

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

CONTENTS

| | |
|--|----|
| TRUSTEES AND THEIR ADVISERS | 1 |
| TRUSTEES' REPORT | 3 |
| INDEPENDENT AUDITOR'S REPORT | 12 |
| INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS | 15 |
| SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR | 16 |
| FUND ACCOUNT | 17 |
| STATEMENT OF NET ASSETS (available for benefits)..... | 18 |
| NOTES TO THE FINANCIAL STATEMENTS | 19 |
| REPORT ON ACTUARIAL LIABILITIES | 29 |
| LATEST ACTUARY'S CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS..... | 31 |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

TRUSTEES AND THEIR ADVISERS

| | |
|-----------------------------------|--|
| Trustees: | P Engels D Habgood B Gower (member nominated) B Jennings (member nominated) |
| Secretary to the Trustees: | Anita Chandna (appointed 1 December 2022) Willis Towers Watson Wallace House Floor 1 4 Falcon Way Shire Park, Welwyn Garden City Hertfordshire, AL7 1TW Irene Campbell (resigned 24 November 2022) Charles Taylor Limited The Minster Building 21 Mincing Lane London, EC3R 7AG |
| Principal Employer: | Charles Taylor Administration Services Limited The Minster Building 21 Mincing Lane London, EC3R 7AG |
| Scheme Actuary: | Robert Sweet FIA Cartwright Group Ltd Mill Pool House Mill Lane Godalming Surrey, GU7 1EY |
| Administrator: | Cartwright Benefit Consultants Limited Marlborough House Victoria Road South Chelmsford Essex, CM1 1LN |
| Independent Auditor: | RSM UK Audit LLP Portland 25 High Street Crawley, RH10 1BG |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

TRUSTEES AND THEIR ADVISERS (continued)

| | |
|-------------------------------|---|
| Banker: | Royal Bank of Scotland 36 St Andrew Square Edinburgh, EH2 2YB |
| Legal Advisers: | Reed Smith LLP The Broadgate Tower 20 Primrose Street London, EC2A 2RS |
| Investment Manager: | Charles Taylor Investment Management Limited The Minster Building 21 Mincing Lane London, EC3R 7AG |
| Investment Consultant: | Cartwright Benefit Solutions Limited Mill Pool House Mill Lane Godalming Surrey, GU7 1EY |
| Custodian: | The Northern Trust Company |

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT

The Trustees have pleasure in presenting their annual report and audited financial statements of Charles Taylor & Co Limited Retirement Benefit Scheme ("the Scheme") for the year ended 30 June 2022.

The Scheme

The Scheme was established as a defined benefit pension scheme with effect from 1 September 1970 and is governed by the trust deed and rules dated 23 February 2010 and subsequent amending deeds.

Following a consultation period, the Scheme closed to future accrual of benefits for active members with effect from 1 July 2011.

Tax Status

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It is, therefore, exempt from UK income and capital gains tax.

The Trustees

The Trustees are listed on page 1.

The Trustees have been appointed in accordance with the Trust Deed and the Pensions Acts 1995 and 2004. Company appointed Trustees may be appointed to, or removed from, office by the Principal Employer, Charles Taylor Administration Services Limited. Two Trustees have been selected by the members (as Member Nominated Trustees) in accordance with the Pensions Act 2004.

The Trustees plan three meetings a year, with additional as required. During the year ended 30 June 2022, the Trustees met three times.

Enquiries

Enquiries about the Scheme generally, or about an individual's entitlement to benefit, should be addressed to:

Anita Chandna
Secretary to the Trustees
Willis Towers Watson
Wallace House
Floor 1
4 Falcon Way
Shire Park, Welwyn Garden City
Hertfordshire, AL7 1TW
Email: anita.chandna@wtwco.com

Financial Development of the Scheme

The Fund Account on page 17 shows that there was a net withdrawal arising from dealings with members for the year of £635,028 (2021: addition of £2,335,180) and the net decrease on investments during the year was £18,656,953 (2021: increase of £10,603,773). The Scheme's assets for the same period therefore decreased by £19,291,981 to £82,246,717.

The Scheme's financial statements have been prepared and audited in accordance with Section 41 (1) and (6) of the Pensions Act 1995.

Changes to the Scheme in the year

There were no changes to Scheme benefits or rules during the year.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Pension Increases

Pensions in payment are increased on 1 July each year, in accordance with the Scheme Rules.

There were no discretionary increases during the year.

Actuarial Valuation

The Scheme is subject to an Actuarial Valuation every three years which is prepared by an independent Actuary. The last formal valuation was prepared as at 1 July 2019 in which the Actuary assessed the Scheme's ability to meet its funding obligations in respect of the Defined Benefits underpin.

The actuarial valuation indicated that, at the valuation date, there was a funding shortfall of £23,076,000, i.e. at the valuation date, the market value of the assets was insufficient to cover the past services liabilities, after allowing for projected salary growth.

