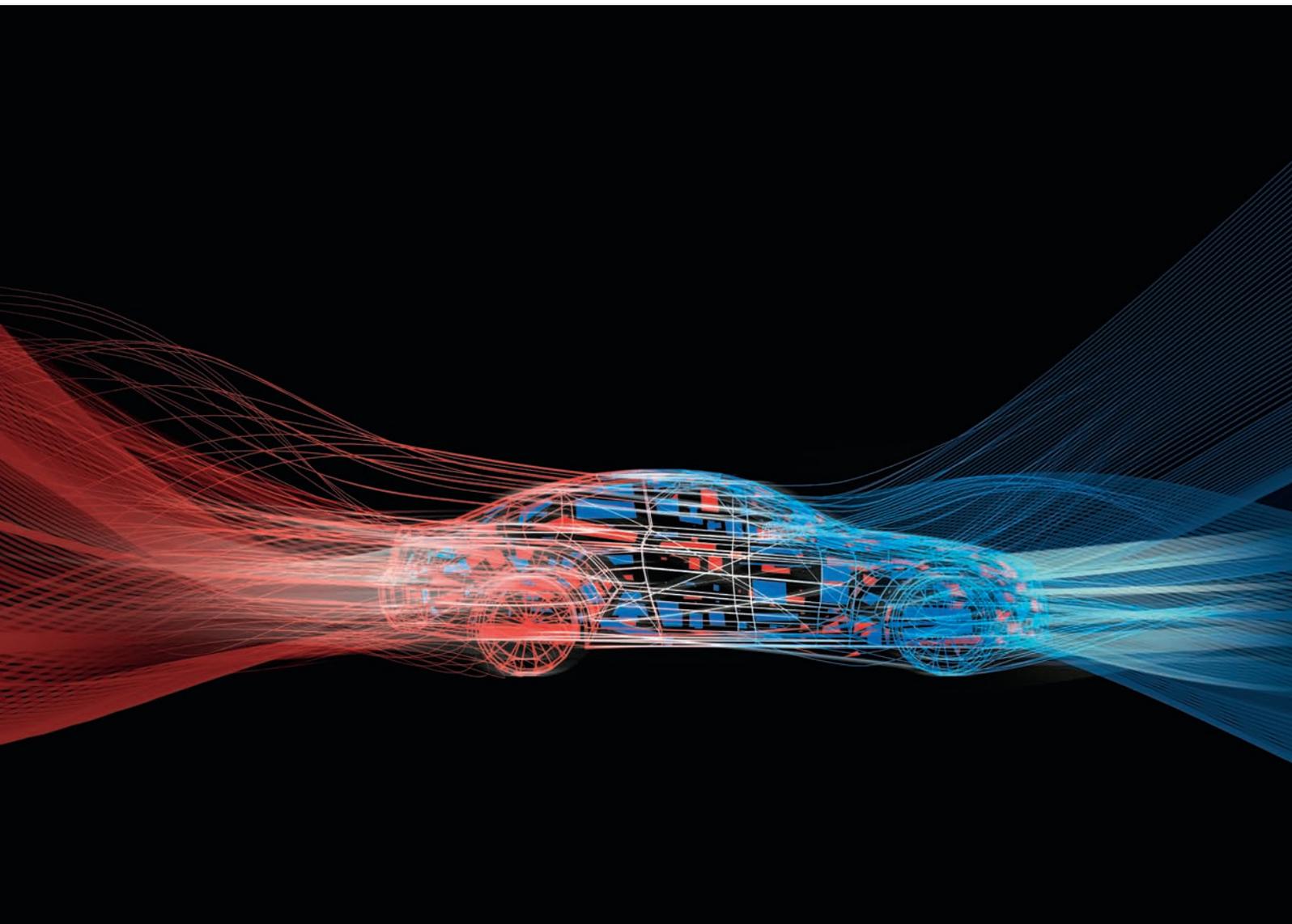


TRW Pension Plan

REPORT AND ACCOUNTS 2015



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TRW Pension Plan

Report and Accounts

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The Scheme is registered with the Pension Schemes Registry
under Registration Number 12009911

Report of the Trustee

Trustee and Advisers

Trustee	TRW Pensions Trust Limited
Principal Employer	TRW LucasVarity Limited
Directors of the Trustee Company	Mr N Marchuk – Chairman Mr A Bassett (until 31 December 2014) Mr S Batterbee Mr P Birkett* Mr R Bull* Mr M Furber JMRC Pensions Limited (represented by Mr J Clarke) Mr R Johnston* Mr L Wolahan
Secretary	Mr J Griffin
Investment Managers	Legal & General Investment Management CBRE Global Investors M&G Investments
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
Auditor	KPMG LLP
Bankers	National Westminster Bank
Solicitors	Travers Smith LLP Pinsents Masons LLP - Property
Medical Adviser	Health Management
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 Plan

The Trustee is pleased to present its first annual report to TRW Pension Plan members, together with the accounts of the Plan, for the period ended 31 March 2015.

Trustee

The Trustee of the Plan is TRW Pensions Trust Limited, which is governed by the 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 the Trustee's arrangements for their appointment. See page 13 for details of these arrangements.

Changes to the Trustee

Mr Bassett retired from his position as a director of the Trustee on 31 December 2014. The directors would like to place on record their thanks for the contributions made by Mr Bassett to the Trustee's activities.

