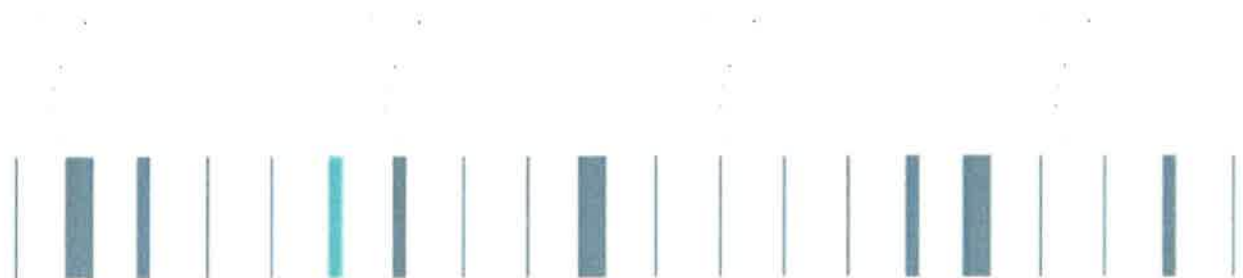




MoDo Merchants Pension Scheme
Scheme Registration Number: 10102008

Trustee's Report and Financial Statements
For the Year Ended 30 June 2021



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Trustees, Principal Employer and Advisers

Principal Employer:

Antalis Limited

The Trustee:

Antalis Pension Trustees Ltd (until 28 July 2021)
The Law Debenture Pension Trust Corporation PLC, independent
Trustee, represented by Natalie Winterfrost and Michael Chatterton
(from 28 July 2021)

The Trustee Company until 28 July 2021, Antalis Pension Trustees
Ltd, had ten directors who were as follows:

D G Hargrave
S M Leavey
R C Potter
D A Sheill
D Turner
J R Stebbing (formerly an Employer Nominated Trustee) (date of
resignation 25 July 2020)
M Hoyne (formerly an Employer Nominated Trustee)
E Jones (formerly a Member Nominated Trustee)
L Jones (formerly a Member Nominated Trustee)
D Murphy (formerly an Employer Nominated Trustee)
I Pinks (formerly an Employer Nominated Trustee)

Trustee secretary:

J R Stebbing (appointed 23 July 2020 and resigned 28 July 2021)
Antalis Pension Trustee Limited
C/o Antalis Limited
Unit C3 Charles Park
Greenhithe
Kent DA9 9BT

Pegasus Pensions PLC (from 28 July 2021)
8th Floor, 100 Bishopsgate
London EC2N 4AG

Administrator:

Capita Pension Solutions Limited
Radio House
Thanet Way
Whitstable
CT5 3QP

Investment Consultants:

Cartwright Group Limited (appointed 03 October 2019)
Mill Pool House
Mill Lane
Godalming
Surrey
GU7 1EY

Trustees, Principal Employer and Advisers

Investment Manager:	Mobius Life Limited 7 th Floor 20 Gresham Street London EC2V 7JE BMO Asset Management Ltd Exchange House Primrose Street London EC2A 2NY
Annuity Provider:	Scottish Widows
AVC Providers:	Clerical Medical 25 Gresham Street London EC2V 7HN Utmost Life and Pensions Walton Street Aylesbury HP21 7QW
Scheme Actuary:	J McCoy FIA Capita Pension Solutions Limited
Auditor:	Burgess Hodgson LLP Camburgh House 27 New Dover Road Canterbury Kent CT1 3DN
Legal Advisers:	Sacker & Partners LLP 20 Gresham Street London EC2V 7JE
Bankers:	Lloyds Bank plc City office PO Box 1000 BX1 1LT

Trustee's Report

The Trustee has pleasure in submitting their annual report on the MoDo Merchants Pension Scheme ("the Scheme"), together with the financial statements for the year ended 30 June 2021.

Scheme Management

Constitution of the Scheme

The Scheme was established under a Definitive Deed dated 1 June 1982 and Rules dated 28 April 1972 and now operates under a revised Definitive Trust Deed and Rules dated 11 July 2005. An outline of the Scheme's benefits is provided by the explanatory booklets issued to members.

From 6 April 2006 the Scheme became a "registered pension scheme" for tax purposes.

Future accrual of pensionable service ceased with effect from 31 May 2007 and the Scheme ceased to contract out on 31 March 2007. Benefits of members active at the point of closure, however, retain their link to final pensionable salary providing they joined (and contributed to) the Defined Contribution (DC) section of the James McNaughton Paper Group Limited Pension and Assurance Scheme ("the JayMac Scheme").

The Employer reviewed the way it provided benefits and from 1 October 2013 decided to offer all remaining employees in the Scheme membership of the Antalis GPP. All future DC contributions to the JayMac Scheme therefore ceased with effect from that date.

Appointment of Trustee Directors

The Scheme is subject to the requirements for Member Nominated Trustee Directors ("MNTDs") under the Pensions Acts 1995 and 2004 and the Regulations made under them. In 2006, the Pensions Regulator published a new Code of Practice governing the arrangements which Schemes had to put in place by October 2007. The Scheme has been compliant with these MNT requirements throughout the period covered by this Review.