To eliminate this shortfall by 31 December 2024, a Recovery Plan has been agreed and the Employer will make deficit contributions as follows:

| Year ending 31 December | Contribution (£) |
|------------------------------------|------------------|
| 1 July 2019 to 31 December 2019 | 1,568,662 |
| 1 January 2020 to 31 December 2020 | 5,499,009 |
| 1 January 2021 to 31 December 2021 | 4,658,899 |
| 1 January 2022 to 31 December 2022 | 4,831,844 |
| 1 January 2023 to 31 December 2023 | 5,013,436 |
| 1 January 2024 to 31 December 2024 | 5,204,108 |

Based on the assumptions adopted for the valuation, these contributions are projected to eliminate the funding deficit by 31 March 2023.

The above contributions are payable monthly. Payment will be made by 19th of the month (or 22nd if paid electronically) following that to which the contributions relate.

A Report on Actuarial Liabilities, based on the actuarial valuation as at 1 July 2019, is shown on pages 29 and 30.

The next actuarial valuation is due as at 1 July 2022 and is currently underway.

Calculation of Transfer Values

Transfer values are calculated using an appropriate actuarial basis adopted for this purpose by the Trustees having received advice from the Scheme Actuary. Although the Scheme had a funding deficit at 1 July 2019, the date of the last triennial actuarial valuation, based on advice from the Scheme Actuary the Trustees have decided not to reduce transfer values.

There were no discretionary benefits included in the transfer values.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

TRUSTEES' REPORT (continued)

Membership

Details of membership of the Scheme for the year are given below:

| | 2022 | 2021 |
|---|-------------|-------------|
| Pensioners | | |
| At the start of the year | 73 | 74 |
| New pensioners | 5 | 1 |
| Deaths | (4) | (2) |
| At the end of the year | 74 | 73 |
| Dependants | | |
| At the start of the year | 18 | 17 |
| New dependants | 2 | 2 |
| Deaths | (1) | (1) |
| At the end of the year | 19 | 18 |
| Members with deferred benefits | | |
| At the start of the year | 72 | 73 |
| Retirements | (5) | (1) |
| Transfer out | (2) | - |
| At the end of the year | 65 | 72 |
| Total members at the end of the year | 158 | 163 |

Equalisation of Guaranteed Minimum Pensions (GMPs)

Benefits for members who joined the Scheme prior to April 1997 include a Guaranteed Minimum Pension (GMP) which broadly represents the pension which they would otherwise have accrued under the old State Earnings-Related Pension Scheme (SERPS). Following recent High Court Judgements in relation to the "Lloyds Bank" Case, the Trustees are aware that there may be a requirement to adjust some members' Scheme benefits to address the inequalities in the calculations of GMPs between men and women, including, the review and top-up of historic cash equivalent transfer values (CETVs) that were calculated on an unequalised basis. This may result in modest increases in benefits for some members and potentially top-up payments for those who transferred benefits out of the Scheme in the past; however many may see no change to their benefits, but no member will see the value of their benefits reduced as a result of these Judgements. The Government has issued some guidance on the matter in relation to the taxation and impact on Annual Allowance and Lifetime Allowance in respect of additional payments. This is a complicated matter and the Trustees will consider with their advisers what actions should be taken.

No provision has been included in the financial statements at this stage as any increases in benefits in respect of past service are expected to be immaterial. Any additional liabilities identified on completion of the review will be included in future financial statements.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

TRUSTEES' REPORT (continued)

Scheme Performance

The Scheme's performance against benchmark for the periods ended 30 June 2022 is shown below:

| | One year % | Three years % p.a. | Five years % p.a. |
|-----------|-----------------------|-------------------------------|------------------------------|
| Scheme | -18.66 | -1.28 | 1.64 |
| Benchmark | -14.79 | -1.07 | 1.81 |

The objective of the Scheme is to meet its liabilities when they fall due, it is not managed against a benchmark. The benchmark in the above table is a blend of equity and bond indices which is used as an indication of general market performance and is not reflective of the strategic asset allocation of the Scheme.

Investment Commentary

The 12 months ending 30 June 2022 were characterised by a substantial change to the investment strategy, as the Trustees decided to accelerate the process of de-risking the portfolio relative to its pension liabilities, in light of the improved funding. In practice, de-risking involves a lower allocation to equities and a higher allocation to bonds and Liability Driven Investments (LDI). While our previous goal was to grow the assets in order to reduce the deficit, the new strategy has a smaller growth element and is instead focused on protecting the improved funding levels. Its results are reflected in the lower volatility of the assets relative to the liabilities, as shown in the evolution of the scheme's funding level.

The dominant topic in markets over the time period was undoubtedly inflation, which initially appeared as a transitory issue that could be easily fixed with minimal or no Central Banks' intervention, but then became clearly a more permanent one. This prompted the Bank of England to raise rates in December 2021 for the first time in three years; this initial step was followed by subsequent rate hikes on a monthly basis and similar actions by other Central Banks.

In this environment, bond yields rose sharply, with a corresponding fall in their prices. The first half of 2022 was one of the worst periods ever for global bonds, which lost their traditional role as safe haven at a time when Europe was affected by the war in Ukraine, and recession had become a serious concern.

Equity markets performed better than bonds, but their returns were also negative.

