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The Nelson Hurst Group Pension Scheme 4

Trustee's annual report and financial statements for the year ended 30 April 2022

Registered number: 10180352

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Trustee, Principal Employer and advisers

Trustee	Lockton Pension Trustee Limited
Trustee Directors	J Coates S Coleman P G S Hornsby (Member Nominated Director) K Nithiananthan M Pulfer (Member Nominated Director) M Smith (Member Nominated Director - appointed 27 September 2021)
Scheme Actuary	Kenneth Hardman, Lane Clark & Peacock LLP
Principal Employer	LIGS Limited
Pension consultants and administrator	Lane Clark & Peacock LLP
Independent auditor	KPMG LLP
Investment managers	Legal and General Assurance (Pensions Management) Limited
Annuity provider	Legal & General Investment Management
AVC providers	The Royal London Mutual Insurance Society Limited Standard Life Investments Limited
Legal adviser	Reed Smith LLP
Banker	Lloyds Bank plc
Enquiries	NH4 Administration Team Lane Clark & Peacock LLP St Paul's House St Paul's Hill Winchester SO22 5AB Email: NH4Admin@lcp.uk.com

Trustee's report

The Trustee is pleased to present its annual report on The Nelson Hurst Group Pension Scheme 4 ('the Scheme'), together with the financial statements of the Scheme for the year ended 30 April 2022.

Constitution of the Scheme

The Scheme was established on 28 April 1992 and provides defined benefit pension and lump sum benefits payable to members on their retirement from the Group of companies ('the Group') for which LIGS Limited is the Principal Employer.

Benefits are provided under a Deed of Alteration dated 21 February 2005, copies of which can be seen by contacting Human Resources at the Principal Employer's address (St Botolph Building, 138 Houndsditch, London EC3A 7AG). In addition, a Deed of Clarification was executed (dated 7 February 2005) to clearly define certain time periods within the Trust Deed and Rules relating to the calculation of pensionable service.

The Scheme is a registered scheme under Chapter 2 of the Finance Act 2004.

The Scheme was closed to new members with effect from 1 October 1998. The Scheme closed to future accrual with effect from 30 April 2012 and all active members became deferred from that date.

On 2 November 2010, the Trustee made an investment decision to purchase an annuity contract with Legal & General Assurance Society ("LGAS") in respect of the Scheme's existing liabilities to pensioners. After the Scheme's administrators completed a data validation exercise, the Trustee signed the annuity contract confirming the purchase in respect of the bulk of the pensioners on 21 May 2012.

In May 2022 the Trustee made a further investment decision to purchase an additional bulk annuity contract with Rothesay Life plc, this time securing the pension benefits for the remaining members not covered under the original LGAS contract. Together, the Rothesay and LGAS insurance policies are designed to exactly cover all members' benefits in the Scheme as they fall due.

The Scheme is supported by two PPF guaranteed agreements, one dated 18 March 2009 provided by Lockton Companies International Limited and the other dated 20 March 2011 provided by Lockton International Holdings Limited. In addition, the Trustee also has the benefit of a promissory note that was given by Lockton Inc. to Lockton Companies LLP for the purposes of meeting obligations to the Scheme which came into place with effect from 12 May 2015.

An agreement was made in February 2016 between the Scheme, Lockton International Holdings Limited ("LIHL") and Lockton Inc. that the LIHL Group will at all times have available \$15m USD of available headroom, and Lockton Inc. will ensure this headroom is maintained by increasing the revolver limit if required.

Trustee's report continued**Management of the Scheme**

The Trustee of the Scheme during the year ended 30 April 2022 was Lockton Pension Trustee Limited.

The Trustee Directors of Lockton Pension Trustee Limited during the year to 30 April 2022 are listed on page 3.

The Trustee has the power to appoint or remove a director by ordinary resolution.

The Trustee has agreed a selection process to comply with the requirements of the Member Nominated Trustees (MNT) regulations of the Occupational Pension Scheme (Member Nominated Trustee and Directors) Regulations 2006. PGS Hornsby, M Pulfer and M Smith have been selected as the MNT Directors of Lockton Pension Trustee Limited through this process.

The member elected directors may normally only be removed with the agreement of all the other directors. Any director may resign at any time by giving one month's notice in writing.

The Trustee Directors met five times throughout the year to consider matters relating to the administration of the Scheme and to receive reports from the investment managers.

Financial statements and financial development of the Scheme

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

The fund account and statement of net assets (available for benefits) on pages 26 and 27 show that the value of the Scheme assets decreased by £16,833,859 to £181,302,464 during the year. The decrease was comprised of net additions from dealings with members of £152,815 together with a net loss on investments of £16,986,674.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 26 to 44.

Trustee's report continued**Transfers values**

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and in accordance with the regulations under the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, Pensions Act 2004.

No discretionary benefits were included in the calculation of the transfer values.

Pension increases

Pensions in payment as at 1 May 2021 were given a 1.1% increase for pensionable service pre 6 April 1997 and for pensionable service after 5 April 2005. For pensionable service between 6 April 1997 and 5 April 2005, pensions were increased by 1.1%. A small number of pensioners received a guaranteed fixed 3% per annum increase in accordance with the Trust Deed and Rules.

Deferred pensions were increased in line with statutory requirements. No discretionary increases were awarded during the year.