Principal Employer

The Principal Employer is Antalis Limited ("the Company"), registered address 100 New Bridge Street, London, EC4V 6JA (Registered Number 01088345) and in accordance with the provisions of the Definitive Trust Deed, appoints and removes Trustee Directors by execution of a deed. Under the MNTD arrangements the removal of an MNTD requires the agreement of all the other Trustee Directors.

On 19 July 2021, a deed of appointment and removal was signed which replaced the previous Trustees with The Law Debenture Pension Trust Corporation PLC, (Registered No.03267461).

Scheme Governance

The Trustee Directors and the Trustee met 8 times during the year ended 30 June 2021. All decisions are decided by a majority of votes. In the event of an equality of votes the Chair has a second or casting vote.

Changes to Scheme Rules

During the year ended 30 June there were no changes to the Scheme's rules.

Trustee's Report

Changes to Scheme Advisers

The Trustee must appoint suitable professional advisers and give full consideration to the advice they receive. The Trustee's appointed advisers are listed on page 2.

Financial Statements and Developments

The financial statements on pages 20 to 34 have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

During the year ended 30 June 2021, the net assets of the Scheme decreased by £3,860,087 (year ended 30 June 2020: increase £4,466,234) to £34,625,070 as at 30 June 2021, from £38,485,157 as at 30 June 2020.

Audit

The report on the financial statements of the Scheme's auditor, Burgess Hodgson LLP, and their statement about contributions are included on pages 16 and 19 respectively.

Recent Events - COVID-19

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30 January 2020 has caused disruption to businesses and economic activity which has been reflected in subsequent fluctuations in global stock markets. The Trustee is regularly monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

The Trustee has designed and implemented the Scheme's investment strategy, taking a long term view, and has built resilience to withstand short term valuation fluctuations. The Trustee is working with its investment advisers and the Sponsoring Employer to ensure the continued smooth running of the Scheme and its investments.

The ability of the Principal Employer to meet deficit funding contributions has also been considered and an agreement was reached for Kokusai Pulp & Paper Co Ltd (KPP) to acquire the shares of Antalis. On 5 November 2020 Antalis became a 100% subsidiary of KPP. The support and guarantees of Antalis to the scheme remain in place.

The Trustee, having considered funding matters, operational matters and the position of the Principal Employer, considers the preparation of the financial statements on a going concern basis to be appropriate.

Trustee's Report

Summary of Contributions

This Summary of Contributions, which has been prepared by and is the responsibility of the Trustee, sets out the contributions payable to the Scheme by the Employer under the Schedule of Contributions applicable for the year ended 30 June 2021.

	£
Employer	
Employer deficit contributions	10,000
Contributions payable under the schedule of contributions and as reported in note 3 of the financial statements	10,000

Membership and Benefits

	2021	2020
Deferred members with salary link		
Members at start of year	5	6
Prior year adjustment*	-	(1)
Members at end of year	5	5
Deferred Members		
Members at start of year	98	111
Prior year adjustment*	(3)	(2)
Transfer Out	-	(1)
Retirements	(7)	(9)
Deaths	-	(1)
Members at end of year	88	98
Pensions in payment		
Members at start of year	189	182
Retirements	2	9
New dependants	7	4
Deaths	4	(5)
Commutations	(6)	(1)
Members at end of year	196	189

* adjustments for late notifications

Trustee's Report

Membership and Benefits (continued)

There have been no active members since future accrual ceased on 31 May 2007. The link to salary post 31 May 2007 is held by those active members of the Scheme as at 31 May 2007 who have not subsequently left the Company or opted out of the Scheme.

Pension Benefits

During the year pensions in payment were increased in accordance with the Trust Deed and Rules. There were no discretionary increases. Preserved pensions were increased in accordance with statutory requirements.

Investment Matters

Overview

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

Investment managers

The names of those who have managed the Scheme's investments during the year ended 30 June 2021 are listed on page 2. The Trustee has delegated the day-to-day management of investments to their appointed fund managers. Written agreements between the Trustee and the managers set out the terms on which the managers will act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustee has reviewed the investment managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

Investment principles

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

The Implementation Statement set out on pages 35 to 40 forms part of the Trustee's report.

Departures from investment principles

To the best of their knowledge, the Trustee can report that there has been no departure from the SIP by the Scheme's investment managers during the year ended 30 June 2021.

Custodial arrangements

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Employer-related investments

There were no employer-related investments held at any time during the year under review.

Trustee's Report

Investment Objectives and Strategy

The investment objectives and strategy of the Scheme are outlined on page 28 of these financial statements (note 18).

Investment allocation

The Scheme's assets were invested at 30 June 2021 as follows:

Fund	Asset Allocation %	Benchmark Allocation %
BNYM Real Return	10.9%	10.0%
LGIM Diversified	10.7%	10.0%
Total Return Seeking Assets	21.6%	20.0%
BMO Unleveraged Nominal Gilt	13.2%	80.0%
BMO Unleveraged Real Gilt	50.2%	
BMO Nominal Dynamic LDI	15.0%	
BMO Sterling Liquidity	-	
Total Matching Assets	78.4%	80.0%

Investment performance

Performance of the Scheme's assets against the objectives is shown below:

Fund	1-year			3-year (p.a.)		
	Fund	Bmk	Relative	Fund	Bmk	Relative
BNYM Real Return	12.8%	4.1%	8.7%	7.7%	4.5%	3.2%
LGIM Diversified	13.7%	30.7%	-17.1%	7.2%	13.8%	-6.6%
BMO Unleveraged Nominal Gilt	-10.1%	-9.9%	-0.2%	4.4%	4.6%	-0.2%
BMO Unleveraged Real Gilt	-3.4%	-3.2%	-0.2%	5.4%	5.6%	-0.2%
BMO Nominal Dynamic LDI	-28.5%	-29.0%	0.5%	11.7%	11.2%	0.5%
BMO Sterling Liquidity	0.1%	-0.1%	0.1%	0.5%	0.3%	0.2%

Performance shown net of fees excluding the investment platform fee.