Due to the higher bond yields, the Scheme's liabilities at present value had a significant fall, resulting in improved funding levels.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Charles Taylor implementation statement

The primary focus of this implementation statement is to describe how the investment managers, Charles Taylor Investment Management Company Limited (CTIM), have actioned the various policies as outlined in the Statement of Investment Principles (SIP) over the past year.

As Trustees of the Scheme's assets, we are responsible for the selection and retention of CTIM. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with the policies in our SIP.

We are satisfied with the voting and engagement activities of CTIM and the 3rd party fund managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies; however, we will engage with them should we have any concerns about the voting and/or engagement activities carried out on our behalf.

Changes to the SIP in the last 12 months

In September 2021, some changes were introduced to the SIP:

- 1) The definition of expected investment return was clarified with an explicit mention of the required rates of return to reach the two targets of Technical Provisions and Long-Term Solvency, and their respective time horizons.
- 2) The target interest rate and inflation hedge ratios were increased from 20% to 80% +/- 5%, as the Trustees decided to accelerate the process of de-risking the assets relative to the liabilities.

Implementation of the investment strategy principles

- **Required rates of returns**
The overall expected investment return should exceed the required rates of return under both Technical Provisions and Long-Term Solvency. This principle is implemented by calculating the required rates of returns on a quarterly basis and then, at each new investment, an assessment is made that its expected return exceeds the required rates of return. This test has become easier over time, as the required rates of return have fallen thanks to some good progress on funding, and at the same time the expected return on investments has gone up thanks to bond yields having moved higher. As an example, one of the largest investments made during the year is the Muzinich Long/Short fund, with a yield of approximately 8%, well over both required rates of return under Technical Provisions (around 0%) and Long-Term Solvency (around 2%).
- **Interest rate and inflation hedge ratios**
The biggest change to the SIP in the last year was the increase of the interest rate and inflation hedge ratios from 20% to 80% +/- 5%. This was actioned by increasing the allocation to LDI investments.
- **Diversification of the assets**
The assets remain well diversified within the limits of the investment guidelines. The decision of the Trustees to de-risk the portfolio resulted in a lower allocation to risk-assets and a higher allocation to matching assets (from 60/40 to 50/50) as per the updated investment guidelines. Geographical diversification within equities was increased during the year as the investment guidelines were amended to increase exposure to global equities relative to UK equities. Diversification by industry sector is in line with that of the broader market, while company diversification is obtained by having strict limits on individual company exposure.
- **Cashflow matching**
The Scheme has a requirement to produce sufficient cashflows to match pension payments for the next 7 years (+/- 1 year). The Scheme is currently cashflow matched for the first 8 years, as per the most recent cashflow analysis, which is done annually. Cashflows are generated by both equities and bonds: in equities, we focus on funds offering income share classes, while on bonds we have an allocation to short-dated bonds and bond funds.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Voting & engagement activity

The Scheme's investments are managed in part directly and in part by third party managers.

The process to select, appoint, and monitor external managers includes the following aspects:

- Overall firm culture and philosophy, including governance structure and management oversight, diversity, and investment team competences
- Assessment that the stewardship policy prioritises ESG factors beyond corporate governance, in addition to systemic issues
- Incorporation of material ESG factors in investment analysis, decisions, and portfolio construction
- Incorporation of the managers' sustainable investment policy into their asset allocation decisions
- Confirmation that the managers have adequate resources and processes to analyse ESG factors
- Engagement with underlying portfolio assets to address ESG risks and opportunities
- Also, for equity funds there is an assessment of voting policies and practices to make sure stewardship is prioritised over other factors (like maintaining access to the company)

Voting statistics for the managers with the largest equity allocations and the CTIM managed assets are shown below:

| Manager/fund | Number of voting opportunities | Number of votes cast | Number of votes FOR | Number of votes AGAINST | Number of abstentions |
|-------------------------------|--------------------------------|----------------------|---------------------|-------------------------|-----------------------|
| Artemis Income fund | 916 | 916 | 913 | 3 | 0 |
| Fidelity European fund | 883 | 870 | 775 | 95 | 0 |
| BNY Mellon Global Income Fund | 860 | 860 | 750 | 110 | 0 |
| Fundsmith Equity Fund | 500 | 500 | 457 | 42 | 1 |
| Walter Scott (firm wide) | 731 | 731 | 667 | 64 | 0 |
| CTIM | 809 | 809 | 758 | 50 | 1 |

The Trustees have reviewed CTIMs voting activity and have selected the following as their most significant vote.

As in previous years, an area where CTIM voted against management is remuneration. This year, CTIM voted against increasing remuneration at GSK, since on balance the existing remuneration was viewed as already attractive enough to fully incentivize management. The Performance Share Plan award of 600% was viewed as ample and, with the big changes that the company has been embarking on, it seemed sensible to keep a significant portion of reward in the longer-term element of remuneration. It is worth noting that the resolution on remuneration at GSK included some positives, the standout being the fact that the CEO must build a stake commensurate to 650% of salary, which CTIM view as aligning outcomes directly with shareholders.

