

CAPITA



Westpac Banking Corporation UK Staff Superannuation Scheme

Scheme Registration Number: 10164495

Trustees' Annual Report and Financial Statements

For the Year Ended 5 April 2016

CONFIDENTIAL

Contents

Trustees and Independent Advisers	2
Trustees' Report	4
Scheme Management	4
Investment Matters	8
Compliance Matters	20
Member's Information	22
DC Governance Statement	24
Statement of Trustees' Responsibilities	29
Report of Actuarial Liabilities	31
Actuary's Certification of the Schedule of Contributions	33
Independent Auditor's Report	34
Independent Auditor's Statement about Contributions	36
Fund Account	37
Statement of Net Assets available for benefits	38
Notes to the Financial Statements	39
Appendix	
Statement of Investment Principles	58

Trustees and Independent Advisers

Trustees:	A. McClarty S. Thorpe C. Bannister R. Jackson (Resigned 4 April 2016) P. A. Gover J. R. W. Petrie G. Ritchie J. Burgess (Appointed 4 April 2016)
Secretary and Administrator:	Capita Employee Benefits Limited Radio House Thanet Way Whitstable Kent CT5 3QP
Fiduciary Manager:	Hewitt Risk Management Services Ltd The Aon Centre The Leadenhall Building 122 Leadenhall Street London EC3V 4AN
Scheme Actuary:	Aon Hewitt Limited J Ford FIA 122 Leadenhall Street London EC3V 4AN
Investment Managers:	BlackRock Investment Management (UK) Ltd 12 Throgmorton Avenue London EC2N 2DL Hermes Property Unit Trust 1 Portsoken Street London E1 8HZ
Auditor:	Crowe Clark Whitehill LLP 10 Salisbury Square London EC4Y 8EH
Bankers:	Lloyds TSB 49 High Street Canterbury CT1 2SE

Trustees and Independent Advisers

Solicitors:	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
Sponsoring Employer:	Westpac Banking Corporation Camomile Court 23 Camomile Street London EC3A 7LL

Trustees' Report

The Westpac Banking Corporation UK Staff Superannuation Scheme is a hybrid scheme with two sections, one for Defined Contribution members and one for Defined Benefit members. The Scheme is a Registered Scheme under Schedule 36 of the Finance Act 2004 and has been approved by the Occupational Pensions Board for the purposes of contracting-out of the State Second Pension (formerly the State Earnings Related Pension Scheme).

The accounts have been prepared and audited in accordance with regulations made under section 41(1) and (6) of the Pension Act 1995. The Scheme is governed by a definitive Trust Deed and Rules dated 13 September 2006.

Scheme Management

Trustees

The overall management of the Scheme has been vested in the Trustees who are shown on page 2 of this report. Under the definitive Trust Deed, Trustees may be appointed or removed by Westpac Banking Corporation.

Scheme Management

Trustees

The following Trustees are also members of the Scheme:

A. McClarty
C. Bannister
S. Thorpe
P. A. Gover
J. R. W. Petrie
G. Ritchie
J. Burgess

The Trustees invest the Scheme's assets in pooled funds where stock lending may take place. At the year end the investment managers did not directly hold any Westpac Banking Corporation shares in the name of the Scheme.

Trustees' Report

Scheme Management

Membership

A reconciliation of members is given below:

	Defined Contribution	Defined Benefit
Active members		
At 5 April 2015	98	4
New entrants during the year	30	-
Leavers during the year		
Deferred pensions	(8)	-
Refunds and Transfer outs	(7)	-
Retirement	-	(3)
Death with dependants	(1)	-
Pending	-	-
Active members at 5 April 2016	112	1
Deferred pensioners		
At 5 April 2015	127	252
Adjustment for late notification	-	(1)
New deferred pensioners	8	-
Retirement from deferred	-	(12)
Transfers out	(5)	(4)
Deferred pensioners at 5 April 2016	130	235
Pensioners		
At 5 April 2015	4	326
Adjustment for late notification	-	1
Retirements	-	15
Death with dependants	-	(3)
New dependant	-	5
Deaths without dependants	-	(11)
Pension ceased	-	(1)
Pensioners at 5 April 2016	4	332
Pending		
At 5 April 2015	3	-
Adjustment for late notification	-	-
New pending	6	-
Refunds	(2)	-
Transfers out	(2)	-
Pending at 5 April 2016	5	-

Trustees' Report

Scheme Management

Pension Increases

The Rules provide for pensions in payment in the Defined Benefit section to be reviewed annually and to be increased by at least the rate of inflation up to a maximum of 5% in any one year.

Pensions in payment in the Defined Benefit Section were increased by 1.6% as at 6 April 2016 (0.9% as at 6 April 2015). Deferred pensions were increased by 1.6% as at 6 April 2016 (1.2% as at 6 April 2015).

Post 1988 Guaranteed Minimum Pensions were increased by 0% as at 6 April 2016 (1.2% as at 6 April 2015).

The Trustees approved that no discretionary increases should be granted over and above these increases.

Transfer Values

Transfer values paid during the year were calculated and verified as required under the Pension Schemes Act 1993, and were not reduced below the actuarially calculated value.

Trustees' Report


Scheme Management

Summary of Contributions

This summary of contributions which has been prepared by us and is the responsibility of the Trustees, sets out the contributions paid to the Scheme by the Employer under the Schedules of Contributions applicable for the year ended 5 April 2016.

	£	£
	Defined benefit section	Defined contribution section
Contributions payable under the Schedules of Contributions		
Employer normal contributions	410,000	-
Employer normal contributions	-	1,329,078
Employer deficit funding	3,860,000	-
Employer administration charge	31,134	-
Members' normal contributions	2,962	-
Members' normal contributions	-	268,992
Total contributions payable under the Schedules	4,304,096	1,598,070
Employee additional voluntary contributions	-	256,012
Total contributions payable to the Scheme	4,304,096	1,854,082

Signed on behalf of the Trustees



Date:

3/11/16

Trustees' Report

Investment Matters

Overview

The Trustees, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Scheme and sets out the broad policy to be adopted by each of the appointed fund managers.

Investment managers

The names of those who have managed the scheme's investments during the year are listed on page 2. The Trustees have delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustees and each manager sets out the terms on which the manager will act.

The investment managers appointed on behalf of the Trustees to manage funds under section 34(4) of the Pensions Act 1995 is appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them

Managers' policies in relation to these issues are considered as part of any new manager selection process. In respect of the defined contribution section, the fiduciary manager takes account of these issues when selecting underlying managers, and the Trustees provide members with access to specialist funds which aim to directly address social, environmental and ethical considerations.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. This Statement may change from time to time according to advice received from the investment manager or consultants.

A Statement of Investment Principles is available from Capita Employee Benefits Limited, whose address appears on page 2 of this report.

During the year, investments were not held in accordance with the Statement of Investment Principles in force due to changes made to the investment strategy. The Statement of Investment Principles for the both the Defined Benefit and Defined Contribution Sections was updated after the year end to reflect the revised investment strategy.

Trustees' Report

Investment Matters

Investment Objectives and Strategy

Defined Benefit Section

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustees have chosen to split the Scheme's assets into three portfolios, a "Growth Portfolio", a "Property Portfolio" and a "Matching Portfolio" in order to meet the above objective. The Trustees have agreed a long-term trigger based de-risking strategy. The strategy involves changing the strategic split between the Growth Portfolio and the Matching Portfolio as and when pre-defined funding level triggers are reached. Currently the split between the Growth Portfolio, a Property Portfolio and a Matching Portfolio is 25%, 10% and 65% respectively.

The asset allocation is as follows:

Growth portfolio

Asset Class	Benchmark Allocation %	Range (%)	Asset allocation as at 5 April 2016 (%)
UK equities	24.0	+/- 1.5	24.4
US equities	10.0	+/- 1.5	10.7
Europe ex UK equities	10.0	+/- 1.5	10.1
Japan equities	5.0	+/- 1.5	4.8
Pacific Basin equities	5.0	+/- 1.5	5.3
Emerging Market equities	6.0	+/- 1.5	6.4
Multi-Asset Diversified Growth	40.0	+/- 1.5	38.3
	100.0		100.0

Property portfolio

Asset Class	Benchmark Allocation (%)	Asset allocation as at 5 April 2016 (%)
UK Property	100.0	100.0

Matching portfolio

Asset Class	Benchmark Allocation (%)	Asset allocation as at 5 April 2016 (%)
Fixed Interest Gilts	46.0	38.6
Index linked Gilts	39.0	46.0
Corporate Bonds	15.0	15.4
		100.0

Trustees' Report

Investment Matters

Investment Objectives and Strategy (continued)

Defined Benefit Section (continued)

As at 5 April 2016, the asset allocation was out of the tolerance ranges set by the Trustees within the Statement of Investment Principles. This was as a result of the Trustees updating their investment strategy and the Statement of Investment Principles was revised after the year end to reflect this revised investment strategy.

Defined contribution section

The Trustees are responsible for investing the Scheme assets in line with members' preferences. Their key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustees have taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

Change of DC investment strategy

During the year, the Trustees made some important changes to the DC investment strategy which together aim to improve the retirement outcomes for members.

Changes were agreed following a full investment strategy review conducted by the Trustees in consultation with their professional advisers and included:

- Introducing the Drawdown Lifestyle Strategy as the new default option;
- Introducing a Cash Lifestyle Strategy and an Annuity Lifestyle Strategy as additional lifestyle options; and
- Introducing a new range of self-select funds.

The Trustees' strategy review also considered the most appropriate delivery model, taking into account the governance capacity of the Scheme and pros and cons of each approach.

As a result, the Trustees decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Service. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Hewitt Risk Management Services Limited (HRMSL). The available fund range consists of a number of white-labelled blended funds. The choice of underlying managers and structure of each blended fund is delegated to HRMSL as the appointed investment manager.