Trustee's Report

Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

Transfer Values

Transfer values quoted during the year were calculated in accordance with the Statement of Cash Equivalent Transfer Value Principles adopted by the Trustee. There were no discretionary benefits included in the calculation of transfer values. A full review of the Scheme's transfer value basis was carried out during the year, and a new Statement of Cash Equivalent Transfer Principles was implemented as a result.

Taxation

The Scheme is a registered scheme under the Finance Act 2004. The Trustee has no reason to believe that there have been any changes to the tax status of the Scheme during the year.

Related Party Transactions

Details of related party transactions are given in note 20 to the financial statements.

MoneyHelper

MoneyHelper (previously known as The Money and Pensions Service) brings together three respected financial guidance bodies: The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise providing information to the public on matters relating to workplace and personal pensions.

Telephone: 0800 011 3797

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

Email: pensions.enquiries@moneyhelper.org.uk

Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone: 0800 917 4487

Early resolution email: helpline@pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

Trustee's Report

Compliance Matters (continued)

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where the trustee, Employers or Professional Advisers have failed in their duties. The Pensions Regulator, Napier House, Trafalgar Terrace, Brighton, BN1 4DW. Telephone: 0345 600 7060

Pension Tracing

A pension tracing service is carried out by the Department for Work and Pensions. The Pension Tracing Service may be contacted at The Pension Service 9, Mail Handling Unit A, Wolverhampton, WV98 1LU.

Telephone: 0800 731 0193

Internal Disputes Resolution Procedure

Members who have a complaint with regard to any Scheme matter should contact the Scheme administrator, Capita Pension Solutions, in the first instance, at the address given on page 13 of this report. However, if the complaint is not resolved informally in this way, members may make a formal complaint under the Trustee's dispute resolution procedure.

Post balance sheet events

Shortly after the year-end the previous corporate Trustee, being Antalis Pension Trustees Limited, was replaced by a new corporate sole Trustee being The Law Debenture Pension Trust Corporation PLC, (Registered No.03267461), represented by Natalie Winterfrost and Michael Chatterton. While this Trustee Report refers to results and events which took place during the Scheme year under the previous Trustee, the governance and management of the scheme has been passed to the new Trustee effective 28 July 2021. The new Trustee brings significant experience and is working to continue to develop the Scheme through promoting good governance and ensuring the scheme administration remains appropriate. Particular focus includes ensuring sound investment decisions are made, engaging with the sponsor and regularly monitoring the assets and liabilities of the scheme.

The Actuarial Valuation undertaken as 30 June 2020 was approved by the new Trustee and Sponsoring Employer on 1 December 2021. The valuation shows the Scheme's position has fallen to a surplus funding level of 107% on the Technical Provisions basis. A new Schedule of Contributions has been agreed and come into place effective 1 December 2021, under the new Schedule no contributions are to be paid over the upcoming 5 years. The Employer will continue to cover the administrative expenses of operating the scheme. The actuary's certification of the new schedule is shown on page 15.

Additionally, a conditional contribution structure has been agreed with the Sponsoring Employer whereby the funding level of the Scheme will be determined as at 30 June 2022 and 30 June 2023. If the Scheme Actuary's Determination in respect of the Scheme shows a deficit on the technical provisions basis, then the Employer will pay an amount equal to one fifth of that deficit into the Scheme by the earlier of 30 September or one month immediately following the date of receiving the results of the Determination. However, this amount will be subject to an overall monetary cap of £50,000 per annum.

Trustee's Report

Statement of Trustee's Responsibilities

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is 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 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 Schedule to 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.

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

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

The Trustee is also 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 Trustee is 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 Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

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

Trustee's Report

Report of 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, assessed using the assumptions agreed between the Trustee 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 6 April 2018. This showed that on that date:

The value of the Technical Provisions was: £22.94 million

The value of the assets at that date was: £24.70 million

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

Method

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

Significant actuarial assumptions

Discount interest rate: set with reference to the Bank of England's nominal gilt spot rate of a suitable duration plus an addition of 0.5% per annum pre-retirement and 0.25% per annum post-retirement.

Future Retail Price inflation: based on the Bank of England's inflation spot curve of a suitable duration.

Future Consumer Price inflation: derived from the assumption for future retail price inflation less an adjustment equal to 0.7% per annum.

Pension increases: derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Pay increases: general pay increases of 1.2% per annum above the assumed future consumer price inflation.

Mortality: standard tables S2PA with a 95% adjustment factor. Future improvements in mortality are reflected by using the latest CMI projections with an allowance for a long term improvement rate of 1.5% per annum.

Actuarial Position

The Scheme is subject to a formal valuation every three years, with interim annual valuations.

A valuation has commenced as at 30 June 2020.