Legal Status

The Plan was established by a Trust Deed dated 6 August 2014. The Plan is a contracted out salary related scheme. All sections of the Plan were closed to any future accrual from 28 February 2015. The Plan is a registered pension scheme under Schedule 36 of the Finance Act 2004. It was registered with Her Majesty's Revenue and Customs (HMRC) on 11 August 2014.

Principal Employer

The Principal Employer is TRW LucasVarity Limited, which is a wholly owned subsidiary of TRW Automotive Holdings Corp. On 15 May 2015 TRW Automotive Holdings Corp was acquired by ZF Friedrichshafen AG.

Participating Employer

The only participating employer whose employees were entitled to be members of the Plan was TRW Limited.

Trustee Meetings

The Trustee met three times during the period to consider matters relating to the administration of the Plan. The Trustee 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 Trustee is currently five directors, 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 Trustee has delegated authority to a standing sub-committee to deal with ill health early retirement applications and items of trustee discretion. The Trustee has also appointed a specialist standing sub-committee to deal with investment matters, which met four times during the period. Other sub-committees meet as required to produce reports and recommendations for the Trustee.

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 Trustee 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 periodically reviewing all of its external advisers and service providers.

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 period the value of the assets of the TRW Pension Plan that have been accumulated to meet its commitments, increased by £1,415 million. At the period end the value of the Plan's assets was £1,415 million compared to £0 at 6 August 2014.

The increase in fund value is accounted for as follows:

Excess of income over expenditure	£1,334 million
Change in market value of investments	£76 million
Investment income (net of expenses)	£5 million
Increase in fund value	<u>£1,415 million</u>

In addition to the Plan's main assets an additional amount of £8 million was held in a trust deposit account with Deutsche Bank for the benefit of the Trustee of the Plan as at 31 March 2015.

Fund Account

For the period ending 31 March 2015 the income received was £1,429 million including investment income. The main reason for the income received was the bulk transfer of assets into the Plan from the TRW Pension Scheme of £1,415.8 million on 10 December 2014 and investment income of £9.1 million. The expenditure for the period was £90.5 million including investment management expenses of £4 million and transfer payments to members of £78.7 million.

Members' Contributions

The accrual of benefits in the period to the Plan were on a non-contributory basis and therefore no members' contributions were received for the period ending 31 March 2015.

Actuarial Valuation

The TRW Pension Plan has not yet had an actuarial valuation. The assets and liabilities transferred in from the TRW Pension Scheme were last subject to an actuarial valuation as at 31 March 2012. The purpose of this valuation was to assess the current financial position of the Scheme and to determine what contributions would be needed to be paid by the Company to provide for the benefits set out under the rules of that Scheme.

The Scheme Actuary reported that on the Trustee's statutory funding or Technical Provisions 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 signed on 13 February 2013. A copy of the latest actuarial report is available on written application to the Trustee Secretary. The cost is £5.

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. The Schedule of Contributions is based upon a funding basis known as the Conservative² basis, which is more prudent than the Trustee's statutory funding objective or Technical Provisions basis.

The Trustee and Company formally agreed the circumstances that would constitute fulfillment of the Schedule of Contributions in a letter dated 10 January 2014. The circumstances were that the Scheme's funding position as estimated by the Scheme Actuary reaches 101% (or better) on the Conservative basis for three consecutive month ends. These circumstances occurred on 28 February 2014 when the Scheme's estimated funding position on the Conservative basis had remained at above 101% for three consecutive month ends. An interim Schedule of Contributions for the Plan on the above basis was signed on 18 November 2014, which took effect from 10 December 2014.

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 Plan's accrued liabilities. The Trustee's statutory funding objective is that the Plan will have sufficient and appropriate assets to cover the expected cost of providing members' benefits.

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

² The Conservative basis is similar to the Trustee's statutory funding or Technical Provisions basis except that it incorporates a discount rate assuming returns of 0.5% above Gilt yields for all members.

- **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 Plan's liabilities will be calculated and what assumptions will be used. The Plan Actuary provides the Trustee with advice on this statement. The Plan's first statement will be produced as part of its first actuarial valuation, which will be calculated as at 31 March 2015 and is expected to be completed no later than 30 June 2016.

- **A recovery plan**

If the Plan 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.

- **A summary funding statement**

The Trustee must provide all members and beneficiaries with a summary funding statement within a reasonable period following the completion of the Plan's formal actuarial valuation. The Plan's first actuarial valuation will be carried out as at 31 March 2015 and is expected to be completed no later than 30 June 2016.

Membership

Pensioners

Pensioners at 6 August 2014		0
Plus:	Group transfer from the TRW Pension Scheme	3,800
	Deferred pensions commencing	107
	Dependants pensions commencing during year	108
	Pensions reinstated	24
Less:	Deaths of pensioners	196
	Deaths of dependants	92
	Pensions suspended	28
	Trivial pensions fully commuted	8
	Child pensions ceased	3
Pensioners at 31 March 2015		3,712

Comprising of:

<i>Pensioners (former employees)</i>	2,350
<i>Spouses and Qualifying Dependants</i>	1,277
<i>Children</i>	85

Deferred Pensioners

Deferred Pensioners at 6 August 2014		0
Plus:	Group transfer from the TRW Pension Scheme	11,832
	GMP liability of insured pensioners ¹	5
Less:	Transfers to other pension arrangements	618
	Forfeiture clause applies ²	157
	Pensions commencing during the year	107
	Deaths of deferred pensioners	15
	Trivial pensions fully commuted	4
Deferred pensioners at 31 March 2015		10,936

Total Membership at 31 March 2015

14,648

¹ In December 2014, 5 pensioners in the TRW Pension Scheme had their pensions in payment insured with Legal & General Assurance Society. These pensioners also had a guaranteed minimum pension (GMP) liability in respect of a transfer in which was not in payment and not possible to insure. These pensioners were provided with a deferred benefit in the TRW Pension Plan in relation to this GMP.