Transfer of assets to the new DC investment strategy was completed during the year, with effect from 23 February 2016.

Trustees' Report

Investment Matters

Review of investment performance

Scheme performance The investment performance of the Scheme over the one and three year periods up to 31 March 2016 is shown below:

Scheme performance	Scheme (%)	Benchmark (%)
One year to 31 March 2016	2.2	2.5
Three years to 31 March 2016 (p.a.)	8.4	8.4

Source: Aon Hewitt. Overall performance is estimated net of fees.

Defined Benefit Section

Investment manager performance Performance of the Scheme's investment managers over one and three year periods to 31 March 2016 is shown below:

BlackRock Equities		1 year to 31 Mar 2016 (%)	3 years to 31 Mar 2016 (% p.a.)
Fund	UK Equities Fund	-4.1	3.6
Benchmark	FTSE All-Share Index	-3.9	3.7
Fund	Europe Equities Fund	-4.5	6.6
Benchmark	FTSE All World Developed Europe ex UK	-4.5	6.6
Fund	US Equities Fund	4.1	13.5
Benchmark	FTSE United States	4.2	13.6
Fund	Japanese Equities Fund	-3.6	6.2
Benchmark	FTSE All World Japan	-3.5	6.4
Fund	Pacific Rim Equities Fund	5.5	-0.9
Benchmark	FTSE All World Developed Asia Pacific ex Japan	5.5	-0.8

Source: BlackRock, net of fees.

Trustees' Report

Investment Matters

Defined Benefit Section

Investment manager performance (continued)

BlackRock Bonds		1 year to 31 Mar 2016 (%)	3 years to 31 Mar 2016 (% p.a.)
Fund	Over 15 Year Gilts Fund	4.0	8.6
Benchmark	FTA Over 15 Year Gilt Index	4.0	8.6
Fund	Index Linked Gilts Fund	1.9	5.6
Benchmark	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	1.9	5.6
Fund	Over 10 Year Corporate Bond Fund	-0.9	6.0
Benchmark	iBoxx Sterling Non Gilt Only 10+ Years Index	-0.6	6.4

Source: BlackRock, net of fees.

BlackRock Diversified Growth Fund		1 year to 31 Mar 2016 (%)	3 years to 31 Mar 2016 (% p.a.)
Fund	Dynamic Diversified Growth Fund	-3.7	-
Benchmark	3 Month LIBOR (UK) Total Return Index	0.6	-

Source: BlackRock, net of fees.

Note: BlackRock Diversified Growth Fund has not been invested for a three year period.

Hermes		1 year to 31 Mar 2016 (%)	3 years to 31 Mar 2016 (% p.a.)
Fund	Hermes Property Unit Trust	13.1	15.3
Benchmark	IPD Other Balanced Property Funds Index	11.0	13.3

Trustees' Report

Investment Matters

Defined Contribution Section

Investment options during the year

During the year, the following investment fund choices were available to members:

Asset type	Pre-transition fund options	Post-transition fund options
<ul style="list-style-type: none"> Equity funds 	<ul style="list-style-type: none"> Global Equity Index Fund Japanese Equity Index Fund Pacific Rim Equity Index Fund Active Global Equity (50/50) Fund Active Global Equity (60/40) Fund 	<ul style="list-style-type: none"> Passive Global Equity Fund HSBC Amanah Fund LGIM Global Ethical Equity Index Fund Active Global Equity Fund
<ul style="list-style-type: none"> Bond funds 	<ul style="list-style-type: none"> Aquila Life Over 15 Years UK Gilt Index Fund Over 15 Years Corporate Bond Index Fund 	<ul style="list-style-type: none"> Long Term Inflation Linked fund Short Term Inflation Linked Fund Pre-Retirement Bond Fund
<ul style="list-style-type: none"> Property funds 		<ul style="list-style-type: none"> Property and Infrastructure Fund
<ul style="list-style-type: none"> Diversified growth funds 	<ul style="list-style-type: none"> Diversified Growth Fund 	
<ul style="list-style-type: none"> Multi asset funds 		<ul style="list-style-type: none"> Initial Growth Phase Fund Progressive Growth Phase Fund Bond Phase Fund
<ul style="list-style-type: none"> Cash funds 	<ul style="list-style-type: none"> Aquila Life Cash Fund 	<ul style="list-style-type: none"> Liquidity Fund

As at year end, as an alternative to choosing one or more of the post-transition fund options, members could choose to invest in one of three Lifestyle Strategy options.

Under a Lifestyle Strategy option, both Employer and Employee contributions will be invested in accordance with a specified asset allocation depending on a member's term to selected retirement age, which gradually changes in order to reduce risk for the member in the years leading up to retirement.

Full details of the profiles of the Lifestyle Strategy options and the self-select fund choices are available on the Scheme website www.westpacpensions.co.uk.

Trustees' Report

Investment Matters

Defined Contribution Section

Investment options during the year (continued)

The Trustees have an investment management agreement in place with Hewitt Risk Management Services Limited (HRMSL) that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of HRMSL, via delegation to underlying pooled fund managers, including the direct management of credit and market risk.

The current DC strategy was set following written advice from the Trustees' investment advisers and the Trustees also consulted the employer regarding the change of strategy. The DC investment strategy is set out in the Scheme's DC Statement of Investment Principles (SIP) which is available to members on request and is also on the Scheme website.

Investment manager performance

Changes to the DC investment strategy were carried out during the reporting period. The transition of assets was successfully completed with effect from 23 February 2016.

For members, investment performance will depend on the individual funds selected. During the year, the majority of members were invested in the default option. Pre-transition, the default option was a Lifestyle Strategy comprising investment in the passive Global Equity fund for terms greater than five years from selected retirement age, gradually switching over the remaining five years to a portfolio at retirement age of 75% in the passive Gilt fund and 25% in the Cash fund. Post-transition, the default option comprised a blended growth phase fund, gradually switching to a diversified portfolio including bonds and multi-asset funds in the period from ten years up to retirement.

Global equity markets delivered a return of -1.2% in Sterling terms over the year. This impacted members in the default strategy with more than ten years until retirement who were primarily invested in equities (both pre- and post- transition). Members in the default strategy and within five years of retirement pre-transition held an investment in bond assets, which delivered positive performance. Following the transition, members closer to retirement and invested in the default strategy held a diversified portfolio of assets. The Trustees expect the new default strategy to contribute to better outcomes for members over the long term.

Trustees' Report

Investment Matters

Defined Contribution Section

Investment manager performance (continued)

Performance of the 'pre-transition' fund options is shown in the following table, gross of fees, to 31 January 2016.

Note that performance data is not available for the month of February 2016 as the transition to the new strategy took place mid-month.

'Pre-transition' fund options		Performance to 31 January 2016	
		1yr (%)	3yrs (%)
Passive funds (i.e. objective to track the benchmark)			
Fund	Global Equity Index Fund	-2.36	6.23
Benchmark	50% FTSE All-Share Index 50% Overseas Equities	-2.38	6.18
Fund	Japanese Equity Index Fund	5.11	10.47
Benchmark	FTSE AW Japan Index	5.07	10.44
Fund	Pacific Rim Equity Index Fund	-10.93	-2.45
Benchmark	FTSE AW DEV AsiaPac ex Japan Index	-10.96	-2.44
Fund	Over 15 Years Corporate Bond Index Fund	-7.38	6.93
Benchmark	iBoxx Sterling Non Gilt 15+ Index	-7.38	6.87
Fund	Over 15 Years UK Gilt Index Fund	-2.34	9.50
Benchmark	FTA Over 15 Year Gilt Index	-2.46	9.37
Fund	Cash Fund	0.44	0.41
Benchmark	London Interbank Bid Rate Index	0.36	0.38

Active funds (i.e. objective to outperform the benchmark)			
Fund	Active Global Equity (50/50) Fund	-2.86	7.92
Benchmark	50% FTSE All-Share Index and 50% Overseas Equities	-2.38	6.18
Fund	Active Global Equity (60/40) Fund	-3.26	7.40
Benchmark	60% FTSE All-Share Index 40% Overseas Equities	-2.83	5.74
Fund	Diversified Growth Fund	-3.96	2.77
Benchmark	Bank of England Base Rate Index	0.46	0.42

Source: BlackRock, gross of fees. Note: BlackRock are unable to provide part-period performance, therefore performance is shown to 31 January 2016.

Trustees' Report

Investment Matters

Defined Contribution Section

Investment manager performance (continued)

Over both the 1-year and 3-year periods to 31 January 2016, all of the passive funds achieved their investment objectives by closely tracking the corresponding benchmarks.

The active global equity funds and the active Diversified Growth Fund all underperformed their benchmarks over the year to 31 January 2016, but outperformed over three years.

Performance of the 'post-transition' fund options is available from 1 March 2016 onwards. Fund versus benchmark performance for the one-month period to 31 March 2016 is set out in the table below.

However please note that this limited performance period is considered too short to draw any meaningful conclusions.

The Trustees, with the help of their professional advisers, closely monitor both shorter-term and longer-term performance of all of the DC fund options on a quarterly basis. Scheme members can access details of fund performance via quarterly fund factsheets available on www.westpacpensions.co.uk.