In addition to voting, CTIM engage also via collective action. In 2022, CTIM joined the UNPRI and other investors in an initiative to encourage new UK primary legislation to mandate companies to carry out human rights and environmental due diligence across their own operations and value chains. This is currently high on the agenda at G7 and EU level (EU is currently developing a new law) and the objective of the initiative is to encourage the UK to play a leading role in this respect.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Socially Responsible Investment

The Trustees believe their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that SRI issues are secondary to this.

Where pooled funds are managed on a passive basis, decisions regarding the selection, retention and realisation of investments are only made in order to ensure efficient tracking of indices, and social, environmental and ethical considerations are not taken into account.

Where the funds recommended by Charles Taylor Investment Management are actively managed the Trustees are not requiring regular reporting from those managers on their policy toward social, environmental and ethical issues.

Investment in the Employer

The Trustees do not hold on behalf of the Scheme any direct investment in Charles Taylor Administration Services Limited or any other employer-related investments.

Corporate Governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by giving discretion to Charles Taylor Investment Management in terms of the managers to use and the fact these are likely to be pooled investment vehicles, the day-to-day application of voting rights will be carried out by the investment managers. Consequently, the Trustees expect but do not require the investment managers to adopt a voting policy that is in accordance with the UK Corporate Governance Code 2010 as stated by the Financial Reporting Council.

Statement of Investment Principles

The Trustees must set out and maintain a written Statement of Investment Principles covering their policy for meeting new investment rules and other matters contained in the Pensions Act. The Trustees confirm that they have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995, a copy of which is available at <https://members.pensionpal.co.uk/charlestaylorPensions>

Further disclosures in relation to the Trustees environmental, social, governance policies are set out in the Statement of Investment Principles available as noted above.

Custodian

As the investments are made in pooled funds, the managers are responsible for appointing the custodian. The appointed custodian is Northern Trust for all investments held by Charles Taylor Investment Management Limited except Brookwood Gas & Convenience Stores and Rivage Euro Debt Infrastructure High Return which are structured as private-equity investments and do not have a custodian.

The funds are held free from lien subject to the following clauses: All amounts thus due to the Custodian shall be paid by the Custodian from the account unless otherwise paid on a timely basis and the Custodian has a continuing lien on all assets of the account to secure such payments.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- 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 its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, 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, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES' REPORT (continued)

Further Information

Internal Dispute Resolution Procedure

An internal dispute resolution procedure to resolve any queries raised by beneficiaries or potential beneficiaries of the Scheme has been established by the Trustees and more details are available from the contact address on page 3.

MoneyHelper

MoneyHelper is sponsored by the Department for Work and Pensions, this government-backed organisation brings together the functions of three financial guidance bodies: the Money Advice Service, The Pensions Advisory Service (which includes the Pensions Ombudsman service) and Pension Wise. Its main function is to help and ensure that people throughout the UK have guidance and access to the information they need to make effective and informed financial decisions over their lifetime.

Their address is:

MoneyHelper
Holborn Centre
120 Holborn
London
EC1N 2TD.

Website: www.moneyhelper.org.uk

Phone: 0800 011 3797

The Pensions Regulator

The Pensions Regulator regulates company pension schemes. The Scheme Auditor and Actuary have a statutory duty to make an immediate written report to the Regulator in certain circumstances:

Napier House
Trafalgar Place
Brighton
BN1 4DW

Website: www.thepensionsregulator.gov.uk

Signed on behalf of the Trustees on Jan 18, 2023 by

David Habgood

David Habgood (Jan 18, 2023 16:53 GMT)

.....Trustee

B A Jennings

B A Jennings (Jan 18, 2023 17:27 GMT)

.....Trustee

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's report to the Trustees of Charles Taylor & Co Limited Retirement Benefits Scheme

Opinion

We have audited the financial statements of the Charles Taylor & Co Limited Retirement Benefits Scheme for the year ended 30 June 2022 which comprise the Fund account and Statement of net assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2022, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

INDEPENDENT AUDITOR'S REPORT (continued)

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 10, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for 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 the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

INDEPENDENT AUDITOR'S REPORT (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustees as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Portland,
25 High Street,
Crawley,
RH10 1BG

Date: 19 January 2023

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of Charles Taylor & Co Limited Retirement Benefits Scheme

Statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to the Charles Taylor & Co Limited Retirement Benefits Scheme on page 16, in respect of the Scheme year ended 30 June 2022.

In our opinion the contributions for the Scheme year ended 30 June 2022 as reported in the summary of contributions on page 16 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 24 September 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 16 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustees and Auditor

As explained more fully on page 10 in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions 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 Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

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

RSM UK Audit LLP

RSM UK Audit LLP
Portland,
25 High Street,
Crawley,
RH10 1BG

Date: 19 January 2023

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

Summary of Contributions

During the year, the contributions paid to the Scheme by the Employer under the Schedule of Contributions were as follows: -

| | |
|-------------------------------|------------------------------|
| Employer deficit contribution | £ <u>4,745,372</u> |
|-------------------------------|------------------------------|

Signed on behalf of the Trustees on Jan 18, 2023 by:

David Habgood
David Habgood (Jan 18, 2023 16:53 GMT)

..... Trustee

B A Jennings
B A Jennings (Jan 18, 2023 17:27 GMT)

