De La Rue Pension Scheme

Annual Report & Financial Statements
5 April 2023
Scheme Registration number 10226686

Contents

Section 1 – Trustee and its Advisers

The Trustee

The Trustee of the De La Rue Pension Scheme is a company called De La Rue Pension Trustee Limited. A sole professional trustee governance model was adopted at the beginning of 2023 with PAN Trustees UK LLP being selected for the role. The sole professional trustee model took effect on 7 February 2023, resulting in the end of tenure for all other trustees directors. Further detail is provided below:

Current trustee directors

M Roberts
PAN Trustees UK LLP (represented by M Roberts and J Walters)

Previous trustee directors

Company appointed Directors

N McGregor (resigned 30 September 2022)
20-20 Trustee Services Limited
(represented by J Yates) (resigned 7 February 2023)
Ross Trustee Services Limited
(represented by G Mckenzie) (resigned 7 February 2023)
K Ryan (resigned 7 February 2023)

Member nominated Directors

K Brown (resigned 7 February 2023)
M Salmon (resigned 7 February 2023)
J A Robinson (resigned 7 February 2023)

Advisers

The advisers to the Trustee are set out below:

Scheme Actuary	Laura McLaren, FIA Hymans Robertson LLP
Scheme Administrator	Hymans Robertson LLP
Independent Auditors	PricewaterhouseCoopers LLP
AVC Providers	Aegon Aviva Plc Phoenix Life The Prudential Assurance Company Limited Utmost Life and Pensions Limited
Annuity Provider	Scottish Widows Limited
Investment Managers	**Defined Benefit Section** Insight Investment Management (Global) Limited (“Insight”) Legal & General Assurance (Pensions Management) Limited (“LGIM”) Partners Group (“Partners”) **Defined Contribution AVCs** Aviva Plc (“Aviva”) (AVCs transferred to DB section in April 2022) BlackRock Advisors (UK) Limited (“BlackRock”) (AVCs transferred to DB section in April 2022)

Advisers (continued)

Investment Consultant	Hymans Robertson LLP
Secretary to the Trustee Board	G S Howard (appointed 1 July 2022) Group Pensions Manager - De La Rue plc R Lacey (resigned 30 June 2022)
Legal Adviser	CMS Cameron McKenna Nabarro Olswang LLP
Custodian	Bank of New York Mellon State Street Custodial Services (Ireland) Limited Citibank N.A. RBC Investor Services Bank S. A. Alter Domus Depositary Services S.à r.l.
Banker	Barclays Bank plc
Covenant Adviser	Cardano Advisory Limited
Sponsoring Employer	De La Rue plc De La Rue House Jays Close Basingstoke RG22 4BS
Participating Employers	De La Rue International Limited De La Rue Holdings Limited
Contact Address	De La Rue Pension Scheme Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB Email: delaruepension@hymans.co.uk

Section 2 – Trustee's Report

The Trustee of the De La Rue Pension Scheme (the "Scheme") is pleased to present its Annual Report together with the audited financial statements and actuarial certificate of the Scheme for the year ended 5 April 2023. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Legal Status

The Scheme was established by a Trust Deed dated 3 March 1997.

The Scheme is an occupational hybrid pension scheme which has historically incorporated two sections:

- a defined benefit section which provides benefits based on a member's salary and length of service; and
- a defined contribution section which provided benefits based on a member's accumulated fund.

Members of the Scheme are unable to make further Additional Voluntary Contributions ("AVCs") as the Scheme is closed for future accrual.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

Members of the defined benefit section were contracted-out of the State Second Pension (S2P) under a certificate issued by the HM Revenue & Customs National Insurance Contributions Office.

Both sections of the Scheme closed to new members on 31 March 2013 with the defined benefit section closing to future accrual at the same time, with the exception of the Classic section which closed to future accrual on 29 March 2020. The Trustee, with the consent of the Principal Employer, transferred all remaining members of the Classic Section of the Scheme to the Main Section of the Scheme on 12 May 2023. As a result there are no assets or liabilities remaining in the Classic Section of the Scheme. The Classic Section is terminated and as such is no longer a separate section of the Scheme.

The defined contribution section (excluding AVCs) was transferred to the LifeSight Master Trust with effect from 6 December 2021. The Defined Contribution section of the Scheme (excluding AVCs which were transferred to the Defined Benefit section in April 2022) was wound up on 4 November 2022.

Trustee

The Trustee has delegated the day to day management and operation of the Scheme's affairs to professional organisations as set out on pages 1 and 2. The Trustee has written agreements in place with each of them.

De La Rue plc is responsible for the appointment and removal of the Trustee. Earlier this year, De La Rue plc appointed PAN Trustees UK LLP as the sole professional trustee with effect from 7 February 2023.

The previous Trustee board of directors met informally across the year to discuss various matters and formal Trustee meetings were held three times during the year (2022: four). Under the new sole professional trustee model, the Trustee holds meetings with its advisers on a regular fortnightly basis.

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme decreased from £1,015,014,000 at 5 April 2022 to £722,005,000 at 5 April 2023. The decrease in net assets is accounted for by:

	DBS* 2023 £000	DCS** 2023 £000	Total 2023 £000	DBS* 2022 £000	DCS** 2022 £000	Total 2022 £000
Member related income	12,904	-	12,904	16,288	-	16,288
Member related payments	(53,355)	-	(53,355)	(49,819)	(12,052)	(61,871)
Net withdrawals from dealings with members	**(40,451)**	**-**	**(40,451)**	**(33,531)**	**(12,052)**	**(45,583)**
Net returns on investments	(252,562)	4	(252,558)	(8,222)	1,331	(6,891)
Net (decrease)/increase in fund	**(293,013)**	**4**	**(293,009)**	**(41,753)**	**(10,721)**	**(52,474)**
Transfer between sections	4	(4)	-	5,442	(5,442)	-
Net assets at start of year	1,015,014	-	1,015,014	1,051,325	16,163	1,067,488
Net assets at end of year	**722,005**	**-**	**722,005**	**1,015,014**	**-**	**1,015,014**

*Defined Benefit Section **Defined Contribution Section

Pension Increases

Guaranteed Minimum Pensions ("GMPs") in payment which accrued after 5 April 1988 were increased by 3% at April 2023 (3% at April 2022) in line with legislative requirements. Pensions in payment (in excess of the GMPs) were increased with reference to inflation and the Rules of the Scheme. Increases awarded at April 2023 were capped at 5% (3% and 5% at April 2022). The average increase was 3.9% (2.5% at April 2022). Pensions in respect of former Bank of England members are increased each 1 July; the increase made in July 2022 was 11.7% (3.3% at July 2021). Deferred pensions were increased in line with statutory requirements and the Rules of the Scheme.

None of the above increases were discretionary.

Trustee's Report (continued)

Transfers

The Trustee does not currently permit the transfer of the value of benefits arising from membership of previous pension plans into the Scheme. Members who have left service can normally transfer the value of their benefits under the Scheme to another scheme which they join, or to an insurance contract or personal pension.

Defined Benefit Section:

The Trustee is responsible for setting the economic, financial and demographic assumptions to be used in calculating transfer values, having taken the advice of the Actuary. The basis used for transfer value calculations does not include discretionary benefits. Transfer values paid out of the Scheme include an allowance for GMP equalisation.

Defined Contribution Section:

Where relevant in the past, Transfer values were paid equal to the market value of the member's investments at the date of transfer. No discretionary payments have been made during the year.

As noted above, the Scheme's Defined Contribution section (excluding AVCs) was transferred to a master trust arrangement with LifeSight, with the transfer of assets taking place in December 2021. The Defined Contribution section of the Scheme (excluding AVCs) was wound up on 4 November 2022.

Any member of the Defined Benefit section who had Defined Contribution section benefits that were included as part of the bulk transfer from Aegon to LifeSight is allowed to transfer their defined contribution fund into the Defined Benefit section to maximise their tax-free lump sum. Members' who have opted to transfer their funds into the Defined Benefit section are recorded under transfers into the Scheme.

Guaranteed minimum pensions ("GMP")

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Subsequently, in November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme notes that the issues will have an impact on the Scheme and has been considering them in conjunction with its advisers.

Under the rulings, schemes are required to backdate benefit adjustments in relation to GMP equalisation, provide interest on the backdated amounts and revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The Trustee is currently working through a GMP rectification exercise. The approach for the equalisation of GMP within future cash equivalent transfer values was considered and implemented effective from September 2021. Since then the Scheme has been quoting transfer values which include an allowance for GMP equalisation.

The Trustee and Company have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest or additional transfer values. Therefore, the cost of backdating pension benefits and related interest and additional transfer values have not been recognised in the Financial Statements. They will be recognised once the Trustee is able to reach a reliable estimate. As part of the 2021 actuarial valuation, a 0.25% loading was applied to the overall total liabilities as an approximate allowance for GMP equalisation.

Trustee's Report (continued)

Report on Actuarial Liabilities

Actuarial Valuation

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

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. 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 the assumptions agreed between the Trustee and the Company 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 5 April 2021. This showed that on that date:

The value of the Technical Provisions was: £1,171 million

The value of the assets was: £1,051 million

The method and significant actuarial assumptions used to determine the technical provisions can be found below (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated March 2022).