'Post-transition' fund options		Performance to 31 March 2016
		1 month (%)
Passive funds (i.e. objective to track the benchmark)		
Fund	LGIM Global Ethical Equity Index Fund	3.53
Benchmark	FTSE4GOOD Global Gross TR Index in GBP	3.59
Fund	HSBC Amanah Fund	3.00
Benchmark	Dow Jones Islamic Index in GBP	3.06
Fund	Aon Managed Long Term Inflation Linked fund	1.08
Benchmark	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	1.07
Fund	Aon Managed Short Term Inflation Linked Fund	0.14
Benchmark	FTSE Actuaries UK Index Linked Gilts up to 5 Years Index	0.14
Fund	Aon Managed Pre-Retirement Bond Fund	2.02
Benchmark	LGIM Pre Retirement Benchmark	2.08
Fund	Aon Managed Liquidity Fund	0.03
Benchmark	BofA ML 7 Day Sterling LIBID	0.03

Trustees' Report

Investment Matters

Defined Contribution Section

Investment manager performance (continued)

'Post-transition' fund options		Performance to 31 March 2016
		1 month (%)
Active funds (i.e. objective to outperform the benchmark)		
Fund	Aon Managed Initial Growth Phase Fund	4.07
Benchmark	Composite Benchmark	4.24
Fund	Aon Managed Bond Phased Fund	1.77
Benchmark	Composite benchmark	1.03
Fund	Aon Managed Progressive Growth Phase Fund	0.42
Benchmark	3 Month Sterling Libor (Daily Average)	0.05
Fund	Aon Managed Global Equity Fund	3.98
Benchmark	MSCI All Country World Net GBP Index	4.15
Fund	Aon Managed Active Global Equity Fund	2.82
Benchmark	MSCI World NET TR in GBP Index	3.54
Fund	Aon Managed Property and Infrastructure Fund	4.91
Benchmark	Composite Benchmark	5.06

Source: HRMSL, net of fees. Note: Part-period performance is not available therefore performance is shown from 1 March 2016 until 31 March 2016.

Advice

Under the Financial Services and Markets Act 2000, the Trustees, and their advisers and administrators, are not able to give members financial advice as to which of the investment options to choose.

Before making a choice, members can review the Trustees' interactive investment guide (on www.westpacpensions.co.uk) which sets out full details, including descriptions of the funds and potential risks. As additional support, in the lead-up to the February 2016 strategy changes, the Trustees also conducted member workshop sessions and provided a follow-up Q&A summary.

Members who are not sure about their options may wish to speak to an independent financial adviser. If they do not already use a financial adviser, they can contact Unbiased Ltd (www.unbiased.co.uk) who will provide details of an independent financial adviser local to the member.

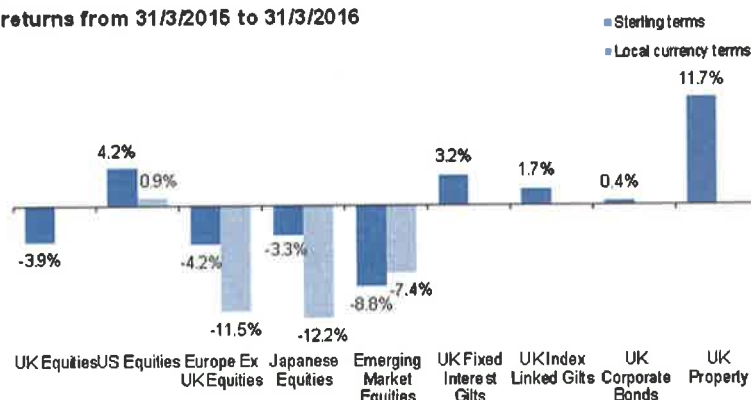
Trustees' Report

Investment Matters

Scheme Market Commentary: 12 months to 31 March 2016

Index returns to 31 March 2016

Index returns from 31/3/2015 to 31/3/2016



Source: Datastream/APD

UK and Global Equities

Over the year, the MSCI All Country World Index returned -4.9% in local currency terms and -1.2% in sterling terms as sterling weakened broadly in the second half of the period over Brexit fears. Equities experienced especially violent falls in August, triggered by an unexpected managed devaluation of the Chinese Renminbi, and in January, over global growth worries.

The Scheme's equity holding is a mix of passive UK and Global Equities. The passive holdings performed broadly in the line with their corresponding benchmarks over the one year and three year periods to 31 March 2016.

Diversified Growth Fund

The main objective of the Scheme's diversified growth funds investment is to produce "equity-like" returns with lower volatility by constructing a portfolio of assets not dependent on a single source of return.

The Scheme's diversified growth fund manager, BlackRock, was appointed in April 2014 and performance has been below target over the last 12 months.

UK Government Bonds

UK fixed interest gilts provided a positive return over the year. UK gilt yields fell over the twelve months to March 2016, with yields at some maturities falling to record lows. The Fed's first interest rate rise in almost a decade finally took place in December, but concern over growth in the US and the rest of the world prevented yields from rising higher.

Long dated fixed interest gilt returns were the highest, outperforming short and medium term maturities. The same occurred for index-linked gilts. Index-linked gilts underperformed fixed gilts at all maturities as index-linked yields fell by less at long maturities and actually rose marginally at medium maturities.

The Scheme's active gilt holdings performed in line with its benchmark for one and three year periods to 31 March 2016.

Trustees' Report

Investment Matters

Scheme Market Commentary: 12 months to 31 March 2016 (continued)

UK Corporate Bonds

UK corporate bond spreads over government bonds widened by 0.46% over the period as the increase in risk aversion and falling oil prices had an impact.

The Scheme's corporate bonds underperformed compared to its benchmark returning -0.9% and 6.0% over the one year and three year periods to 31 March 2016 respectively.

UK Property

UK property returns were strong, with the IPD Monthly Index rising 11.7% over the year. Whilst this is still a strong return, momentum in UK property returns is slowing.

The Scheme's property holding with Hermes returned 13.1% over the 12 months which outperformed its benchmark by 2.0%. Outperformance continues to be driven by the Trusts holdings in West End and City Offices, Rest of UK Offices and Industrial assets which all continue to be the strongest performing property sectors.

Investment risk disclosures

Investment risks are disclosed in note 17 on pages 52 to 56.

Trustees' Report

Compliance Matters

The purpose of this Compliance Statement is to disclose some additional information required by law but which is not considered to be of such significance to members that it requires the more prominent disclosure afforded by inclusion in the Trustees' Report.

Calculation of Transfer Payments

A cash equivalent is the amount which a pension scheme member is entitled, under social security legislation, to have applied as a transfer payment to another permitted pension scheme or buy-out policy. At no time during the year was the Scheme unable to offer cash equivalents as transfer payments.

Scheme Advisers

There are written agreements in place between the Trustees and each of the Scheme's advisers listed on page 2 of this report.

Internal Dispute Resolution Procedure

Under the Pensions Act 1995, the Scheme is required to put in place and maintain an Internal Dispute Resolution Procedure (IDRP) to deal with members' disputes. Although we always try to resolve disputes informally and swiftly, an IDRP has been put in place and a copy is available from the Trustees. In the first instance, complaints should be sent to the following address:

Capita Employee Benefits Limited
Radio House
Thanet Way
Whitstable
Kent CT5 3QP

If a member is dissatisfied with this response, they will be entitled to refer the matter to the Trustees within six months of receiving it. The Trustees will then reply directly to the member.

A member may at any stage refer your complaint to TPAS. If you are unhappy with the Trustees' response to your complaint you may at this stage, but not before, contact the Pensions Ombudsman.

Trustees' Report

Compliance Matters

Data Protection

The Administrator has registered under the Data Protection Act to hold information necessary for the management of the pension scheme.

Nomination under the Act is a statutory requirement and as such the Trustees have both a legal obligation and legitimate interest to process data relating to you for the purpose of administering and operating the Scheme and paying benefits under it. This may include passing data about you to the Actuary, Administrator and other such third parties as may be necessary for the administration and operation of the Scheme.

The Trustees fully support the principles of data protection, which include amongst other things that data must be fairly and lawfully processed, secure, accurate and not excessive.

The Scheme holds personal data e.g. name, address, salary etc, in respect of each member, which is used for the purpose of administering the Scheme and calculating members' benefits.

Members are entitled to see any data that is held about them unless in providing this data other parties' data is disclosed. However, a charge may be made for the cost of supplying this information.

Trustees' Report

Member's Information

Members can obtain information about their own pension benefits or further information about the Scheme from Capita Employee Benefits Limited. Copies of the Scheme's documentation are available for reference at the same address (or for retention at a small charge).

Pension Tracing Service

The Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and Trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pension Tracing Service

The Pension Service

Tyneview Park

Whitley Road

Newcastle Upon Tyne NE98 1BA

Telephone: 0845 6002 537

Or can be accessed online at: www.direct.gov.uk

The Pensions Advisory Service (TPAS)

Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Office of The Pensions Advisory Service (TPAS). A local TPAS adviser can usually be contacted through a Citizens Advice Bureau. Alternatively TPAS can be contacted at:

The Pensions Advisory Service

11 Belgrave Road

London SW1V 1RB

Telephone: 0845 601 2923

Or enquiries can be emailed via their web site at: www.pensionsadvisoryservice.org.uk

Trustees' Report

Member's Information

Pensions Ombudsman

If TPAS is unable to resolve your complaint, you may be able to seek the help of the Pensions Ombudsman. The Ombudsman has powers to investigate and resolve any complaints or disputes of fact or law in relation to the Scheme in accordance with the Pension Schemes Act 1993. The contact details for the Pensions Ombudsman are shown below:

The Office of the Pensions Ombudsman
11 Belgrave Road
London SW1V 1RB

Telephone: 020 7630 2200

The Pensions Ombudsman can be contacted online at: www.pensions-ombudsman.org.uk or you can email your enquiry to: enquiries@pensions-ombudsman.org.uk.

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of Schemes where Trustees, Employers or Professional Advisers have failed in their duties. The address is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton BD1 4DW

Telephone: 0870 606 3636

The Pensions Regulator can be contacted online at: www.thepensionsregulator.gov.uk or you can email your enquiry at: customersupport@tpr.gov.uk.

Trustees' Report

DC Governance Statement

Annual Chair's Statement for the Westpac Banking Corporation UK Staff Superannuation Scheme (the "Scheme")

Introduction

From 6 April 2015, new minimum governance standards apply to all trust-based Defined Contribution (DC) schemes, such as the Scheme.