..... Trustee

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2022 £ | 2021 £ |
|---|------|--------------------------|---------------------------|
| Contributions and Benefits | | | |
| Employer contributions | 3 | 4,745,372 | 4,976,545 |
| Other income | 4 | 18,786 | - |
| | | <u>4,764,158</u> | <u>4,976,545</u> |
| Benefits paid or payable | 5 | 2,837,156 | 2,641,257 |
| Payments to and on account of leavers | 6 | 2,561,882 | - |
| Administrative expenses | 7 | 148 | 108 |
| | | <u>5,399,186</u> | <u>2,641,365</u> |
| Net (withdrawals)/additions from dealings with members | | (635,028) | 2,335,180 |
| Returns on investments | | | |
| Investment income | 8 | 3,520,360 | 2,225,139 |
| Change in market value of investments | 9 | (20,981,259) | 6,507,894 |
| (Loss)/Gain on foreign currency | | (1,180,604) | 1,929,989 |
| Investment management expenses | | (15,450) | (59,249) |
| Net return on investments | | (18,656,953) | 10,603,773 |
| Net (decrease)/increase in the fund during the year | | (19,291,981) | 12,938,953 |
| Net assets at 1 July | | 101,538,698 | 88,599,745 |
| Net assets at 30 June | | <u>82,246,717</u> | <u>101,538,698</u> |

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME

STATEMENT OF NET ASSETS (available for benefits) AS AT 30 JUNE 2022

| | Note | 2022 £ | 2021 £ |
|--------------------------------|------|--------------------------|---------------------------|
| Investment assets: | 9 | | |
| Equities | | 1,626,986 | 3,185,713 |
| Bonds | | 8,673,711 | 11,979,863 |
| Pooled investment vehicles | | 66,220,441 | 84,417,880 |
| Derivatives | | 7,186,082 | 13,081,879 |
| Cash | | 5,154,338 | 1,253,525 |
| | | <u>88,861,558</u> | <u>113,918,860</u> |
| Investment liabilities: | 9 | | |
| Derivatives | | <u>(7,408,932)</u> | <u>(13,351,999)</u> |
| Total net investments | | 81,452,626 | 100,566,861 |
| Current assets | 12 | 864,292 | 1,037,358 |
| Current liabilities | 13 | (70,201) | (65,521) |
| Net assets at 30 June | | <u>82,246,717</u> | <u>101,538,698</u> |

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 29 to 30 and these financial statements should be read in conjunction with it.

The financial statements on pages 17 to 28 were approved by the Trustees on Jan 18, 2023 and signed on their behalf by:

David Habgood

David Habgood (Jan 18, 2023 16:53 GMT)

Trustee

B A Jennings

B A Jennings (Jan 18, 2023 17:27 GMT)

Trustee

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised 2018).

The Scheme is established as a trust under English Law. The address for enquires to the Scheme is

Anita Chandna
Secretary to the Trustees
Willis Towers Watson
Wallace House
Floor 1
4 Falcon Way
Shire Park, Welwyn Garden City
Hertfordshire, AL7 1TW
Email: anita.chandna@wtwco.com

The financial statements have been prepared on the going concern basis. As noted within the Trustees' report, the Trustees have increased the level of interest rate and inflation hedging in the Scheme's investment strategy, and have considered the impact of the significant increase in gilt yields after the year end. At the date of signing these financial statements the Trustees believe that the Scheme is able to cover its related outgoings until at least 12 months from signing. As a result, and together with the strong position of the Principal Employer, the Trustees consider the preparation of the financial statements on a going concern basis to be appropriate.

2. Accounting policies

A summary of the main accounting policies, which have been applied consistently, is set out below:

a) Investments

Pooled investment vehicles are valued at the bid or single price at the year-end date as determined by the investment managers.

Bonds are valued using valuation techniques which use observable market data.

Derivative contracts are valued at fair value. The fair value of forward foreign currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year-end with an equal and opposite contract.

b) Benefits

Benefits payable represents all valid benefit claims in respect of the Scheme year. They are accounted for on the date of retiring or leaving, or if later, the date on which the member notifies the Trustees of the decision on the type and amount of benefit to be taken where the member has a choice.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Contributions

Contributions are accounted for on an accruals basis, in accordance with the Schedule of Contributions and other relevant agreements.

d) Transfer values

Transfer values are accounted for when the related member liability transfers between schemes, which equates to when the transfer is received or paid.

e) Investment income

Income distributed from pooled investment vehicles, bonds and on cash deposits is accounted for on an accruals basis.

f) Administrative and investment management expenses

Administrative and investment management expenses are met by the Employer, with the exception of those shown in Note 7 and on the face of the Fund Account, which are accounted for on an accruals basis.

g) Currency

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

The Scheme functional and presentation currency is pounds sterling.

3. Contributions

| | 2022 £ | 2021 £ |
|-------------------------------|------------------|------------------|
| Employer contributions | | |
| Deficit funding | <u>4,745,372</u> | <u>4,976,545</u> |

Under the Schedule of Contributions dated 11 September 2017, the Employer agreed to pay £3,137,324 per annum from 1 March 2020, increasing by 3.5% on each subsequent 31 December, to eliminate the funding shortfall.

