

# *The Nelson Hurst Group Pension Scheme 4*

**Trustee's annual report and financial statements for the year ended 30 April 2024**

**Registered number: 10180352**

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# *The Nelson Hurst Group Pension Scheme 4*

Page 2 of 47

**Trustee's annual report and financial statements for the year ended 30 April 2024**

## **Table of Contents**

Trustee, Principal Employer and advisers .....	3
Trustee's report.....	4
Independent Auditor's report to the Trustee of The Nelson Hurst Group Pension Scheme 4.....	19
Fund account.....	24
Statement of net assets (available for benefits).....	25
Notes to the financial statements.....	26
Independent Auditor's Statement about Contributions to the Trustee of The Nelson Hurst Group Pension Scheme 4.....	42
Summary of Contributions payable during the year ended 30 April 2024 .....	44
Appendix 1 – Implementation Statement (forming part of the Trustee's report).....	45
Appendix 2 – Actuary's Certification of the Schedule of Contributions .....	47

## *The Nelson Hurst Group Pension Scheme 4*

Page 3 of 47

**Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Trustee, Principal Employer and advisers**

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

# *The Nelson Hurst Group Pension Scheme 4*

Page 4 of 47

## **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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 2024.

### **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 ("L&G") 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 ("Rothesay Life"), this time securing the pension benefits for the remaining members not covered under the original L&G contract. Together, the Rothesay Life and L&G 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.

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.

## *The Nelson Hurst Group Pension Scheme 4*

Page 5 of 47

**Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Trustee's report continued**

#### **Changes to the Scheme**

The Trustee accepted notice from the Principal Employer to trigger winding up with effect from 1 January 2023 and the Trustee is currently taking a number of steps to ensure that the transfer of the Scheme's buy-in policies into individual policies in members' names takes place as smoothly as possible.

The Trustee is responsible for making an assessment as to whether the 'going concern' basis is appropriate for preparing the financial statements. The Trustee intends to complete the wind-up of the Scheme within the next 12 months and therefore they have assessed that the Scheme is no longer considered to be a going concern. As a result, the financial statements have been prepared on a non-going concern basis.

#### **Management of the Scheme**

The Trustee of the Scheme during the year ended 30 April 2024 was Lockton Pension Trustee Limited.

The Trustee Directors of Lockton Pension Trustee Limited during the year to 30 April 2024 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 three 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 24 and 25 show that the value of the Scheme assets decreased by £14,597,905 to £117,044,024 during the year. The decrease was composed of net withdrawals from dealings with members of £5,888,790 and net losses on investments of £8,709,115.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 24 to 41.

## *The Nelson Hurst Group Pension Scheme 4*

Page 6 of 47

**Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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 Pensions Scheme 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 2023 were given a 3% 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 5%.

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.

#### **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".

## The Nelson Hurst Group Pension Scheme 4

Page 7 of 47

Trustee's annual report and financial statements for the year ended 30 April 2024

### 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 Life in May 2022, together with the existing L&G 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 Scheme triggered wind up with effect from 1 January 2023 and so the requirement to complete a full valuation has fallen away. The latest Section 179 was carried out as at 30 April 2023. Once the Scheme completes buy-out and has no remaining members, the requirement to complete a Section 179 falls away.

## The Nelson Hurst Group Pension Scheme 4

Page 8 of 47

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

- 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%

90% of male members and 75% of female members are assumed to have a civil partner at retirement or earlier death.



## *The Nelson Hurst Group Pension Scheme 4*

Page 9 of 47

Trustee's annual report and financial statements for the year ended 30 April 2024

### 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	2024
Deferred members at the start of the year	<b>335</b>
Adjustment	(1)
Retirements	(15)
Death	(1)
Deferred members at the end of the year	<b>318</b>

Pensioners	2024
Pensioners at the start of the year	<b>275</b>
Late notification	(1)
New dependants	5
New pensioners	15
Deaths	(7)
Pensioners at the end of the year	<b>287</b>

Pensioners include 45 (2023: 40) dependants receiving a pension following the death of a member.