The new requirements include ensuring that schemes:

- Meet the new governance standards;
- Explain how they have done so in an annual statement (i.e. this "Chair's Statement");
- Have an appointed Chair who signs the annual statement; and
- Are compliant with the new charge controls where they are being used by employers to comply with their duties under automatic enrolment legislation.

This is the first Chair's Statement issued by the Scheme and covers the period from 6 April 2015 to 5 April 2016.

This statement covers governance and charge disclosures in relation to the following:

- The default arrangement;
- Member borne charges and transaction costs, including Value for Members;
- Processing of core financial transactions; and
- Trustees knowledge and understanding.

1. The Default Arrangement

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default arrangement. The default arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default investment arrangement.

An investment strategy review is undertaken for the Scheme at least every three years. The last investment strategy review for the Scheme was completed in 2014 and included an assessment of the suitability of the default arrangement in light of new regulations governing the ways in which members can access their benefits at retirement. This assessment took into account an analysis of the membership profile and expected fund values at retirement.

Following the review, the Trustees implemented a range of investment strategy changes, including a new default arrangement, additional lifestyle strategies and an updated range of self-select investment options.

The Trustees selected the drawdown lifestyle as the default arrangement. The aim of the default arrangement is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

Trustees' Report

DC Governance Statement

The asset allocation throughout the default arrangement and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

The latest Statement of Investment Principles (SIP) for the Scheme, which governs decisions about investments in the Scheme, including the specific requirements of the default strategy together with the details of how the drawdown lifestyle strategy is currently invested, is included in the appendix of the annual report and financial statements.

It is the Trustees' policy to review the Scheme's investment strategy, including the default strategy, and all fund options on a regular basis. Performance of the funds underlying the default strategy of the Scheme is monitored on a quarterly basis and reported in the Scheme's quarterly monitoring report.

2. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- Investment of contributions to the Scheme;
- Transfer of member assets into and out of the Scheme;
- Transfers between different investments within the Scheme; and
- Payments to and in respect of members.

Westpac Banking Corporation ("the Company") is responsible for ensuring that contributions are paid to the Scheme promptly and the timing of those payments is monitored quarterly through reports submitted by the Scheme's administrator, Capita Employee Benefits Ltd ("Capita").

Capita carry out all core financial transactions. To enable the Trustees to monitor the processing of core financial transactions, the Trustees receive quarterly reports from Capita on key aspects of the administration of the Scheme.

To supplement the monitoring provided by the quarterly administration reports, discussions by the Trustees on financial transactions are documented in the Trustees' meeting minutes and core Scheme financial transactions are included in the Risk Register.

Overall the Trustees are satisfied that there are processes in place to ensure that all core financial transactions for the DC arrangements are processed in an accurate and timely manner.

Trustees' Report

DC Governance Statement

3. Member Borne Charges and Transaction costs

The Trustees are required to assess the costs associated with the Scheme, which are paid by the members. These costs are made up of charges and transaction costs.

Charges are comprised of the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund) as well as additional expenses. Together these are known as the Total Expense Ratio (TER), which is the total cost of investing in the fund.

Transaction costs are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund.

The Trustees requested transaction cost data from all investment managers in respect of funds in which members were invested in during the scheme year.

The Trustees have not been provided with transaction costs information. This is due to the managers not publishing this information in the absence of an industry reporting standard. The Trustees' advisers have identified that this is a commonplace response from providers at this time.

The Trustees, along with their investment advisors, will seek to obtain this information in the future.

The TERs that were applicable to the Scheme's default arrangement ranged from 0.1% p.a. to 0.2% p.a. (pre transition) and 0.3% to 0.4% (post transition) of assets under management, depending on the combination of funds relating to each member's term to retirement age. Importantly, this range is within the charge cap set by the regulations of 0.75% p.a.

In addition to the default arrangement post transition, the Trustees also made available two other lifestyle strategy options, and ten alternative self-select funds, which may be chosen as an alternative to the default arrangement. From the self-select funds available, pre transition only one fund had a TER above 0.75% p.a. (Diversified Growth Fund – TER 0.76% p.a.), post transition two funds have a TER above 0.75% p.a. (Aon Managed Progressive Growth Phase Fund and Aon Managed Active Global Equity Fund have TERs of 0.88% p.a. and 0.87% p.a. respectively).

The Trustees carried out a transition of assets in February 2016 to implement the new investment arrangements. The Scheme's investment advisers reviewed the transition process and concluded that the transition was successfully managed and costs were in line with expectations.

In addition to the requirement to assess the charges paid by members, the Trustees are also required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustees body to develop their own assessment framework.

Trustees' Report

DC Governance Statement

The Trustees, in consultation with their advisers, have established an assessment framework in order to assess whether the charges and transaction costs paid by members represent Value for Members. The Trustees have identified the following areas where they believe there is a benefit derived by members. These benefits can be financial or non-financial in nature.

- Member communications and engagement (including support at retirement);
- Investment options;
- Flexible contribution options;
- Sound administration;
- Benefits at retirement (specifically, processes that help members to make decisions at retirement); and
- The time spent by the Trustees in making sure that the Scheme is run in the interests of its members overall (referred to as 'governance').

The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes, where possible.

Under the Trustees' assessment framework, for each of the key areas, the Scheme received a positive 'green' rating. As a result, the Trustees have concluded that the Scheme delivers Value for Members.

4. Trustees' Knowledge and Understanding

Legislation requires the Trustees to have appropriate knowledge and understanding to run the Scheme effectively. The Trustees recognise the importance of training and development and have put in place arrangements for ensuring that each Trustee takes personal responsibility for keeping up-to-date with relevant developments and each carries out a self-assessment of training needs.

In addition to the skills within the Trustees' Board, the Trustees work closely with their appointed professional advisers throughout the year to ensure the proper running of the Scheme.

Currently (in 2015-2016) there are seven Trustees, three of whom are nominated by the Company. The remaining four are nominated by members, fulfilling the legal requirement that at least one-third of a pension scheme's trustee directors should be member-nominated.

Taking into consideration the training activities completed by the Trustees together with the professional advice available, the Trustees consider that it has met the Pensions Regulator's requirements for trustees to have knowledge and understanding during the Scheme year and is confident that the combined knowledge and understanding of the Trustees' Board enables it to properly exercise its functions.

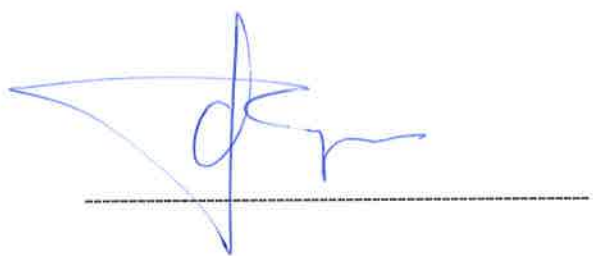
Trustees' Report

DC Governance Statement

Conclusion

Overall, the Trustees are confident that all requirements of the legislation as they apply have been met, and in many areas exceeded.

Signed on behalf of the Trustees of the Westpac Banking Corporation UK Staff Superannuation Scheme.



Chairman of the Trustees

Date of signing 3/11/16

Trustees' Report

Statement of Trustees' Responsibilities

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

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

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

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

The Trustees are responsible under pension's 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 Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by law to consider making reports to the Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustees' Report

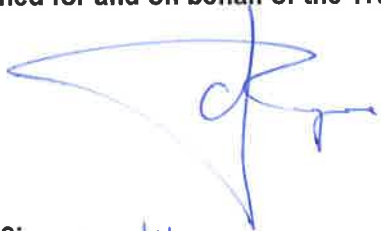
Contact for Further Information

Any enquiries about the Scheme, including requests from individuals for information about their benefits, should be sent in the first instance to:

Capita Employee Benefits Limited
Radio House
Thanet Way
Whitstable
Kent CT5 3QP

Email: westpac@capita.co.uk

Signed for and on behalf of the Trustees

A handwritten signature in blue ink, consisting of a large, stylized 'C' followed by a vertical line and a horizontal stroke.

Date: 3/11/16

Report of Actuarial Liabilities (forming part of the Trustees' Report)

The funding target the Trustees agree for the Scheme meets the requirements of the Pensions Act 2004 and is called the 'technical provisions'. It aims to produce a prudent reserve of money to hold against the Scheme's future funding needs. The Trustees have discussed a funding plan with the Bank and they have accepted the target and agreed to make the contributions. The Scheme relies on the Bank and its financial support to:

- pay the future expenses of running the Scheme each year;
- pay the cost of members building up benefits (after allowing for their own contributions);
- make extra contributions when there is a funding shortfall; and
- put in more money if the target set for funding the Scheme turns out to be too low.

The actuarial valuation as at 5 April 2015 has been finalised and the update on the financial position of the Scheme is provided below.

This means that to cover expenses, new benefits and to address the shortfall, the Bank agreed to pay monthly contributions to the Defined Benefit Section of the Scheme as follows:

- £4.27 million each year to 31 December 2016; followed by
- £1.05 million each year between 1 January 2017 and 30 November 2019,
- £0.30 million each year from 1 December 2019

The Bank also pays contributions to the Defined Contribution Section.

As part of the valuation, the actuary must also look at the Scheme's solvency if it started to wind up (come to an end). Assessing the position on this basis is a statutory requirement for pension schemes, and does not mean that the Bank is thinking of ending the Scheme.

The actuary looked at whether the Scheme had enough money at the valuation date to buy insurance policies to provide members' benefits. Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and their policy prices will include administration charges and a profit margin. This means that even if a scheme is fully funded on the ongoing basis, the solvency figure is likely to be much less than 100%.

If the Scheme had started winding up at 5 April 2012, the actuary estimates the amount the Scheme needed to ensure benefits were paid in full (the full solvency position) was, about £37 million higher than the assets held by the Scheme. By 5 April 2015, the estimated shortfall was about £20 million.