Subsequently, a new Schedule of Contributions was signed on 24 September 2020 in which the Employer agreed to make deficit contributions as disclosed in the table on page 4.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Other income

| | 2022 £ | 2021 £ |
|---------------|----------------------|------------------|
| Sundry income | <u>18,786</u> | <u>-</u> |

5. Benefits paid or payable

| | 2022 £ | 2021 £ |
|--|-------------------------|-------------------------|
| Pensions | 2,662,190 | 2,598,217 |
| Commutation of pensions and lump sum retirement benefits | 174,966 | 43,040 |
| | <u>2,837,156</u> | <u>2,641,257</u> |

6. Payments to and on account of leavers

| | 2022 £ | 2021 £ |
|---------------------------------------|-------------------------|------------------|
| Individual transfers to other schemes | <u>2,561,882</u> | <u>-</u> |

7. Administrative expenses

| | 2022 £ | 2021 £ |
|--------------|-------------------|-------------------|
| Bank charges | <u>148</u> | <u>108</u> |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Investment income

| | 2022 | 2021 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Dividends from equities | 123,377 | 100,442 |
| Income from bonds | 264,314 | 182,929 |
| Income from pooled investment vehicles | 3,132,669 | 1,941,768 |
| | <u>3,520,360</u> | <u>2,225,139</u> |

9. Investments

| | Value as at 2021 | Purchases and derivative payments | Sales and derivative receipts | Change in Market Value | Value as at 2022 |
|----------------------------|---------------------------|--|--|------------------------------|--------------------------|
| | £ | £ | £ | £ | £ |
| Equity | 3,185,713 | 124,837 | (1,793,616) | 110,052 | 1,626,986 |
| Bonds | 11,979,863 | - | (828,197) | (2,477,955) | 8,673,711 |
| Pooled investment vehicles | 84,417,880 | 37,679,682 | (37,216,495) | (18,660,626) | 66,220,441 |
| Forward Contracts | (270,120) | 98,082,393 | (98,082,393) | 47,270 | (222,850) |
| | <u>99,313,336</u> | <u>135,886,912</u> | <u>(137,920,701)</u> | (20,981,259) | 76,298,288 |
| Cash | 1,253,525 | | | - | 5,154,338 |
| | <u>100,566,861</u> | | | <u>(20,981,259)</u> | <u>81,452,626</u> |

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

Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and changes made within those vehicles.

The companies managing the pooled investment vehicles are registered in the United Kingdom.

The following investments exceed 5% of the total net assets of the Scheme:

| | 2022 | | 2021 | |
|-------------------------------|-------------|------|-------------|-----|
| | £ | % | £ | % |
| Ishares GBP Corp Bond 0-5Yr | 8,326,920 | 10.1 | - | - |
| Stewart Investors | - | - | 5,631,671 | 5.5 |
| Fundsmith Equity Fund | 1,755,200 | 2.1 | 5,292,847 | 5.2 |
| Capital Group New Perspective | - | - | 5,057,843 | 5.0 |
| Walter Scott LT Global Equity | 1,717,331 | 2.1 | 5,393,619 | 5.3 |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments (continued)

Pooled investment vehicles

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

| | 2022 | 2021 |
|--------------|--------------------------|--------------------------|
| | £ | £ |
| Equity | 11,357,301 | 36,370,332 |
| Bonds | 46,961,342 | 37,895,970 |
| Alternatives | 7,901,798 | 10,151,578 |
| | <u>66,220,441</u> | <u>84,417,880</u> |

Derivatives

Objectives and policies

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

Forward FX: in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

At the year end the Scheme had the following derivatives:

| | 2022 | | 2021 | |
|----------------------|------------------|--------------------|-------------------|---------------------|
| | Asset | Liabilities | Asset | Liabilities |
| | £ | £ | £ | £ |
| Forward FX contracts | <u>7,186,082</u> | <u>(7,408,932)</u> | <u>13,081,879</u> | <u>(13,351,999)</u> |

| Contract | Settlement date | Currency bought | Currency sold | Asset value | Liability value |
|-------------------|------------------------|------------------------|----------------------|-------------------------|---------------------------|
| | | | | £ | £ |
| Forward FX | 9 Sep 22 | £7,186,082 | \$9,000,000 | 7,186,082 | (7,408,932) |
| Total 2022 | | | | <u>7,186,082</u> | <u>(7,408,932)</u> |
| Total 2021 | | | | <u>13,081,879</u> | <u>(13,351,999)</u> |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Fair value determination

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

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

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

| | At 30 June 2022 | | | |
|----------------------------|------------------------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £ | £ | £ | £ |
| Equities | 1,626,986 | - | - | 1,626,986 |
| Bonds | 8,673,711 | - | - | 8,673,711 |
| Pooled investment vehicles | 3,681,926 | 60,855,017 | 1,683,498 | 66,220,441 |
| Derivatives | - | (222,850) | - | (222,850) |
| Cash | 5,154,338 | - | - | 5,154,338 |
| | 19,136,961 | 60,632,167 | 1,683,498 | 81,452,626 |

| | At 30 June 2021 | | | |
|----------------------------|------------------------|-------------------|------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £ | £ | £ | £ |
| Equities | 3,185,713 | - | - | 3,185,713 |
| Bonds | 11,979,863 | - | - | 11,979,863 |
| Pooled investment vehicles | 6,041,330 | 76,801,322 | 1,575,228 | 84,417,880 |
| Derivatives | - | (270,120) | - | (270,120) |
| Cash | 1,253,525 | - | - | 1,253,525 |
| | 22,460,431 | 76,531,202 | 1,575,228 | 100,566,861 |

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investment risk disclosures

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.