Contributions

Following completion of the 2018 actuarial valuation a new Schedule of Contributions setting out the amounts and timing of contributions was produced by the Trustee and approved by the Principal Employer. The Actuarial Statement confirming the adequacy of the contributions set out in the schedule is included on page 14.

Trustee's Report

Contact for Further Information

Any enquiries about the Scheme, including requests from individuals for further information about their benefits, should be addressed to the Scheme's Administrators:

Capita Pension Solutions Limited
Whitstable Office
PO Box 555
Stead House
Darlington
DL1 9YT
Email: modo@capita.co.uk

Or:

The Law Debenture Pension Trust Corporation PLC
8th Floor 100 Bishopsgate,
London,
EC2N 4AG

Approval of the Trustee's Report

The Trustee's Report was approved by the Trustee and signed on their behalf by:



Date: 31-Jan-2022 | 14:00 GMT

Director

**for The Law Debenture Pension Trust Corporation p.l.c
in its capacity as the trustee of
MoDo Merchants Pension Scheme**

Actuary's Certification of the Schedule of Contributions

Certification of the Schedule of Contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that –

the Statutory Funding Objective could have been expected on 6 April 2019 to continue to be met for the period for which the Schedule is to be in force.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 31 May 2019.

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.

Signature:



Name: James McCoy

Date: 31 May 2019

Name of employer: Capita Employee Solutions

Address: Radio House
Thanet Way
Whitstable
Kent, CT5 3QP

Qualification: Fellow of the Institute and Faculty of Actuaries

Actuary's Certification of the Schedule of Contributions



MoD Merchants Pension Scheme

Certification of the Schedule of Contributions

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 continue to be met for the period for which the Schedule is to be in force.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 1 December 2021.

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.

Signature:

A digital signature of James McCoy, enclosed in a blue rectangular box. The signature is written in cursive and includes the text 'James McCoy' and 'Fellow of the Institute and Faculty of Actuaries'.

Name:

James McCoy

Date:

December 1, 2021 | 10:15 PM GMT

Name of employer:

Capita Pension Solutions Limited

Address:

**65 Gresham Street
London
EC2V 7NQ**

Qualification:

Fellow of the Institute and Faculty of Actuaries

Independent Auditor's Report



Opinion

We have audited the financial statements of Modo Merchants Pension Scheme for the period ended 30 June 2021 which comprise the fund account, the net assets statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the period ended 30 June 2021, 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 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 trustee's 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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the 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 Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditors' Report

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 the Trustee

As explained more fully in the Trustees' Responsibilities Statement set out on page 11, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Trustee determines 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 Trustee is 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 Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibilities 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 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, including fraud, 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.

Independent Auditor's Report

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. 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 review the financial statements for compliance with the relevant legislation.

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

Use of the audit report

This report is made solely to the Scheme Trustee, as a body, in accordance with the Pensions Act 1995 and regulations made thereunder. Our work on the Financial Statements has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in such 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 as a body, for our work on the financial statements, for this report, or for the opinions we have formed.



Burgess Hodgson LLP
Statutory Auditor

Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN

Date: *31st January 2022*

Independent Auditor's Statement about Contributions



We have examined the summary of contributions to the MoDo Merchants Pension Scheme for the Scheme period ended 30 June 2021 which is set out in the Trustee's report.

This report is made solely to the Trustees, as a body, in accordance with the Pensions Act 1995 and regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in such 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's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of Work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects have 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 the Trustee and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's trustees are responsible for ensuring that a schedule of contributions is prepared, maintained and from time to time revised 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.

Statement about Contributions payable under the Schedule of Contributions

In our opinion, contributions for the Scheme year ended 30 June 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme Actuary dated 31 May 2019.

A handwritten signature in black ink, appearing to read 'Burgess Hodgson LLP'.

Burgess Hodgson LLP
Statutory Auditor

Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN

Date: *31st January 2022*

Fund Account For the Year ended 30 June 2021

	Note	2021 £	2020 £
Contributions and benefits			
Employer contributions		10,000	17,500
Total contributions	4	10,000	17,500
Transfers in	5	-	117,205
		10,000	134,705
Benefits paid or payable	6	(966,562)	(1,234,239)
Payment to and on account of leavers	7	-	(104,296)
Administration expenses	8	(564)	(364)
		(967,126)	(1,338,899)
Net withdrawals from dealings with Members		(967,126)	(1,204,194)
Returns on investments			
Investment income	9	793,820	1,049,429
Change in market value of investments	10	(3,679,610)	4,620,999
Investment management expenses	16	(17,171)	-
Net returns on investments		(2,902,961)	5,670,428
Net (decrease)/increase in the fund during the year		(3,860,087)	4,466,234
Net assets of the Scheme at start of year		38,485,157	34,018,923
Net assets of the Scheme at end of year		34,625,070	38,485,157

The notes on pages 22 to 34 form an integral part of these financial statements.


Statement of Net Assets Available for Benefits as at 30 June 2021

	Note	2021 £	2020 £
Investment assets			
Pooled investment vehicles	13	17,397,836	18,950,126
Annuity policies	14	16,948,888	19,292,371
AVC investments	15	108,029	105,995
Net investments	10	34,454,753	38,348,492
 Current assets	 20	 185,233	 147,018
 Current liabilities	 21	 (14,916)	 (10,353)
 Net assets of the Scheme at end of year		 34,625,070	 38,485,157

The financial statements summarise the transactions and net assets available for benefits of the Scheme. 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 into account such obligations, is dealt with in the Report of Actuarial Liabilities on page 12 and these financial statements should be read in conjunction with this report.