The pensioner members are insured under the L&G Buy In policy (169 pensioners) and Rothesay Life Buy In policy (118 pensioners).

The deferred members are insured under the Buy In policy with Rothesay Life.

Included in the pensioner member are 8 members who receive an additional pension from an annuity policy held with Standard Life.

## *The Nelson Hurst Group Pension Scheme 4*

Page 10 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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](mailto:enquiries@pensions-ombudsman.org.uk)

Tel: 0800 917 4487

[www.pensions-ombudsman.org.uk](http://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

Telecom House

125-135 Preston Road

Brighton

BN1 6AF

Tel: 0345 600 0707

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## *The Nelson Hurst Group Pension Scheme 4*

Page 11 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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](http://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

Bedford Borough Hall

138 Cauldwell Street

Bedford

MK42 9AP

Tel: 0800 011 3797

<https://www.moneyhelper.org.uk/en>

#### **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](mailto:NH4Admin@lcp.uk.com)

## *The Nelson Hurst Group Pension Scheme 4*

Page 12 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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 following contact, quoting full name, address, and National Insurance number.

Mark Owen  
138 Houndsditch  
The St Botolph Building  
London  
EC3A 7AG

#### **Investment management**

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 manager and bulk annuity providers, who operate within the guidelines of their specific mandates.

Over the year under review, the Scheme was invested in two bulk annuity contracts with L&G and Rothesay Plc to insure benefit payments linked to the Scheme's pensioner members. The Scheme was also invested in the Sterling Liquidity fund with Legal & General Investment Management Limited ("LGIM"). There were no changes to the investment manager or bulk annuity providers over the Scheme Year.

#### **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 main purpose of the SIP is to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk.

The SIP was last reviewed and updated in May 2022. 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>.

## The Nelson Hurst Group Pension Scheme 4

Page 13 of 47

Trustee's annual report and financial statements for the year ended 30 April 2024

### Trustee's report continued

#### Custodial arrangements

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

#### Implementation statement

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 require the Trustee to include an annual statement setting out how, and the extent to which, the Trustee has followed the voting and engagement policies in 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 distribution of assets at the Scheme year end by fund.

Fund	Asset class	Allocation as at 30 Apr 2024 £	Allocation as at 30 Apr 2023 £
Rothsay Life Annuity Policy	Bulk Annuity Policy	75,629,000	86,555,000
L&G Annuity Policy	Bulk Annuity Policy	23,237,000	26,030,000
LGIM Sterling Liquidity Fund	Cash	15,441,930	14,674,003
<b>Total</b>		<b>114,307,930</b>	<b>127,259,003</b>

To achieve its investment objective, the Trustee has entered into two bulk annuity contracts, which match the pensions payable to all of the Scheme's members. The annuity policies are "buy-ins" and therefore remain assets of the Scheme.

The first annuity policy was purchased in November 2010 and matches the pensions payable to the Scheme's pensioners who retired before April 2012. The second annuity policy, purchased in May 2022, matched pensions payable for the remaining members of the Scheme. Some further assets are also held within LGIM's Sterling Liquidity Fund and the Trustee's bank account.

## The Nelson Hurst Group Pension Scheme 4

Page 14 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### Trustee's report continued

#### 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 over the one, three and five year periods to 30 April 2024, based on the performance of the investment manager.

	1 Year %	3 Years pa %	5 Years pa %
Scheme	5.2	-1.0	1.5

Source: LCP calculations. The Scheme was invested in other assets from the period from 30 April 2019 to 18 May 2022 (ie the date of transfer of the second bulk annuity purchase). This impacts the three- and five-year performance figures illustrated above.

From 18 May 2022 to 30 April 2024, the Scheme was only invested in the LGIM Sterling Liquidity Fund.

#### 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 annuity policy providers and investment manager 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 environmental, social, governance ("ESG") considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the annuity policy providers and investment manager 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 annuity policies and pooled funds, but it encourages its managers to improve their practices where appropriate.

## *The Nelson Hurst Group Pension Scheme 4*

Page 15 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Trustee's report continued**

#### **Trustee's policies on environmental, social and governance 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 annuity policy providers and investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint providers and 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.

