595	South East	56,500	76,245
Offices	13,110	13,307	South West	1,300	1,650
Retail	38,825	44,213	Scotland	18,270	19,900
Other Commercial	10,455	16,760	Yorkshire	10,530	13,570
Residential	195	195	East Midlands	11,125	11,950
European Unit Trusts	28,415	30,828	North West	5,800	7,455
UK Unit Trusts	2,972	3,107	West Midlands	3,700	4,300
			European Unit Trusts	28,415	30,828
			UK Unit Trusts	2,972	3,107
Total	138,612	169,005		138,612	169,005

See note 2 for details of the valuation basis.

Note 13 Equities

	2013	2012
	£'000	£'000
Overseas	1,208	707
	1,208	707

All the equity investments held by the Scheme are quoted.

Note 14 External additional voluntary contributions

The Trustee holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for some members who elected to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

	2013	2012
	£'000	£'000
Clerical Medical	381	456
Scottish Life	361	354
Standard Life	233	221
Fidelity	197	132
Phoenix	12	12
	1,184	1,175

Note 15 Derivative assets held under segregated custody

Swaps

The Trustee's aim is to match of the Scheme's long term liabilities with its fixed income assets, in particular in relation to the liabilities' sensitivities to interest rate movements and inflation. The Trustee has entered into interest rate, inflation and credit default swaps to better align the Scheme's assets to the long term liabilities of the Scheme. The Scheme had the following swaps contracts outstanding at the year end:

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2013 £'000	Liability value at 31 March 2013 £'000
Credit Default Swaps	2018-2023	(905,980)	0	(36,671)
Interest Rate Swaps	2016-2062	3,098,255	73,888	(242,478)
Inflation Swaps	2015-2057	1,890,883	19,001	(71,733)
Total Return Swaps	2013-2040	1,389,529	15,553	(210,077)
Interest Rate Swap Options	2014	841,000	10,186	(9,400)
			<u>118,628</u>	<u>(570,359)</u>

Foreign exchange

The Trustee has taken out a number of foreign exchange forwards to hedge its overseas currency assets back into sterling. The Scheme had the following foreign exchange contracts outstanding at the year end:

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2013 £'000	Liability value at 31 March 2013 £'000
Foreign Exchange				
EUR/GBP	2013	147,591	2,531	0
USD/GBP	2013	962,662	2,316	0
EUR/USD	2013	5,118	51	0
CHF/USD	2013	1,535	4	0
GBP/USD	2013	235,718	0	(182)
			<u>4,902</u>	<u>(182)</u>

Equity Options

The Trustee's objective is to benefit from the potentially greater returns available from investing in equities but wishes to minimise potential losses of value through adverse equity price movements. It has therefore taken out a series of 'put', 'call' and 'at the money' options which provide the Scheme with exposure in global developed equity markets but restrict the negative returns the Scheme can make by capping the positive returns the Scheme can earn. The Scheme had the following option contracts outstanding at the year end:

Type of option	Notional amount £'000	Expiry	Asset value at 31 March 2013 £'000	Liability value at 31 March 2013 £'000
Call options	156,976	2015-2019	3,934	0
Low put, high put and call options	33,281	2015	16,433	(18,308)
Low put, high put, call and at the money options	300,000	2014	256,340	(139,503)
Low put, high put, call and at the money options	686,000	2019	608,778	(309,915)
			<u>885,485</u>	<u>(467,726)</u>

Counterparties to derivatives

The following table shows the total net valuation of the Scheme's derivative positions as at 31 March 2013, split by counterparty and type of derivative. The values quoted are based on mid prices. All derivative positions are fully collateralised on a daily basis.

Counterparty	Equity Options £'million	Interest Rate Swaps £'million	Inflation Swaps £'million	Credit Default Swaps £'million	Total Return Swaps £'million	Swaptions £'million	Total value £'million
Goldman Sachs	403.7	(118.2)	(212.6)	-	-	(2.0)	70.9
Barclays Capital	-	-	(13.7)	(22.4)	11.4	-	(24.7)
UBS	-	6.9	(7.7)	-	-	-	(0.8)
Deutsche	-	(16.9)	(0.8)	-	-	-	(17.7)
RBS	-	(47.0)	(34.9)	-	-	-	(81.9)
Morgan Stanley	(1.4)	8.2	(7.6)	(14.2)	5.0	-	(10.0)
Total	402.3	(167.0)	(277.3)	(36.6)	16.4	(2.0)	(64.2)

Summary of derivative assets and liabilities

	Asset value at 31 March 2013 £'000	Liability value at 1 March 2013 £'000	Net position at 31 March 2013 £'000
Swaps	118,628	(570,359)	(451,731)
Equity Options	885,485	(467,726)	417,759
Foreign Exchange	4,902	(182)	4,720
	1,009,015	(1,038,267)	(29,252)

Note 16 contains additional details about the Scheme's derivative investments.