The 31 December 2022 formal valuation was brought forward to 5 April 2021 at the request of the Company. This was to enable the Company to move ahead with the next stage of the turnaround plan, and also to capture improvements in the Scheme's funding position since the last valuation. These funding improvements meant that contributions could continue to be paid at the rate of £15m p.a. to reach the funding target by March 2029. A revised schedule of contributions has therefore been agreed, alongside improved guarantees from De La Rue that help support the new funding agreement.

Method

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

Significant Actuarial Assumptions

Discount rate before and after retirement	Dependent on term and assumed to be 0.9% p.a. above the yield on fixed interest government bond curve until 31/3/2028 and 0.25% above the yield on fixed interest government bond curve thereafter
Price inflation ("RPI")	Market implied inflation gilt yield curve.
Price inflation ("CPI")	Market implied inflation gilt yield curve less an adjustment of 1.00% p.a. until 2030 and market implied inflation gilt yield curve less an adjustment of 0.00% p.a. post 2030 (broadly market implied inflation gilt yield curve less 0.55% p.a.
Pension increases	Assumed to be in line with price inflation adjusted to take account of any maximum or minimum increase that may apply. Our Limited Price Indexation ("LPI") curves are derived from an option pricing model fitted to LPI swap prices.

Trustee's Report (continued)

Significant Actuarial Assumptions (continued)

Expenses	Scheme expenses will be allowed for on an ongoing basis.
Mortality - base tables	Member specific longevity Club VITA tables.
Mortality - Future longevity improvements	CMI 2020 model (calibrated to VITA tables) with a smoothing parameter of Sk = 7.0, an initial adjustment parameter of A = 0.25, 5% weighting to 2020 data and a long-term rate of improvement of 1.5% p.a. which tapers to 0% p.a. over ages 85 to 110.

Deficit contributions

Main section

Following the 5 April 2021 formal valuation, the Trustee and the Sponsoring Employer agreed a new Schedule of Contributions which was signed on 2 March 2022 whereby deficit contributions of £15m per annum were required to be paid quarterly in the period to each 5 April through to 2029.

This was then replaced by the Schedule of Contributions signed on 3 April 2023, which deferred the £3.75m payment originally due by 5 April 2023 to 26 May 2023. Further Schedules were signed on 25 May 2023 and 23 June 2023, which deferred this £3.75m to 26 June 2023 and 30 June 2023 respectively.

Subsequently, following agreement between the Trustee and the Sponsoring Employer, a Schedule of Contributions was signed on 28 June 2023 so as to defer the five quarterly contributions due to be paid under the previous schedule over the period to 5 April 2024. Under the revised Schedule, the Sponsoring Employer is required to pay annual deficit contributions as follows:

Period to:	Annual contribution (£m)	Cumulative contributions (£m) to have been paid by relevant date:
5 April 2023	11.25	26.25
5 April 2024	-	26.25
5 April 2025	15.0	41.25
5 April 2026	20.0	61.25
5 April 2027	20.0	81.25
5 April 2028	20.0	101.25
5 April 2029	20.1	121.35

In addition, as per an agreement between the Trustee and the Sponsoring Employer dated 28 June 2023, an additional amount will be paid as follows:

- In the event that a refinancing of the Company's Principal Bank Facilities in full occurs on or prior to 31 December 2023, £1.25m will be paid or, alternatively, £2.5m will be paid.

Trustee's Report (continued)

- Such payment will be due by 5 April 2024 or, in the event that the Lender Fees have not become payable on or prior to 5 April 2024, at the same time as the Lender Fees are paid to the Lenders.

If £2.5m become payable, this will act to reduce the cumulative contributions payable by 5 April 2029 to £120.1m.

The date of the next triennial actuarial valuation is 5 April 2024.

Classic section

A separate actuarial valuation has previously been prepared for the Classic Section of the Scheme, with the most recent valuation for this section taking place as at 31 December 2019. The associated Schedule of Contributions for the Classic Section was signed on 12 April 2021. Under this schedule, the Company was required to pay future annual deficit contributions in respect of the Classic Section as follows: by 12 May 2023: £34,507. However, the Classic Section was fully funded on a Technical Provision basis as at 31 March 2023 and, as a result, the Trustee and the Company put in place a revised Schedule of Contributions (dated 12 May 2023) which specifies no further deficit reduction contributions are required in respect of the Classic Section.

The Trustee, with the consent of the Company, has also transferred all remaining members of the Classic Section of the Scheme to the Main Section of the Scheme on 12 May 2023. As a result, there are no assets or liabilities remaining in the Classic Section of the Scheme. The Classic Section is terminated and, as such, is no longer a separate section of the Scheme.

Employers other Contributions

Monthly contributions of £125,000 will be paid to provide for the administrative expenses which are included in other contributions. The Company will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 5 April 2023 is shown below:

Pensioner Members (including spouses and dependants)	Number
As at 5 April 2022	**4,083**
Prior period adjustments*	10
Retirements	112
Deaths	(169)
Child pension ceased	(3)
Trivial commutation	(2)
Other pension ceased	(1)
New spouses and dependants	54
Pensioner Members as at 5 April 2023	**4,084**

Included in the pensioners above are 704 (2022: 692) widows or dependants who are receiving a pension following the death of a member.

Deferred Pensioner Members	Number
As at 5 April 2022	**2,431**
Prior period adjustments***	(25)
Trivial commutations	(4)
Deaths	(10)
Retirements	(112)
Transfers out	(25)
Trivial commutation (Ill health)	(1)
Deferred Pensioner Members as at 5 April 2023	**2,254**

Summary	Number
As at 6 April 2022	**6,514**
Net movements (detailed above)	(176)
Members as at 5 April 2023	**6,338**

Contained in the above membership stats are 158 (2022: 315) deferred pensioner members who also have defined contribution AVC pots. In addition to this there were 30 members who hold AVC benefits only and have been transferred to the deferred pensioner members as part of the closure of the defined contribution section.

As at 5 April 2023 there were 1,430 pensioner members (2022: nil) whose benefits were held with Scottish Widows via an annuity insurance policy in the Trustee's name.

*The prior period adjustments relate to late notifications.

Trustee's Report (continued)

Investments

This report has been prepared using data sourced from Hymans Robertson LLP, the investment managers and other external sources. The current investment managers are shown on page 1.

General

The Scheme's investment strategy is agreed by the Trustee after taking appropriate advice. The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by the investment objectives. The day-to-day management of the assets is delegated to the professional investment managers.

During the year, the Scheme undertook a risk transfer exercise in the form of a buy-in insurance policy, whereby a portion of the Scheme's total liabilities (approximately 30%) was transferred to the insurer Scottish Widows at a cost of £320m. The contracted value of the buy-in on a technical provisions basis was £251m as at 5 April 2023. This buy-in policy insures a portion of the Scheme's pensioners for the ongoing payment of their pension benefits.

The main assets of the Scheme were managed by Insight Investment Management ("Insight"), Legal & General Pension Management ("LGIM"), and Partners Group ("Partners").

Insight was appointed in 2006 and currently manage an active bond portfolio across segregated arrangements and pooled investment vehicles. The value of the segregated bonds at 5 April 2023 was £475m, comprised of a Liability Driven Investments ("LDI") portfolio and a bespoke Buy and Maintain portfolio. LDI was changed from a pooled to segregated arrangement in October 2020 following a review.

The LDI is designed to reduce the Scheme's exposure to adverse movements in interest rates and inflation. LDI has been reflected in the financial statements using the value of all its underlying holdings, mainly bonds, but also including derivatives (mainly swaps) and bonds lent as part of repurchase agreements ("repos") which are used for efficient portfolio management, and unsettled transactions, accrued investment income and some cash. The value of borrowing at Scheme year end was £254m from repo and approximately £1m from swaps. The Buy and Maintain portfolio is made up of carefully selected corporate bonds which are expected to be held to maturity for their additional return over government bonds.

The pooled bonds managed by Insight were held in the Secured Finance Direct Lending Fund 3 valued at £137m, in which the Scheme is the sole investor (pooled fund of one). This fund was created in December 2019 and seeks to produce an annual interest-rate-based return via a diversified portfolio of instruments comprising loans and debt securities. The portfolio's focus is on both liquid and illiquid strategies. The performance objective of the Fund is cash return + 3-5% p.a. over rolling three-year period (net of fees).

Other credit-like assets managed by Insight are held in the Cash Plus portfolio which holds asset-backed securities, corporate floating notes and cash, valued at c.£0.2m at year end. Portions of the asset-backed securities were redeemed to facilitate the buy-in transaction and then as collateral to LDI during the gilts market volatility towards the end of 2022. The portfolio's performance is benchmarked to various SONIA targets.