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 policy on the implementation of asset manager arrangements**

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser 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 transferring the liability for meeting member benefits as they fall due to the annuity policy providers. The Trustee has signed an agreement with the investment manager, setting out in detail the terms on which the portfolio is to be managed.

The investment manager's primary role is the day-to-day investment management of the Scheme's investments.

The Trustee, annuity policy providers and investment manager to whom discretion has been delegated exercise their powers to giving effect to the principles in the Scheme's SIP, so far as is reasonably practicable.

The Trustee has limited influence over its annuity policy providers and investment manager's investment practices because the Scheme's assets are held in annuity policies and a pooled fund, but it encourages its manager to improve their practices where appropriate.

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.

## *The Nelson Hurst Group Pension Scheme 4*

Page 16 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Trustee's report continued**

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

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 evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance (except in any closed-ended funds where the duration of the investment is determined by the fund's terms). 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 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. Since the impact of portfolio turnover costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. The Trustee expects its investment adviser 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 2024 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 at the year end (2023: £Nil).



## *The Nelson Hurst Group Pension Scheme 4*

Page 17 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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. The Trustee has addressed these inequalities for members of the Scheme and has made adjustments to benefits in respect of the Rothesay Life buy-in from October 2023. The Trustee has also calculated arrears payments to these members arising from the historical payment of unequalised pensions. The arrears totalling c£185k including interest has been paid to these members in October 2023.

In respect of the historical L&G buy-in policy, the Trustee has addressed inequalities for these members of the Scheme and has made adjustments to benefits in respect of these members and made arrears payments of c£140k to these members arising from historical payment of unequalised pensions over June and July 2024. These payments were accrued and are included in note 5.

On 20 November 2020 the High Court ruled in a further Lloyds Banking Group case that historical transfer payments should be adjusted to remove inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP). The Trustee has paid arrears payments that are under £18k due to former members arising from historical payment of unequalised transfer values totalling c£270k in March 2024. The Trustee has also paid the remaining arrears payments due to former members arising from historical payment of unequalised transfer values totalling c£320k in June and July 2024. These payments were accrued and are included in note 6.

#### **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'.

## The Nelson Hurst Group Pension Scheme 4

Page 18 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### 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. It is also responsible for:

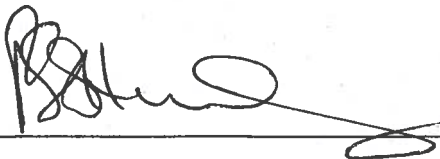
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or have no realistic alternative but to do so (as explained in note 1 of the financial statements, the Trustee does not believe that it is appropriate to prepare these financial statements on a going concern basis); and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

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.

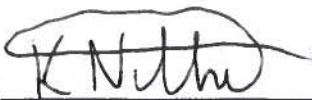
Signed for and on behalf of the Trustee:



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Trustee Director

Date: 19<sup>th</sup> September 2024



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Trustee Director

Date: 19/09/24

## *The Nelson Hurst Group Pension Scheme 4*

Page 19 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

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

#### **Opinion**

We have audited the financial statements of The Nelson Hurst Group Pension Scheme 4 ("the Scheme") for the year ended 30 April 2024 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 2024 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.

#### **Emphasis of matter - Non-going concern basis of preparation**

We draw attention to the disclosure made in Note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that Note. Our opinion is not modified in respect of this matter.

## *The Nelson Hurst Group Pension Scheme 4*

Page 20 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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**

##### *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.

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.

## *The Nelson Hurst Group Pension Scheme 4*

Page 21 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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 related to 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.

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 Scheme rules and recommendations of the Actuary in our statement about contributions on pages 42 and 43 of the annual report.

## *The Nelson Hurst Group Pension Scheme 4*

Page 22 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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**

##### *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 fraud 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, the report on actuarial liabilities, 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.