Report of Actuarial Liabilities (forming part of the Trustees' Report) continued

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 5th April 2015. This showed that on that date:

The value of the Technical Provisions was:	£143.8 million
The value of the assets at that date was:	£148.3 million
Past service surplus	£4.5 million
Funding level	103%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

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

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the swap yield curve at the valuation date plus an addition of 1.75% per annum for 10 years falling to the swap yield curve plus 0.25% per annum thereafter.

Future Retail Price inflation: term dependent rates derived from the swap Retail Prices Index curve at the valuation date.

Future Consumer Price inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.75% per annum.

Pension increases: derived from the term dependent rates for future price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules to approximately reflect the cost of hedging these increases using LPI-linked swaps.

Mortality: for the period in retirement, standard base tables S2PMA_L with a scaling factor of 100% for male members and 113% for male dependants and S2PFA_L with a scaling factor of 98% for female members and 88% for female dependants. Mortality improvements applied to the base tables based on the CMI 2014 core projections with a long-term rate of improvement of 1.50% per annum.

Actuary's Certification of the Schedule of Contributions

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: **Westpac Banking Corporation UK Staff Superannuation Scheme**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 5 April 2016 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 5 July 2016.

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 wound up.

Signature



Date

5 July 2016

Name

Jonathan Ford

Qualification:

Fellow of the Institute and
Faculty of Actuaries

Address

The Aon Centre
122 Leadenhall Street
London
EC3V 4AN

Name of Employer

Aon Hewitt Limited

Independent Auditor's Report

We have audited the financial statements of Westpac Banking Corporation UK Staff Superannuation Scheme for the year ended 5 April 2016 which comprise the Fund Account, the Statement of Net Assets and the related notes set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and Auditors

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

Scope of the audit of the financial statements

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

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

Independent Auditor's Report

Opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

London

Date: *3 November 2016*

Independent Auditor's Statement about Contributions

We have examined the Summary of Contributions payable to the Westpac Banking Corporation UK Staff Superannuation Scheme, for the Scheme year ended 5 April 2016 which is set out on page 7.

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

Respective responsibilities of Trustees and Auditors

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

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

Scope of work on statement of contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions and to report our opinion to you. 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 5 April 2016 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 5 April 2016.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor
London

Date: *3 November 2016*

Fund Account

		Defined benefit section 2016 £	Defined contribution section 2016 £	Total 2016 £	Total 2015 £
Contributions and benefits					
Employer contributions		4,301,134	1,329,078	5,630,212	5,376,726
Employee contributions		2,962	525,004	527,966	349,704
Total contributions	4	4,304,096	1,854,082	6,158,178	5,726,430
Transfers in - individual	5	-	39,495	39,495	21,131
		4,304,096	1,893,577	6,197,673	5,747,561
Benefits paid or payable	6	(5,388,068)	-	(5,388,068)	(5,018,290)
Payment to and on account of leavers	7	(1,029,488)	(2,154,200)	(3,183,688)	(620,971)
Administration expenses	8	(460,724)	-	(460,724)	(294,822)
		(6,878,280)	(2,154,200)	(9,032,480)	(5,934,083)
Net withdrawals from dealings with Members		(2,574,184)	(260,623)	(2,834,807)	(186,522)
Returns on investments					
Investment income	9	3,597,115	9,391	3,606,506	3,427,802
Change in market value of investments	10	(1,962,637)	(988,088)	(2,950,725)	24,229,694
Investment management expenses	11	(202,292)	-	(202,292)	(171,423)
Net returns on investments		1,432,186	(978,697)	453,489	27,486,073
Net increase/(decrease) in the fund during the year		(1,141,998)	(1,239,320)	(2,381,318)	27,299,551
Transfer between sections	5	710,097	(710,097)	-	-
Net assets of the Scheme at start of year		148,591,340	26,251,966	174,843,306	147,543,755
Net assets of the Scheme at end of year		148,159,439	24,302,549	172,461,988	174,843,306

The accompanying notes on pages 39 to 57 are an integral part of these financial statements.

Statement of Net Assets available for Benefits

	Note	Defined benefit section 2016 £	Defined contribution section 2016 £	Total 2016 £	Total 2015 £
Investment assets:	10				
Pooled investment vehicles	13	147,381,464	24,281,771	171,663,235	173,989,100
AVC investments		151,507	-	151,507	280,310
Cash		-	3	3	7,980
Other investment balances		768,827	23,791	792,618	782,228
		148,301,798	24,305,565	172,607,363	175,059,618
Total net investments		148,301,798	24,305,565	172,607,363	175,059,618
Current assets	19	426,114	2,982	429,096	408,997
Current liabilities	20	(568,473)	(5,998)	(574,471)	(625,309)
Net assets of the Scheme at end of year		148,159,439	24,302,549	172,461,988	174,843,306

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report on Scheme Liabilities on page 31 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 39 to 57 form an integral part of these financial statements.

Signed for and on behalf of the Trustees



Date:

3/11/16

Notes to the Financial Statements

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 and the Amendments to FRS 102 – Fair Value Hierarchy Disclosures (March 2016) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised November 2014).

The Scheme has adopted in these financial statements, earlier than required, the amendments to the basis of the valuation hierarchy in FRS 102 that will be applicable for periods beginning on or after 1 January 2017.

2. Transition to FRS 102

Annuity policies were previously included in the Statement of Net Assets at nil value as permitted by the Audited Accounts Regulations and the previous SORP. Under FRS 102 annuity policies are reported at the value of the related obligation to pay future benefits funded by the annuity policy.

In the opinion of the Trustees, the valuation of the annuity policies, held in the name of the Trustees, are not considered material to the value of the Net Assets of the Fund. Therefore the policies have continued to be included at nil value.

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employee contributions, including AVCs, are accounted for by the Trustees when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer in which case it is accounted for when received by the Scheme.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustees.

Notes to the Financial Statements

3. Accounting policies (continued)

Payments to members

Benefits are accounted for in the period in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or, discharged which is normally when the transfer amount is paid or received.

Expenses

Expenses are accounted for on an accruals basis

Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Income distributed from pooled investment vehicles is accounted for on an accruals basis, by reference to the distribution due date. Income from pooled investment vehicles which is not distributed is reinvested and is included in the change in market value of such funds.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Investments

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

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

The Additional Voluntary Contribution (AVC) funds are shown as the total of the AVC provider's records and are valued by the AVC company at the year end.

Annuities purchased by the Trustees, which fully provide the benefits for certain members, are included in these accounts at nil value. The cost of purchasing these annuities, where applicable, is reported within the Fund Account under benefits payable and the income received is shown as part of investment income.

Presentation currency

The Scheme functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Notes to the Financial Statements

4. Contributions

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Employer contributions			
Normal	410,000	1,329,078	1,739,078
Deficit funding	3,860,000	-	3,860,000
Augmentations	31,134	-	31,134
Employee contributions			
Normal	2,962	268,992	271,954
AVCs	-	256,012	256,012
	4,304,096	1,854,082	6,158,178
	2015 £	2015 £	2015 £
Employer contributions			
Normal	160,000	1,106,726	1,266,726
Deficit funding	3,860,000	-	3,860,000
Administration charge	250,000	-	250,000
Employee contributions			
Normal	5,574	227,212	232,786
AVCs	-	116,918	116,918
	4,275,574	1,450,856	5,726,430

The Schedule of Contribution, in force during the year, was signed on the 5 April 2016 in accordance with the recovery plan. As per this schedule Deficit funding contributions are payable at the rate of £3,860,000 per year payable in equal monthly instalments over the period to 5 April 2016, £4,020,000 per annum over the period from 5 April 2016 to 31 December 2016, and £1,840,000 per annum over the period from 1 January 2017 to 30 November 2019.

Included within Employer normal contribution is £118,648 (2015: £99,955) relating to contributions towards expenses and death in service pension.

Additional Voluntary Contributions (AVCs) are generally invested in the Defined Contribution Section of the Scheme or with Equitable Life. There is also an option under the Defined Benefit scale of benefits to pay AVCs to the fund to secure additional periods of pensionable service.

Notes to the Financial Statements

Contributions (continued)

In accordance with the recovery plan dated 30 January 2013 the Employer will pay £250,000 per year in respect of administrative expenses in equal monthly instalments over the period to 30 November 2019.

5. Transfers in

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Individual transfers in from other schemes	-	39,495	39,495
	2015 £	2015 £	2015 £
Individual transfers in from other schemes	-	21,131	21,131

Expenses relating to the Scheme's death in service benefits and expenses are paid for out of the Defined Benefit section. In order to meet this liability, a transfer of £118,648 (2015: £122,264) was made from the Defined Contribution section. This is made up of contributions towards expenses and refunds of employer contributions when members leave, which are not allocated to members and which the Trustees have agreed can be transferred to the DB sections and is allowed under the rules. During the year a total of £710,097 (2015: £142,942) was transferred from the Defined Contribution section to the Defined Benefit section.