Trustee's Report (continued)

General (continued)

Partners Group was appointed in 2016 to manage a multi-asset credit mandate ("MAC III"). The value of the holdings with Partners Group at year end was £60m. An additional allocation ("MAC V") was agreed on in July 2020 to maintain exposure to the illiquid debt asset class as MAC III gradually returns invested capital. Both the MAC III and MAC V funds are in the distribution phase, meaning that the investments are being realised and as repayments to the private debt issues are made the funds return income to the Scheme in the form of capital and interest. These Partners funds, known as "vintages", seek to create a diversified portfolio of senior private loans and public high-yield bonds, in the primary and secondary loan markets. Investments are diversified across asset classes, instruments, sectors, and geographies. The performance objective of the vintages is cash+4%-6% p.a. (net of fees).

LGIM manages overseas and UK equity assets on behalf of the Scheme via pooled funds on a passive basis. Within the Scheme's exposure to overseas assets, 65.6% is hedged back to Sterling (excluding the exposure to emerging markets) via currency-hedged funds. During the gilt market volatility towards the end of 2022, a portion of the Scheme's equities was sold down to fund the collateral requirements of the leveraged LDI which means equities accounts for a smaller portion of the Scheme's assets than at the end of the previous year. Total equities held at this year-end was £16m.

The Scheme's Defined Contribution section (excluding AVCs) was transferred to a master trust arrangement with LifeSight, with the transfer of assets taking place in December 2021, and the Defined Contribution section of the Scheme (excluding AVCs) subsequently wound up on 4 November 2022. Defined Contribution AVC assets belonging to Defined Benefit section members were not transferred to LifeSight but retained in the Scheme in the Defined Benefit section.

Market volatility

As noted in this report, the Scheme's investment strategy includes the use of liability driven investment (LDI) and segregated investment in bonds that seeks to provide a broad match to changes in the Scheme's liability values in order to help protect the Scheme's overall funding position. These LDI and bond investments respond in a similar way to the Scheme's liabilities, when government bond yields and expected inflation change.

Since the beginning of 2022, government bond (gilt) yields markedly increased. However, in September 2022, a change in the UK government's fiscal policy, and lower than expected Bank of England (BoE) interest rate increases exacerbated by concerns over rising inflation, triggered significant increases and volatility in gilt yields. This led to a significant fall in the value of assets invested in the Scheme's LDI and bond investments, and an increase in the collateral requirement to support the LDI. It is worth noting that this was a systemic issue affecting many defined benefits pension schemes across the UK. In response to the market turmoil, the BoE set aside £65bn to buy back government bonds in an attempt to mitigate gilt yield rises and ease pressure on pension funds and insurance companies.

Consequent on the above, the overall value of the Scheme's investment portfolio has significantly reduced since 5 April 2022. Also, the value of the Scheme's liabilities has fallen by a similar amount, in line with the risk management approach using LDI, which means that the Scheme's estimated funding levels have remained broadly stable.

Owing to changes in market values the Scheme is now much smaller in asset value terms. However there are no concerns regarding its funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

Trustee's Report (continued)

Market volatility (continue)

Owing to the changes in market values the Scheme is now much smaller in asset value terms. However, there are no concerns regarding its funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern.Total net assets fell from £1.0bn at 5 April 2023 mainly due to an increase in gilt yields, leading to a decrease in the value of the Scheme's matching assets. The Trustee continues to monitor the situation and is well placed to take any further action as required.

Investment Strategy

The Trustee sets the Scheme's investment strategy, taking into consideration the strength of the Employer covenant and the professional advice provided by Hymans Robertson LLP, to achieve the following objectives (listed in order of priority):

- Ensure that there are sufficient assets available to pay members' benefits as they fall due;
- Achieve full funding on a low-risk basis over the longer period;
- Minimise investment risk (defined as funding level volatility) commensurate with the funding aims.

To achieve these objectives, it is necessary to take investment risk. The key principles which have been agreed and which guide the level and type of risk taken are:

- Risk should only be taken where commensurate reward is expected;
- Risk should only be taken where the expected reward is required to give a reasonable chance of meeting the Scheme's objectives; and
- Risk should be diversified so that the Scheme is not overly exposed to any one risk or source of return (whether an asset class or manager).

Based on the objectives set out above, these broad principles are, in consultation with the Scheme sponsor, translated into an investment strategy which aims to achieve the Scheme's funding objectives. In doing so, the Trustee considers a reasonable balance between having as high a chance as possible of achieving the target while minimising the level of investment risk which needs to be taken.

Current DB investment strategy

The current strategy is to hold:

- c.5% in return-seeking investments, comprising UK and overseas equities and other financial instruments including derivatives and cash;
- c.41% in a diversified portfolio of income-generating investments, comprising mainly investment grade and sub-investment grade corporate bonds and debt instruments;
- c.23% in investments that move broadly in line with the Scheme's long-term liabilities. This is referred to as LDI and comprises UK government bonds, gilt repurchase arrangements, and swaps. These holdings hedge approximately 83% of the impact of interest rate and 83% of the impact of inflation movements on the long-term liabilities; and
- c.31% in an insurance policy that provides the Scheme with contractual income that exactly matches the pensions the Scheme pays to member covered by the policy.

Trustee's Report (continued)

Investment Strategy (continued)

The allocation of the Scheme's investments held under the Defined Benefit section to 5 April 2023 is shown in the table below:

	Total £'000	Actual %	Target %
LGIM Global Equities	2,673	0.4	4.0
LGIM UK Equities	665	0.1	1.0
Total Growth	**3,338**	**0.5**	**5.0**
Insight Buy and Maintain	78,216	10.9	16.0
Insight LDI*	182,274	25.4	23.0
Insight Secured Finance Lending	136,740	19.1	13.0
Insight Liquid/Global ABS	188	0.0	5.0
Partners Group Multi-Asset Credit**	60,332	8.4	7.0
AEGON and AVCs	4,202	0.6	-
Insurance policy	251,400	35.1	31.0
Total Non-growth	**713,352**	**99.5**	**95.0**
Total	**716,690**	**100.0**	**100.0**

*Value of the LDI portfolio includes the Liquidity Fund which is a cash-only component of the LDI.

** Partners Group Multi-Asset Credit valuation is as at 31 March 2023. The Partners Group funds are closed-end funds valued at NAV once a month at the end of the month, and intra-month valuations are not calculated.

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1, 3 and 5-year performance to 31 March 2023 are used as the most recent to 5 April 2023. As of 31 March 2023, the Scheme was underweight to growth assets relative to target, and overweight therefore in matching assets. As the implementation of the agreed investment strategy continues, additional changes to target asset allocation may be made during the 2023/2024 Scheme year.

The Trustee also monitors the Scheme's investments versus liabilities at regular funding updates and valuations.

Over the year to 5 April 2023, the Scheme's investments decreased by approximately c£289.m (from £998.7m at 5 April 2022 to £716.7m at 5 April 2023). The Scheme's investments (excluding buy-in) returned (34.2)% over the year to 31 March 2023, underperforming the aggregate Scheme benchmark by 1.4%.

Trustee's Report (continued)

Investment Strategy (continued)

LGIM managed approximately 0.5% of the Scheme's investments under index-tracking global and UK equity mandates. Over the year, the LGIM mandates performed broadly in line with benchmark as expected of fund that track the corresponding investment index.

The Insight LDI and Buy and Maintain sub-portfolios returned (0.8)% p.a. and 0.9% p.a. respectively since inception. The purpose of the LDI sub-portfolio is to provide protection against adverse movements in the Scheme's liabilities, as opposed to increasing the Scheme's returns. Therefore, in periods when interest rates fall and the value of the liabilities increases, the LDI portfolio would be expected to produce a positive return. On the other hand, if yields rise and the value of the liabilities falls, the LDI portfolio would be expected to generate a negative return.

The performance tables below show the net performance of the managers and the Scheme over the 1 and 3 year periods to 31 March 2023 in absolute and relative terms. The effects of an overweight position to LDI through the year has been stripped out to make performance comparison more meaningful.

Due to the nature of multi-asset credit as an asset class, and the Partners Group Multi-Asset Credit funds in particular, it is not appropriate to assign to these funds a short-term performance figure. Partners has been excluded from the total Scheme return calculation, therefore, to preclude undue volatility from the presentation of Scheme returns.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment.

Current Additional Voluntary Contributions ("AVCs") investment strategy

A small number of members have AVC investments through Aegon's platform and in legacy arrangements with Aviva, Prudential, Phoenix, Dunfermline and Utmost. These invest in a range of 'With Profit' and unit-linked funds.

Statement of Investment Principles

The Trustee Directors have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The current SIP can be found online at https://www.delaruepensions.co.uk/resources/

The SIP gives details of the Trustee's investment objectives, while an accompanying Investment Policy Implementation Document ("IPID") which is available on request provides details of the underlying benchmarks used to measure the performance of the investment managers.

From 2021 the Trustee has been required by regulation to prepare an annual statement of compliance ("Implementation Statement") which details how, amongst other things, the Trustee has followed the investment principles detailed in the SIP over the year. The Scheme's current Implementation Statement is appended to this document and forms part of the Trustee's report.

The priority for the Trustee Directors when considering the investment policy is to ensure that the promises made about members' pensions may be fulfilled. With this aim, investments have been spread across a range of assets, both by type of investment (equities and bonds) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one market having a substantial impact on the whole Scheme.