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 17 and 18, the Scheme's Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

## *The Nelson Hurst Group Pension Scheme 4*

Page 23 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

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

#### **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](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the 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:**

**Dated: 23 September 2024**

Julie Radcliffe  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

## The Nelson Hurst Group Pension Scheme 4

Page 24 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Fund account

	Note	2024 £	2023 £
<b>Contributions and benefits</b>			
Other income	4	800	840
Benefits paid or payable	5	(4,147,236)	(3,711,924)
Payments to and on account of leavers	6	(660,633)	-
Administrative expenses	7	(1,081,721)	(1,137,816)
Other payments	8	-	(42,000)
		<u>(5,889,590)</u>	<u>(4,891,740)</u>
<b>Net withdrawals from dealings with members</b>		<u>(5,888,790)</u>	<u>(4,890,900)</u>
<b>Returns on investments</b>			
Investment income	9	4,159,488	3,915,111
Change in market value of investments	10	(12,856,243)	(48,670,831)
Investment management expenses	12	<u>(12,360)</u>	<u>(13,915)</u>
<b>Net losses on investments</b>		<u>(8,709,115)</u>	<u>(44,769,635)</u>
<b>Net decrease in the fund during the year</b>		<u>(14,597,905)</u>	<u>(49,660,535)</u>
<b>Net assets of the Scheme</b>			
<b>At 1 May</b>		<u>131,641,929</u>	<u>181,302,464</u>
<b>At 30 April</b>		<u>117,044,024</u>	<u>131,641,929</u>

The notes on pages 26 to 41 form part of these financial statements.



## The Nelson Hurst Group Pension Scheme 4

Page 25 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

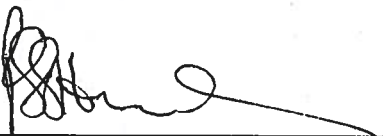
### Statement of net assets (available for benefits)

	Note	2024 £	2023 £
<b>Investment assets</b>			
Pooled investment vehicles	10/14	15,441,930	14,674,003
Insurance policies	10/16	98,866,000	112,585,000
AVC investments	10/17	937,059	854,589
Other Investment balances	10	<u>23,323</u>	<u>22,592</u>
<b>Total investments</b>		<u>115,268,312</u>	<u>128,136,184</u>
<b>Current assets</b>	20	2,461,679	3,759,687
<b>Current liabilities</b>	21	<u>(685,967)</u>	<u>(253,942)</u>
<b>Net assets of the Scheme at 30 April</b>		<u>117,044,024</u>	<u>131,641,929</u>

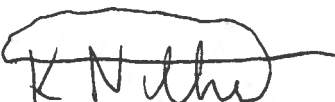
The notes on pages 26 to 41 form part of these financial statements.

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: 19<sup>th</sup> September 2024

  
Trustee Director

Date: 19/09/24

# *The Nelson Hurst Group Pension Scheme 4*

Page 26 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

## **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).

As the Trustee accepted notice from the Principal Employer to trigger winding up with effect from 1 January 2023, the financial statements have not been prepared on a going concern basis. No adjustments have been made to the financial statements as a result of this change.

### **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.

### **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. 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.
- Adjustments to transfers out in respect of GMP have been accounted for on an accruals basis

## *The Nelson Hurst Group Pension Scheme 4*

Page 27 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Notes to the financial statements continued**

#### **3. Accounting policies continued**

##### **3.3. 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.

##### **3.4. Administrative and other payments**

- Administrative expenses are accounted for on an accruals basis.

##### **3.5. 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.

##### **3.6. Investment management expenses and transaction costs**

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

## The Nelson Hurst Group Pension Scheme 4

Page 28 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Notes to the financial statements continued

#### 3. Accounting policies continued

##### 3.7. 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 Scheme Actuary.
- There is also a legacy annuity policy held with Standard Life in the name of the Trustee of the Scheme. The value of this policy has not been included in the financial statements, as it is immaterial to the Scheme.
- 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.