² In accordance with the Plan's Trust Deed and Rules, benefits are forfeited if they are not claimed within 6 years of first becoming payable.

Plan Benefits

Benefit Changes

The TRW Pension Plan was established by a Trust Deed dated 6 August 2014.

On 10 December 2014, the assets and liabilities in the TRW Pension Scheme for those members who were not having their benefits insured with Legal & General Assurance Society or who had not elected to receive a winding up lump sum were transferred to the Plan. The provisions of the Plan in respect of previously accrued benefits were those effective in the Scheme on this date.

During 2014 the Trustee and Company agreed to provide an enhanced transfer value offer to the majority of deferred members in the TRW Pension Scheme. This offer had not been completed prior to the bulk transfer of assets and liabilities from the TRW Pension Scheme into the Plan. Deferred members that decided to accept the enhanced transfer value offer after they had been transferred into the Plan were paid from the Plan. In the period to 31 March 2015 the Plan paid enhanced transfer values to over 300 deferred members.

Pension Increases

The increases to pensions from 1 April 2015 were dependent on which section of the Plan each person is a member.

For pensions in deferment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	All pension	0.3% ⁽¹⁾
	Temporary and Early Retirement Allowance	1.2% ⁽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	0.3% ⁽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	0.3% ⁽³⁾
	Pension accrued post 5 Apr 2009	0.3% ⁽⁴⁾

Notes:

- (1) Annual CPI increase (January 2015) up to a maximum of 7%.
- (2) Annual CPI increase (September 2014).
- (3) Annual CPI increase (January 2015) up to a maximum of 5%.
- (4) Annual CPI increase (January 2015) 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	0.3% ⁽¹⁾
	Temporary pensions	1.2% ⁽²⁾
SRBS A, C, A (57.5), and C (57.5)	All pension	0.3% ⁽¹⁾
	Temporary pensions	1.2% ⁽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	1.1% ⁽⁴⁾
UK	Pension in excess of GMPs	1.1% ⁽⁴⁾
100ths (2004), and SRBS A (2004)	Pension accrued pre 6 Apr 2005	0.3% ⁽⁵⁾
	Pension accrued post 5 Apr 2005	0.3% ⁽⁶⁾
	Temporary pensions	1.2% ⁽²⁾
100ths (2006)	All pension	0.3% ⁽⁶⁾
	Temporary pensions	1.2% ⁽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	1.2% ⁽⁸⁾

Notes:

- (1) Annual increase in CPI (January 2015) up to a maximum of 7%.
- (2) Annual increase in CPI (September 2014).
- (3) Fixed 2.5% a year.
- (4) Annual increase in RPI (January 2015) up to a maximum of 5%.
- (5) Annual increase in CPI (January 2015) up to a maximum of 5%.
- (6) Annual increase in CPI (January 2015) up to a maximum of 2.5%.
- (7) All increases are provided by the State.
- (8) Annual CPI increase (September 2014) 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 for the year ending 31 March 2015 for the combined year in the TRW Pension Scheme and the TRW Pension Plan is 9.3%.

For those who retire, die, or transfer their AVCs in the year ending 31 March, no terminal bonus will be paid.

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

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

Money Purchase Underpin Account

This is applicable to members of the Closed 80ths Section of the Plan. 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 Plan.

The full rate of return in the Scheme and the Plan for the combined year ended 31 December 2014 was 19.02%.

Transfer payments to the Plan

The Plan was established to enable the bulk transfer of residual assets and liabilities from the TRW Pension Scheme. The Plan does not accept individual transfer payments from other pension schemes.

Transfer payments paid into the TRW Pension Scheme before 1 April 1997 received the 19.02% rate of return achieved by the Scheme and Plan for the combined year ended 31 December 2014. 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.

Transfer payments from the Plan

The calculation of transfer payments are made on the basis determined by the Plan'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 Trustee has agreed that the Plan Actuary will monitor the Plan's funding level and inform the Plan administrator of any reduction in the level of transfer values paid from the Plan that is required to protect the Plan's funding level. Since the Plan's establishment there has been no reduction applied to transfer values.

During 2014 the Trustee and the Company agreed to provide the majority of deferred members in the TRW Pension Scheme with enhanced transfer value offers. The enhancements were calculated on an individual basis and did not exceed each member's share of the Scheme's net assets on the Conservative¹ funding basis. These enhanced transfer values continued to be paid from the Plan following the bulk transfer of residual assets and liabilities from the TRW Pension Scheme.

¹ The Conservative basis is similar to the Trustee's statutory funding or Technical Provisions basis except that it incorporates a discount rate assuming returns of 0.5% above Gilt yields for all members.

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 Plan. 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 .

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

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

Successful candidates are appointed for a period of four years.

Internal Disputes Resolution Procedure

The Trustee has an internal disputes resolution procedure in place. Information on how to refer a complaint to the internal disputes resolution procedure is available by writing to the Trustee Secretary at:

TRW Pensions Trust Limited
Aftermarket Building
Shirley
Solihull
B90 4AX

Statement of Investment Principles

On 27 October 2015, the Trustee revised its Statement of Investment Principles. See pages 43 to 50 for a copy of the revised statement.