The notes on pages 22 to 34 form an integral part of these financial statements.

These financial statements were approved by the Trustee and signed on their behalf by:



Director
for The Law Debenture Pension Trust Corporation p.l.c
in its capacity as the trustee of
MoDo Merchants Pension Scheme

Date: 31-Jan-2022 | 14:00 GMT

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 with guidance set out in the Statement of Recommended Practice.

The financial statements have been prepared on the going concern basis. As noted on page 5 of the Trustee's Report, during January 2020, the worldwide spread of Covid-19 (Coronavirus) caused increased volatility and significant falls in global equity markets. This has had an impact on the operations of the Scheme. However, having considered operational matters and the position of the Principal Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The registered address of the scheme is:

The Law Debenture Pension Trust Corporation PLC
8th Floor 100 Bishopsgate
London
EC2N 4AG

3. Accounting Policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employer deficit contributions are accounted for in accordance with the due date payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

Payments to members

Benefits are accounted for on the later of the year in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, on the date of retiring, leaving or notification of death.

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

Expenses

Expenses are accounted for on an accruals basis, net of recoverable VAT.

Notes to the Financial Statements

3. Accounting Policies (continued)

Investment income

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

Income from pooled investment vehicles is accounted for when declared by the fund manager.

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

Investments

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

AVC investments are valued at the policy value as advised by the insurer, based on revisionary bonuses declared and the current terminal bonus.

Investments are included at fair value as described below:

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

Annuities have been valued by the annuity provider.

4. Contributions

	2021 £	2020 £
Employer contributions		
Deficit contributions	<u>10,000</u>	<u>17,500</u>

All contributions for the 12-month period ended 30 June 2021 have been paid in accordance with the Schedule of Contributions dated 31 May 2019.

The Schedule requires deficit contributions to be paid as follows: From 1 January 2020 to 31 December 2027, a contribution of £10,000 per annum is payable in January of each year and from 1 January 2028 to 30 April 2028, a single contribution of £2,500 is due by 31 January 2028.

5. Transfers In

	2021 £	2020 £
Individual transfers in from other schemes	<u>-</u>	<u>117,205</u>

Notes to the Financial Statements

6. Benefits paid or payable

	2021 £	2020 £
Pensions	855,724	1,041,465
Lump sum retirement benefits	110,838	188,935
Death Benefits	-	3,839
	966,562	1,234,239

7. Payments to and on account of leavers

	2021 £	2020 £
Individual transfers out to other schemes	-	104,296

8. Administration expenses

	2021 £	2020 £
Other fees and expenses	564	364

All other costs of administration are borne by Antalis Limited.

9. Investment income

	2021 £	2020 £
Annuity income	793,820	1,013,064
Interest on cash deposits	-	572
Income from pooled investment vehicles	-	35,793
	793,820	1,049,429

Notes to the Financial Statements

10. Reconciliation of investments

	Value at 1 July 2020 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 30 June 2021 £
Pooled investment vehicles	18,950,126	1,265,953	(1,480,082)	(1,338,161)	17,397,836
Annuity policy	19,292,371	-	-	(2,343,483)	16,948,888
AVC investments	105,995	-	-	2,034	108,029
	38,348,492	1,265,953	(1,480,082)	(3,679,610)	34,454,753

The pooled investment manager is registered in the UK.

11. Transaction costs

Transaction costs include fees, commissions, stamp duty and other duties. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs are not separately provided to the Scheme.

12. Taxation

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

13. Pooled investment vehicles

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

	2021 £	2020 £
Liability driven investments	2,598,276	4,000,809
Absolute returns	1,896,477	1,677,090
Diversified growth	1,862,787	1,634,427
Gilts	11,040,296	11,054,610
Cash	-	583,190
	17,397,836	18,950,126

Notes to the Financial Statements

14. Annuity policies

	2021 £	2020 £
Scottish Widows	16,948,888	19,292,371

15. AVC investments

The Trustee holds AVC assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis. At 30 June 2021 the AVC investments held were as follows:

	2021 £	2020 £
Utmost Life and Pensions – Unit-linked	15,765	13,731
Clerical Medical – Unit-linked	92,264	92,264
	108,029	105,995

In addition to these AVCs, included within the pooled investments within note 13 are AVCs with a market value of £nil (2020: £1,516). On 1 September 2020 the last member with in-house AVC's retired and their final AVC value was paid out.

Members participating in these arrangements each receive an annual statement made up to the year end of the Scheme confirming the amounts held to their account and the movements in the year.

16. Investment management expenses

	2021 £	2020 £
Administration, management & custody	17,171	-

Notes to the Financial Statements

17. Fair Value of investments

The fair value of financial instruments has been determined 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 (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. 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 levels as follows:

As at 30 June 2021	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	17,397,836	-	17,397,836
Annuity policies	-	-	16,948,888	16,948,888
AVC investments	-	92,264	15,765	108,029
	-	17,490,100	16,964,653	34,454,753

As at 30 June 2020	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	18,950,126	-	18,950,126
Annuity policies	-	-	19,292,371	19,292,371
AVC investments	-	92,264	13,731	105,995
	-	19,042,390	19,306,102	38,348,492

Notes to the Financial Statements

18. 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 of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages 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 agreements in place with the Scheme's investment managers and monitored by the Trustee via regular reviews of the investment portfolio.