Note 16 Change in market value of investments

	Value at 31 March 2012	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	1,419,346	1,516,853	(1,823,280)	99,209	1,212,128
Derivatives					
- Futures	(5)	2,192	(161)	(2,026)	0
- Equity Options	325,119	0	0	92,640	417,759
- Swaps	(160,381)	282,030	(556,693)	(16,687)	(451,731)
- Foreign Exchange	(63)	46,405	(11,144)	(30,478)	4,720
Index linked securities	1,087,766	684,145	(609,959)	110,492	1,272,444
Fixed interest securities	585,853	1,971,950	(1,754,380)	62,465	865,888
Equities	707	0	0	501	1,208
Property	169,005	0	(16,241)	(14,152)	138,612
External additional voluntary contributions	1,175	90	(155)	74	1,184
	<u>3,428,522</u>	<u>4,503,665</u>	<u>(4,772,013)</u>	<u>302,038</u>	<u>3,462,212</u>
Cash deposits ¹	30,705			8,287	214,806
Other current investment assets and liabilities (see note 22)	7,575			0	7,806
	<u>3,466,802</u>			<u>310,325</u>	<u>3,684,824</u>

Note 17 Transaction costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect costs incurred through the bid and offer spread on investments within pooled investment vehicles amounted to £112,579 during the year.

Note 18 Property transaction costs

	2013 £'000	2012 £'000
Property sales during the year	(15,641)	0
Property purchases during the year	0	0
	<u>(15,641)</u>	<u>0</u>
Costs associated with property sales:		
Rental guarantee	116	0
Pinsent Masons - transaction fees	28	0
	<u>144</u>	<u>0</u>
Net property sales and purchases at cost	<u>(15,497)</u>	<u>0</u>

¹ Included within cash deposits is cash posted as collateral of £182.6 million (2012: £19.4 million).

Note 19 Investment management expenses	2013 £'000	2012 £'000
Non-property Management Expenses		
Legal & General Investment Management	2,312	2,670
M&G Investments	562	0
Goldman Sachs Asset Management	286	0
Western Asset Management Company	241	561
Bank of New York Mellon	165	88
TRW Investment Management Company Ltd	13	(366)
	<hr/>	<hr/>
	3,579	2,953
	<hr/>	<hr/>
Property Management Expenses		
Pinsent Masons	113	124
CB Richard Ellis – UK Properties	39	276
CB Richard Ellis – European Unit Trusts	25	24
Jones Lang La Salle	30	32
Property Management Costs:		
Building & refurbishment	1,153	445
Insurance claim proceeds	(960)	0
Head rent & rates	54	519
Vacant unit costs	785	519
Marketing & letting	60	107
Bad debt write offs	(61)	(446)
Other professional fees	68	355
	<hr/>	<hr/>
	1,306	1,955
	<hr/>	<hr/>
Total investment management expenses	4,885	4,908
	<hr/>	<hr/>

Note 20 Total investment management and transaction costs	2013 £'000	2012 £'000
Non-property Management expenses (See Note 19)	3,579	2,953
Property Management expenses (See Note 19)	1,306	1,955
Property transaction costs (See Note 18)	144	0
	<hr/>	<hr/>
	5,029	4,908
	<hr/>	<hr/>

Note 21 Current assets and liabilities

	2013 £'000	2012 £'000
Current Assets		
Cash at bank	5,927	6,813
Administration VAT receivable	15	110
Other debtors	4	50
	<hr/>	<hr/>
	5,946	6,973
Current Liabilities		
Unpaid benefits	(1,677)	(2,084)
Advisers' fees	(1,428)	(1,420)
	<hr/>	<hr/>
	(3,105)	(3,504)
Net current assets	<hr/>	<hr/>
	2,841	3,469