Notes to the Financial Statements

6. Benefits paid or payable

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Pensions payable	4,590,583	-	4,590,583
Commutations and lump sums on retirement	764,360	-	764,360
Lump sum death benefits	1,991	-	1,991
Income Draw Down Lump Sum	31,134	-	31,134
	5,388,068	-	5,388,068
	2015 £	2015 £	2015 £
Pensions payable	4,552,665	-	4,552,665
Commutations and lump sums on retirement	452,096	-	452,096
Lump sum death benefits	13,529	-	13,529
	5,018,290	-	5,018,290

7. Payments to and on account of leavers

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Individual transfers to other schemes	1,019,596	2,159,559	3,179,155
Refunds Statutory Sick Pay	1,591	699	2,290
Refunds to members leaving service	8,301	(6,058)	2,243
	1,029,488	2,154,200	3,183,688
	2015 £	2015 £	2015 £
Individual transfers to other schemes	514,289	100,455	614,744
Refunds to members leaving service	6,227	-	6,227
	520,516	100,455	620,971

Notes to the Financial Statements

8. Administration expenses

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Audit fees	12,000	-	12,000
Actuarial fees	330,915	-	330,915
Legal fees	50,221	-	50,221
Trustees fees	1,343	-	1,343
Administration	66,245	-	66,245
	460,724	-	460,724
	2015 £	2015 £	2015 £
Audit fees	11,995	-	11,995
Actuarial fees	199,150	-	199,150
Legal fees	21,221	-	21,221
Trustees fees	1,668	-	1,668
Pension Protection Fund	7,926	-	7,926
Administration	52,723	-	52,723
Other	139	-	139
	294,822	-	294,822

Notes to the Financial Statements

9. Investment income

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Pooled investment vehicle income	3,556,264	9,347	3,565,611
Cash deposits income	689	-	689
Annuity income	40,162	-	40,162
Other income	-	44	44
	<u>3,597,115</u>	<u>9,391</u>	<u>3,606,506</u>
	2015 £	2015 £	2015 £
Pooled investment vehicle income	3,388,343	-	3,388,343
Cash deposits income	408	-	408
Annuity income	38,998	-	38,998
Other income	-	53	53
	<u>3,427,749</u>	<u>53</u>	<u>3,427,802</u>

Notes to the Financial Statements

10. Reconciliation of investments held at the beginning and end of the year

Defined Benefit Section Pooled Investment Vehicles	Value at 1 April 2015 £	Purchases at cost & derivative payments £	Sales proceeds & derivative receipts £	Change in market value £	Value at 31 March 2016 £
BlackRock – Fixed income	97,464,865	4,849,525	(4,808,991)	(1,630,873)	95,874,526
BlackRock – Equities	22,352,645	3,925,115	(2,702,320)	(866,628)	22,708,812
BlackRock – Diversified Growth	14,924,038	-	(210,968)	(588,667)	14,124,403
Hermes – Property unit trust	13,001,382	550,313	-	1,122,028	14,673,723
	147,742,930	9,324,953	(7,722,279)	(1,964,140)	147,381,464
Equitable Life (AVCs)	280,310	-	(130,306)	1,503	151,507
	148,023,240	9,324,953	(7,852,585)	(1,962,637)	147,532,971
Cash deposits and other investment assets	782,228				768,827
	148,805,468				148,301,798

At 5 April 2016, £81,204,527 invested in the BlackRock Index Linked fund and the BlackRock Over 15 Years funds were moved to a transition portfolio as part of a review in the investment strategy. These are currently disclosed in pooled investment vehicles.

Defined Contribution Section Pooled Investment Vehicles	Value at 1 April 2015 £	Purchases at cost & derivative payments £	Sales proceeds & derivative receipts £	Change in market value £	Value at 31 March 2016 £
BlackRock (DC Portfolio)	26,246,170	25,992,935	(26,969,246)	(988,088)	24,281,771
Cash deposits and other investment assets	7,980				3
	26,254,150				24,281,774
Cash in transit	-				23,791
	26,254,150				24,305,565
Total investments					
Defined Benefit assets	148,805,468				148,301,798
Defined Contribution assets	26,254,150				24,305,565
Total investments assets	175,059,618				172,607,363
Net total investments	175,059,618				172,607,363

Notes to the Financial Statements

10. Reconciliation of investments held at the beginning and end of the year (continued)

All the above Defined Contribution investments are allocated to members. Defined Contribution assets are allocated to provide benefits to individuals on whose behalf contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustees. The Scheme administrator allocates investment units to members. They do not form part of a common pool of assets available to members generally. The Trustees may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting. Members receive an annual statement confirming contributions paid on their behalf and the value of their Defined Contribution rights.

During the year, following a review of the Defined Contribution Investments strategy, £23,824,436 was disinvested in cash from pooled funds held with BlackRock and invested with BlackRock funds managed by Aon Hewitt.

Included within the Defined Contribution Investments, there are the following amounts invested as AVCs:-

	Value at 1 April 2015 £	Purchases at cost & derivative payments £	Sales proceeds & derivative receipts £	Change in market value £	Value at 31 March 2016 £
BlackRock (DC Portfolio)					
Pooled investment vehicles	1,531,534	256,012	(25,475)	(206,521)	1,555,550

Cash deposits and other investment assets

	2016 £	2015 £
Defined Benefit Section		
Accrued income	768,827	782,228
Cash in transit	23,791	-
	<u>792,618</u>	<u>-</u>
	2016 £	2015 £
Defined Contribution Section		
Cash Deposits	<u>3</u>	<u>7,980</u>

Notes to the Financial Statements

10. Reconciliation of investments held at the beginning and end of the year (continued)

At 5 April 2016 the Scheme had the following investments (already included in the totals above) which accounted for more than 5% of the Scheme's net assets at market value: -

	Value (£)	% of Fund
Defined Benefit Funds		
BlackRock – Aquila UK Equity	8,951,260	5.2
BlackRock – Corp Bond 10 year	14,659,701	8.5
BlackRock – Diversified Growth	14,124,403	8.2
Hermes – Property Unit Trust	14,673,723	8.5

Transaction costs

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. There were no direct transaction costs.

11. Investment management expenses

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Administration, management and custody	202,292	-	202,292
	2015 £	2015 £	2015 £
Administration, management and custody	171,423	-	171,423

12. Taxation

The Scheme 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. The tax charge in the Fund Account represents irrecoverable withholding taxes arising on overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

Notes to the Financial Statements

13. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2016 £	2015 £
Defined Benefit Section		
Growth portfolio		
Equity funds	22,708,812	22,352,645
Diversified Growth fund ¹	14,124,403	14,924,038
Matching portfolio		
Bonds funds	95,864,223	97,454,857
Cash funds	10,303	10,008
Property portfolio		
Property funds	14,673,723	13,001,382
	147,381,464	147,742,930
	2016 £	2015 £
Defined Contribution Section		
Equity funds	3,546,019	23,540,010
Bonds funds	1,027,479	1,112,505
Property funds	105,946	-
Cash funds	796,824	726,432
Multi Asset Funds ²	18,805,503	867,223
	24,281,771	26,246,170

¹ This fund invests primarily in equities, bonds, alternatives and cash

² Multi asset funds are blended funds which invest in a variety of underlying investment funds, including (but not limited to) equity funds, property funds, diversified growth funds, bond funds and cash funds

Notes to the Financial Statements

14. Insurance policies

The Fund receives annuity income from Canada Life in respect of legacy annuity policies for two individuals. In the opinion of the Trustees, a valuation of these policies is not material to the value of the Net Assets of the Fund. Therefore the policies have been included in the financial statements at nil value.

15. AVC investments

The Trustees hold assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a Defined Contribution basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 5 April 2016 confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2016 £	2015 £
Equitable Life – with profits funds	100,334	225,895
Equitable Life – unit linked funds	51,173	54,415
	151,507	280,310

Notes to the Financial Statements

16. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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

As at 31 March 2016	Level (1) £	Level (2) £	Level (3) £	Total £
Defined Benefit Section				
Pooled investment vehicles		132,707,741	14,673,723	147,381,464
AVC investments	-	51,173	100,334	151,507
Other investment balances	-	607,468	161,359	768,827
	-	133,366,382	14,935,416	148,301,798
Defined Contribution Section				
Pooled investment vehicles	-	24,281,771	-	24,281,771
Cash	3	-	-	3
	3	157,648,153	14,935,416	172,583,572

Notes to the Financial Statements

16. Fair value determination (continued)

As at 31 March 2015	Level (1) £	Level (2) £	Level (3) £	Total £
Defined Benefit Section				
Pooled investment vehicles	-	134,741,348	13,001,582	147,742,930
AVC investments	-	54,415	225,895	280,310
Other investment balances	-	665,271	116,957	782,228
	-	135,461,034	13,344,434	148,805,468
Defined Contribution Section				
Pooled investment vehicles	-	26,246,170	-	26,246,170
Cash	7,980	-	-	7,980
	7,980	161,707,204	13,344,434	175,059,618

17. Investment risk disclosures

Information on the Trustee's approach to risk management, market and credit risk is set out in this note. Under accounting standards market risk includes currency risk, interest rate risk and other price risk.

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises of currency risk, interest rate risk and other price risk.
 - Currency risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
 - Interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to market interest rates.
 - Other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

The Trustees determines its investment strategy after taking advice from its professional investment adviser. The Scheme has exposure to these risks through the investments it makes. The Trustees manage investment risks and takes them into account when setting strategic investment objectives. The Trustees have selected appropriate pooled investment vehicles that meet the investment strategy.

Defined benefit section

The following table provides a qualitative assessment on the extent to which the various pooled fund investments are indirectly affected by financial risks (looking through to the underlying pooled fund holdings):

	Credit risk	Market risk			2016	2015
		Currency	Interest rate	Other price	£	£
BlackRock UK Equities fund	○	○	○	●	8,951,260	10,966,877
BlackRock - Europe Equities fund	○	●	○	●	3,727,412	3,843,669
BlackRock - US Equities fund	○	●	○	●	3,948,779	3,796,092
BlackRock - Japan Equities fund	○	●	○	●	1,748,729	2,001,853
BlackRock - Pacific Rim Equities fund	○	●	○	●	1,968,312	1,744,154
BlackRock – Emerging Markets Equities fund	○	●	○	●	2,364,320	-
BlackRock - Dynamic Diversified Growth fund	○	●	○	○	14,124,403	14,924,038
BlackRock - Over 15 Year Gilts fund	○	○	●	○	44,175,418	45,013,552
BlackRock - Index Linked Gilts fund	○	○	●	○	37,029,104	38,357,737
BlackRock - Over 10 Year Corporate Bond fund	●	○	●	○	14,659,701	14,083,568
BlackRock - Liquidity fund	●	○	●	○	10,303	10,008
Hermes - UK Property fund	○	○	○	●	14,673,723	13,001,382
					147,381,464	147,742,930

Note: The risk noted affects the asset class [●] significantly, [○] partially or [○] hardly / not at all.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Credit risk

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to its ownership stake in these pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on the bonds and cash held by the pooled investment vehicles. Investments held in pooled investment vehicles are unrated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment manager, the regulatory environments in which the investment managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees rely on advice from their investment consultant pertaining to the operational strength of all existing and new pooled investment managers and on an on-going basis monitors any changes to the regulatory and operating environment of the pooled manager. Investments totalling £147,381,464 (2015: £147,742,930) are held in open ended investment companies.