Life assurance

Lump sum death in service benefits are insured under a group life policy underwritten by Aviva. The insurance premium is paid by LIGS Limited.

Report on actuarial liabilities

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

Under section 222 of the Pensions Act 2004 every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles.

The Scheme Actuary has reported on the Scheme's actuarial valuation as at 30 April 2020, which included the provision of the relevant actuarial statements and certificates. The results of the valuation were presented in a report dated 10 December 2020. The results indicated that the value of the assets of the Scheme as at 30 April 2020 were £210.7m which was £24.7m less than the amount necessary to cover the "technical provisions".

Trustee's report continued**Report on actuarial liabilities continued**

To eliminate this shortfall the Trustee and the Employer agreed the following deficit funding contributions:

Amount	Dates
£8,000,000 pa	Between 1 May 2020 and 30 April 2023; and
£700,000	Between 1 May 2023 and 30 April 2024.

On 22 February 2022, a new Schedule of Contributions was certified by the Actuary which stated that the above contributions will be paid monthly in arrears, in equal instalments, with the exception that the monthly payments payable during February 2022, March 2022, April 2022 and May 2022 are deferred so they are only payable alongside the payment due in June 2022.

However the January 2022 contribution was received on 24 January 2022, prior to the new Schedule becoming effective.

In addition, the Employer agreed to continue making payments to the Scheme to cover:

- the expenses of administering the Scheme, up until February 2022, after which they will be payable by the Scheme; and
- Pension Protection Fund levies; and
- the costs of granting early retirement on enhanced terms, ill health early retirement and benefit augmentations.

However, after securing members' benefits with Rothesay in May 2022, together with the existing LGAS policy, the Scheme holds insurance policies which pays the exact amount needed to pay members' benefits as they fall due. On this basis, the Scheme is therefore expected to be at least 100% funded. With no expected shortfall remaining in the Scheme the Trustee has agreed that no further contributions from the Employer are required. This was reflected in an updated Schedule of Contributions certified by the Actuary on 5 May 2022. The final contribution paid by the Employer to the Scheme was in respect of the January 2022 payment. In addition the new Schedule requires Pension Protection Fund levies to be met by the Scheme from February 2022.

The next full valuation is to be carried out as at 30 April 2023 and is due to be completed no later than 31 July 2024.

Trustee's report continued**Report on actuarial liabilities continued****Method**

The 2020 valuation adopted the 'projected unit method', under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Assumptions

The technical provisions are calculated on the following key assumptions.

Key financial assumptions	% pa
Rate of price inflation:	
- Retail Price Index (RPI)	2.7
- Consumer Price Index (CPI) pre 2030	2.0
- CPI post 2030	2.7
Rate of investment return from gilts	0.5
Discount rates:	
- Pre-retirement	0.1
- Post-retirement	0.1
Rate of pension increases:	
- Price inflation capped at 5% pa	2.7
- Price inflation capped at 3% pa	2.2

Mortality assumptions

Post-retirement and pre-retirement mortality	<ul style="list-style-type: none"> 90% of S3NA; and Projected from 2013 in line with the CMI 2019 core projections with a long-term annual rate of improvement of 2.0% (males) / 1.75% (females), a smoothing factor (S) of 7.5 and an initial mortality improvement (A) of 0.5% <p>90% of male members and 75% of female members are assumed to have a civil partner at retirement or earlier death.</p>
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Trustee's report continued

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below.

Deferred members	2022
Deferred members at the start of the year	367
Late movements	(2)
Transfers out	(4)
Retirements	(9)
Death	(1)
Deferred members at the end of the year	351

Pensioners	2022
Pensioners at the start of the year	253
Late movements	3
New dependants	2
Retirements	9
Deaths	(6)
Pensioners at the end of the year	261

Pensioners include 37 (2021: 34) dependants receiving a pension following the death of a member.

* The late movements relate to prior year membership movement notified to the administrators subsequent to the year end.

Trustee's report continued**Regulatory bodies**

The Pensions Ombudsman is appointed by the Secretary of State for the Department for Work and Pensions to investigate and determine any complaint or dispute of fact of law in relation to occupational pension schemes.

The Pensions Ombudsman can be contacted at:

Email: enquiries@pensions-ombudsman.org.uk

Tel: 0800 917 4487

www.pensions-ombudsman.org.uk

The Pensions Regulator is responsible for occupational pension schemes and enforcing the law that relates to them. It has wide ranging powers which include the ability to:

- suspend, disqualify and remove trustees for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for information to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary; and
- take action to prevent schemes being left in deficit with nobody to meet the liability.

The Trustee, its advisers, the Employer and anyone connected with the administration of the Scheme have a statutory duty to report in writing to The Pensions Regulator if there are any breaches of legislation which are deemed to be materially significant to The Pensions Regulator.