Notes to the Financial Statements

18. Investment risk disclosures (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk		Market risk*			30 June 2021 Value £	30 June 2020 Value £
	Direct	Indirect	Currency	Interest rate	Other price		
Pooled investment vehicles:							
- Newton Real Return	Y	Y	Y	Y	Y	1,896,477	1,677,090
- LGIM Diversified Fund	Y	Y	Y	Y	Y	1,862,787	1,634,427
- BMO Nominal Dynamic LDI	Y	Y	N	Y	Y	2,598,276	2,849,804
- BMO Regular Profile Unleveraged Real Gilt Fund	Y	Y	N	Y	Y	8,736,907	8,204,806
- BMO Regular Profile Unleveraged Nominal Gilt Fund	Y	Y	N	Y	Y	2,303,389	4,000,809
- BMO Sterling Liquidity Fund	Y	Y	N	N	N	-	583,190
Total investments**						17,397,836	18,950,126

In the above table, the risks noted applied in 2021 and 2020.

* There is no direct market risk arising from the holdings in the pooled investment vehicles. Indirect market risks and indirect credit risks arise through the underlying investments within the pooled funds. Only a portion of the funds involved may be exposed to the risk in questions.

** Includes only pooled investment vehicles held by the Scheme and excludes cash held in the Trustee's bank account, insurance policies and AVC investments.

Notes to the Financial Statements

18. Investment risk disclosures (continued)

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

Investment Objectives

The Trustee is required to invest the Scheme's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is sufficient (in conjunction with the Scheme's existing assets, and contributions paid) to pay all members' benefits in full;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustee understands, following discussions with the Employer, that it is willing to accept a degree of volatility in the company's contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

The Scheme has exposure to the risks described above because of the investments it makes in following the investment strategy set out below. The Trustee considers investment risks, including credit risk and market risk, when they select the Scheme's investments, taking into account the Scheme's strategic investment objectives.

The documents governing the fund managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The Trustee monitors the investment portfolio on a regular basis.

Investment Strategy

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

Given their investment objectives the Trustee has agreed to the asset allocation detailed on page 8 of the Trustee's Report.

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Credit risk

The Scheme is subject to credit risk because the Scheme invests in pooled investment vehicles through an investment platform with Mobius Life ('The Platform Provider') and through BMO Global Asset Management ('BMO'), and therefore is directly exposed to the credit risk of Mobius Life and BMO. Mobius Life is regulated by the FCA/PRA. In the unlikely event Mobius became insolvent and couldn't meet its obligations, the Trustee would be able to make a claim against the Financial Services Compensation Scheme on behalf of their members. BMO is regulated by the FCA. The Scheme is indirectly exposed to credit risk in relation to the pooled investment funds. Therefore, the Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment funds.

Investments exposed to both direct and indirect credit risk*	30 June 2021 £	30 June 2020 £
Newton Real Return	1,896,477	1,677,090
LGIM Diversified Fund	1,862,787	1,634,427
BMO F&C Nominal Dynamic LDI	2,598,276	2,849,804
BMO Regular Profile Unleveraged Real Gilt Fund	8,736,907	8,204,806
BMO Regular Profile Unleveraged Nominal Fund	2,303,389	4,000,809
BMO Sterling Liquidity Fund	-	583,190
Total**	17,397,836	18,950,126

* Indirect credit risks arise through the underlying investments within the pooled funds. Only a portion of the funds involved may be exposed to credit risk.

** Includes only pooled investment vehicles held by the Scheme and excludes cash held in the Trustee's bank account, insurance policies and AVC investments

The Scheme's holdings in pooled investment vehicles do not have a credit rating. Direct credit risk arising from pooled investment managers is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers/platform providers, the regulatory environments in which the pooled managers operate and diversification of mandates amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled managers.

Indirect credit risk arises in relation to the underlying investments held within the pooled investment vehicles, using government bonds, corporate bonds, OTC derivatives, repos, balances with banks and stock lending activities. At 30 June 2021 the total value of underlying pooled investments subject to credit risk was £17,397,836 (30 June 2020: £18,950,126). As part of managing this risk, a number of controls are used by the pooled managers to reduce the impact of this risk, such as holding collateral and monitoring credit ratings associated with each counterparty. This risk is managed by requiring pooled managers to diversify the portfolio to minimise the impact of the default of any one issuer.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Credit risk (continued)

A summary of pooled investment vehicles by type of arrangements is as follows:

Fund	30 June 2021	30 June 2020
Unit Linked insurance contracts	17,397,836	18,950,126

Currency risk

All of the Scheme's assets are priced in sterling, so that there is no direct foreign exchange risk. The Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles through the diversified growth funds. In certain circumstances, the pooled managers may seek to manage exposure to currency movements by using forward currency contracts.