Trustee's Report (continued)

Task Force on Climate-related Financial Disclosures

From 1 October 2021 (for schemes with assets >£5.0bn) and from 1 October 2022 (for schemes with assets >£1.0bn), per the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), DB pension schemes are required to report on how climate change will impact their investment portfolio. To accomplish this, schemes meeting the criteria are expected to produce a TCFD report no later than 7 months from the scheme year end after the effective date of the regulation. This means that the Scheme will produce its first TCFD report no later than 5 November 2023. This report aims to set out the approach of the Trustee of the Scheme with regard to assessing, monitoring and mitigating climate-related risks in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members. A copy of the TCFD report can be found online at https://www.delaruepensions.co.uk/resources/

Review of Defined Benefit Section Investment Performance

The performance of the Scheme's investments to 31 March 2023 is shown in the next table.

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1 and 3-year performance to 31 March 2023 is used as the most recent to 5 April 2023.

Performance over 12 months to 31 March 2023

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	(2.4)	(2.4)	(0.1)
Legal & General – UK Equities	22/07/2014	3.0	3.0	0.0
Insight – Secured Finance	09/12/2019	2.7	5.3	(2.5)
Insight – Buy and Maintain	03/12/2013	(23.2)	(23.2)	0.0
Insight – Liquid ABS	24/07/2019	1.5	2.8	(1.2)
Insight – Global ABS	24/12/2019	(2.7)	4.3	(6.7)
Insight – LDI[1]	04/11/2013	(71.0)	(71.0)	0.0
Insight – Liquidity Plus	25/07/2019	0.0	2.2	(2.2)
Partners Group Multi-Asset Credit 2016 (III)[2]	19/10/2016	3.5	-	-
Partners Group Multi-Asset Credit 2019 (V)[2]	13/08/2019	4.8	-	-
Total*		**(34.2)**	**(33.3)**	**(1.4)**

Source: Hymans Robertson LLP; Investment Managers. All manager performance figures are net of fees.

[1] Includes the performance of Insight Liquidity Fund (cash element of the LDI).

[2] Is an internal rate of return ("IRR") for the year, which is not taken into account when calculating the total Scheme performance. This fund does not have a formal performance benchmark. IRR measures the discount rate that makes the net present value of a series of cash flows equal zero; ie, it is the annual yield on an investment of the underlying cash flows.

*Performance excludes the buy-in policy as due to the structure of the insurance policy it is not appropriate to assign a performance figure.

Trustee's Report (continued)

Performance over 3 Years to 31 March 2023

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	14.6	14.8	(0.2)
Legal & General – UK Equities	22/07/2014	13.9	13.8	0.0
Insight – Secured Finance	09/12/2019	5.1	4.0	1.0
Insight – Buy and Maintain	03/12/2013	(7.8)	(7.8)	0.0
Insight – Liquid ABS	24/07/2019	1.7	1.3	0.4
Insight – Global ABS	24/12/2019	1.8	2.8	(1.0)
Insight – LDI[1]	04/11/2013	(40.9)	(40.9)	0.0
Insight – Liquidity Plus	25/07/2019	0.4	0.8	(0.5)
Partners Group Multi-Asset Credit 2016 (III)[2]	19/10/2016	3.5	-	-
Partners Group Multi-Asset Credit 2019 (V)[2]	13/08/2019	4.8	-	-
Total		**(13.2)**	**(13.6)**	**0.4**

Source: Hymans Robertson LLP; Investment Managers. All manager performance figures are net of fees.

[1] Includes the performance of Liquidity Fund (cash element of the LDI).

[2] Is a "since inception" IRR, not taken into account when calculating the total Scheme performance. The fund does not have a formal performance benchmark.

Social, Environmental and Ethical Considerations

The Trustee believes that good stewardship, environmental, social and governance ("ESG") and ethical and climate-related issues may have an impact on investment returns.

The Trustee has given its investment managers full discretion when evaluating ESG issues and in exercising rights (such as voting rights) attached to the Scheme's investments.

The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Investment managers are expected to report on their adherence to these Codes from time to time.

Exercise of Voting Rights

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary meetings of companies. Where relevant to the asset class, the Trustee reviews the manager's annual voting and engagement activity as part of the preparation of the Implementation Statement.

Trustee's Report (continued)

Custodial Arrangements

Bank of New York Mellon is the Scheme's appointed custodian for the segregated assets managed by Insight. Bank of New York Europe is responsible for the safe-keeping of share certificates and other documents relating to the ownership of listed investments. Investments requiring registration are registered as held by their nominee company, in line with common practice for pension scheme investments.

State Street Custodial Services (Ireland) Limited is the custodian for assets held in Insight Secured Finance Fund.

Assets managed by LGIM are held in the form of units in policies of insurance. The custodian for the UK and overseas equities is HSBC Bank Plc.

AVC assets managed by Aegon are held in the form of units in policies of insurance, in the name of Scottish Equitable Plc. in a non-custodial arrangement.

Assets managed by Partners Group are held in the form of a public limited liability company. The custodian of the underlying assets is RBC Investor Services Bank S.A.

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held.

Investment Management Monitoring

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies

The Trustee has delegated the day-to-day management of the majority of the Scheme's assets to the investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium-to-long term

The Trustee, in conjunction with its Investment Consultant, appoints the Scheme's investment managers and chooses the specific fund to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

Trustee’s Report (continued)

Investment Management Monitoring (Continued)

How the method (and time horizon) of the evaluation of the investment managers’ performance and the remuneration for asset management services are in line with the Trustee’s investment policies

The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies the Trustee will make their concerns known to the investment manager and may ultimately disinvest.

The Trustee pays the Scheme’s investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee, in conjunction with their Investment Consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which they will incentivise the investment manager.

How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee, in conjunction with their Investment Consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis.

The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover or set target turnover or turnover ranges. The Trustee believes that the investment managers should follow the Trustee’s stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

The Trustee does not in general enter into fixed long-term agreements with the Scheme’s investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee’s policies. However, the Trustee expects the manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Additional Assets

AVC assets were held in funds / deposit accounts managed by Aegon, Aviva, Prudential, Phoenix Life and Utmost Life and Pensions Limited.

Employer Related Investments

Employer-related investments during the year totalled c.£28 (2022: c.£965) or 0.0000062% of Scheme’s net assets via the Legal & General UK Equities fund.

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom 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 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 making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the scheme will continue as a going concern.

The trustee is also responsible for making available certain other information about the scheme in the form of an annual report.

The trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the scheme by or on behalf of employers 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 that fall due to be paid are paid into the scheme 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 to members.

Further Information

Internal Dispute Resolution ("IDR") Procedures

It is a requirement of the Pensions Act 1995 that the trustees of all occupational pension schemes must have Internal Dispute Resolution procedures in place for dealing with any disputes between the trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the Secretary to the Trustee Board at the address on page 2 of this report.

The Money and Pensions Service and the Pensions Ombudsman

Members have the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:
10 South Colonnade
Canary Wharf
London, E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:
https://www.pensions-ombudsman.org.uk/making-complaint

If members have any general requests for information or guidance concerning their pension arrangements contact:
Money Helper Service
120 Holborn
London, EC1N 2TD
Tel: 0800 011 3797
www.pensionsadvisoryservice.org.uk
www.pensions-ombudsman.org.uk

The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational in April 2005.

Further Information (continued)

The Pensions Regulator

The Pensions Regulator ("TPR") has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton, BN1 6AF
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton, WV98 1LU
www.gov.uk/find-pension-contact-details

Scheme information

The Trust Deed and Rules, the Scheme details and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustee at the address shown for general enquiries on page 2 of this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the Administrators of the Scheme, Hymans Robertson LLP, at the address detailed on page 2 of this report.

Approval of the Trustee's Report on pages 3 to 21 by the Trustee

Signed for and on behalf of the Trustee of the De La Rue Pension Scheme by:

.... Trustee Director

.... Date

Section 3 – Independent auditors' report to the Trustee of De La Rue Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, De La Rue Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 5 April 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report & Financial Statements, which comprise: the Statement of Net Assets (available for benefits) as at 5 April 2023; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustee with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Reporting on other information

The other information comprises all the information in the Annual Report & Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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 wind up the scheme, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date

Section 4 – Financial Statements

Fund Account for year ended 5 April 2023

	Note	Defined Benefit Section £000	Defined Contribution Section £000	Total 2023 £000	*Total 2022 £000*
Contributions and other income					
Employer contributions	*5*	12,771	-	**12,771**	16,285
Transfers in	*7*	130	-	**130**	-
Other income	*8*	3	-	**3**	3
		12,904	-	**12,904**	16,288
Benefits paid or payable	*9*	(40,567)	-	**(40,567)**	(38,299)
Transfers out	*10*	(11,428)	-	**(11,428)**	(21,801)
Administrative expenses	*11*	(1,360)	-	**(1,360)**	(1,771)
		(53,355)	-	**(53,355)**	(61,871)
Net withdrawals from dealings with members		**(40,451)**	**-**	**(40,451)**	**(45,583)**
Returns on Investment					
Investment income	*13*	29,463	4	**29,467**	16,510
Change in market value of investments	*15*	(279,980)	-	**(279,980)**	(19,903)
Investment management expenses	*14*	(2,045)	-	**(2,045)**	(3,498)
Net returns on investments		**(252,562)**	**4**	**(252,558)**	(6,891)
Net (decrease)/increase in the fund		**(293,013)**	**4**	**(293,009)**	**(52,474)**
Transfers between sections	*6*	4	(4)	**-**	**-**
Net assets of the Scheme at the start of the year		**1,015,014**	**-**	**1,015,014**	**1,067,488**
Net assets of the Scheme at the end of the year		**722,005**	**-**	**722,005**	**1,015,014**