Note 22 Current investment assets and liabilities

	2013 £'000	2012 £'000
Current Investment Assets		
Interest receivable – bonds	10,242	11,086
Interest receivable – cash	2	14
Rent receivable	2,986	2,344
Dividends receivable	164	589
Property debtors	36	8
	<hr/>	<hr/>
	13,430	14,041
Current Investment Liabilities		
Deferred rental income	(2,351)	(2,481)
Provision for property bad debts	(1,744)	(1,600)
Rental deposits	(255)	(276)
Property creditors	(1,047)	(1,191)
Property investment VAT	(227)	(918)
	<hr/>	<hr/>
	(5,624)	(6,466)
Net current investment assets	<hr/>	<hr/>
	7,806	7,575

Note 23 Related party transactions

Transactions with related parties of the Scheme have been disclosed in the Trustee report as follows:

- The Scheme closed to future accrual on 30 September 2009. There were no transactions involving contributions of Board members who are active members of the Scheme.
- During the year £43,000 was paid to JMRC Pensions Limited in respect of fees for the Independent Trustee Director.

Reports of the Auditor and the Actuary

Independent Auditor's Report to the Trustee of the TRW Pension Scheme

We have audited the financial statements of the TRW Pension Scheme for the year ended 31 March 2013 set out on pages 22 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Scheme's 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's 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's Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 20, the Scheme's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2013 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 Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor

10 October 2013

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

Statement of Trustee's responsibilities in respect of contributions

The Scheme'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 scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The Scheme's 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.

Summary of Contributions payable under the schedule in respect of the Scheme year ended 31 March 2013

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedules of contributions certified by the actuary on 22 December 2011 and 14 February 2013 in respect of the Scheme year ended 31 March 2013. The Scheme Auditor reports on contributions payable under the schedules in the Auditor's Statement about Contributions.

During the year ended 31 March 2013 the contributions payable to the Scheme under the schedules of contributions were as follows:

	£'000
Company contributions – deficit funding	30,000
Contributions payable under the schedules (as reported on by the Scheme Auditor) and reported in the financial statements	<u>30,000</u>

Information about contributions

Under the schedules of contributions in place at 31 March 2013, employer deficit contributions of £30 million a year are due to be paid to 31 December 2023. There were no normal contributions due from members following the closure of the Scheme to future accrual of benefits on 30 September 2009.

Approved by the Board

Mr Steven Lunn
Chairman

10 October 2013

Independent Auditor's Statement about Contributions to the Trustee of the TRW Pension Scheme

We have examined the summary of contributions payable under the schedule of contributions to the TRW Pension Scheme in respect of the Scheme year ended 31 March 2013 which is set out on page 38.

This statement is made solely to the Scheme'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 Scheme'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 Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 20, the Scheme'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 Scheme by or on behalf of the employer and the active members of the Scheme. 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 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 Scheme and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedules of contributions

In our opinion contributions for the Scheme year ended 31 March 2013 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid from 1 April 2012 to 12 February 2013 at least in accordance with the schedule of contributions certified by the actuary on 22 December 2011 and subsequently at least in accordance with the schedule of contributions certified by the actuary on 14 February 2013.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor

10 October 2013

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

Actuarial certification of the calculation of Technical Provisions as required by regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Scheme: TRW Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 13 February 2013.

Date: 14 February 2013
Name: Ronald S Bowie
Qualification: Fellow of the Institute and Faculty of Actuaries
Name of Employer: Hymans Robertson LLP
Address: 20 Waterloo Street, Glasgow, G2 6DB

Actuarial certification of the Schedule of Contributions as required by Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: TRW Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 13 February 2013.

I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 13 February 2013.

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

Date: 14 February 2013
Name: Ronald S Bowie
Qualification: Fellow of the Institute and Faculty of Actuaries
Name of Employer: Hymans Robertson LLP
Address: 20 Waterloo Street, Glasgow, G2 6DB

Statement of Investment Principles

Introduction

This statement sets out the principles, which the Trustee of the TRW Pension Scheme will follow in determining its investment policy for the purposes of the Scheme. It has been prepared in accordance with the requirements of Section 35 of the *Pensions Act 1995 as amended*. The statement is subject to periodic review by the trustee, at least every three years and as soon as practicable following any significant changes in investment policy.

This revised statement was approved at a meeting of the Trustee Board held on 10 October 2013. The Principal Employer has been consulted. The investment principles set out in this statement will be reviewed periodically and revised as necessary. Prior to the preparation of this statement the Trustee has obtained and considered written advice from its appointed Investment Adviser, Hymans Robertson LLP, which is qualified to provide such advice.