Funding Documents

The Plan's first Statement of Funding Principles will be produced as part of its first actuarial valuation, which will be calculated as at 31 March 2015 and is expected to be completed no later than 30 June 2016. An interim Schedule of Contributions for the Plan was signed on 18 November 2014, which took effect from 10 December 2014.

Internal Controls

A compliance statement is produced annually by the Trustee Secretary and the Plan's administrator for the Trustee, to provide information regarding the administration of the Plan. 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 Pensions Regulator's code on internal controls the Trustee has prepared a schedule of risks faced by the Plan. The contents of the risk register are taken into account when the Trustee set its goals, as part of its annual business plan.

Myners compliance

On 6 February 2003 the Trustee 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 pension fund trustees are applying these principles. Following the NAPF's recommendations the Government issued a consultation paper outlining six simplified high-level principles.

At a meeting on 4 March 2015 the Trustee approved its 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 16 to 19 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 Plan. The policies of the Trustee's investment managers are in line with the Trustee's policy.

The Trustee has delegated the exercise of any voting rights to the Plan'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.

Investment Report

Investment managers

As at 31 March 2015 the following investment managers were appointed by the Trustee:

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

The Trustee's appointed investment managers were regulated during the year by either or both of 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 Plan and detailed in the accounts.

Custody of investments

The majority of the Plan'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 Plan's assets and the respective responsibilities of the custodian and the Trustee. All of the title documents of the Plan'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 Plan Administrator.

The Plan'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 2014 to 31 March 2015
Legal & General Investment Management	Investment Manager	1 January 2014 to 31 December 2014
CBRE Global Investors	Investment Manager	1 January 2014 to 31 December 2014
M&G Investments	Investment Manager	1 January 2014 to 31 December 2014

Asset allocation

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

- To manage the interest rate and inflation risk inherent in the Plan's liabilities by the use of physical and derivative assets.
- 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 Plan 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 Plan's physical assets through exposure to credit markets.

At the year end the majority of the Plan'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.
- Money market instruments.
- Cash.

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

- Property.
- Asset backed securities.
- Secured Loans.

The Plan's largest physical investments

The Plan'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 net assets
UK Treasury	Index Linked 1.875%	22/11/22	137.95	9.75
UK Treasury	Index Linked 0.125%	22/03/29	136.86	9.67
UK Treasury	Fixed 4.250%	07/12/49	113.82	8.04
UK Treasury	Index Linked 0.375%	22/03/62	97.39	6.88
UK Treasury	Index Linked 2.500%	16/04/20	96.68	6.83
UK Treasury	Index Linked 1.250%	22/11/32	93.36	6.60
UK Treasury	Index Linked 2.000%	26/01/35	92.45	6.53
UK Treasury	Index Linked 0.750%	22/03/34	34.44	2.43
UK Treasury	Index Linked 0.25%	22/03/52	27.75	1.96
UK Treasury	Index Linked 0.625%	22/03/40	22.92	1.62
Asset Backed Security	Taurus 2013 GMF1 P	21/05/24	16.00	1.13
Asset Backed Security	German Residential 2013-1 D	27/08/24	14.62	1.03
Asset Backed Security	London & Regional DEB 2 A	15/10/18	14.28	1.01
UK Property	Hannover Place, Bromley	-	11.78	0.83
UK Treasury	Index Linked 0.125%	22/03/24	11.34	0.80
Asset Backed Security	Southern Pacific S 2X D1C	10/12/42	9.95	0.70
Asset Backed Security	Ulysses European Lo 27X A	25/07/17	9.77	0.69
Asset Backed Security	Thrones 2014 PLC 1 C	15/11/49	9.72	0.69
Asset Backed Security	German Residential 2013-2 D	27/11/24	8.93	0.63
Asset Backed Security	Harvest CLO VIII LTD 8X B	30/04/26	8.56	0.60
			<u>968.57</u>	<u>68.44</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 27 October 2015, is included on pages 43 to 50. A separate copy of the statement can be obtained by writing to the Trustee Secretary.

Employer related investments

During the period the Plan had no investment in TRW Automotive Holdings Corporation or ZF Friedrichshafen AG, and no direct investments in any connected employer.

There were no member contributions due from the employer.

Stock lending

As at 31 March 2015, the majority of Plan'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 period the Trustee, with the help of its professional advisers, has carefully considered the Plan's investments. They are satisfied that the investments conform to all the statutory criteria.

Investment performance

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

Benchmark

The investment performance benchmark for the Plan is the Plan's liabilities. The Plan's liabilities are measured on a Technical Provisions basis (Statutory Funding Basis) and other actuarial bases. In order to meet the Plan's immediate and long term funding objectives, the Plan's assets must outperform its liabilities. The performance of the Plan's assets measured against its liabilities for the combined TRW Pension Scheme and Plan year ended 31 March 2015 is shown below:

<i>Asset performance</i>	<i>Liabilities measured on a Technical Provisions basis</i>	<i>Liabilities measured on an Economic basis¹</i>
+26.76%	26%	26%

As a consequence of the Plan's asset and liability outperformance, the Plan's estimated funding position as at 31 March 2015 is:

<i>Date</i>	<i>Funding position on a Technical Provisions basis</i>	<i>Funding position measured on an Economic basis</i>
31 March 2015	117%	93%

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 Plan would be expected to be in a position to deliver benefits on a self sufficient basis with a high degree of certainty.