The Pensions Regulator can be contacted at:

The Pension Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Tel: 0345 600 0707

www.thepensionsregulator.gov.uk

Trustee's report continued**Regulatory bodies continued**

The Pension Tracing Service is designed to help former members of pension schemes trace their benefits if they have lost contact with the pension scheme in question. The Pension Tracing Service can be contacted at:

Tel: 0800 731 0193

www.gov.uk/find-pension-contact-details

The Money & Pensions Service (MaPS) is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustee of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD
Tel: 0800 011 3797

www.moneyhelper.org.uk

Further information

Any enquiries about the Scheme or a member's own pension position should be addressed to:

NH4 Administration Team
Lane Clark & Peacock LLP
St Paul's House
St Paul's Hill
Winchester
SO22 5AB

Email: NH4Admin@lcp.uk.com

Trustee's report continued**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. This procedure has been updated in line with the requirements of the Pensions Act 2004. Although the Trustee always tries to resolve disputes informally and swiftly, an IDRP has been put in place. The formal IDRP is a two-stage process and details can be obtained from LCP or from the Trustee. In the first instance, complaints should be sent to the administration team.

Investment management

The investments of the Scheme are managed on behalf of the Trustee by the Scheme's investment managers:

- Legal and General Investment Management ("LGIM")

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management of the Scheme's asset portfolio is the responsibility of the investment managers and bulk annuity provider, who operate within the guidelines of their specific mandates.

Custodial arrangements

The Scheme does not have an appointed custodian. Custodial services are provided by the custodians of the pooled funds in which it invests:

- HSBC Bank Plc – LGIM UK equity fund, corporate bond fund and gilt funds
- Northern Trust Fiduciary Services (Ireland) Limited – LGIM LDI funds and sterling liquidity fund.

The underlying assets are held by a number of custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers' custodians and the Trustee.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

Trustee's report continued**Statement of Investment Principles**

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been produced by the Trustee following consultation with the Employer. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available online here: <https://global.lockton.com/gb/en/nelson-hurst-pension-scheme-statement-of-investment-principles>.

The SIP in place during the Scheme Year was dated August 2020. The SIP was then updated shortly after the Scheme Year end in May 2022.

Implementation statement

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 requires the Trustee to include an annual statement confirming the extent to which the Trustee has followed their SIP, including details of any reviews or subsequent changes to the SIP during the Scheme year.

The Implementation Statement relating to the Scheme has been appended to the end of these Financial Statements as Appendix 1. The Statement forms part of this Trustee's report.

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The following table details the asset distribution at the financial year end by fund, excluding the existing bulk annuity contract policies ("buy-in") with LGAS and with Rothesay which commenced after the year end on 5 May 2022.

Trustee's report continued**Investment strategy continued**

Fund	Asset class	Allocation as at 30 Apr 22 £	Allocation as at 30 Apr 21 £
LGIM Over 15y Gilts Index Fund	Fixed interest gilts	12,387,884	14,235,463
LGIM 2047 Gilt Fund	Fixed interest gilts	20,968,535	-
LGIM 2071 Gilt Fund	Fixed interest gilts	15,075,728	-
LGIM AAA-AA-A Bonds-All Stocks Index Fund	Corporate bonds	-	17,787,145
LGIM Buy & Maintain Credit Fund	Corporate bonds	-	22,071,335
LGIM Over 5y Index-Linked Gilts Fund	Index-linked gilts	35,949,790	37,381,504
LGIM Over 15yr Index-Linked Gilts Index Fund	Index-linked gilts	-	3,252,098
LGIM 2035 Index-Linked Gilt Fund	Index-linked gilts	-	4,917,385
LGIM 2040 Index-Linked Gilt Fund	Index-linked gilts	15,845,180	-
LGIM 2050 Index-Linked Gilt Fund	Index-linked gilts	-	1,052,773
LGIM 2055 Index-Linked Gilt Fund	Index-linked gilts	13,027,157	8,632,331
LGIM 2058 Index-Linked Gilt Fund	Index-linked gilts	-	2,969,569
LGIM 2062 Index-Linked Gilt Fund	Index-linked gilts	-	1,048,962
LGIM Matching Core Fixed Long Fund	LDI	-	10,645,643
LGIM Matching Core Real Long Fund	LDI	-	14,213,776
LGIM Sterling Liquidity Fund	Cash	20,626,757	8,218,071
Total Equities		133,881,031	146,426,055

The Trustee's investment strategy over the Scheme Year was to invest in a mix of matching assets which include government bonds, liability driven investments, corporate bonds and annuity policies.

In March 2022, the Trustee agreed to reduce the Scheme's interest rate and inflation hedging to be broadly in line with the lower estimated of sensitivity of buy-in quotations received. The Scheme switched (c£5.7m) from the LGIM Matching Core Real Long Fund into the LGIM Sterling Liquidity Fund.

Trustee's report continued**Investment strategy continued**

In April 2022 and in preparation for another buy-in transaction, the Trustee agreed to implement asset switches to better align the investments with the likely buy-in provider's preferred portfolio in the lead up to the transaction. The transfers involved fully disinvesting the Scheme's entire corporate bond and LDI holdings, as well as some of the Scheme's gilt and index-linked gilt funds. Additionally, it involved investing in three new funds: the LGIM 2047 Gilt Fund, LGIM 2071 Gilt Fund and the LGIM 2040 Index-Linked Gilt Fund.

As of May 2022, the Scheme's assets now primarily comprise of two buy-ins - one with Legal & General and one with Rothesay Life. Under a buy-in the Trustee purchases an insurance policy which is held as an asset of the Scheme. These two policies pay a regular income designed to fully match the pensions payable to all of the Scheme's members. There are multiple layers of protections in place for these buy-in policies through the strong insurance regulatory framework in the UK.

The Trustee updated the Scheme's SIP shortly after Year End in late May 2022 to reflect these changes.

Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following table shows the performance of the Scheme's invested assets over the one, three and five year periods to 30 April 2022, based on the performance of the investment managers after the deduction of fees.

	1 Year %	3 Years pa %	5 Years pa %
Scheme	-8.6	0.6	1.9

Trustee's policies on environmental, social and governance ("ESG") and ethical factors

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

Trustee's report continued**Trustee's policies on environmental, social and governance ("ESG") and ethical factors continued**

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee has limited influence over managers' stewardship practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

Trustee's policy on the implementation of asset manager arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment consultant on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustee has signed agreements with the investment managers and a platform provider setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

The Trustee have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

Trustee's report continued**Trustee's policy on the implementation of asset manager arrangements continued**

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

Employer-related investment

As at 30 April 2022 there were no assets invested in Employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (2021: £Nil).

Trustee's report continued**GMP equalisation**

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP) should be removed. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed.

The Trustee is working with the Employer and their respective advisers to assess the adjustments to benefits (if any) required. At this stage the Trustee and Employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of any backdated benefits and related interest that might be payable. Therefore, the cost of any such payments has not been recognised in these financial statements. They will be recognised once the Trustee is able to reach reliable estimate, if material.

Statement of Trustee's responsibilities for the financial statements

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

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

Trustee's report continued**Statement of Trustee's responsibilities for the financial statements continued**

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

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

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

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed for and on behalf of the Trustee:



Trustee Director

Date: 2nd November 2022



Trustee Director

Date: 02 - NOV - 2022

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4**Opinion on the financial statements**

We have audited the financial statements of The Nelson Hurst Group Pension Scheme 4 for the year ended 30 April 2022 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 30 April 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 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.

Basis for opinion

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

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**Going concern continued**

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee's and inspection of policy documentation, including the conflicts of interest register, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or their delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries and their risk of bias in accounting estimates such as the valuation of Insurance policies. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**Fraud and breaches of laws and regulations – ability to detect continued***Identifying and responding to risks of material misstatement due to fraud continued*

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**Fraud and breaches of laws and regulations – ability to detect continued***Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations continued*

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedules of contributions in our statement about contributions on pages 45 and 46 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, the Implementation Statement and the Summary of Contributions), and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**Other information continued**

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on pages 18 and 19, the Scheme's Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Signature:*PMarco***Dated:** 3 November 2022

Pamela Marco
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Challenge House
Sherwood Drive
Bletchley
Milton Keynes
MK3 6DP

Fund account

	Note	2022 £	2021 £
Contributions and benefits			
Employer contributions	4	6,000,000	8,000,000
Other income	5	-	2,388
		<u>6,000,000</u>	<u>8,002,388</u>
Benefits paid or payable	6	(3,230,493)	(3,207,534)
Payments to and on account of leavers	7	(2,580,121)	(5,649,363)
Administrative expenses	8	(36,571)	(26)
		<u>(5,847,185)</u>	<u>(8,856,923)</u>
Net additions / (withdrawals) from dealings with members		<u>152,815</u>	<u>(854,535)</u>
Returns on investments			
Investment income	9	2,174,535	2,218,235
Change in market value of investments	10	(19,033,712)	(10,794,855)
Investment management expenses	12	(127,497)	(156,349)
Net return on investments		<u>(16,986,674)</u>	<u>(8,732,969)</u>
Net decrease in the fund during the year		(16,833,859)	(9,587,504)
Net assets of the Scheme			
At 1 May		<u>198,136,323</u>	<u>207,723,827</u>
At 30 April		<u>181,302,464</u>	<u>198,136,323</u>

The notes on pages 28 to 44 form part of these financial statements.


Statement of net assets (available for benefits)

	Note	2022 £	2021 £
Investment assets			
Pooled investment vehicles	10/14	133,881,031	146,426,055
Insurance policies	10/16	42,600,000	49,260,000
AVC investments	10/17	<u>913,421</u>	<u>874,709</u>
Total investments		<u>177,394,452</u>	<u>196,560,764</u>
Current assets	20	3,971,931	1,616,410
Current liabilities	21	<u>(63,919)</u>	<u>(40,851)</u>
Net assets of the Scheme at 30 April		<u>181,302,464</u>	<u>198,136,323</u>

The notes on pages 28 to 44 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on page 6 to 8 of the Trustee's report and these financial statements should be read in conjunction with this report.

These financial statements were approved for and on behalf of the Trustee by:



 Trustee Director

Date: 2nd November 2022



 Trustee Director

Date: 02 - NOV - 2022

Notes to the financial statements**1. Basis of preparation**

The individual 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 guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements have been prepared on the going concern basis. At the date of signing these financial statements the Trustee believes that; due the funding position of the Scheme and the strength of the employer covenant, the Scheme is able to comfortably cover its related outgoings for at least 12 months following the date of approval of the financial statements.

The Trustee in its assessment has considered the funding level of the Scheme which is funded at 100% on 30 April 2022. As the Scheme is now fully insured, no deficit is expected to arise in the Scheme in the future. The Trustee has reviewed the employer covenant and has no concerns over any payments due from the Employer, as the Employer has access to funding available from the Lockton Group's intercompany credit facility with Lockton Inc. In addition to which there is a line of credit of \$15m with the ultimate parent, Lockton Inc, should the Employer be unable to fulfil its financial obligations.