Fund Managers

The Trustee does not take day to day investment decisions; the Board considers investment management to be a specialist activity that is most appropriately undertaken by professional managers. It has delegated responsibility for the selection and management of the Scheme's assets to the following professional investment managers:

Liability Driven Investment Manager

- Legal & General Investment Management - equity option collars, and interest rate and inflation hedging Instruments.

Credit Investment Managers

- Legal & General Investment Management - passively managed UK and US corporate bonds, synthetic credit, floating rate notes and cash instruments.
- Goldman Sachs Asset Management – global fixed interest
- M&G Investment Management – asset backed securities and secured loans

Property Manager

- CBRE Global Investors – segregated UK property and indirect European property

Additional Voluntary Contribution (AVC) Managers

- Phoenix Life – Insured Additional Voluntary Contributions
- Clerical Medical – Insured Additional Voluntary Contributions
- Fidelity – Additional Voluntary Contributions
- Scottish Life – Insured Additional Voluntary Contributions
- Standard Life – Insured Additional Voluntary Contributions

All the above organisations are regulated by either or both of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). They are all authorised under the Financial Services and Markets Act 2000 (as amended) to undertake investment business. The appointments are reviewed periodically.

The appointed investment managers are responsible for the day to day investment of their mandates (including the treatment of income) and are responsible for investing additional funds allocated to them or for disinvesting assets as required. In addition, they are responsible for maintaining suitably diversified portfolios.

The AVC managers are responsible for the investment of external AVC's. These were the appointed managers of legacy pension arrangements transferred into the TRW Pension Scheme.

Investment Adviser

The Trustee has appointed an Investment Adviser, Hymans Robertson LLP, to assist it in determining and reviewing its ongoing investment policy. The Investment Adviser provides routine advice on the suitability of the Trustee's investments relative to its liabilities, and also assists the Trustee in reviewing the performance of its investment managers. This is a separate appointment to that of Hymans Robertson LLP as actuaries to the Scheme.

The Board has appointed an Investment Sub-Committee (ISC), which is chaired by the Scheme Secretary. The ISC comprises representatives from:

- The Trustee Board
- The Investment Adviser
- The investment managers
- The Company
- The Company's investment advisers

The role of the ISC is to conduct in-depth research on investment strategies and to advise the Trustee on both its investment objectives and the strategies to achieve them. In addition, the ISC may exercise discretion over investment decisions that have been delegated to it by the Trustee.

The Trustee has appointed Legal & General Assurance (Pensions Management) to provide quantitative analysis of the Scheme's assets and liabilities. The analysis is used by the ISC to monitor the performance of the Trustee's investment strategy, model the effect of proposed investment strategies and highlight risks.

Investment objectives

The Trustee's investment objectives are:

- To retain sufficient long-term, risk controlled exposure to investment markets to help restore over time the Scheme to a funding level of self-sufficiency.
- To achieve a rate of return from the assets of the Scheme that is in excess of the movement in the Scheme's liabilities by a combination of exposure to:
 - Equity risk
 - Credit risk
 - Interest rate and inflation risk
 - Alternative asset classes (e.g. property) risk
 - Illiquidity and other market risks
- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of the Scheme's benefits as set out in the Scheme's Trust Deed and Rules.
- To reduce the level of investment risk over time in order to lock in improvements in the Scheme's funding position and to limit the risk of the assets failing to meet the liabilities over the long term.

The kind and balance of investments

The Trustee, acting on the advice of its ISC, its Investment Adviser and the Scheme's actuaries have put in place an investment structure whereby the Scheme's liabilities determine the type of assets held by the Scheme. This approach to investments is called 'liability driven investment' (LDI).

The central features of this strategy are as follows:

- To control the interest rate and inflation risk inherent in the Scheme's liabilities by the implementation of swap contracts.