- 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.
- 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.
- 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 Scheme has exposure to investment risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's investment manager and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below:

(i) Investment strategy

The investment objectives are:

- To achieve, over the long-term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To manage and reduce where possible the risks presented by changes to inflation and long-term interest rates insofar as they affect the value placed on the liabilities;
- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due;
- To consider the interests of the Principal and Participating Employers in relation to the size and volatility of the contributions the Employers are required to pay.

The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

- 30% in return seeking investments comprising UK and overseas equities and alternative investments
- 70% in investments that move in line with the long term liabilities of the Scheme, comprising UK government bonds, Liability Driven Investment funds and corporate bonds (collectively described as 'bonds' in this report)

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investment risks disclosures (continued)

(ii) Credit risk

The Scheme is subject to credit risk because it directly invests in bonds (2022: £8,673,711, 2021: £11,979,863) and has cash balances (2022: £5,154,338, 2021: £1,253,525). The Scheme also invests in pooled investment vehicles (2022: £66,220,441, 2021: £84,417,880) and is therefore directly exposed to credit risk in relation to the investments structured as pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal and by tight restrictions on maximum exposure per individual corporate bond.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk is mitigated by the high level of diversification within the pooled investment vehicles.

The legal nature of the Scheme's pooled arrangements is:

| | 2022 | 2021 |
|---------------------------------|--------------------|--------------------|
| | £66,220,441 | £84,417,880 |
| | | |
| Closed End Fund | £3,396,338 | £5,512,965 |
| ETF | £12,956,591 | £3,204,237 |
| Fund Commun de Placement | £568,718 | £681,247 |
| Investment Trust | £796,788 | £1,100,767 |
| OEIC | £13,616,126 | £32,894,451 |
| Open-End Fund | £22,326,567 | £24,241,893 |
| Private equity | £1,683,498 | £1,575,228 |
| SICAV | £2,025,174 | £7,084,363 |
| Unit Trust | £8,850,641 | £8,122,729 |

(iii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The extent of the Trustees exposure to currency risk is limited to the market value of the investments held. The Trustees have a Foreign Exchange policy in place which is included within their Statement of Investment Principles dated 30 September 2021. The Scheme holds funds in Euro and US Dollars Pooled Investment Vehicles and manages this risk through its forward foreign exchange contracts as set out in Note 7.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investment risks disclosures (continued)

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, either as segregated investments (2022: £8,673,711, 2021: £11,979,863) or through pooled vehicles (2022: £46,961,342, 2021: £37,895,970), and cash (2022: £5,154,338, 2021: £1,253,525). If interest rates fall, the value of matching investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles or single stocks (2022: £12,984,287, 2021: £47,681,103). The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

12. Current assets

| | 2022 £ | 2021 £ |
|--|-----------------------|-------------------------|
| Contributions due in respect of the Employer | 402,653 | 388,242 |
| Cash balances | 461,639 | 596,431 |
| Cash in transit | - | 52,685 |
| | <u>864,292</u> | <u>1,037,358</u> |

Contributions due, as disclosed above, have subsequently been received by the Scheme in accordance with the Schedule of Contributions.

13. Current liabilities

| | 2022 £ | 2021 £ |
|--------------|----------------------|----------------------|
| Fees payable | 10,261 | 10,524 |
| Due to HMRC | 59,940 | 54,997 |
| | <u>70,201</u> | <u>65,521</u> |

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Related party transactions

At the year end, three of the Trustees are pensioner members of the Scheme. These benefits arise solely in the Trustees' capacity as beneficiaries of the Scheme and are on terms normally granted to members.

The Scheme's investment manager, Charles Taylor Investment Management Limited is a company within the same group as the Principal Employer, both of which are commonly controlled by Charles Taylor Limited. None of the Trustees are directors of Charles Taylor Investment Management Limited.

The Employer pays all expenses associated with the Scheme, the insurance premiums payable on the policies insuring the death in service benefits and the levies payable to the Pension Protection Fund and the Pensions Regulator (2022: £395,148, 2021: £390,702). These are paid directly to the relevant third party as and when requested.

15. Employer related investment

Employer related investments have been considered by the Trustees and given the nature of the Scheme's assets any exposure to the employer related securities will be negligible and considerably less than the 5% maximum permitted by legislation.