As a result the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate. The Trustee is therefore confident that the Scheme will have sufficient funds to continue to meet its liabilities as they fall due, for at least 12 months from the date of approval of the financial statements.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The Scheme is a registered pension scheme for tax purposes. It is therefore exempt from UK income and capital gains taxes. The Scheme is a defined benefit occupational pension scheme, closed to new members and to future accrual. The address for enquiries to the Scheme is included in the Trustee's Report on page 11.

Notes to the financial statements continued**3. Accounting policies**

The principal accounting policies of the Scheme have been applied consistently and are as follows:

3.1. Currency

- The Scheme's functional currency and presentational currency is pounds sterling (GBP). Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3.2. Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedules of Contributions and Recovery Plan under which they are being paid.

3.3 Payments to and on account of leavers

- Individual transfers out of the Scheme are accounted for on a cash basis which is when a member's liability is discharged.

3.4. Benefits paid or payable

- Pensions in payment, including pensions funded by annuity contracts are accounted for in the period to which they relate.
- Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.
- Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.
- Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within 'Benefits Paid or Payable'.

3.5. Administrative and other payments

- Administrative expenses are accounted for on an accruals basis.

Notes to the financial statements continued**3. Accounting policies continued****3.6. Investment income and change in market value**

- Investment income arising from the underlying investments of the pooled investment vehicles which do not distribute income is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in market value'.
- Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.
- 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.

3.7. Investment management expenses and transaction costs

- Investment management expenses and rebates are accounted for on an accruals basis and shown net within investment returns.

3.8. Investment assets/liabilities

- 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.
- Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined at the present value of the related obligations as valued by the insurance provider.
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

3.9. Key accounting estimates and assumptions

- The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of net assets and liabilities within the next financial year are related to the valuation of the insurance policies. Explanation of the key assumptions underpinning the valuation of the insurance policies are included within note 16.

Notes to the financial statements continued

4. Contributions

	2022 £	2021 £
Employer contributions:		
Deficit funding	<u>6,000,000</u>	<u>8,000,000</u>

In accordance with the Schedule of Contributions dated 10 December 2020, £8,000,000 per annum was due between 1 May 2020 and 30 April 2023, paid monthly in arrears, in equal instalments. £700,000 was due between 1 May 2023 and 30 April 2024.

On 22 February 2022, a new Schedule of Contributions was certified by the Actuary which stated that the above contributions will be paid monthly in arrears, in equal instalments, with the exception that the monthly payments payable during February 2022, March 2022, April 2022 and May 2022 are deferred so they are only payable alongside the payment due in June 2022.

After securing members' benefits with Rothesay in May 2022, together with the existing LGAS policy, the Scheme holds insurance policies which pays the exact amount needed to pay members' benefits as they fall due. On this basis, the Scheme is therefore expected to be at least 100% funded. With no expected shortfall remaining in the Scheme the Trustee has agreed that no further contributions from the Employer are required. This was reflected in an updated Schedule of Contributions certified by the Actuary on 5 May 2022. The final contribution paid by the Employer to the Scheme was in respect of the January 2022 payment.

Notes to the financial statements continued

5. Other Income

	2022 £	2021 £
Sundry income	-	2,388

6. Benefits paid or payable

	2022 £	2021 £
Pensions	2,951,870	2,895,447
Commutation of pensions and lump sum retirement benefits	202,599	307,138
Lump sum death benefits	4,116	4,949
Taxation where lifetime or annual allowance exceeded	71,908	-
	<u>3,230,493</u>	<u>3,207,534</u>

7. Payments to and on account of leavers

	2022 £	2021 £
Individual transfers out to other schemes	<u>2,580,121</u>	<u>5,649,363</u>

8. Administrative expenses

	2022 £	2021 £
Audit fee	20,170	-
Legal and other professional fees	16,180	-
Trustee fees and expenses	196	-
Bank and sundry charges	25	26
	<u>36,571</u>	<u>26</u>

With the exception of bank charges and investment fees all costs of administration were borne by the Principal Employer, LIGS Limited until February 2022 when the fees became payable by the Scheme.

Notes to the financial statements continued**9. Investment income**

	2022 £	2021 £
Annuity income	2,174,259	2,215,333
Interest on cash deposits	276	2,902
	<u>2,174,535</u>	<u>2,218,235</u>

10. Reconciliation of investments

Reconciliation of investments held at the beginning and the end of the year:

	Value at 30 April 2021 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 30 April 2022 £
Pooled investment vehicles					
LGIM	146,426,055	76,543,377	(76,675,977)	(12,412,424)	133,881,031
	<u>146,426,055</u>	<u>76,543,377</u>	<u>(76,675,977)</u>	<u>(12,412,424)</u>	<u>133,881,031</u>
Insurance policies					
LGAS	49,260,000	-	-	(6,660,000)	42,600,000
AVC investments					
Royal London	207,810	-	-	15,636	223,446
Standard Life	666,899	-	-	23,076	689,975
	<u>874,709</u>	<u>-</u>	<u>-</u>	<u>38,712</u>	<u>913,421</u>
Total	<u>196,560,764</u>	<u>76,543,377</u>	<u>(76,675,977)</u>	<u>(19,033,712)</u>	<u>177,394,452</u>

11. Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. There were no direct transaction costs during the year (2021: £Nil). Indirect costs incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect cost is not separately provided to the Scheme.