The notes on pages 28 to 54 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 5 April 2023

	Note	Total 2023 £000	Total 2022 £000
Defined Benefit Section			
Investment assets			
Bonds	15	474,676	843,419
Pooled investment vehicles	15	213,844	584,080
Derivatives	15	52,168	83,409
Insurance policies	15	251,400	-
AVC investments	15	424	497
Cash	15	4,682	2,502
Amounts due on reverse repurchase agreements	15	1,545	81,665
Accrued investment income	15	3,581	3,632
Unsettled transactions	15	22,563	28,496
		1,024,883	1,627,700
Investment liabilities			
Derivatives	15	(53,026)	(45,081)
Amounts payable on repurchase agreements	15	(255,167)	(578,309)
		(308,193)	(623,390)
Total net investments		716,690	1,004,310
Current assets	16	7,460	11,627
Current liabilities	17	(2,145)	(923)
		722,005	1,015,014

Statement of Net Assets (available for benefits) as at 5 April 2023 (continued)

	Note	Total 2023 £000	*Total 2022 £000*
Defined Contribution Section			
Current assets	*16*	**117**	259
Current liabilities	*17*	**(117)**	(259)
		-	-
Total Net Assets of the Scheme at 5 April 2023		**722,005**	1,015,014

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities for the Defined Benefit section on pages 6 to 8 of the Trustee's Report and should be read in conjunction therewith.

The notes on pages 28 to 54 form part of these financial statements.

These financial statements on pages 25 to 54 were approved by the Trustee of the De La Rue Pension Scheme, and signed for and on their behalf by:

.... Trustee Director

.... Date

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 5 April 2023

1 BASIS OF PREPARATION

The financial statements of the De La Rue Pension Scheme (the "Scheme") have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP")

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is: De La Rue Pension Scheme, Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB.

The Scheme is an occupational hybrid pension scheme which has historically incorporated two sections:

- a defined benefit section which provides benefits based on a member's salary and length of service; and
- a defined contribution section which provided benefits based on a member's accumulated fund.

Both sections of the Scheme closed to new members on 31 March 2013 with the defined benefit section closing to future accrual at the same time, with the exception of the Classic section which closed to future accrual on 29 March 2020. The defined contribution section (excluding AVCs) was transferred to the LifeSight Master Trust with effect from 6 December 2021. The defined contribution section of the Scheme (excluding AVCs which were transferred to the defined benefit section in April 2022) was wound up on 4 November 2022.

Notes to the financial statements for the year ended 5 April 2023 (continued)

3 COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT

	Note	Defined Benefit Section	Defined Contribution Section	Total 2022
		£000	£000	£000
Contributions and other income				
Employer contributions	5	16,285	-	16,285
Other income	7	3	-	3
		16,288	-	16,288
Benefits paid or payable	8	(38,274)	(25)	(38,299)
Transfers out	9	(9,774)	(12,027)	(21,801)
Other payments	10	-	-	-
Administrative expenses	11	(1,771)	-	(1,771)
		(49,819)	(12,052)	(61,871)
Net withdrawals from dealings with members		**(33,531)**	**(12,052)**	**(45,583)**
Returns on Investment				
Investment income	13	16,510	-	16,510
Change in market value of investments		(21,234)	1,331	(19,903)
Investment management expenses	14	(3,498)	-	(3,498)
Net returns on investments		**(8,222)**	**1,331**	**(6,891)**
Net (decrease) in the fund		**(41,753)**	**(10,721)**	**(52,474)**
Transfers between sections	6	5,442	(5,442)	-
Net assets of the Scheme at the start of the year		**1,051,325**	**16,163**	**1,067,488**
Net assets of the Scheme at the end of the year		**1,015,014**	**-**	**1,015,014**

Notes to the financial statements for the year ended 5 April 2023 (continued)

4 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements, and have been applied consistently with prior year.

4.1 Accruals concept

The financial statements have been prepared on an accruals basis.

4.2 Contributions

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or, if paid earlier, when received, with the agreement of the Employer and Trustee.

Employer other contributions are accounted for in accordance with the agreement under which they are payable, or in the absence of such an agreement, when they are received.

4.3 Benefits and payments to members

Benefits are accounted for on an accruals basis on the later of the date of retirement or the date the members signed the option form or the date of leaving the Scheme as appropriate.

Pensions in payment, including those paid under annuity insurance contracts, are accounted for in the period to which they relate.

4.4 Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for when funds are paid or received, or where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

4.5 Administrative and investment expenses

Expenses and part of the costs of the Employer's Group Pensions Department relating to the Scheme are accounted for on an accruals basis. The balance of the Group Pensions Department costs relating to the Employer are met by the Employer.

4.6 Investment income

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

Income arising from annuity policies is included in investment income on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.

Pooled investment vehicles which are accumulation funds include their underlying income within the unit price which is reported within the change in market value of investments. Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date declared.

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.

The Scheme pays to and receives interest from the Repurchase Agreements ("Repos") and Reverse Repurchase Agreements ("Reverse Repos") counterparties, respectively, and this is accounted for on an accruals basis in line with the terms of the respective contracts

Notes to the financial statements for the year ended 5 April 2023 (continued)

4.7 Valuation of investments

Pooled investment vehicles are valued at the year end bid price or, if single priced, the closing single price provided by the investment manager.

Bonds are quoted “clean” (without accrued interest).

Accrued interest is accounted for within investment income receivable.

AVCs are included at the market value advised by the provider as at 5 April 2023.

Derivative contracts are included in the net asset statement at fair value. For Over The Counter (“OTC”) derivatives, where a market price is not readily available, the fair value is determined by the investment manager using generally accepted pricing models where inputs are based on market data at the year end.

Forward foreign exchange contracts are stated at fair value, which is determined as the gain or loss that would arise from closing out the contract at the reporting date. Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included at the fair value of the repurchase price (as a liability). The assets sold are reported in the appropriate asset class in the investments note at their fair value reflecting that the Scheme retains the risk and rewards of ownership of those assets.

Reverse repurchase agreements (where the Scheme has bought assets with the agreement to sell at a fixed date and price) are included at the fair value of the repurchase price (as an asset). Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme assets.

4.8 Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end.

Foreign currency transactions are translated into sterling at the exchange rate at the date of the transaction.

Gain or losses arising on conversion or translation are dealt with as part of the change in market value of investments.

The Scheme’s functional and presentational currency is pounds sterling (GBP).

4.9 Insurance policy

Annuity (buy in insurance policy) purchased in the name of the Trustee which fully provides the pension benefits for certain members are included in the financial statements at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology updated for market conditions at the year end.

Notes to the financial statements for the year ended 5 April 2023 (continued)

4.10 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above and note 15.

5 EMPLOYER CONTRIBUTIONS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Deficit funding	**11,250**	**-**	**11,250**
Other contributions	**1,521**	**-**	**1,521**
	12,771	**-**	**12,771**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Deficit funding	*15,035*	*-*	*15,035*
Other contributions	*1,250*	*-*	*1,250*
	16,285	*-*	*16,285*

Deficit contributions
Following the 5 April 2021 actuarial valuation, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 2 March 2022 whereby deficit contributions of £15m per annum (2022: £15m) were required to be paid quarterly in the period to 5 April 2029.

This was then replaced by a Schedule of Contributions signed on 3 April 2023, which deferred the £3.75m payment originally due by 5 April 2023 to 26 May 2023. Further Schedules were signed on 25 May 2023 and 23 June 2023, which deferred this £3.75m to 26 June 2023 and 30 June 2023 respectively.

Subsequently, following agreement between the Trustee and the Company, a Schedule of Contributions was signed on 28 June 2023 so as to defer the five quarterly contributions due to be paid under the previous Schedule over the period to 5 April 2024.

Notes to the financial statements for the year ended 5 April 2023 (continued)

5 EMPLOYER CONTRIBUTIONS (continued)

Under the revised schedule the Company is required to pay annual deficit contributions as follows:

Period to:	Annual contribution (£m)	Cumulative contributions (£m) to have been paid by relevant date:
5 April 2023	11.25	26.25
5 April 2024	-	26.25
5 April 2025	15.0	41.25
5 April 2026	20.0	61.25
5 April 2027	20.0	81.25
5 April 2028	20.0	101.25
5 April 2029	20.1	121.35

In addition, as per an agreement between the Trustee and the Company dated 28 June 2023, an additional amount will be paid as follows:

- In the event that a refinancing of the Company's Principal Bank Facilities in full occurs on or prior to 31 December 2023 £1.25m will be paid or, alternatively, £2.5m will be paid.
- Such payment will be due by 5 April 2024 or, in the event that the Lender Fees have not become payable on or prior to 5 April 2024, at the same time as the Lender Fees are paid to the Lenders.
- If £2.5m becomes payable, this will act to reduce the cumulative contributions payable by 5 April 2029 to £120.1m.