Returns

The combined return of Plan and TRW Pension Scheme measured over one, three, five and ten years are detailed below.

Period to 31 December 2014	Annual Return
Last year	19.02%
Last 3 years	11.16%
Last 5 years	12.16%
Last 10 years	8.78%

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 Plan 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.

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 Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- Show a true and fair view, of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Plan 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 Plan and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Conclusion

The Trustee acknowledges with thanks the help and support it has received from everyone associated with the administration of the Plan.

If a member has any queries about the operation of the Plan 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.

Trustee Secretary - Mr Andrew Hopkinson

27 October 2015

Fund Account & Net Assets Statement

Fund Account

	Note	Period to 31 March 2015 £'000
Contributions and Benefits		
Contributions	3	4,600
Transfers in	4	1,415,818
		1,420,418
Benefits payable	5	(5,918)
Payments to and on account of leavers	6	(78,673)
Administration expenses	7	(385)
Professional adviser fees	8	(1,551)
		(86,527)
Net additions from dealings with members		1,333,891
 Returns on investments		
Investment income	9	9,109
Change in market value of investments	15	76,023
Investment management expenses	19	(4,000)
Net returns on investments		81,132
Net increase in the fund during the period		1,415,023
Net assets of the Plan at 6 August 2014		0
		1,415,023
Net assets of the Plan at 31 March 2015		1,415,023

The accompanying notes on pages 26 to 35 form part of these financial statements

Net Assets Statement

	Note	2015 £'000
Investment assets		
Pooled investment vehicles	10 & 15	413,853
Fixed interest securities	11 & 15	380,275
Index Linked securities	11 & 15	752,283
Property	12 & 15	55,863
External Additional Voluntary Contributions	13 & 15	965
Current investment assets	22	5,034
Cash deposits	15	18,837
Derivative assets	14 & 15	1,014,366
		<hr/> 2,641,476 <hr/>
Investment liabilities		
Derivative liabilities	14 & 15	(1,222,223)
Current investment liabilities	22	(2,068)
		<hr/> (1,224,291) <hr/>
Current assets	21	1,121
Current liabilities	21	(3,283)
		<hr/> 1,415,023 <hr/>
Net assets of the Plan at 31 March 2015		

The accompanying notes on pages 26 to 35 form part of these financial statements.

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan which does take account of such obligations will be dealt with in a Summary of Funding Statement which will be produced following completion of the Plan's first actuarial valuation as at 31 March 2015. These financial statements should be read in conjunction with the Summary of Funding Statement when it is produced.

Approved by the Directors of the Trustee Company

Director – Mr Jonathan Clarke

Director – Mr Paul Birkett

27 October 2015

Notes to the Accounts

Note 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 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (revised May 2007).

Note 2 Accounting Policies

The principal accounting policies of the Plan are as follows:

- Contributions are accounted for on the due dates which they are payable in accordance with the Schedule of Contributions.
- 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.
- 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 Plan during the period are included in the accounts on the basis of sums advised by the actuary at the time the accounts for the period 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 date. 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 Plan 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 Plan'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

	Period to 31 March 2015 £'000
Company contributions – discretionary	4,600
	<hr/>
	4,600
	<hr/>

The Trustee and Company formally agreed the circumstances that would constitute fulfilment of the TRW Pension Scheme's Schedule of Contributions in a letter dated 10 January 2014. The circumstances were that the Scheme's funding position as estimated by the Scheme Actuary reaches 101% (or better) on the Conservative basis for three consecutive month ends. These circumstances occurred on 28 February 2014 when the Scheme's estimated funding position on the Conservative basis had remained at above 101% for three consecutive month ends. Ordinarily, contributions would have ceased from 1 March 2014. However, the Company agreed to pay £2.5 million a month on a discretionary basis until 31 December 2014 regardless of the Scheme's funding position. During the period contributions of £2.5 million a month were paid in relation to the months from April 2014 to October 2014 and £400,000 was paid in relation to November 2014, i.e. a total of £17.9 million. The remaining £2.1 million in relation to November 2014 and £2.5 million in relation to December 2014 were paid into the TRW Pension Plan on 5 January 2015. These remaining payments are reflected in the note above.

Note 4 Transfers In

	Period to 31 March 2015 £'000
Reinstatement of members	73
Group transfer from TRW Pension Scheme	1,415,745
	<hr/>
	1,415,818
	<hr/>

Note 5 Benefits payable

	Period to 31 March 2015 £'000
Pensions	3,880
Commuted lump sums	1,951
Death benefits	87
	<hr/>
	5,918
	<hr/>

Note 6 Payments to and on account of leavers

	Period to 31 March 2015 £'000
Individual transfers to other schemes	73,748
Buy out annuity policy	4,925
	<hr/>
	78,673
	<hr/>

Note 7 Administration expenses

	Period to 31 March 2015 £'000
Administration	230
Secretarial and Trustee expenses	145
Website	10
	<hr/>
	385
	<hr/>

Note 8 Professional adviser fees

	Period to 31 March 2015 £'000
Hymans Robertson - Actuarial fees	387
Hymans Robertson - Investment Adviser fees	59
Travers Smith – Legal fees	483
KPMG – Audit fees	77
Mercer – Annuity Broking	520
KPMG – Risk Management	20
Other advisers	4
Health Management – Medical fees	1
	<hr/>
	1,551
	<hr/>