##### 3.8. 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.

#### 4. Other Income

	2024	2023
	£	£
Sundry income	<u>800</u>	<u>840</u>

## The Nelson Hurst Group Pension Scheme 4

Page 29 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Notes to the financial statements continued

#### 5. Benefits paid or payable

	2024 £	2023 £
Pensions	3,372,534	3,153,936
Commutation of pensions and lump sum retirement benefits	772,650	557,988
Taxation where lifetime or annual allowance exceeded	2,052	-
	<u>4,147,236</u>	<u>3,711,924</u>

#### 6. Payments to and on account of leavers

	2024 £	2023 £
Individual transfers out to other schemes	<u>660,633</u>	<u>-</u>

#### 7. Administrative expenses

	2024 £	2023 £
Administration and processing	285,869	274,057
Actuarial fees	652,785	713,200
Legal and other professional fees	88,651	111,031
Audit fee	47,700	28,534
Trustee expenses	481	336
Pension Protection Fund levies and regulatory fees	6,200	8,285
Bank and sundry charges	35	2,373
	<u>1,081,721</u>	<u>1,137,816</u>

All costs of administration are payable by the Scheme.

## The Nelson Hurst Group Pension Scheme 4

Page 30 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### Notes to the financial statements continued

#### 8. Other Payments

	2024	2023
	£	£
Trustee's liability insurance	<u>-</u>	<u>42,000</u>

#### 9. Investment income

	2024	2023
	£	£
Annuity income	4,078,646	3,909,141
Interest on cash deposits	<u>80,842</u>	<u>5,970</u>
	<u>4,159,488</u>	<u>3,915,111</u>

## The Nelson Hurst Group Pension Scheme 4

Page 31 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Notes to the financial statements continued

#### 10. Reconciliation of investments

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

	Value at 30 April 2023 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 30 April 2024 £
<b>Pooled investment vehicles</b>					
LGIM	14,674,003	-	(12,360)	780,287	15,441,930
	<u>14,674,003</u>	<u>-</u>	<u>(12,360)</u>	<u>780,287</u>	<u>15,441,930</u>
<b>Insurance policies</b>					
L&G	26,030,000	-	-	(2,793,000)	23,237,000
Rothesay Life	86,555,000	-	-	(10,926,000)	75,629,000
	<u>112,585,000</u>	<u>-</u>	<u>-</u>	<u>(13,719,000)</u>	<u>98,866,000</u>
<b>AVC investments</b>					
Royal London	187,996	-	-	23,567	211,563
Standard Life	666,593	-	-	58,903	725,496
	<u>854,589</u>	<u>-</u>	<u>-</u>	<u>82,470</u>	<u>937,059</u>
	<u>128,113,592</u>	<u>-</u>	<u>(12,360)</u>	<u>(12,856,243)</u>	<u>115,244,989</u>
Other investment balances	22,592				23,323
	<u>128,136,184</u>				<u>115,268,312</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 (2023: £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.

## The Nelson Hurst Group Pension Scheme 4

Page 32 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Notes to the financial statements continued

#### 12. Investment management expenses

	2024 £	2023 £
Administration, management and custody	<u>12,360</u>	<u>13,915</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:

	2024 £	2023 £
Cash funds	<u>15,441,930</u>	<u>14,674,003</u>

#### 15. Concentration of investments

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

	2024 £	%	2023 £	%
Rothesay Life Annuity Policy	75,629,000	65	86,555,000	66
L&G Annuity Policy	23,237,000	20	26,030,000	20
LGIM Sterling Liquidity Fund	15,441,930	13	14,674,003	11



## The Nelson Hurst Group Pension Scheme 4

Page 33 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### Notes to the financial statements continued

#### 16. Insurance policies

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

	2024 £	2023 £
L&G	23,237,000	26,030,000
Rothsay Life	75,629,000	86,555,000
	<u>98,866,000</u>	<u>112,585,000</u>

The policies have been valued by the Scheme Actuary and are based on the most recent actuarial data at 30 April 2020 rolled forward to 30 April 2024 allowing for experience up to 30 April 2024. As the policies are intended to be held for the short term the valuations have been based on assumptions from LCP's in-house insurer buy-out pricing model.

The main financial and demographic assumptions for our buy-out estimates are set out below.