A separate actuarial valuation has previously been prepared for the Classic Section of the Scheme, with the most recent valuation for this section taking place as at 31 December 2019. The associated Schedule of Contributions for the Classic Section was signed on 12 April 2021. Under this schedule, the Company was required to pay future annual deficit contributions in respect of the Classic Section as follows: by 12 May 2023: £34,507. However, the Classic Section was fully funded on a Technical Provision basis as at 31 March 2023 and, as a result, the Trustee and the Company put in place a revised Schedule of Contributions (dated 12 May 2023) which specifies no further deficit reduction contributions are required in respect of the Classic Section.

The Trustee, with the consent of the Company, has also transferred all remaining members of the Classic Section of the Scheme to the Main Section of the Scheme on 12 May 2023. As a result there are no assets or liabilities remaining in the Classic Section of the Scheme. The Classic Section is terminated and as such is no longer a separate section of the Scheme.

Employers other Contributions

Monthly contributions of £125k will be paid to provide for the administrative expenses in the Scheme which are included in other contributions. The Company will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Notes to the financial statements for the year ended 5 April 2023 (continued)

6 TRANSFERS BETWEEN SECTIONS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Transfers between sections	**4**	**(4)**	**-**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Transfer of AVC benefits	*5,442*	*(5,442)*	*-*

Included in the 2022 transfer between sections is £5,183K of DC section AVC assets of DB section members which have been moved out of the DC section prior to the proposed wind up of the DC section following the transfer of DC Section members' assets to the LifeSight Master Trust (see Note 10).

7 TRANSFERS IN

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Transfers in	**130**	**-**	**130**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Transfers in	*-*	*-*	*-*

Any member of the Defined Benefit section benefits that were included as part of the bulk transfer from Aegon to LifeSight is allowed to transfer their defined contribution fund into the Defined Benefit section to maximise their tax-free lump sum. Members' who opted to transfer their funds into the Defined Benefit section are recorded under transfers into the Scheme as noted above.

Notes to the financial statements for the year ended 5 April 2023 (continued)

8 OTHER INCOME

	Defined Benefit Section £000	**Defined Contribution Section £000**	**Total 2023 £000**
Other income	**3**	**-**	**3**

	Defined Benefit Section £000	*Defined Contribution Section £000*	*Total 2022 £000*
Other income	*3*	*-*	*3*

9 BENEFITS PAID OR PAYABLE

	Defined Benefit Section £000	**Defined Contribution Section £000**	**Total 2023 £000**
Pensions	**36,481**	**-**	**36,481**
Commutations and lump sum retirement benefits	**3,940**	**-**	**3,940**
Death benefits	**146**	**-**	**146**
	40,567	**-**	**40,567**

	Defined Benefit Section £000	*Defined Contribution Section £000*	*Total 2022 £000*
Pensions	*35,761*	*-*	*35,761*
Commutations and lump sum retirements benefits	*2,500*	*-*	*2,500*
Death benefits	*13*	*25*	*38*
	38,274	*25*	*38,299*

Notes to the financial statements for the year ended 5 April 2023 (continued)

10 TRANSFER OUT

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Transfers out – individual	**11,428**	**-**	**11,428**
Transfers out – group	**-**	**-**	**-**
	11,428	**-**	**11,428**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Transfers out - individual	*9,774*	*262*	*10,036*
Transfers out - group	*-*	*11,765*	*11,765*
	9,774	*12,027*	*21,801*

The group transfer out in the prior year represents assets transferred in December 2021 in respect of DC section members. The group transfer comprised £11.8m of investments assets transferred from Aegon platform to LifeSight Master Trust.

Notes to the financial statements for the year ended 5 April 2023 (continued)

11 ADMINISTRATIVE EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Administration and processing	**310**	**-**	**310**
Actuarial fees	**268**	**-**	**268**
Audit fees	**43**	**-**	**43**
Legal fees	**376**	**-**	**376**
PPF levy	**(27)**	**-**	**(27)**
Trustee fees	**300**	**-**	**300**
Other professional fees	**99**	**-**	**99**
Bank charges	**2**	**-**	**2**
Consultancy fees	**(22)**	**-**	**(22)**
Sundry expenses	**11**	**-**	**11**
	1,360	**-**	**1,360**

Negative figures above represent reversal of accruals for expenses which now are paid by the Employer under the new Schedule of Contributions.

Expenses and part of the costs of the Employer's Group Pensions Department relating to the Scheme are paid by the Scheme and disclosed under the heading of 'Other professional fees'. The balance of the Group Pensions Department costs relating to the Employer are met by the Employer.

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Administration and processing	*347*	*-*	*347*
Actuarial fees	*494*	*-*	*494*
Audit fees	*35*	*-*	*35*
Legal fees	*269*	*-*	*269*
PPF levy	*27*	*-*	*27*
Trustee fees	*321*	*-*	*321*
Other professional fees	*211*	*-*	*211*
Bank charges	*2*	*-*	*2*
Consultancy fees	*65*	*-*	*65*
Sundry expenses	*-*	*-*	*-*
	1,771	*-*	*1,771*

In the prior year, the Scheme bore all the administration costs except for the PPF levy expense which was paid by the Scheme and reimbursed by the Employer.

Notes to the financial statements for the year ended 5 April 2023 (continued)

12 TAX

The De La Rue Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

13 INVESTMENT INCOME

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Income from bonds	**8,584**	**-**	**8,584**
Income from pooled investment vehicles	**13,695**	**-**	**13,694**
Net interest expense on repurchase agreements	**(4,717)**	**-**	**(4,717)**
Interest on cash deposits	**208**	**4**	**212**
Income from annuities	**11,693**	**-**	**11,693**
	29,463	**4**	**29,467**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Income from bonds	*16,033*	*-*	*16,033*
Income from pooled investment vehicles	*1,593*	*-*	*1,593*
Interest on cash deposits	*(1,269)*	*-*	*(1,269)*
Income from annuities	*153*	*-*	*153*
	16,510	*-*	*16,510*

The increase in income from annuities in comparison to the total received in 2022 is due to annuity buy-in with Scottish Widows completed in May 2022 and started paying insured member pensions from July 2022.

Notes to the financial statements for the year ended 5 April 2023 (continued)

14 INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Administration, management & custody	**2,045**	**-**	**2,045**
Investment fee rebate	-	-	-
	2,045	**-**	**2,045**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Administration, management & custody	*3,517*	-	*3,517*
Investment fee rebate	*(19)*	-	*(19)*
	3,498	-	*3,498*

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS

15.1 INVESTMENT RECONCILIATION

Defined Benefit Section

	Opening Value	*Purchase cost and derivative payments*	*Sales proceeds and derivative receipts*	*Change in market value*	*Closing Value*
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**843,419**	415,947	(617,162)	(167,528)	**474,676**
Pooled investment vehicles	**584,080**	613,324	(971,505)	(12,055)	**213,844**
Derivatives (net)	**38,328**	71,621	(78,755)	(32,052)	**(858)**
Insurance policy	**-**	319,911	-	(68,511)	**251,400**
AVC investments	**497**	-	(239)	166	**424**
	1,466,324	1,420,803	(1,667,661)	(279,980)	**939,486**
Cash	**2,502**				**4,682**
Repurchase agreements (net)	**(496,644)**				**(253,622)**
Accrued investment income	**3,632**				**3,581**
Unsettled transactions	**28,496**				**22,563**
	1,004,310				**716,690**

During the year, the Trustee secured an insurance policy buy-in with Scottish Widows. The buy-in was financed partially in cash of £34.0m and an in-specie transfer of bonds of £285.9m. Included in the table above are bond sales of £617.1m which include the in-specie transfer to Scottish Widows.

The movements in purchases and sales of investments during the year have been impacted by the strategic repositioning of certain elements of the Scheme's investment portfolio.

Transaction Costs

Indirect transaction costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.1 INVESTMENT RECONCILIATION (CONTINUED)

Direct Transaction Costs

Direct transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above and details are contained in the following table.

	Bonds	**PIVs**	**Total 2023**	*Total 2022*
	£	**£**	**£**	*£*
Explicit costs	446	-	446	*1,042*
5 April 2023	**446**	**-**	**446**	*1,042*

Unlike the remainder of the tables within the financial statements, this table has not been rounded to the nearest £1,000.