Notes to the financial statements continued**12. Investment management expenses**

	2022 £	2021 £
Administration, management and custody	<u>127,497</u>	<u>156,349</u>

13. 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.

14. Pooled investment vehicles

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

	2022 £	2021 £
Fixed interest gilts	48,432,147	14,235,463
Bonds	-	39,858,480
Index-linked gilts	64,822,127	59,254,622
Liability driven investments	-	24,859,419
Cash funds	<u>20,626,757</u>	<u>8,218,071</u>
	<u>133,881,031</u>	<u>146,426,055</u>

Notes to the financial statements continued**15. Concentration of investments**

The following investments represent more than 5% of the net assets of the Scheme.

	2022		2021	
	£	%	£	%
LGAS Annuity Policy	42,600,000	23	49,260,000	25
LGIM Over 5y Index-Linked Gilts Fund	35,949,790	20	37,381,504	19
LGIM 2047 Index-Linked Gilt Fund	20,968,535	12	-	-
LGIM Sterling Liquidity Fund	20,626,757	11	*	*
LGIM 2040 Index-Linked Gilt Fund	15,845,180	9	-	-
LGIM 2071 Index-Linked Gilt Fund	15,075,728	8	-	-
LGIM Over 15y Gilts Index Fund	12,387,884	7	14,235,463	7
LGIM 2055 Index-Linked Gilt Fund	13,027,157	7	*	*
LGIM CAAG Buy & Maintain Credit*	-	-	22,071,335	11
LGIM AAA-AA-A Bonds-All Stocks Index Fund	-	-	17,787,145	9
LGIM Matching Core Real Long Fund	-	-	14,213,776	7
LGIM Matching Core Fixed Long Fund	-	-	10,645,643	5

- No holdings within fund in the year

* funds under 5% of net assets of the Scheme

16. Insurance policies

The Scheme held insurance policies at the year end as follows:

	2022	2021
	£	£
LGAS	<u>42,600,000</u>	<u>49,260,000</u>

The policy has been valued by LGAS and is based on market conditions as at 30 April 2022 and allows for the pension increase paid in May 2022.

17. Additional Voluntary Contributions (AVCs)

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments, which are invested in unit-linked funds, are shown in note 10.

Notes to the financial statements continued**18. Fair value hierarchy**

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:

At 30 April 2022	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	133,881,031	-	133,881,031
Insurance policies	-	-	42,600,000	42,600,000
AVC investments	-	39,718	873,703	913,421
	-	133,920,749	43,473,703	177,394,452

At 30 April 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	146,426,055	-	146,426,055
Insurance policies	-	-	49,260,000	49,260,000
AVC investments	-	30,644	844,065	874,709
	-	146,456,699	50,104,065	196,560,764

Notes to the financial statements continued**19. Investment risks**

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

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

The Trustee determined the Scheme's investment strategy after obtaining written professional advice from its professional investment adviser. The Scheme has exposure to the aforementioned risks because of the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include the AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

Notes to the financial statements continued**19. Investment risks continued****Investment strategy**

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The following table details the asset distribution at the financial year end by fund, excluding the existing buy-in policy.

Fund	Asset class	Allocation as at 30 Apr 22 £	Allocation as at 30 Apr 21 £
LGIM Over 15y Gilts Index Fund	Fixed interest gilts	12,387,884	14,235,463
LGIM 2047 Gilt Fund	Fixed interest gilts	20,968,535	-
LGIM 2071 Gilt Fund	Fixed interest gilts	15,075,728	-
LGIM AAA-AA-A Bonds-All Stocks Index Fund	Corporate bonds	-	17,787,145
LGIM Buy & Maintain Credit Fund	Corporate bonds	-	22,071,335
LGIM Over 5y Index-Linked Gilts Fund	Index-linked gilts	35,949,790	37,381,504
LGIM Over 15yr Index-Linked Gilts Index Fund	Index-linked gilts	-	3,252,098
LGIM 2035 Index-Linked Gilt Fund	Index-linked gilts	-	4,917,385
LGIM 2040 Index-Linked Gilt Fund	Index-linked gilts	15,845,180	-
LGIM 2050 Index-Linked Gilt Fund	Index-linked gilts	-	1,052,773
LGIM 2055 Index-Linked Gilt Fund	Index-linked gilts	13,027,157	8,632,331
LGIM 2058 Index-Linked Gilt Fund	Index-linked gilts	-	2,969,569
LGIM 2062 Index-Linked Gilt Fund	Index-linked gilts	-	1,048,962
LGIM Matching Core Fixed Long Fund	LDI	-	10,645,643
LGIM Matching Core Real Long Fund	LDI	-	14,213,776
LGIM Sterling Liquidity Fund	Cash	20,626,757	8,218,071
Total Pooled investment vehicles		133,881,031	146,426,055

Notes to the financial statements continued**19. Investment risks continued****Credit risk**

The Scheme is subject to credit risk through its investments in pooled investment vehicles. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds. It is directly exposed to the credit risk of the insurance company for any pooled vehicles structured as life policies. The Scheme's bulk annuity policy is also directly exposed to the solvency of the insurer.

As at 30 April 2022 around 100% (2021: 100%) of the Scheme's assets were invested in funds or securities that are significantly exposed to direct credit risk.