- To retain a material exposure to equity and credit markets through a combination of physical assets and derivatives.
- The use of derivatives to create tailored strategies to limit the Scheme's exposure to potential falls in equity markets whilst retaining sufficient exposure to growth assets in order to achieve self sufficiency funding over a reasonable timescale.
- The controlled use of derivatives to increase the yield on the Scheme's physical assets by taking equity and credit risk.
- Approximately 50% of the Scheme's physical assets are designed to support the LDI strategy, including:
 - Gilts
 - Index-linked Gilts
 - Money market instruments
 - Cash
- The remainder of the Scheme's physical assets are a combination of:
 - Property
 - Corporate bonds
 - Asset backed securities
 - Secured loans

In addition, the Trustee holds some cash in a liquidity fund to meet ongoing benefit and expenditure payments from the Scheme. This cash will be topped up from time to time, as required. The Trustee considers the investments to be suitable to the Scheme's stated objectives.

Risk

The Board recognises that the funding position of the Scheme will be improved by a combination of investment returns and support from the Company. It, therefore, continues to take investment risk, in order to target long term outperformance relative to its liabilities.

An outline of the Board's attitude to risk is as follows:

- It considers interest and inflation risks to be so significant it has introduced an LDI strategy to limit its exposure in these areas. The investment manager responsible for implementing the LDI strategy is Legal & General Investment Management.
- It has introduced equity collar strategies (limiting downside and upside) to protect the Scheme against adverse equity movements, whilst maintaining exposure to equity outperformance that is sufficient to meet its stated objectives.
- The majority of LDI assets are selected by the LDI investment manager, based on its view of the credit risk and interest rate risk of the investment relative to the London interbank offered rate (LIBOR). The LDI investment manager is required to ensure suitable liquidity of assets for funding benefit payments and that there are sufficient assets, both in terms of liquidity and eligibility, to act as collateral for the Scheme's derivatives obligations.
- The LDI assets have been so structured to manage counterparty risk to provide a level of protection against failure of any derivative counterparty. There are three main components to this counterparty risk protection:
 - Counterparties are limited to financial institutions on Legal & General Investment Management's approved panel.
 - All derivatives are marked to market, with collateral posted on a daily basis.

- In order to manage the risk of any counterparty concentration, the underlying assets are structured to provide a measure of protection in the event of counterparty failure.
 - The ISC regularly reviews the risks associated with posting collateral to counterparties with a view to limiting exposures to counterparties whose credit quality may be deteriorating.
- In order to further control risk the Trustee has imposed the following restrictions:
 - Stock Lending is only permitted in circumstances where the loan is fully collateralised and the collateral meets strict acceptability requirements.
 - Constraints are placed on the use of derivatives, which may not be used for speculative purposes.
 - Certain types of investment are not permitted. These include commodities, works of art and precious metals.

Expected Return on Investments

In the long term the LDI investment strategy is expected to deliver a return which either matches or exceeds the real rate of return assumed by the Scheme's actuaries in assessing the funding of the Scheme. The Trustee will monitor the returns of each fund manager and asset class against an appropriate benchmark. The individual benchmarks will be constructed using data provided by external index providers and will be independently verified by a recognised pension fund performance measurement company on behalf of the Trustee. The projected investment returns are relative to the appropriate index benchmark for each asset class. The projected returns and index benchmarks are as follows:

Manager/Asset class	Index	Target return over the index (p.a.)
Legal & General Investment Management		
LDI assets	LIBOR (3 month)	0%
UK Corporate bonds	Markit iBoxx GBP Non Gilts BBB & Barclays Global GBP Corporate + 5 years ex BBB	0%
US Corporate bonds	Barclays Global Aggregate USD Corporate + 5 years ex BBB	0%
CBRE Investors		
Property	Retail Prices Index	5%
Goldman Sachs Asset Management		
Global fixed interest	No index – total return benchmark	6% to 8%
M&G Investment Management		
Asset backed securities	LIBOR (3 month)	2%
Secured loans	LIBOR (3 month)	4%

The target returns are goals and the investment managers do not guarantee they will be achieved.

Mandates to the Investment Managers

The Board has explicit written mandates with its investment managers. The managers are to invest the assets in accordance with the asset allocation benchmark and the Board's guidelines on risk control.

Investment Management Fees

The basis of fees agreed with Legal & General Investment Management in respect of the majority of the Scheme assets is a flat fee adjusted in line with the UK Retail Prices Index plus a capped transaction fee.

The fee structure of the property investment manager is in two parts; a base management fee and a fee on the completion of each purchase or sale. This fee structure was chosen in order to compensate the manager appropriately in relation to the work undertaken on behalf of the Trustee.

The basis of fees agreed with the other investment managers is a percentage of the value of the portfolio controlled by the manager. This fee structure was chosen in order to compensate the manager appropriately in relation to the work undertaken on behalf of the Trustee.