15.2 POOLED INVESTMENT VEHICLES ("PIV")

Defined Benefit Section

The defined benefits section holdings of PIVs are analysed below:

	2023	2022
	£000	£000
Equities	**6,158**	*60,091*
Bonds	**955**	*809*
Liquidity	**9,467**	*316,126*
Secured Credit Fund (see breakdown on the next page)	**136,740**	*144,003*
Cash	**192**	*202*
Multi-Asset Credit	**60,332**	*62,849*
	213,844	*584,080*

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.2 POOLED INVESTMENT VEHICLES (CONTINUED)

The Scheme is the sole investor in the Secured Credit Fund. The assets underlying this PIV are:

	2023	*2022*
	£000	£000
Bonds	**115,484**	*126,633*
Forward foreign exchange contracts	**1,276**	*(615)*
Liquidity fund	**15,723**	*10,253*
Futures	**2,141**	*5,577*
Cash and unsettled transactions	**2,116**	*2,155*
	136,740	*144,003*

15.3 DERIVATIVES

OBJECTIVES AND POLICIES

A summary of the Scheme's outstanding derivative contracts at the year end is set out below:

			2023			*2022*
	Assets	**Liabilities**	**Net**	*Assets*	*Liabilities*	*Net*
	£000	**£000**	**£000**	*£000*	*£000*	*£000*
Swaps	**52,168**	**(53,014)**	**(846)**	*83,351*	*(44,342)*	*39,009*
Forward foreign exchange	**-**	**(12)**	**(12)**	*58*	*(739)*	*(681)*
	52,168	**(53,026)**	**(858)**	*83,409*	*(45,081)*	*38,328*

The Trustee has authorised the use of derivative contracts by its investment managers for the use of risk management or the efficient execution of the investment strategy.

- Swap contracts are used by Insight to manage the inflation and interest rate risk on the bond portfolio.
- Forward foreign exchange contracts are entered into by Insight on behalf of the Trustee to hedge their currency exposure on overseas holdings.

Swaps	**Notional Amounts £000**	**Expires**	**Asset value £000**	**Liability value £000**
Inflation swaps	22,682	< 5 years	-	(4,001)
Inflation swaps	18,056	< 10 years	2,955	(1,087)
Inflation swaps	10,611	< 15 years	-	(1,932)
Inflation swaps	3,154	< 20 years	563	-
Inflation swaps	3,111	< 30 years	774	-
Inflation swaps	2,479	< 40 years	-	(767)
Inflation swaps	2,545	< 45 years	202	(57)

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

Swaps	Notional Amounts £000	Expires	Asset value £000	Liability value £000
Interest rate swaps	68,914	< 5 years	289	(1,881)
Interest rate swaps	179,794	< 10 years	5,036	(4,340)
Interest rate swaps	59,757	< 15 years	2,732	(3,907)
Interest rate swaps	67,878	< 20 years	4,610	(5,644)
Interest rate swaps	62,977	< 25 years	12,424	-
Interest rate swaps	14,249	< 30 years	2,954	-
Interest rate swaps	33,978	< 35 years	3,857	(5,653)
Interest rate swaps	8,604	< 40 years	-	(2,114)
Interest rate swaps	61,537	< 45 years	14,684	(275)
Interest rate swaps	13,219	< 50 years	-	(7,868)
Total return swaps	(6,321)	<5 years	434	(11,967)
Credit default swaps	20,000	< 10 years	-	(189)
Credit default swaps	102,030	< 15 years	-	(1,332)
Other swaps	(257)	<5 years	21	-
Other swaps	(6,425)	< 10 years	586	-
Other swaps	(489)	< 15 years	47	-
Total 2023			**52,168**	**(53,014)**
Total 2022			*83,351*	*(44,342)*

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

Forward Foreign Exchange (FX)	Settlement Date	Currency Bought (000)	Currency Sold (000)	Asset value £000	Liability value £000
Bought EUR Sold GBP	15/06/2023	432	(436)	**-**	**(4)**
Bought USD Sold GBP	15/06/2023	125	(129)	**-**	**(3)**
Bought EUR Sold GBP	15/06/2023	787	(788)	**-**	**(2)**
Bought GBP Sold USD	15/06/2023	548	(550)	**-**	**(3)**
Total 2023				**-**	**(12)**
Total 2022				*58*	*(739)*

At 31 March 2023, collateral of £27.5m (2022: £45.6m) was held in relation to outstanding swap contracts. Of this balance £17.4m was held as cash (2022: £45.6m) and £10.1m (2022: £nil) was held as bonds.

At 31 March 2023, collateral of £28.4m (2022: £6.8m) was pledged in relation to outstanding swap contracts. Of this balance, £3.5m (2022: £0.3m) was pledged as cash and £14.0m (2022: £6.5m) was pledged as bonds.

The collateral relates to swap contracts held within the Insight portfolio. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.4 REPURCHASE AGREEMENTS

In order to manage the Scheme's economic exposure to interest rates and inflation rates, a liability hedging programme using Repurchase Agreements ("Repos") and Reverse Repurchase Agreements ("Reverse Repos") has been put in place. Repos are instruments comprising the sale of assets with an agreement to repurchase them at a specified later date and at a fixed price. Reverse repos are instruments comprising the purchase of assets with an agreement to resell them at a specified later date and at a fixed price. These help with the efficient hedging of interest and inflation risk by using leverage. Repos and Reverse Repos form part of a liability matching portfolio managed by Insight. The Scheme receives cash consideration from counterparties in return for the transfer of bonds, which it commits to repurchase for the consideration received plus accrued interest.

	£000
Net Cash consideration received in year	**253,622**
Accrued interest payable to counterparties	**1,241**
Amounts payable to counterparties on expiration of contracts	**254,863**

In total, there are 23 (2022: 38) repurchase agreements held at 5 April 2023 with a liability market value of £255.2m (2022: £578.3m) at the year end. In addition there is one (2022: five) reverse repurchase agreement contract with an asset market value of £1.5m (2022: £81.7m). This gives rise to a net repo liability of £253.6m (2022: £496.6m). The expiry dates range between April 2023 and October 2023.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.4 REPURCHASE AGREEMENTS (continued)

Bonds with a fair value of £254.9m (2022: £497.3m) were received as collateral in respect of repurchase agreements. Collateral of £2.4m has been pledged as bonds (2022: £35.1m) by the Scheme at 31 March 2023 in relation to these repurchase and reverse repurchase agreements. The collateral relates to repurchase agreements held within the Insight mandate. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.5 INSURANCE POLICIES

On 24 May 2022, the Trustee completed a buy-in and benefits in respect of the 1,430 pension members were secured with Scottish Widows via an Annuity insurance policy in the Trustee's name. As at 5 April 2023 there were 1,430 members secured with this policy. The value of the annuity with Scottish Widows has been calculated by the Scheme Actuary in a manner consistent with the actuarial liabilities updated for market conditions at the year-end. The value of Insurance policies held by the Scheme at the year end is shown below:

	2023	2022
	£000	£000
Scottish Widows	**251,400**	-

The values placed on the insured policies are calculated using the financial assumptions set out below:

Assumption	**Technical Provisions**
Discount rate	Market implied gilt curve + 0.9% p.a. until 2028 and + 0.25% p.a. thereafter
RPI	Market implied inflation gilt yield curve
CPI	RPI curve less 1% p.a. pre-2030, RPI less 0% post-2030
Longevity	CMI 2020 with Sκ= 7.0 and an initial adjustment parameter A = 0.25 for both males and females, 5% weighting to 2020 data and a long-term rate of improvement of 1.5% (tapers to 0% p.a. over ages 85 to 110)
Family details	A man is assumed to be 3 years older than his wife/partner 85% of males/55% of females are assumed to have a dependant at retirement or earlier death.
Cash commutation	Members assumed to exchange maximum allowable amount of their pension for a cash lump sum at retirement.
Expenses	Additional Company contributions of £1.5m p.a. and the PPF levy
Transfer out	Allowance for £5m p.a. of CETVs paid over a 3 year period
GMP equalisation	Reserve of 0.25% of liabilities

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.6 ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments held under the Defined Benefit Section at the year end is shown below:

	2023	2022
	£000	£000
Utmost Life and Pensions Limited (with profits and unit linked funds)	**60**	*60*
Phoenix Life (with profits and unit linked funds)	**213**	*260*
Prudential (with profits and unit linked funds)	**151**	*177*
	424	*497*

15.7 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets:

	2023 Market Value		2022 Market Value	
	£000	**%**	£000	%
Insurance policies	**251,400**	**34.8**	-	-
Insight Secured Finance Direct Lending	**136,740**	**18.9**	144,003	14.2
Partners Group Multi Asset Credit V RAIF	**48,882**	**6.8**	-	-
Insight Liquid ABS Fund Class S Acc GBP	**-**	**-**	217,114	21.4
Insight Liquidity Fund Liquidity Plus Class 2	**-**	**-**	51,508	5.1

15.8 INVESTMENTS FAIR VALUE HIERARCHY

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 which the entity can access at the assessment dates.

Level 2 Inputs other than quoted prices included within Level 1 which are observable (i.e. developed for the asset or liability, either directly or indirectly).