Indirect credit risk is mitigated by employing skilled investment managers the Trustees believe to be qualified to manage exposures to different types of counterparty, whether bond and by holding bonds which are at least investment grade. The Trustees manage the associated credit risk by ensuring that it appoints investment managers who diversify their portfolio to minimise the impact of default by any one issuer.

The Scheme is also subject to credit risk because the Scheme holds cash balances. These cash balances are small and balances held are typically only sufficient to cover the working capital requirements of the Scheme over an agreed time period. Credit risk arising on cash is mitigating in this instance by holding cash within financial institutions which are at least investment grade credit rated.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles as detailed in the table above. The Trustees do not set limits to overseas currency exposure.

Interest rate risk

The Fund is subject to interest rate risk because some of the Scheme's investments are held in bonds through pooled investment vehicles and cash. The Trustees have set a benchmark for total investments in traditional bonds of 65% of the total investment portfolio as part of their matching portfolio. Under this strategy, if interest rates fall then the value of the bonds will typically rise to help match some of the increase in the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the bonds held will typically fall in value, as will the actuarial liabilities, because of an increase in the discount rate. As at 5 April 2016, the Matching portfolio represented 65.0% (2015: 66.0%) of the total investment portfolio amounting to £95,874,526 (2015: £95,464,865).

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's Growth and Property portfolio's return seeking portfolio which comprises of passively managed equities funds, a diversified growth fund and UK property fund. The Trustees have set a benchmark of 25% and 10% respectively of the total investment portfolio.

The Scheme manages this exposure to overall price movements by diversifying its investments in these portfolios by geography, asset class, issuer and manager. As at 5 April 2016, the growth property portfolio's represented 25.0% (2015: 25.2%) and 10.0% (2015: 8.8%) of the total investment portfolio amounting to £36,833,215 (2015: £37,276,683) property portfolio's and £14,673,723 (2015: 13,001,382)

Defined contribution section

Credit and market risk

The following table summarises the extent to which the funds are affected indirectly by investment risks:

	Credit Risk	Currency	Interest Rate	Other price	2016 £	2015 £
Pooled investment vehicles:						
Equity funds	○	●	○	●	3,546,019	23,540,010
Bonds funds	●	○	●	○	1,027,479	1,112,505
Property funds	○	○	○	●	105,946	-
Diversified growth fund	●	●	●	○	-	867,223
Multi asset funds ¹	●	●	●	●	18,805,503	-
Cash funds	●	○	●	○	796,824	726,432
					24,281,771	26,246,170

¹ Note that different multi-asset funds are subject to different risks. Please refer to the underlying exposure for details

In the above table, the risk noted affects the asset class [●] significantly, [●] partially or [○] hardly/not at all, and apply in both 2016 and 2015.

The risks disclosed here relate to the investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustees or opt for a default fund and therefore may face a different profile of risks from their individual choices compared to the Plan as a whole.

Direct credit risk

The Scheme is subject to direct credit risk in relation to the investment managers through its holding in unit linked insurance funds provided by them. The investment managers are regulated by the Financial Conduct Authority and maintain separate funds which are ring fenced for its policy holders. The Trustees monitor the creditworthiness of the investment managers on a regular basis. All monies are invested in the managers own investment unit linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default, the members may be entitled to limited compensation from the Financial Services Compensation Scheme.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Credit and market risk (continued)

Indirect credit and market risk

The Plan's Defined Contribution Section is subject to indirect credit and market risk arising from the underlying financial instruments held in the funds managed by the investment managers as detailed in the table above. The proportion of the fund subject to each type of risk will vary depending on the risk of the investments at the time. The Trustees manage these exposures by regularly monitoring the performance of the funds and allowing individuals a diverse choice of investments across various markets.

18. Self investment

There were no employer related investments as at 5 April 2016.

19. Current assets

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Cash at bank	426,114	2,982	429,096
	<hr/>	<hr/>	<hr/>
	2015 £	2015 £	2015 £
Tax recoverable	-	699	699
Amounts due from the Final			
Salary Section	8,559	-	8,559
Cash in transit	-	6,191	6,191
Cash at bank	382,007	11,541	393,548
	<hr/>	<hr/>	<hr/>
	390,566	18,431	408,997
	<hr/>	<hr/>	<hr/>

Included in the Defined Contribution Section bank balance is £nil (2015: £nil) which is not allocated to members.

Notes to the Financial Statements

20. Current liabilities

	2016 Defined benefit section £	2016 Defined contribution section £	2016 Total £
Pension Payroll	384,190	-	384,190
Investment manager fees	51,000	-	51,000
Audit fees	12,000	-	12,000
Legal fees	10,065	-	10,065
Actuary fees	109,725	-	109,725
Tax due on refunds	1,493	-	1,493
Creditors	-	5,998	5,998
	<u>568,473</u>	<u>5,998</u>	<u>574,471</u>
	2015 £	2015 £	2015 £
Pension Payroll	385,427	-	385,427
Benefits due	67,519	6,058	73,577
Amounts due from the Final Salary Section	-	8,559	8,559
Investment manager fees	94,104	-	94,104
Audit fees	11,800	-	11,800
Legal fees	15,006	-	15,006
Actuary fees	30,790	-	30,790
Creditors	-	5,998	5,998
Trustees fees	48	-	48
	<u>604,694</u>	<u>20,615</u>	<u>625,309</u>

21. Related party transactions

Three Trustees of the Scheme received £1,343 (2015: £1,668) in relation to expenses incurred attending trustee meetings. No other Trustees received remuneration during the year.

Appendix 1 – Statement of Investment Principles

Westpac Banking Corporation UK Staff Superannuation Scheme: DC and AVC Sections ('the Scheme')

Statement of Investment Principles ('the Statement')

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pension Act 1995 (as amended by the Pension Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

The effective date of this Statement is 23 February 2016.

The Trustees will review this Statement at least every three years and without delay either where any significant change in investment policy is contemplated or the demographic profile of the relevant members changes.

A copy of this Statement is available to the members of the Scheme on request.

2. Scheme details and scope of this document

The Westpac Banking Corporation UK Staff Superannuation Scheme ('the Scheme') provides a Defined Benefit ("DB") and Defined Contribution ("DC") pension arrangement. Within the Scheme there are a number of Sections, this document relates solely to the DC and AVC arrangements. The Statement of Investment Principles for the DB arrangements is a separate document.

3. Consultations Made

The Trustees are responsible for the appointment of the investment provider and for monitoring the investment provider. In addition, the Trustees are responsible for the choice of investment options made available to members of the Scheme, including the Default Option into which assets are invested in the absence of any instructions from the member. Before making this choice, the Trustees obtained and considered written advice on the investment options appropriate for the Scheme from Aon Hewitt Ltd, who are authorised and regulated by the Financial Conduct Authority to give such advice under the Financial Services and Markets Act 2000.

The Trustees are also responsible for the preparation of this Statement. Before preparing this Statement, the Trustees obtained and considered written advice provided by Aon Hewitt Ltd.

The Trustees have consulted with the Westpac Banking Corporation, prior to writing this Statement. The Trustees will take the Sponsoring Employer's comments into account when it believes it is appropriate to do so.

4. Objectives

The Trustees' key aim and objective is to provide a range of investments that are suitable for meeting members' long and short term investment objectives. The Trustees have taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

The Trustees' investment strategy has been chosen to enable members to maximise the likelihood of achieving these objectives.

5. Investment Management Arrangements

The Trustees have decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Hewitt Risk Management Services Limited (HRMSL).

The available fund range consists of a number of white-labelled blended funds. The underlying managers and structure of each blended fund is delegated to the investment manager, namely HRMSL. A small number of additional funds are also available outside of the Aon Managed Funds.

6. Investment Risk Measurement and Management

The Trustees recognise that members take the investment risk. The Trustees take account of this in the selection and monitoring of the investment manager and the choice of funds offered to members.

7. Asset Allocation Strategy

The Trustees recognise that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustees therefore retains responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take. This is achieved by automatically moving member's funds from return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix as a member approaches their selected retirement age.

For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the Scheme membership.

In setting the three asset allocation strategies, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members.

The Trustees regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes.

The switching of assets between the different Funds within each asset allocation strategy is carried out monthly by the Scheme's administrator, at which point members' funds are rebalanced in line with the lifestyle matrix illustrated in the charts on the following pages.

Details of the three asset allocation strategies are provided below.

Drawdown Lifestyle Strategy (The Default Option)

The Drawdown Lifestyle Strategy works on the principle that a member electing this option will transfer the balance of their account to a specialist income drawdown arrangement.