The charging structures of the managers responsible for external AVC's are built into the historical group policy terms for each arrangement, and are reflected in the value of individual members' AVC account.

Realisation of Investments

Over 80% of the assets are directly or indirectly invested in securities traded on major recognised investment exchanges. These investments can therefore be realised quickly, if necessary, although there would be a risk of capital loss. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cash flow requirements, both for benefit payments and collateral calls, in the majority of foreseeable circumstances without realising the assets that cover derivatives. The Trustee's advisers monitor cash flow requirements explicitly using liquidity projections.

Statutory Funding Objective

In arriving at its investment principles account has been taken by the Trustee of the liabilities of the Scheme in respect of pensioners and deferred pensioners together with the Scheme's funding position. This has been done in relationship to the Scheme's Statutory Funding Objective, which is that the Scheme must have 'sufficient and appropriate' assets to cover the expected cost of providing members' past service benefits.

Details of the Scheme's Statutory Funding Objective and its policy for securing that the objective will be met along with the Scheme's funding method and actuarial assumptions are contained in the Scheme's *Statement of Funding Principles*. This document is available from the Secretary to the Board and can also be accessed via the Scheme's website www.trwpensions.co.uk.

Responsible Ownership

The Trustee considers corporate, environmental and social responsibility issues as far as they impact the performance of the assets of the Scheme. The policies of the Trustee's investment managers are in line with the Trustee's policy. Documents detailing the policies of all the investment managers appointed by the Trustee in respect of corporate, environmental and social responsibility are available on the managers' websites.

The Scheme no longer has any significant investments in company shares. In any event, the Trustee has delegated the exercise of any voting rights to the Scheme's investment managers on the basis that voting rights should be exercised with the aim of preserving and enhancing long-term shareholder value. The investment managers provide reports on any votes cast to the Trustee on a quarterly basis.

Custodian

The segregated assets of the Scheme are held by the Trustee's appointed custodian, Bank of New York Mellon, and are under the control of the Trustee. The appointment is reviewed periodically.

Summary of Funding Statement

Introduction

This is a summary of the Scheme's funding position to provide members with information about the Scheme's funding position. The Trustee has a statutory duty to provide this statement to members and it is based on a formal actuarial valuation carried out as at 31 March 2012.

The ongoing funding valuation of the TRW Pension Scheme

	31 March 2013	31 March 2012
Assets	3,698	£3,485 million
Amount needed to provide benefits	3,648	£3,614 million
Surplus/(Shortfall)	49 million	(£130 million)
Funding level	101%	96%

Recovery Plan

The Company and the Trustee agreed an updated Recovery Plan on 13 February 2013. The Recovery Plan incorporates contributions from the Company at a rate of £30 million a year, effective from 1 January 2013 and ending on 31 December 2023 (or earlier if the Scheme reaches 100% funded on a Conservative basis)

Change in the funding position since 31 March 2009

Since the previous formal actuarial valuation took place, the funding level is estimated to have improved from 96% to 101%, with a surplus of £53 million. The main reasons for the change have been an increase in the value of the Scheme's investments during the period and contributions paid by the Company. However, the amount estimated by the Scheme actuary as being required in order to fund benefits from the Scheme has increased, primarily as a result of further reductions yields available from Government bonds.

Payments to the Company

There has not been any payment to the Company out of Scheme funds in the previous twelve months, and no such payments are anticipated. No such payment is possible unless a scheme's funding position is sufficiently strong to secure all benefits with insurance policies.

Your questions answered:

How does the Scheme operate?

The TRW Pension Scheme is a closed final salary pension scheme. With this type of scheme the Company pays contributions in accordance with a Recovery Plan. These contributions are then invested in funds that are expected to provide income, and to increase in value. The combination of contributions, investment income and growth is then used to pay members' pensions. The money to pay for members' pensions is held in a common fund. It is not held in separate individual funds for each member.

How is the amount of funding that the Scheme needs worked out?

Every three years the Scheme actuary carries out a financial review of the Scheme – this is called an actuarial valuation. The actuary estimates the amount of each member's future pension payments and how long each pension is likely to be paid. These future payments are then added up and compared with the value of the fund and its expected future investment returns. The result indicates how much money is needed to pay members' benefits.

Using this information, along with the advice provided by the Scheme actuary, the Trustee comes to an agreement with the Company on its future rate of contributions.