The Scheme's total unhedged currency risk exposure at the year end was as follows:

Investments exposed to currency risk	30 June 2021 £	30 June 2020 £
Newton Real Return*	1,896,477	1,677,090
LGIM Diversified Fund*	1,862,787	1,634,427
Total*	3,759,264	3,311,517

* Currency risks arise through the underlying investments within the pooled funds. In some cases only a portion of the fund may be exposed to currency risk.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, cash and interest rate derivatives through pooled vehicles. The Trustee has set a benchmark for total investments in liability matching assets, including LDI and gilt funds to be 80.0% of the total investment portfolio. Under this strategy, if interest rates fall, the value of liability matching investments should rise to help mitigate the expected increase in actuarial liabilities. Similarly, if interest rates rise, the value of liability matching investments should fall and the value of the actuarial liabilities would also be expected to fall. At 30 June 2021 the allocation to liability matching assets represented 78.4% of the total investment portfolio (30 June 2020: 82.5%).

The Scheme is also subject to indirect interest rate risk arising from the underlying instruments of the pooled diversified growth funds. Interest receivable on bank deposits or payable on bank overdrafts and the value of the securities and interest rate derivatives held are affected by fluctuations in interest rates. At 30 June 2021 the diversified growth funds represented 21.6% of the total investment portfolio (30 June 2020: 17.5%).

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities, equity futures and various derivatives held in the pooled vehicles. The Scheme has set a target asset allocation of 20.0% of investments being held in return seeking investments. At 30 June 2021 end the return seeking assets represented 21.6% of the total investment portfolio (30 June 2020: 17.5%).

The Scheme also invests in leveraged instruments through pooled LDI funds. The funds hold both gilts and swaps depending on the relative value of these hedging instruments. The relative price of these hedging instruments can vary, giving rise to fund performance differing from that of the gilt and swap benchmarks. The funds are leveraged which will magnify the impact of both market movements and the price movements of gilts and swaps.

The underlying instruments of the Real Dynamic LDI fund also offer exposure to changes in inflation and long term inflation expectations. Such instruments will tend to go up in value with rising inflation and fall in value with falling inflation. It should be noted that market values may be affected not only by variations in official inflation rates and by changes in long term inflation expectations, but also by day to day prices, supply/demand and specific structure/features of such instruments (e.g. terms).

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

19. Investment concentration

The following investments, with the exception of investments in UK Government securities, represented more than 5% of the total net assets of the Scheme at 30 June 2021:

	30 June 2021		30 June 2020	
	£	%	£	%
Scottish Widows Annuity	16,948,888	49.0	19,292,371	50.1
BMO Regular Profile Unleveraged Real Gilt	8,736,907	25.2	8,204,806	21.3
BMO Nominal Dynamic LDI	2,598,276	7.5	4,000,809	10.4
BMO Regular Profile Unleveraged Nominal Gilt	2,303,389	6.7	-	-
BNY Mellon Real Return Fund	1,896,477	5.5	-	-
LGIM Diversified Fund	1,862,787	5.4	-	-

Notes to the Financial Statements

20. Current assets

	2021 £	2020 £
Cash balances	185,233	147,018

21. Current liabilities

	2021 £	2020 £
Other creditors	14,916	10,353

22. Related party transactions

During the year, one Trustee Director was in receipt of a pension payable from the Scheme (30 June 2020 – one). All benefits payable to Trustee Directors were paid in accordance with the Scheme Rules. These payments ceased on 28 July 2021 when The Law Debenture Pension Trust Corporation PLC replaced the previous corporate trustee, Antalis Pension Trustee Limited,

23. Capital commitments

There were no capital commitments as at 30 June 2021 (30 June 2020: none).

24. Contingent liabilities

There were no contingent liabilities as at 30 June 2021 (30 June 2020: none), other than those to pay future benefits.

Implementation Statement

Plan year ended 30 June 2021

Overview

This implementation statement describes the actions taken over the past year and how they relate to the intentions we have set out in the Scheme's Statement of Investment Principles (the "SIP").

The Scheme's assets are held in pooled investment funds (via the Mobius Life investment platform and directly with BMO) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds (the 'fund managers').

The fund managers of the pooled investment funds are Legal & General Investment Management (LGIM), BNY Mellon and BMO Global Asset Management (BMO).

As the Trustee of the Scheme's assets, we are responsible for the selection and retention of the funds. Analysing the voting and engagement activities, which we include details on below, is a useful exercise to help us ensure they remain appropriate and are consistent with the managers' stated policies in this regard. We will engage with the fund managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

During the year to 30 June 2021, the Trustee updated the SIPs to ensure they met new regulations that came into effect from 1 October 2020 and have been made publically available.

Changes to investment strategy

During the year no changes were made to the investment strategy.

Changes to investment governance

The Trustee put in place objectives for their investment consultant. The purpose of these objectives is to help ensure we are getting good value for money. When the Trustee reviewed performance they concluded that they were satisfied with the level of service currently being provided but will continue to assess performance, relative to these objectives.

Reporting and oversight

The Trustee has regularly reviewed the performance of the funds over the year and performance information is set out elsewhere in this report. The Trustee is satisfied with the performance of the used, given their objectives.

Voting and engagement

Details on voting and engagement activities provided by LGIM and BNY Mellon are set out below. In order to produce this statement we have asked LGIM and BNY Mellon some questions on their policies, actions and examples relating to their voting and engagement activities. We have then reviewed these and summarised their responses for the purposes of this statement.