Financial assumptions	30 April 2024
Discount rate	4.70% pa – based on LCP internal buyout basis
Inflation	
RPI	3.60% pa – based on RPI swap curve
CPI	Single equivalent assumption of RPI less 0.6% pa (based on an assumed RPI/CPI wedge of 0.8% until 2030 and 0.1% from 2030)
Pension increases in payment	Based on observed market pricing for increases with the relevant caps and floors

## The Nelson Hurst Group Pension Scheme 4

Page 34 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### Notes to the financial statements continued

#### 16. Insurance policies continued

Demographic assumptions	30 April 2024
Mortality	
Base table	91% (males) / 96% (females) of S3NA tables
Future improvements	CMI 2022 model from 2013, with a smoothing parameter of S=7 and A=0.50%, long term trend rate of 1.5% pa, w2020 = 0%, w2021 = 0% and w2022 =40%
Retirement	Members are assumed to retire at the earliest age they can take their entire benefits unreduced (ie at their Normal Retirement Date)
Family statistics	85% are assumed to be married or have a dependant at retirement
	Spouses assumed to be three years younger (male members) or three years older (female members) than the member

#### 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 who elected to pay additional voluntary contributions. Members who participated 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.

## The Nelson Hurst Group Pension Scheme 4

Page 35 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### 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 2024	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	15,441,930	-	15,441,930
Insurance policies	-	-	98,866,000	98,866,000
AVC investments	-	8,018	929,041	937,059
Other investment balances	23,323	-	-	23,323
	<u>23,323</u>	<u>15,449,948</u>	<u>99,795,041</u>	<u>115,268,312</u>

At 30 April 2023	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	14,674,003	-	14,674,003
Insurance policies	-	-	112,585,000	112,585,000
AVC investments	-	7,113	847,476	854,589
Other investment balances	22,592	-	-	22,592
	<u>22,592</u>	<u>14,681,116</u>	<u>113,432,476</u>	<u>128,136,184</u>

## *The Nelson Hurst Group Pension Scheme 4*

Page 36 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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.

## *The Nelson Hurst Group Pension Scheme 4*

Page 37 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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.

To achieve its investment objective, the Trustee has entered into two bulk annuity contracts, which match the pensions payable to all of the Scheme's members. The annuity policies are "buy-ins" and therefore remain assets of the Scheme.

The first annuity policy was purchased in November 2010 and matches the pensions payable to the Scheme's pensioners who retired before April 2012. The second annuity policy involved the transfer of the Scheme's remaining liabilities to Rothesay Life in May 2022. Some further assets are also held within LGIM's Sterling Liquidity Fund and the Trustee's bank account.

##### **Credit risk**

###### ***Direct 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 policies are also directly exposed to the solvency of the insurers.

As at 30 April 2024 100% (2023: 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 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.

## The Nelson Hurst Group Pension Scheme 4

Page 38 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### Notes to the financial statements continued

#### 19. Investment risks continued

##### Credit risk continued

##### Indirect credit risk

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.

Whilst buy-in pricing is sensitive to changes in credit spreads (because insurers invest in corporate bonds) the same is generally not true for the valuation of a buy-in asset once it has been invested in by the Scheme. When a buy in is valued within the accounts the figure used is the actuary's view of the value of liabilities covered, rather than a "mark-to-market" approach of estimating the cost of entering the same contract today. So, the valuation of the asset is not sensitive to credit spreads.

In addition, whilst the insurer invests in bonds, the actual experience of bond defaults will only affect the insurer's profit and loss, not the cashflows the buy-in is covering.

As at 30 April 2024 0% (2023: 0%) of the Scheme's invested assets (ie excluding AVCs) were invested in funds or securities that are significantly exposed to indirect credit risk.

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

	2024	2023
	£	£
Unit linked insurance contracts	<u>15,441,930</u>	<u>14,674,003</u>

##### Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional 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.

The Scheme's assets are only invested in Sterling investments, Sterling hedged overseas investments or mandates with minimal exposure to overseas investments, the Scheme has negligible exposure to indirect currency risk. As the insurance policies cover GBP liabilities only, there is no currency risk associated with the insurance policies.