Why is the Company's support important?

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, success for the Scheme relies on the Company's continuing support as more money may be needed in the Scheme if:

- Due to the funding level fluctuating there is a funding shortfall.
- The target funding level did not turn out to be enough.

What would happen if the Company could not continue to support the Scheme?

The current financial position assumes that the Scheme will continue, with the Company's support. In the event that the Scheme was to terminate (this is called winding up), the Scheme actuary has estimated that, as at 31 March 2012, the Scheme would have needed £4,650 million to ensure that all members' benefits could be paid in full. This suggested a shortfall of around £1,165 million compared with the amount of money actually in the Scheme at that date.

The reason this amount differs from the ongoing funding valuation, is because if the Scheme winds up it is assumed that the money will be used to buy a policy from an insurance company that will then be used to pay the pensions promised. Such insurance policies are very expensive.

Would I still receive my pension if the Company did not or could not support the Scheme?

Whilst the Scheme remains ongoing, benefits will continue to be paid in full. If, however, the Company could not support the Scheme, and as a result the Scheme were to be wound up, you would be unlikely to get the full amount of pension you have built up, even if the Scheme is fully funded on an ongoing actuarial basis.

If the Scheme were to start to wind up, the Company is required to pay enough into the Scheme to enable members' benefits to be completely secured with an insurance company. It may be, however, that the Company would not be able to pay this full amount and become insolvent. If this happened the *Pension Protection Fund* might be able to take over the Scheme and pay compensation to members.

What is the Pension Protection Fund?

The Pension Protection Fund (PPF) became operational on 6 April 2005. The purpose of the PPF is to ensure that those who are members of schemes similar to the TRW Pension Scheme receive pensions even if their company goes out of business. The PPF is not intended to replicate a member's pension, but ensures that if a Scheme gets into difficulties members will receive the majority of their pension. This is, currently, around 90% of the pension earned for most members who have not reached retirement age and 100% for those over retirement age. The actual amount a member receives will depend on when they retire and how much benefit they have earned. In addition, benefits will increase on a basis set down by the PPF which may be less than those provided by the Scheme.

Further information and guidance is available on the Pension Protection Fund's website at www.ppf.gov.uk. Alternatively you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and will include a margin for profits in what they charge. The Scheme's funding plan assumes that the Scheme will continue to be run as a non-profit entity and that the Company will continue in business and support the Scheme.

How are the Scheme's assets invested?

The Scheme's investment managers invest the Scheme's assets with the aim of managing key financial risks and to ensure the Scheme has sufficient funds to meet its pension liabilities as they fall due. The Scheme's investment strategy is to target returns necessary to return the Scheme to a position of full funding, and to provide long term self sufficiency of funding, with minimal risk. The Trustee's policy as at 31 March 2012 was structured around the following risks:

Equity risk: Exposing the Scheme to potential returns from global stock markets to help close the Scheme's funding deficit, but with protection against dramatic stock market falls and volatility. This is achieved by physical equity holdings and derivative contracts.

Credit risk: Exposing the Scheme to potential returns from securities issued by global corporate entities to provide an extra return over the rate of interest available from securities issued by the UK Government (i.e. Gilts). This is achieved by physical holdings in corporate bonds and by derivative contracts.

Inflation risk: Ensuring a large proportion of the Scheme's investments will increase and decrease in value in line with inflation, in order to match the pension liabilities due from the Scheme. This is achieved by holding physical Index Linked Government bonds, and by derivative contracts.

Interest rate risk: Ensuring a large proportion of the Scheme's investments will increase and decrease in value in line with long term interest rates, in order to match the pension liabilities due from the Scheme. This is achieved by holding physical Government and corporate bonds, and by derivative contracts.

Property risk: Exposing the Scheme to potential returns from property markets to help close the Scheme's funding deficit. This is achieved by physical holdings in commercial property.

Important

If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor (IFA), before taking any action. For a list of IFAs local to you go to www.unbiased.co.uk.

Further information

The following documents are available on the Scheme's website or upon request to Capita Employee Benefits at the address shown on page 2: Trustee Report and Accounts; Statement of Investment Principles; Statement of Funding Principles; Schedule of Contributions; and Actuarial Valuation Report (available upon request at a cost of £5).

TRW Pension Scheme

TRW Corporate Services, Stratford Road, Solihull, B90 4AX www.trwpensions.co.uk