LGIM have provided information relating to the Diversified Fund and BNY Mellon have provided information relating to the Real Return Fund, as these funds hold equities for which the fund managers have voting rights.

The BMO LDI Funds do not hold direct equities and given that these investments don't confer voting rights, there was no voting carried out in relation to these funds. However, BMO does undertake engagement activities with counterparty banks on relevant issues, where applicable, and examples are included below.

LGIM voting and engagement activities

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA).

Voting data for LGIM Diversified Fund

LGIM were eligible to vote on 90,870 resolutions. They voted on 98.7% of the resolutions. Votes for: 80%, Against 19%, Abstained: <1%. In 12% of occasions LGIM voted against the recommendation provided by a proxy advisor (ISS). A low level of abstentions, evidence of voting against and not always following the recommendations of a proxy provider are indicators of active engagement.

Most significant votes

LGIM provided several examples in response to our request to provide details of their most significant votes. Three of these examples have been shown below.

1. THE PROCTER & GAMBLE COMPANY (P&G)

Date: 13/10/2020

Shareholder Resolution: Report on effort to eliminate deforestation

Vote: For

P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and

indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

The resolution received the support of 67.68% of shareholders

LGIM consider the vote to be significant because it is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

2. SUMITOMO CORPORATION

Date: 18/06/2021

Shareholder Resolution: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

Vote: For

Having reviewed Sumitomo Corporation's disclosures and engaged in dialogue with the company, LGIM has decided to vote in favour of this Shareholder Resolution. We note the company's efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, we continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. We believe our support for the shareholder resolution will help signal the importance of the climate emergency for us as a large investor and our expectations for companies to align urgently with the goals of the Paris Agreement. We look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.

20% of shareholders supported the resolution.

We consider this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring our vote intention is an important tool for our engagement activities. We decide to pre-declare our vote intention for a number of reasons, including as part of our escalation strategy, where we consider the vote to be contentious, or as part of a specific engagement program. In addition, LGIM views climate change as a financially material issue for our clients, with implications for the assets we manage on their behalf. This was also a high profile proposal in Japan, where climate-related shareholder proposals are still rare.

3. PFIZER Inc.

Date: 22/04/2021

Shareholder Resolution: Elect Director Albert Bourla

Vote: Against

LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available

on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

94.1% of shareholders supported the resolution.

LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

BNY Mellon voting and engagement activities

The following information is based on the responses BNY Mellon have provided in response to our questions on voting and engagement and provides an explanation as to how they co-ordinate their voting and engagement activities with companies. Newton are a subsidiary of BNY Mellon and are the entity that manage the Real Return Fund.

We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance.

Whilst Newton conduct most of their engagements directly with companies they do also collaborate with other investors where they believe it will generate a better outcome for investors. For example, they worked alongside eight other investors as part of the Climate Action 100+ group, co-filing a resolution asking BP to explain its thinking on climate change and how its business is aligned with the Paris Agreement. The resolution was passed, opening the door to talk in more detail about its future in the energy transition.

Voting data for BNY Mellon Real Return Fund

Newton were eligible to vote on 1,585 resolutions. They voted on 98.6% of the resolutions. Votes for: 85%, Against 15%, Abstained: 0%. In 12% of occasions Newton voted against the recommendation provided by a proxy advisor (ISS). A low level of abstentions, evidence of voting against and not always following the recommendations of a proxy provider are indicators of active engagement.

Most significant votes

Newton supplied a list of 10 of their most significant votes as well as providing other examples of voting activity. Two examples of the most significant votes are shown below.

1. MICROSOFT CORPORATION

Date: 02/12/2020

Resolutions: Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors

Despite improvements to executive remuneration practices over recent years, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee.

We also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.

1.1%, 0.9%, 0.3%, AGAINST compensation committee members, 3.9% AGAINST reappointment of the auditor, 5.3% AGAINST executive officers' compensation

The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements. However, our engagement with the company over multiple years shows that pay arrangements have been improving and are expected to continue to improve. We look forward to supporting the company's executive pay proposals as these improvements are implemented.

The company is recognised as a leader among its US peers in terms of its approach to corporate governance. Its executive pay structure is also better than most but there exists fundamental improvements that should be made.

2. LEG IMMOBILIEN AG

Date: 19/08/2020

Resolution: Remuneration policy

We voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive Long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, we were concerned that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention.

22.2% AGAINST Approve Remuneration Policy

The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent.

BMO's engagement activities

The Dynamic LDI funds contains investments that provide exposure to long dated interest rates / inflation. It does not hold any physical equity investments and is therefore not eligible to vote. However, BMO does still engage with counterparty banks on relevant issues. For example:

HSBC Holding PLC has committed to phase out financing of coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. We have engaged the bank on a stronger coal exit strategy for a while, individually and collaboratively with other investors, to strengthen overall climate risk management efforts. We always argued that such an exit should include underwriting, which the bank has confirmed, too. It is the strongest commitment we have seen yet from a global bank with a significant Asian footprint.

MoDo Merchants Pension Scheme

Confidential

Citigroup Inc has committed to achieve net-zero greenhouse gas financed emissions before 2050. As one of the largest financial institutions in the US and globally, this commitment will serve to enhance credit risk management practices, while sending a strong message to the market. We have been engaging on sustainable finance and climate risk management with the bank for many years.