As at 30 April 2024 around 0% (2023: 0%) of the Scheme's invested assets (excluding AVCs) were invested in funds or securities that are significantly exposed to currency risk.

## *The Nelson Hurst Group Pension Scheme 4*

Page 39 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Notes to the financial statements continued**

#### **19. Investment risks continued**

##### **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.

If interest rates fall (rise), then the stream of cashflows the Scheme expects to receive are worth more (less) today. Therefore, the value of the insurance policies are subject to change with interest rates and inflation rates.

As at 30 April 2024 around 87% (2023: 89%) of the Scheme's invested assets (excluding AVCs) were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

##### **Other price risk**

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

The Trustee monitors this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The value of the pension benefits is sensitive to changes in mortality expectations. As the valuation of the insurance policies are equal to the valuation of the liabilities the insurance policy is covering, the valuation of the insurance policy is also sensitive to changes in mortality expectations. These holdings therefore have indirect other price risk.

As at 30 April 2024 around 87% (2023: 89%) of the Scheme's invested assets (excluding AVCs) were invested in funds or securities that are significantly exposed to other price risk.

## The Nelson Hurst Group Pension Scheme 4

Page 40 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

### 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.

	Indirect Credit risk	Indirect Currency risk	Indirect Interest rate risk	Indirect Other price risk	2024 £	2023 £
Insurance policies (ie buy-ins)	○	○	●	●	98,866,000	112,585,000
LGIM Sterling Liquidity Fund	○	○	○	○	15,441,930	14,674,003
<b>Total</b>					<b>114,307,930</b>	<b>127,259,003</b>

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

#### 20. Current assets

	2024 £	2023 £
Cash balances	2,461,679	3,365,999
Sundry debtors	-	393,688
	<u>2,461,679</u>	<u>3,759,687</u>

#### 21. Current liabilities

	2024 £	2023 £
Unpaid benefits	483,323	102,102
Accrued expenses	202,644	151,840
	<u>685,967</u>	<u>253,942</u>

#### 22. Employer-related investments

As at 30 April 2024 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 at the year end (2023: £Nil).



## *The Nelson Hurst Group Pension Scheme 4*

Page 41 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Notes to the financial statements continued**

#### **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 2024, three Directors of the Trustee were pensioner members of the Scheme (2023: 3) and one Director of the Trustee was a deferred member during the year (2023: 1). Benefits were paid in accordance with the Scheme Rules.

The Scheme meets the expenses as referred to in note 7 (which are initially paid by the Employer and recharged back to the Scheme) and Trustee insurance directly as detailed in note 8 of the financial statements. Included within accrued expenses of the current liabilities note is £198,644 (2023: £147,840) which was due to the Employer in respect of recharged expenses.

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.

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. Virgin Media v NTL Pension Trustees II decision**

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met.

The Trustee has considered the implications of the judgement and taken independent legal advice. Based on this assessment, the Trustee does not believe that any adjustment to member benefits is required as a result of the judgement.

## *The Nelson Hurst Group Pension Scheme 4*

Page 42 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **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 Scheme rules and recommendations of the Actuary to The Nelson Hurst Group Pension Scheme 4 ("the Scheme") in respect of the Scheme year ended 30 April 2024 which is set out on page 44.

In our opinion contributions for the Scheme year ended 30 April 2024 as reported in the Summary of Contributions and payable under the Scheme rules and recommendations of the Actuary have been paid in accordance with the Scheme rules and recommendations of the Actuary.

#### **Scope of work**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have been paid in accordance with the Scheme rules and recommendations of the Actuary. 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 Scheme rules and recommendations of the Actuary.

#### **Respective responsibilities of Trustee and auditor**

As explained more fully in the statement of Trustee's responsibilities set out on page 44, following the Scheme entering wind-up, the Scheme's Trustee is responsible for monitoring that contributions are made to the Scheme in accordance with the Scheme rules and recommendations of the Actuary. The Trustee is also responsible for keeping records in respect of contributions received in respect of members of the Scheme.