The Scheme's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Scheme's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. For the bulk annuity policy, this risk is mitigated by the regulatory environment in which the insurer operates and the diversification of the policy's underlying assets.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from all of the Scheme's investments. The amount invested in each of these mandates is shown in the table on page 42.

The gilt and LDI funds only invests in UK government bonds, therefore there is little credit risk associated with the underlying assets. The corporate bond funds (which were fully disinvested over the Scheme Year) invested in a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund varies, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

Notes to the financial statements continued**19. Investment risks continued****Credit risk continued**

A summary of the type of pooled investment vehicle arrangements is as follows:

	2022 £	2021 £
Unit linked insurance contracts	<u>133,881,031</u>	<u>146,426,055</u>

Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents currency risk. All of the Scheme's pooled funds are accessed via a Sterling share class. Therefore the Scheme is not subject to direct currency risk.

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme could be subject to currency risk in respect of investments held in overseas markets. The Trustee considers any overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure. In particular the LGIM Buy & Maintain Credit Fund largely hedges non-Sterling investments back to Sterling (this portfolio was fully disinvested during the Scheme Year).

As at 30 April 2022 none of the Scheme's assets were invested in funds or securities that were significantly exposed to indirect currency risk (2021: Nil).

Interest rate and inflation rate risk

Interest rate risk and inflation risk is a material risk for the Scheme given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Scheme's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

Notes to the financial statements continued**19. Investment risks continued****Interest rate and inflation rate risk continued**

The assets the Scheme invests in with material exposure to changes in interest rates are the index-linked gilt funds, fixed interest gilt funds and bulk annuity policy. Whilst invested, the LDI funds and corporate bond holdings had material exposure to interest rate and inflation risk, though the Scheme fully disinvested from those funds during the Scheme year. The amount invested in each of these mandates is shown in the table on page 42.

As at 30 April 2022 around 85% (2021: 94%) of the Scheme's assets were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

Other price risk

Any assets are exposed to risks of market prices other than currencies and interest rates, such as pooled funds that hold equities being subject to movements in equity prices, give rise to other price risk. As at 30 April 2022 none of the Scheme's assets were invested in funds or securities that are significantly exposed to other price risk (2021: £Nil).

Notes to the financial statements continued**19. Investment risks continued****Credit and market risks**

The table below summarises the Scheme's investments that have significant exposure to indirect credit and market risks.

	Credit risk	Currency risk	Interest rate risk	Other price risk	2022 £	2021 £
LGIM Over 15y Gilts Index Fund	●	○	●	○	12,387,884	14,235,463
LGIM 2047 Gilt Fund	●	○	●	○	20,968,535	-
LGIM 2071 Gilt Fund	●	○	●	○	15,075,728	-
LGIM Matching Core Fixed Long Fund	●	○	●	○	-	10,645,643
LGIM Matching Core Real Long Fund	●	○	●	○	-	14,213,776
LGIM Sterling Liquidity Fund	●	○	○	○	20,626,757	8,218,071
LGIM AAA-AA-A Bonds-All Stocks Index Fund	●	○	●	○	-	17,787,145
LGIM Buy & Maintain Credit Fund	●	○	●	○	-	22,071,335
LGIM Over 5y Index-Linked Gilts Fund	●	○	●	○	35,949,790	37,381,504
LGIM Over 15yr Index-Linked Gilts Index Fund	●	○	●	○	-	3,252,098
LGIM 2035 Index-Linked Gilt Fund	●	○	●	○	-	4,917,385
LGIM 2040 Index-Linked Gilt Fund	●	○	●	○	15,845,180	-
LGIM 2050 Index-Linked Gilt Fund	●	○	●	○	-	1,052,773
LGIM 2055 Index-Linked Gilt Fund	●	○	●	○	13,027,157	8,632,331
LGIM 2058 Index-Linked Gilt Fund	●	○	●	○	-	2,969,569
LGIM 2062 Index-Linked Gilt Fund	●	○	●	○	-	1,048,962
Total					133,881,031	146,426,055

Key: The risk noted affects the fund significantly (●) or hardly/not at all (○). D = Direct risk ID = Indirect risk.

The annuity policy is subject to direct credit rate risk and direct interest rate risk.

Notes to the financial statements continued**20. Current assets**

	2022 £	2021 £
Cash balances	<u>3,971,931</u>	<u>1,616,410</u>

21. Current liabilities

	2022 £	2021 £
Accrued expenses	55,919	40,851
Sundry creditors	<u>8,000</u>	<u>-</u>
	<u>63,919</u>	<u>40,851</u>

22. Employer-related investments

As at 30 April 2022 there were no assets invested in Employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (2021: £Nil).

23. Related-party transactions

The Trustee, Lockton Pension Trustee Limited, is a subsidiary of Lockton UK Limited. Lockton UK Limited's UK parent company is LIH UK Topco Limited.

At 30 April 2022, 3 Directors of the Trustee were pensioner members of the Scheme (2021: 2) and 1 Director of the Trustee was a deferred member during the year (2021: 1). Benefits were paid in accordance with the Scheme Rules.

The Principal Employer bears certain costs of administration as referred to in note 8 up to February 2022, thereafter the Scheme meets the expenses directly.