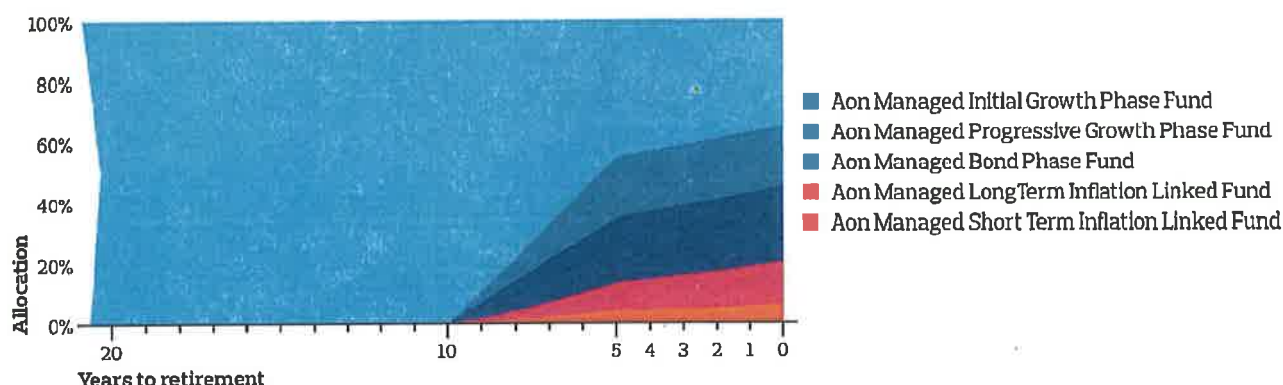
The Drawdown Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until 10 years before a member's selected retirement age. During this 'growth' phase, the Drawdown Lifestyle Strategy aims to provide real growth (in excess of inflation) over the long term.

From 10 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Progressive Growth Phase Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund.

At a member's selected retirement date, the Drawdown Lifestyle Strategy invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

This structure is summarised below.

Chart 1: Drawdown Lifestyle Strategy (The Default Option)



Annuity Lifestyle Strategy

The Annuity Lifestyle Strategy works on the principle that a member electing this option will take the maximum tax free cash sum and use the rest of their account to purchase an annuity at retirement.

The Annuity Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until 10 years before a member's selected retirement age. During this 'growth' phase, the Annuity Lifestyle Strategy aims to provide real growth (in excess of inflation) over the long term.

From 10 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Progressive Growth Phase Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund. From 5 years before a member's selected retirement age a member's account is moved into lower risk assets through the Aon Managed Pre-Retirement Bond Fund and the Aon Managed Liquidity Fund.

The Trustees take professional advice when formally reviewing the investment manager or fund options offered to members.

10. Potential Risks

The Trustees have considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk.** The risk that the level of investment return over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustees have provided additional Lifestyle and individual fund options in addition to the default, and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustees regularly reviews each fund's investment performance, and takes ongoing advice from the investment adviser on the ongoing suitability of the funds and investment managers. The Trustees also provides passive options that avoid active management risk.
- **Diversification Risk.** The Trustees have chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Scheme.
- **Liquidity Risk.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustees have invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** The Trustees have not invested in funds that are geared or make speculative use of derivatives.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the scheme is exposed to arises from both holdings in the underlying funds, and through the investment in the BlackRock investment platform.
- **Market Risk.** The Scheme is subject to currency, interest rate and other price risk associated with the underlying investments on the Blackrock platform. These risks can impact the valuations of the funds. The Trustees have selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the Lifestyle strategies. Further, the Trustees closely monitors the performance of the funds and receives formal quarterly reports from the investment adviser giving views on their continuing appropriateness, and that of the underlying fund managers.

- **The risk of fraud, poor advice or acts of negligence ("operational risk").** The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the Default Option periodically.

These risks are considered as part of each formal strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a regular basis as part of each quarterly reporting cycle.

11. Custody

Investment in pooled funds gives the Trustees rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.

12. Expected Returns on Assets

Over the long-term the Trustee's expectations are:

- For units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property) to achieve a real return (in excess of inflation) over the long term. The Trustees consider short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes.
- For units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities.
- For units representing inflation linked assets (UK Index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation;
- For units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates.

Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustees in consultation with its investment adviser and the investment manager. The Trustees review performance of the investment manager against its objectives on a quarterly basis.

13. Realisation of Investment / Liquidity

The Trustees recognise that there is a risk of holding assets that cannot easily be realised should the need arise. The majority of assets held on behalf of members are realisable at short notice (through the sale of units in pooled funds).

14. Social, Environmental or Ethical Consideration

The Trustees offers a range of funds including specialist funds which aim to address social environmental and ethical considerations.

15. Activism and the Exercise of the Rights Attaching to Investments

As the assets are held indirectly through unit linked funds it is the responsibility of the underlying investment manager of each of the pooled funds to exercise the rights attaching to the investments. The Trustees will review from time to time the underlying investment managers' principles and how these have been applied in exercising these rights.

16. Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustees also recognise that where it takes investment decisions (for example, when making changes to the three asset allocation strategies or the Self-Select fund options) it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

17. Additional Voluntary Contribution Arrangements

Some members obtain further benefits by paying additional contributions (Additional Voluntary Contributions or AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. All funds made available to members are open to AVCs.

From time to time the Trustees will review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

18. Fee Structure for Advisers and Investment Manager

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example large projects, such as a review of the asset allocation strategies), the Trustees may agree a project budget. These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

The investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment manager and some administration charges) are met by the members by deduction from the unit price.

Signed:

CHRIS BANNISTER

Trustee Name

Signature

20/10/16
Date

JON BURGESS

Trustee Name

Signature

20/10/16
Date

Appendix to Statement of Investment Principles

This Appendix is supplementary to the Trustee's Statement of Investment Principles (the "Statement") and provides information on the fund options that are used in the three asset allocation strategies and available through the self-select fund range.

The Trustees have decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Hewitt Risk Management Services Limited (HRMSL).

Asset class options

The table below provides details of the funds used within the Scheme's DC investment strategy and for each fund option indicates whether it is available as a self-select fund option and used within each of the three asset allocation strategies. Full details and fund factsheets are available at www.westpacpensions.co.uk

Fund	Self-Select	Drawdown Lifestyle	Annuity Lifestyle	Cash Lifestyle
Aon Managed Initial Growth Phase Fund	✗	✓	✓	✓
Aon Managed Progressive Growth Phase Fund	✓	✓	✓	✓
Aon Managed Bond Phase Fund	✓	✓	✓	✓
Aon Managed Short Term Inflation Linked Fund	✗	✓	✓	✓
Aon Managed Long Term Inflation Linked Fund	✓	✓	✓	✓
Aon Managed Pre-Retirement Bond Fund	✓	✗	✓	✗
Aon Managed Liquidity Fund	✓	✗	✓	✓
Aon Managed Global Equity Fund	✓	✗	✗	✗
Aon Managed Property and Infrastructure Fund	✓	✗	✗	✗
Aon Managed Active Global Equity Fund	✓	✗	✗	✗
LGIM Ethical Global Equity Index Fund	✓	✗	✗	✗
HSBC Amanah Fund	✓	✗	✗	✗

Investment Management Arrangements

The following table describes the mandates given to the investment manager within each asset class.

Fund	Benchmark	Target
Aon Managed Initial Growth Phase Fund	90% MSCI All Country World Index 7% FTSE EPRA/NAREIT Developed Index 1.5% BNYM CAPS pooled fund survey median 1.5% FTSE Macquarie Global Infrastructure	To outperform the benchmark
Aon Managed Progressive Growth Phase Fund	3 month LIBOR GBP	To outperform the benchmark by 3.0% pa over rolling three year periods
Aon Managed Bond Phase Fund	50% 3-month LIBOR GBP 50% iBoxx Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 1.5% pa over rolling three year periods
Aon Managed Short Term Inflation Linked Fund	FTSE UK Gilts Up to 5 Year Index-Linked Gilts Index	To perform in line with the benchmark
Aon Managed Long Term Inflation Linked Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	To perform in line with the benchmark
Aon Managed Pre-Retirement Bond Fund	Manager bespoke	To perform in line with the benchmark
Aon Managed Liquidity Fund	7 Day LIBID Rate	To perform in line with the benchmark
Aon Managed Global Equity Fund	MSCI All Country World Index	To outperform the benchmark
Aon Managed Property and Infrastructure Fund	70% FTSE EPRA/NAREIT Developed Index 15% BNYM CAPS pooled fund survey median 15% FTSE Macquarie Global Infrastructure	To outperform the benchmark
Aon Managed Active Global Equity Fund	MSCI World Index	To outperform the benchmark
LGIM Global Ethical Index Fund	FTSE4Good Global Index	To perform in line with the benchmark
HSBC Amanah Fund	Dow Jones Islamic Titans 100 Index	To perform in line with the benchmark

Summary of investment management fee arrangements

As at the effective date of this Statement, the Annual Management Charge (AMC), Additional Fund Expenses (AFE) and Total Expense Ratio (TER) that applies to each of the funds used by Scheme are set out in the table below. It should be noted that these figures will change from time to time as the underlying managers / structure of each of the funds change. The fee payable to HRMSL under Aon's Delegated DC Services for the management of the Delegated DC Funds is 0.15% pa; this is included in the AMCs and TERs shown below. The AMCs can fluctuate (up or down) and therefore should not be considered fixed at the levels below. Additional Fund Expenses may also vary. Details of the latest fund charges are available at www.westpacpensions.co.uk

Fund	AMC % pa	AFE % pa	TER % pa
Aon Managed Initial Growth Phase Fund	0.26	0.04	0.30
Aon Managed Progressive Growth Phase Fund	0.80	0.08	0.88
Aon Managed Bond Phase Fund	0.38	0.03	0.41
Aon Managed Short Term Inflation Linked Fund	0.20	0.00	0.20
Aon Managed Long Term Inflation Linked Fund	0.20	0.00	0.20
Aon Managed Pre-Retirement Bond Fund	0.32	0.00	0.32
Aon Managed Liquidity Fund	0.20	0.03	0.23
Aon Managed Global Equity Fund	0.23	0.05	0.28
Aon Managed Property and Infrastructure Fund	0.45	0.01	0.46
Aon Managed Active Global Equity Fund	0.80	0.07	0.87
LGIM Global Ethical Index Fund	0.35	0.00	0.35
HSBC Amanah Fund	0.35	0.00	0.35