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

## *The Nelson Hurst Group Pension Scheme 4*

Page 43 of 47

**Trustee's annual report and financial statements for the year ended 30 April 2024**

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



**Signature:**

**Dated: 23 September 2024**

Julie Radcliffe  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

# The Nelson Hurst Group Pension Scheme 4

## Trustee's annual report and financial statements for the year ended 30 April 2024

### Summary of Contributions payable during the year ended 30 April 2024

#### Statement of Trustee's responsibilities in respect of contributions for the year ended 30 April 2024

Following the Scheme entering wind up on 1 January 2023, the Scheme's Trustee is responsible for keeping records of contributions received in respect of any member of the Scheme, and for monitoring that contributions are made to the Scheme in accordance with the Scheme rules and recommendations of the Actuary.

#### Trustee's Summary of Contributions payable under the Scheme rules and recommendations of the Actuary in respect of the Scheme year ended 30 April 2024

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 Scheme rules and recommendations of the Actuary in respect of the Scheme year ended 30 April 2024. The Scheme Auditor reports on contributions payable under the Scheme rules and recommendations of the Actuary in the Auditor's Statement about Contributions.

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


	£
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#### Required by the Scheme rules and recommendations of the Actuary

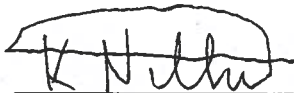
Deficit funding contributions \_\_\_\_\_ -

Contributions required by the Scheme rules and recommendations of the Actuary (as reported on by the Scheme auditor and as reported in the financial statements) \_\_\_\_\_ -

Signed for and on behalf of the Trustee:

  
\_\_\_\_\_  
Trustee Director

Date: 19<sup>th</sup> September 2024

  
\_\_\_\_\_  
Trustee Director

Date: 19/09/24

# The Nelson Hurst Group Pension Scheme 4

Page 45 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

## 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 2023 to 30 April 2024*

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 policy in relation to exercise of the rights (including voting rights) attaching to the investments, 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. The AVC investments are not covered in this Statement on materiality grounds, since they are a small proportion of the Scheme's overall assets.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

#### **1. Introduction**

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was in May 2022, following the completion of the Scheme's second buy-in transaction.

Over the Scheme Year, the Trustee continued to hold the majority of the Scheme's investments in two annuity policies, with a residual balance of assets in the Legal & General ("L&G") Sterling Liquidity Fund.

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

#### **2. Voting and engagement**

The Trustee has delegated to its remaining investment manager (L&G) the exercise of rights attaching to investments, including voting rights, and engagement. L&G's full policy is available on the L&G website here: <https://www.lqim.com/landg-assets/lqim/document-library/capabilities/lqim-uk-corporate-governance-and-responsible-investment-policy.pdf>

However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with the manager as detailed below.

The Trustee has considered how environmental, social, governance ("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.

As part of its advice on the selection and ongoing review of investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement. LCP was comfortable with L&G's approach to voting and engagement over the Scheme Year.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus engagement with their investment managers on specific ESG factors. The Trustee set climate change as the Scheme's stewardship priority in March 2023 (ie prior to the coverage of this Statement), and engaged with the investment manager to communicate this priority. This priority was selected because the Trustee believes that it is a key market-wide risk and an area where good stewardship and engagement can improve long-term financial outcomes. The Scheme did not change its stewardship priority during the Scheme Year.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

## *The Nelson Hurst Group Pension Scheme 4*

Page 46 of 47 **Trustee's annual report and financial statements for the year ended 30 April 2024**

### **Appendix 1 – Implementation Statement (forming part of the Trustee's report) continued**

#### **3. Description of voting behaviour during the Scheme Year**

The SIP notes that the Scheme's investments are held in units of a pooled fund (the L&G Sterling Liquidity Fund) and two annuity policies. 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 policies. Hence, in effect the Trustee has delegated voting rights to the investment managers of the pooled fund and the annuity providers. 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 that hold listed equities or assets with voting opportunities.

# The Nelson Hurst Group Pension Scheme 4

Page 47 of 47 Trustee's annual report and financial statements for the year ended 30 April 2024

## 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)