16. Guaranteed Minimum Pension

Benefits for members who joined the Scheme prior to April 1997 include a Guaranteed Minimum Pension (GMP) which broadly represents the pension which they would otherwise have accrued under the old State Earnings-Related Pension Scheme (SERPS). Following recent High Court Judgements in relation to the "Lloyds Bank" Case, the Trustees are aware that there may be a requirement to adjust some members' Scheme benefits to address the inequalities in the calculations of GMPs between men and women, including, the review and top-up of historic cash equivalent transfer values (CETVs) that were calculated on an unequalised basis. This may result in modest increases in benefits for some members and potentially top-up payments for those who transferred benefits out of the Scheme in the past; however many may see no change to their benefits, but no member will see the value of their benefits reduced as a result of these Judgements. The Government has issued some guidance on the matter in relation to the taxation and impact on Annual Allowance and Life-time Allowance in respect of additional payments. This is a complicated matter and the Trustees will consider with their advisers what actions should be taken.

No provision has been included in the financial statements at this stage as any increases in benefits in respect of past service are expected to be immaterial. Any additional liabilities identified on completion of the review will be included in future financial statements.

17. Subsequent Event

On 23 September 2022, the "mini-budget" established a marked shift in the UK Government's fiscal policy. This fuelled the already uncertain economic outlook of the UK resulting in very volatile market conditions. Specifically, gilt yields rose sharply resulting in the Bank of England intervening on 28 September 2022 to restore market conditions. During this period the value of the Scheme's investments, in particular UK gilts, dropped significantly. However, the increased gilt yields have improved the funding position of the Scheme as the present value of actuarial liabilities has reduced. Therefore, despite the asset value dropping by 13% over the period from 30 June 2022 to 31 October 2022, the overall position has been relatively stable in line with the long term funding plan for the Scheme.

This is considered to be a non-adjusting event after the reporting period.

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 30 JUNE 2022

REPORT ON ACTUARIAL LIABILITIES

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

The most recent full actuarial valuation of the Scheme was carried out as at 1 July 2019. This showed that on that date:

| | £000 |
|-----------------------------------|---------|
| Value of the Technical Provisions | 105,648 |
| Value of the assets at that date | 82,572 |

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

Method

The actuarial method to be used in the calculation of the technical provisions is the defined accrued benefits method.

Significant actuarial assumptions

Fixed Interest Gilt Yield

Yield on the Bank of England gilt yield spot curve at 18 years, rounded to the nearest 0.05%.

Implied inflation

Yield on the Bank of England implied inflation spot curve at 18 years, rounded to the nearest 0.05%.

As at 1 July 2019 the above yields were 1.40% and 3.50% respectively

Discount Interest Rate

Different rates are used pre and post retirement to reflect a mixture of equity and bond investment in the period before retirement and solely bond investment after retirement.

- Post retirement = Fixed Interest Gilt Yield plus 0.75%
- Pre-retirement = Fixed Interest Gilt Yield plus 1.00%

As at 1 July 2019 this resulted in discount interest rates of 2.15% post retirement and 2.40% pre-retirement.

Price Inflation

An allowance for future RPI increases is included at an assumed rate equal to the implied inflation less 0.25%. As at 1 July 2019 this resulted in an assumption for the future RPI increases of 3.25% per annum.

An allowance for future CPI increases is included at an assumed rate equal to the assumption for future RPI increases less 1.00% p.a. As at 1 July 2019 this resulted in an assumption for future CPI increases of 2.25% per annum.

Pension increases in payment

Where pensions in payment are increased in line with prices, subject to either a maximum or minimum level of increase, allowance is made in the valuation for the derived rate of increase that would apply using a Black-Scholes approach based upon the inflation assumption adopted for the valuation.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

REPORT ON ACTUARIAL LIABILITIES (continued)

As at 1 July 2019 this resulted in the following assumption for the future pension increases:

| Pension Increase | Assumption |
|-------------------------|-------------------|
| CPI (min 0%: max 3%) | 2.00% p.a. |
| RPI (min 0%: max 2.5%) | 2.20% p.a. |
| RPI (min 0%: max 5%) | 3.15% p.a. |

Pension Increases in Deferment

Where pensions in deferment are increased in line with the CPI, subject to a maximum, allowance is made in the valuation for the rate of increase that would apply based upon the CPI assumption adopted for the valuation.

As at 1 July 2019, this resulted in the following assumptions for future revaluations of deferred pensions:

- Deferred pension in excess of GMP accrued prior to 23 February 2010: 2.25% p.a.
- Deferred pension accrued after 23 February 2010: 2.25% p.a.

Mortality

Mortality has been assumed in accordance with the table known as S2PA Light, on a year of birth basis, with CMI_2017 improvement factors, and long-term annual rates of improvement of 1.5% p.a.

**CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME
FOR THE YEAR ENDED 30 JUNE 2022**

LATEST ACTUARY'S CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

CHARLES TAYLOR & CO LIMITED RETIREMENT BENEFITS SCHEME

Adequacy of Rates of Contributions

I hereby certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 July 2019 to be met by the end of the period specified in the Recovery Plan dated September 2020.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated September 2020.

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

| | | | |
|----------|---|----------------|--|
| Signed: |  | Date: | 24 September 2020 |
| Name: | R J SWEET | Qualification: | Fellow of the Institute and Faculty of Actuaries |
| Address: | Mill Pool House Mill Lane Godalming Surrey GU7 1EY | Employer: | Cartwright Group Limited |