Note 9 Investment income

	Period to 31 March 2015 £'000
Income from fixed interest securities	2,843
Income from Index Linked securities	1,950
Rents from property	1,141
Income from pooled investment vehicles	2,799
Interest on cash account	222
Annuity Income	154
	<hr/>
	9,109
	<hr/>

Note 10 Pooled investment vehicles

	2015 £'000
<i>UK Listed</i>	
Unit Trusts – Fidelity	139
Versatile European Loans Fund – M&G Investments	164,558
<i>Overseas Listed</i>	
Liquidity Fund – Legal & General	249,154
Smaller European Companies Fund – Montanaro	2
	<hr/>
	413,853
	<hr/>

Note 11 Fixed interest and index linked securities

Fixed interest	2015 £'000
<i>UK</i>	
Government Bonds and Floating Rate Notes – Legal & General	113,821
Asset Backed Securities – M&G Investment Management	124,305
<i>Overseas</i>	
Asset Backed Securities – M&G Investment Management	142,149
	<hr/> 380,275 <hr/>
Index linked	2015 £'000
<i>UK</i>	
Government Bonds – Legal & General	752,283
	<hr/> 752,283 <hr/>

Note 12 Market value of property investments

Sector	2015 £'000	Geographical	2015 £'000
Industrials	12,005	South East	20,800
Offices	7,085	South West	1,265
Retail	16,855	Yorkshire	2,950
Other Commercial	5,457	East Midlands	10,930
Residential	193	North West	5,650
European Unit Trusts	14,268	European Unit Trusts	14,268
Total	<hr/> 55,863 <hr/>		<hr/> 55,863 <hr/>

See note 2 for details of the valuation basis.

Note 13 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 period.

	2015 £'000
Clerical Medical	273
Royal London	316
Standard Life	193
Fidelity	171
Phoenix	12
	<hr/> 965 <hr/>

Note 14 Derivative assets held under segregated custody

Swaps

The Trustee's aim is to match off the Plan'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 Plan's assets to the long term liabilities of the Plan. The Plan had the following swaps contracts outstanding at the period end:

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2015 £'000	Liability value at 31 March 2015 £'000
Credit Default Swaps	2025	(224,300)	0	(370)
Interest Rate Swaps	2016-2062	2,760,429	466,299	(501,204)
Inflation Swaps	2020-2057	864,121	4,844	(193,613)
Total Return Swaps	2022-2040	867,838	129,955	(175,354)
			<u>601,098</u>	<u>(870,541)</u>

Foreign exchange

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

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2015 £'000	Liability value at 31 March 2015 £'000
EUR/GBP	2015	222,021	7,074	0
			<u>7,074</u>	<u>0</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 Plan with exposure in global developed equity markets but restrict the negative returns the Plan can make by capping the positive returns the Plan can earn. The Plan had the following option contracts outstanding at the period end:

Type of option	Notional amount £'000	Expiry	Asset value at 31 March 2015 £'000	Liability value at 31 March 2015 £'000
Low put, high put, call and at the money options	411,600	2019	406,194	(351,682)
			<u>406,194</u>	<u>(351,682)</u>

Counterparties to derivatives

The following table shows the total net valuation of the Plan's derivative positions as at 31 March 2015, 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	Total value £'million
Goldman Sachs	7.2	(26.2)	(278.7)	-	-	(297.7)
Barclays Capital	-	-	(22.0)	(0.3)	131.2	108.9
UBS	-	-	(13.5)	-	-	(13.5)
Deutsche	-	(68.4)	(12.1)	-	-	(80.5)
RBS	-	(76.3)	(16.4)	-	-	(92.7)
Morgan Stanley	51.4	134.4	(18.8)	-	-	167.0
Total	58.6	(36.5)	(361.5)	(0.3)	131.2	(208.5)

Summary of derivative assets and liabilities

	Asset value at 31 March 2015 £'000	Liability value at 31 March 2015 £'000	Net position at 31 March 2015 £'000
Swaps	601,098	(870,541)	(269,443)
Equity Options	406,194	(351,682)	54,512
Foreign Exchange	7,074	0	7,074
	1,014,366	(1,222,223)	(207,857)

Note 15 contains additional details about the Plan's derivative investments.

Note 15 Change in market value of investments

	Value at 6 August 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	0	830,878	(417,128)	103	413,853
Derivatives					
- Equity Options	0	44,855	0	9,657	54,512
- Swaps	0	12,211	(336,351)	54,697	(269,443)
- Foreign Exchange	0	2,081	(12,714)	17,707	7,074
Index linked securities	0	834,170	(107,576)	25,689	752,283
Fixed interest securities	0	478,796	(80,107)	(18,414)	380,275
Property	0	82,583	(33,007)	6,287	55,863
External additional voluntary contributions	0	999	(73)	39	965
	0	2,286,573	(986,956)	95,765	1,395,382
Cash deposits ¹	0			(19,742)	18,837
Other current investment assets and liabilities (see note 22)	0				2,966
	0			76,023	1,417,185

Note 16 Transaction costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs also includes costs charged directly to the Plan such as fees, commissions, stamp duty and other fees. There were no indirect costs incurred through the bid and offer spread on investments within pooled investment vehicles during the period.