The Scheme is supported by two PPF guaranteed agreements, one dated 18 March 2009 provided by Lockton Companies International Limited and the other dated 20 March 2011 provided by Lockton International Holdings Limited. In addition, the Trustee also has the benefit of a promissory note that was given by Lockton Inc. to Lockton Companies LLP for the purposes of meeting obligations to the Scheme which came into place with effect from 12 May 2015.

Notes to the financial statements continued**23. Related-party transactions continued**

As part of the Lockton International Holdings Limited ("LIHL") purchase of an Italian based broker in February 2016 LIHL borrowed additional funds in the form of a term loan (of \$41m USD) from Lockton Inc. to finance the purchase. An agreement was made in February 2016 between the Scheme, LIHL and Lockton Inc. that the LIHL Group will at all times have available \$15m USD of available headroom in its cashflows on a 12 month look forward basis.

24. GMP equalisation

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP) should be removed. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed.

The Trustee is working with the Employer and its respective advisers to assess the adjustments to benefits (if any) required. At this stage the Trustee and Employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of any backdated benefits and related interest that might be payable. The impact on the Scheme of any backdated benefits and related interest that might be payable is not expected to be material to the financial statements. The Trustee has therefore not included a liability and it will be accounted for in the year it is determined.

25. Subsequent events

In May 2022 the Trustee made a further investment decision to purchase an additional bulk annuity contract with Rothesay Life plc, this time securing the pension benefits for the remaining members not covered under the original LGAS contract. Together, the Rothesay and LGAS insurance policies are designed to exactly cover all members' benefits in the Scheme as they fall due.

Independent Auditor's Statement about Contributions to the Trustee of The Nelson Hurst Group Pension Scheme 4**Statement about contributions**

We have examined the Summary of Contributions payable under the Schedules of Contributions to The Nelson Hurst Group Pension Scheme 4 in respect of the Scheme year ended 30 April 2022 which is set out on page 47.

In our opinion contributions for the Scheme year ended 30 April 2022 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid from 1 May 2021 to 21 February 2022 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 10 December 2020 and subsequently been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 22 February 2022.

Scope of work

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

Respective responsibilities of Trustee and auditor

As explained more fully in the statement of Trustee's responsibilities set out on page 47, the Scheme Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedules of Contributions.

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

Independent Auditor's Statement about Contributions to the Trustee of The Nelson Hurst Group Pension Scheme 4 continued**The purpose of our work and to whom we owe our responsibilities**

This statement is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our work, for this statement, or for the opinions we have formed.

Signature:*P Marco***Dated:** 3 November 2022

Pamela Marco
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Challenge House
Sherwood Drive
Bletchley
Milton Keynes
MK3 6DP

Summary of Contributions payable during the year ended 30 April 2022**Statement of Trustee's responsibilities in respect of contributions for the year ended 30 April 2022**

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

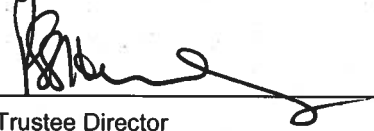
Trustee's Summary of Contributions payable under the Schedules of Contributions in respect of the Scheme year ended 30 April 2022

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 10 December 2020 and 22 February 2022 in respect of the Scheme year ended 30 April 2022. The Scheme Auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

During the year, the contributions payable to the Scheme were as follows:

	£
Required by the Schedules of Contributions	
Deficit funding contributions	<u>6,000,000</u>
Contributions required by the Schedules of Contributions (as reported on by the Scheme auditor and as reported in the financial statements)	<u>6,000,000</u>

Signed for and on behalf of the Trustee:


Trustee Director

Date: 2nd November 2022


Trustee Director

Date: 02 - NOV - 2022.

Appendix 1 - Implementation Statement (forming part of the Trustee's report)

Nelson Hurst Group Pension Scheme 4
Implementation Statement, covering the Scheme
Year from 1 May 2021 to 30 April 2022

The Trustee of the Nelson Hurst Group Pension Scheme 4 (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The SIP in place as at the Scheme Year end was dated August 2020.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Should LCP become concerned about the way in which any of the investment managers were undertaking voting and engagement, they would notify the Trustee and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager. Both LCP and the Trustee were comfortable with the managers that the Scheme invested in over the Scheme Year.

During the Scheme Year the Trustee received quarterly updates on ESG and Stewardship related issues from its investment advisers.

3. Description of voting behaviour during the Scheme Year

The SIP notes that the Scheme's investments are held in units of pooled funds and one annuity policy. The Trustee therefore does not have any direct voting rights; any voting rights are indirect as they pertain to the underlying investments within the pooled funds and annuity policy. Hence, in effect the Trustee has delegated voting rights to the investment managers of the pooled funds and the annuity provider. The Trustee itself has not used proxy voting services over the Scheme Year.

Throughout the Scheme Year, the Scheme did not invest in any funds or annuity policies that held listed equities or assets with voting opportunities.

Appendix 2 – Actuary's Certification of the Schedule of Contributions**3314071** *Actuary's certification of schedule of contributions*
Page 1 of 2

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: The Nelson Hurst Group Pension Scheme 4

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 can be expected to be met by the end of the period specified in the recovery plan dated 5 May 2022.

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 10 December 2020.

Signature: 

Date: *5 May 2022*

Name: Kenneth Hardman

Qualification: FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer: LCP
(if applicable)