Note 17 Property transaction costs

	Period to 31 March 2015 £'000
Property sales during the period	33,007
Property purchases during the period	0
	<u>33,007</u>
Costs associated with property sales:	
Rental guarantee	(250)
Pinsent Masons - transaction fees	(50)
Other professional fees	(215)
	<u>(515)</u>
Net property sales and purchases at cost	<u>32,492</u>

¹ Included within cash deposits is cash posted as collateral of £13.4 million

Note 18 Investment management expenses	Period to 31 March 2015 £'000
Non-property Management Expenses	
Legal & General Investment Management	2,002
M&G Investments	562
Goldman Sachs Asset Management	124
Bank of New York Mellon	74
	<hr/> 2,762 <hr/>
Property Management Expenses	
Pinsent Masons	21
CB Richard Ellis – UK Properties	219
Property Management Costs:	
Building & refurbishment	525
Insurance claim proceeds	(181)
Head rent & rates	37
Vacant unit costs	44
Marketing & letting	7
Bad debt write offs	(25)
Other professional fees	76
	<hr/> 723 <hr/>
Total investment management expenses	<hr/> 3,485 <hr/>

Note 19 Total investment management and transaction costs	Period to 31 March 2015 £'000
Non-property Management expenses (See Note 18)	2,762
Property Management expenses (See Note 18)	723
Property transaction costs (See Note 17)	515
	<hr/> 4,000 <hr/>

Note 20 Taxation

The Plan is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Note 21 Current assets and liabilities	2015 £'000
Current Assets	
Cash at bank	1,034
Administration VAT receivable	50
Other debtors	37
	<hr/> 1,121 <hr/>
Current Liabilities	
Unpaid benefits	(466)
Advisers' fees	(1,885)
Other creditors	(932)
	<hr/> (3,283) <hr/>
Net current assets	<hr/> (2,162) <hr/>

Note 22 Current investment assets and liabilities	2015 £'000
Current Investment Assets	
Interest receivable – bonds	4,113
Interest receivable – cash	5
Rent receivable	508
Dividends receivable	117
Property debtors	291
	<hr/> 5,034 <hr/>
Current Investment Liabilities	
Deferred rental income	(665)
Provision for property bad debts	(549)
Rental deposits	(124)
Property creditors	(633)
Property investment VAT	(97)
	<hr/> (2,068) <hr/>
Net current investment assets	<hr/> 2,966 <hr/>

Note 23 Related party transactions

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

- There were no transactions involving contributions of Board members who are active members of the Plan.
- During the period £14,336 was paid to JMRC Pensions Limited in respect of fees for the Independent Trustee Director.

Report of the Auditor

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

We have audited the financial statements of TRW Pension Plan for the period ended 31 March 2015 set out on pages 23 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 Plan 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 Plan 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 Plan Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 21, the Plan 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 Plan during the Plan period ended 31 March 2015 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 Plan 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

27 October 2015

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Statement of Trustee's responsibilities in respect of contributions

The Plan'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 Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Plan in accordance with the Schedule.

Summary of Contributions payable under the Schedule in respect of the period ended 31 March 2015

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 Plan under the interim Schedule of Contributions certified by the actuary on 18 November 2014 in respect of the Plan period ended 31 March 2015. The Plan Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

During the year period ended 31 March 2015 the contributions payable to the Plan under the interim Schedule of Contributions were as follows:

	£'000
Company contributions – deficit funding	0
Contributions payable under the interim Schedule of Contributions (as reported on by the Scheme Auditor)	0

Information about contributions

Under the interim Schedule of Contributions in place at 31 March 2015, no contributions were payable. There were no normal contributions from members as the active accrual ceasing on 28 February 2015 was on a non-contributory basis.

Reconciliation of contributions

	£'000
Contributions payable under the Interim Schedule of Contributions reported in the accounts in respect of the period (as above):	0
Contributions payable in addition to those due under the Interim Schedule of Contributions and not reported on by the Plan Auditor:	
- Company contributions – discretionary	4,600
Total contributions reported in the accounts:	4,600

Approved by the Board

Director – Mr Jonathan Clarke
27 October 2015

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

We have examined the Summary of Contributions payable under the schedule of contributions to the TRW Pension Plan in respect of the Plan period ended 31 March 2015 which is set out on page 38.

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

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 21, the Plan'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 Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan 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 Plan 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 Plan and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Plan period ended 31 March 2015 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 interim schedule of contributions certified by the actuary on 18 November 2014.

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

27 October 2015

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Interim Schedule of Contributions

Under Section 227 of the Pensions Act 2004, the Trustee of the TRW Pension Plan ('the Plan') must put in place a Schedule of Contributions which is certified by the Scheme Actuary. As the Plan is newly established and has not yet undergone a scheme specific valuation under the Pensions Act 2004, a Statement of Funding Principles has not yet been agreed. Therefore, this interim schedule is expected to remain in place until the first actuarial valuation (to be carried out with effective date 31 March 2015) is completed and a Schedule of Contributions is agreed.

This schedule has been prepared with the agreement of TRW Limited ('the Employer') after taking the advice of Ronald S Bowie (the 'Scheme Actuary').

This interim schedule comes into effect from 14 November 2014 and includes the Scheme Actuary's certification.

Employee contributions

No employee contributions are required under the Rules of the Plan.

Employer Contributions

The Employer will pay such contributions, agreed by the Trustees and the Employer and having taken advice from the Scheme Actuary, as are necessary to fund the benefits accruing to active members. These contributions shall be payable by the end of April following the Plan year in which the relevant benefits were accrued and shall fall due for payment only to the extent that the Plan was not fully funded (using the assumptions underlying the Technical Provisions for the TRW Pension Scheme)¹ at the end of that Plan year.

The Employer will pay any underpin payment(s) due to the Plan in relation to Project Cerberus², to the extent that any such underpin payment(s) have not already been made to the TRW Pension Scheme.

With effect from January 2015 and until the Schedule of Contributions relating to the first actuarial valuation of the Plan has been signed, the Employer will:

- Pay monthly contributions of £2.5m per month in the event that the funding level of the TRW Pension Plan, calculated on the Conservative Basis³ falls below 99% for any three consecutive months⁴; and
- Cease these monthly contributions in the event that the funding level of the TRW Pension Plan, calculated on the Conservative Basis is above 101% for any three consecutive months.

To determine whether contributions are payable in January 2015, February 2015 and March 2015 the funding level for October, November and December 2014 will be required. The 31 October 2014 funding level is deemed to be above 101% on the Conservative Basis. The 30 November 2014 Plan funding level will be that used in relation to Project Cerberus to determine any underpin payment(s) due to the Plan but with any outstanding underpin payment(s) due included as Plan assets. From 31 December 2014 onwards the funding level will be calculated using actual asset data for the Plan.

All Employer contributions shall fall due to be paid not later than 19 days after the end of the calendar month to which they relate.

¹ as set out in the Statement of Funding Principles of the TRW Pension Scheme, dated 13 February 2013

² as set out in the Appendix of the letter 'TRW Pension Scheme - Project Cerberus' dated 15 July 2014

³ the above Technical Provisions basis adjusted to incorporate a single discount rate of UK Government bonds plus 0.5% pa.

⁴ assessed at the end of each month based on the monthly funding updates provided to the Trustee by the Scheme Actuary

The Employer shall also pay to the Scheme any additional employer contributions required from time-to-time on the advice of the Scheme Actuary in respect of augmentations or discretionary benefits, as required from time to time under the Plan's trust deed and rules.

Expenses, Levies and Fees

The Employer's contributions include all expenses, levies (including the Pension Protection Fund levies) and fees in connection with the Plan.

Prepared by the Trustee of the Plan

Print name Neil Marchuk
on behalf of TRW Pensions Trust Limited

Position Chairman

Date 18 November 2014

Agreed by the Employer

Print name Peter R Rapin
on behalf of TRW Limited

Position Director

Date 18 November 2014

APPENDIX

Statement from the Scheme Actuary regarding the interim schedule of contributions

Name of Scheme: The TRW Pension Plan ('the Plan')

Adequacy of rates of contributions

I confirm that the Trustees of the Plan have put in place the interim Schedule of Contributions to which this certificate is appended.

I certify that, in my opinion, the agreed contributions are adequate for the Plan to be able to meet its contracted-out liabilities and prescribed liabilities with a higher priority and any increases in those liabilities.

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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

I also certify that the rates of contributions shown in the interim schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule.

Signature

Date	18 November 2014
Name	R 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 Plan will follow in determining its investment policy for the purposes of the Plan. It has been prepared in accordance with the requirements of Section 35 of the *Pensions Act 1995 as amended* and the Occupational Pension Schemes (Investment) Regulations 2005 *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 27 October 2015. 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 Plan's assets to the following professional investment managers:

Liability Driven Investment Manager

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

Credit Investment Managers

- Legal & General Investment Management - synthetic credit and cash instruments.
- 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.

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 Plan.

The Board has appointed an Investment Sub-Committee (ISC), which is chaired by the Trustee 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 Plan'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 Plan to a funding level of self-sufficiency.
- To achieve a rate of return from the assets of the Plan that is in excess of the movement in the Plan'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 Plan's benefits as set out in the Plan's Trust Deed and Rules.
- To reduce the level of investment risk over time in order to lock in improvements in the Plan'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 Plan's actuaries have put in place an investment structure whereby the Plan's liabilities determine the type of assets held by the Plan. 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 Plan's liabilities by the implementation of swap contracts and repurchase agreements.
- To retain, as required, an 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 Plan'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 Plan's physical assets by taking equity and credit risk.
- On an ongoing basis, approximately 50% of the Plan's physical assets are designed to support the LDI strategy, including:
 - Gilts
 - Index-linked Gilts
 - Repurchase agreements
 - Cash
- The remainder of the Plan's physical assets are a combination of:
 - Property
 - 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 Plan. This cash will be topped up from time to time, as required. The Trustee considers the investments to be suitable to the Plan's stated objectives.

Risk

The Board recognises that the funding position of the Plan 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 Plan 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 Plan'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 Plan's actuaries in assessing the funding of the Plan. 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%
CBRE Investors		
Property	Retail Prices Index	5%
M&G Investment Management		
Asset backed securities	LIBOR (3 month)	2.5%
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 Plan 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 accounts.

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 Plan in respect of pensioners and deferred pensioners together with the Plan's funding position. This has been done in relationship to the Plan's Statutory Funding Objective, which is that the Plan must have 'sufficient and appropriate' assets to cover the expected cost of providing members' past service benefits.

Details of the Plan's Statutory Funding Objective and its policy for securing that the objective will be met along with the Plan's funding method and actuarial assumptions will be contained in the Plan's *Statement of Funding Principles*. The Plan's first *Statement of Funding Principles* will be agreed as part of its first triennial actuarial valuation on 31 March 2015 and will be available from the Trustee Secretary or via the Plan'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 Plan. 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 Plan no longer has any significant investments in company shares. In any event, the Trustee has delegated the exercise of any voting rights to the Plan'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 Plan 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.



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