Level 3 Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability. Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.8 INVESTMENTS FAIR VALUE HIERARCHY

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement. The Scheme's investment assets and liabilities are classified as follows:

As at 5 April 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	**-**	**474,676**	**-**	**474,676**
Pooled investment vehicles	**-**	**153,512**	**60,332**	**213,844**
Derivatives	**-**	**(858)**	**-**	**(858)**
Insurance policies	**-**	**-**	**251,400**	**251,400**
AVC investments	**-**	**424**	**-**	**424**
Cash	**4,682**	**-**	**-**	**4,682**
Accrued investment income	**3,581**	**-**	**-**	**3,581**
Repurchase agreements (net)	**-**	**(253,622)**	**-**	**(253,622)**
Unsettled transactions	**22,563**	**-**	**-**	**22,563**
	30,826	**374,132**	**311,732**	**716,690**

As at 5 April 2022	**Level 1**	**Level 2**	**Restated Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	*-*	*843,419*	*-*	*843,419*
Pooled investment vehicles	*-*	*521,232*	*62,848*	*584,080*
Derivatives	*-*	*38,328*	*-*	*38,328*
Insurance policies	*-*	*-*	*-*	*-*
AVC investments	*-*	*497*	*-*	*497*
Cash	*2,502*	*-*	*-*	*2,502*
Accrued investment income	*3,632*	*-*	*-*	*3,632*
Repurchase agreements (net)	*-*	*(496,644)*	*-*	*(496,644)*
Unsettled transactions	*28,496*	*-*	*-*	*28,496*
	34,630	*906,832*	*62,848*	*1,004,310*

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.9 INVESTMENT RISKS

The Scheme's overall investment strategy comprises a diversified mix of assets. An insurance policy was undertaken during the year which saw approximately 30% of the Scheme's pensioner liabilities transferred to Scottish Widows the buy-in provider (£320m in assets transferred). The main assets of the Scheme were managed by Insight Investment Management ("Insight"), Legal & General Pension Management ("LGIM"), and Partners Group ("Partners"). Insight manages an active bond portfolio across segregated arrangements and pooled investment vehicles, including a segregated Liability Driven Investments ("LDI") portfolio which includes derivatives and repurchase agreements, to hedge the Scheme's exposure to interest rates and inflation; and an income portfolio which comprises a bespoke buy-to-hold corporate bonds portfolio, a pooled secured credit fund of liquid and illiquid loans and debt securities in which the Scheme is the sole investor, other credit-like assets such as asset-backed securities, and also cash. Partners manages two private debt closed funds in which the Scheme is invested: the MAC III (2016) and MAC V (2019) funds which comprise of illiquid debt – mainly diversified senior-tranche private loans – which returns income to the Scheme in the form of capital and interest. LGIM manages a passive mandate of global and UK equity assets, and a 65% portion of the Scheme's exposure to overseas equities is hedged back to GBP. Further, the Scheme holds a small legacy section of additional voluntary contributions (AVCs) on behalf of existing DB members.

FRS 102 requires certain disclosures in relation to investment risks arising from financial instruments.

Retirement benefit schemes need to disclose information that enables users of its financial statements to evaluate the nature and extent of the market risk and credit risk arising from the investments at the end of the reporting period.

It defines market risk as:

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risks.

- Interest rate risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Other price risk — the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

It defines credit risk as:

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Risks associated with the current investment strategy are:

Credit risk

The Scheme is subject to direct credit risk from its holdings in bonds, gilts, derivatives, cash balances and its holdings in pooled funds.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch or rated at Baa3 or higher by Moody's.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

Credit risk (continued)

Direct credit risk arising from pooled investment vehicles is mitigated by ring-fencing the underlying assets of the pooled arrangements from the pooled manager. This is achieved via the regulatory environments in which the pooled managers operate and the diversification of investments amongst pooled arrangements. The Trustee carries out due diligence checks on the appointment of new managers, and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Pooled fund investment arrangements used by the Scheme are unrated and comprise of unit-linked insurance contracts open-ended investment companies (“OEIC”) and limited liability partnerships:

Pooled arrangement (Defined Benefit)	2023 (£000)	2022 (£000)
Unit linked insurance contracts	7,117	61,102
OEIC	146,395	460,129
Limited liability partnerships	60,332	62,849
Total	**213,844**	**584,080**

There is also a direct credit risk attached to the insurance policy whereby the insurance provider may cause financial loss to the Scheme by failing to discharge their obligation. However, this is mitigated by the Trustee investing in a policy with a regulated insurance provider. Additional comfort is provided by the regulatory system under which the insurance company which provides the policy operates.

Indirect credit risk arising in relation to underlying investments in pooled investment vehicles is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The Scheme also invests in private debt which does not have a credit rating. Credit risk arising from private debt or instruments that are not listed is mitigated by purchasing debt that is securitised by way of physical assets and/or purchasing debt higher up the capital structure for the issuer. The Trustee manages the associated credit risk by requesting that the investment manager diversifies the portfolio to minimise the impact of default by any one issuer.

Where managers use derivatives and repurchase arrangements, these are generally collateralised or centrally cleared to reduce risk.

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

Interest rate risk

The Scheme is subject to interest rate risk – in absolute terms, and via unhedged risk in relation to the liabilities. The value of the Scheme’s bonds, gilts, and certain derivatives (e.g. swaps and repurchase agreements) are subject to interest rate risk. However, these assets offset a proportion (currently around 85%) of the interest rate risk associated with the liabilities. If interest rates fall, the value of these investments will rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value as will the actuarial value of the liabilities because of an increase in the discount rate.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

Currency risk (continued)

The Scheme is subject to currency risk from a proportion of its investments in equities, bonds and other financial instruments.

The Trustee has decided to hedge part of the overseas equities currency exposure and not to hedge the remaining equity currency risk as it provides an additional source of diversification. The Scheme's pooled currency hedged equity funds structure with LGIM hedges 66% of exposure to overseas currency (excluding emerging markets).

Management of currency risks arising in the Scheme's other mandates is generally left to the discretion of the managers, noting that their performance targets are set by reference to Sterling-based markets.

Other price risks

Other price risk arises principally from the Scheme's return-seeking portfolio, which includes equities, other financial instruments and AVCs (which account for less than 1% of the portfolio). A few of the Scheme's managers use derivatives as a way of obtaining efficient exposure to investment markets. Other price risk also arises in relation to the buy in (annuity) insurance policy. The Scheme manages this exposure by investing in an insurance policy with the annuity provider. At the year end, the annuity represented approximately 35% of the total investment portfolio. Actual portfolio value may deviate slightly from target depending on normal market movements.

Use of derivatives

The Trustee holds repurchase agreements, futures, interest rate swaps and forward foreign exchange contracts, details of which can be found in note 15.3 and 15.4.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.9 INVESTMENT RISKS (CONTINUED)

The following table illustrates the extent which the Scheme's investments are subject to the above risks:

Manager	Total 2023 (£000)	Total 2022 (£000)	Credit Risk	Interest Rate Risk	Currency Risk	Other Risk
Bonds						
Insight Buy and Maintain	90,114	156,431	Yes	Yes	No*	No
Insight LDI	384,562	686,988	Yes	Yes	Yes	No
Pooled Funds						
Insight Liquidity Fund Liquidity Plus	9,467	54,318	Yes	Yes	No	No
Insight Secured Finance Lending	136,740	144,003	Yes	Yes	No	Yes
Insight Liquid/Global ABS	188	261,808	Yes	Yes	No	Yes
Partners Group Multi-Asset Credit**	60,332	62,848	Yes	Yes	No*	Yes
*Insurance Policies****						
Scottish Widows	251,400	-	Yes	Yes	No	Yes
LGIM Global Equities	2,674	45,683	No	No	Yes	Yes
LGIM UK Equities	665	11,255	No	No	No	Yes
Aegon	3,777	4,165	Yes	Yes	Yes	Yes
Cash other net investment assets	30,826	34,630	Yes	No	No	No
Derivatives (net)****	(857)	38,328	Yes	Yes	Yes***	No
Repurchase agreements (net)	(253,622)	(496,644)	Yes	Yes	No	No
AVC investments	424	497	Yes	Yes	Yes	Yes
Total Defined Benefit Section	**716,690**	**1,004,310**				

*There is scope for small amount of currency risk in these mandates, but it is not the main risk of the investment. **Currency exposures within the Partners Group portfolios are generally hedged back Sterling. Partners Group valuation is as of 31 March 2023 (includes Partners Group Multi-Asset Credit 2016 (III) and Partners Group Multi-Asset Credit 2019 (V)). ***The assessment above reflects the underlying assets of the insurance policies. The Trustee acknowledges that there is some credit risk associated with an insurance policy. ****Whilst the derivative contracts are exposed to currency risk, these are used to offset currency risk taken elsewhere within the Scheme's asset portfolio.

Notes to the financial statements for the year ended 5 April 2023 (continued)

15 INVESTMENTS (CONTINUED)

15.10 Other matters

During 2022/2023, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the Sponsoring Employer.

The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Scheme's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of the investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

16 CURRENT ASSETS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2023**
	£000	**£000**	**£000**
Employer contributions due	**125**	**-**	**125**
Prepaid pensions	**2,660**	**-**	**2,660**
Cash balances	**4,558**	**117**	**4,675**
Due from DC Section	**117**	**-**	**117**
	7,460	**117**	**7,577**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2022*
	£000	*£000*	*£000*
Employer contributions due	*104*	*-*	*104*
Prepaid pensions	*2,588*	*-*	*2,588*
Cash balances	*8,676*	*259*	*8,935*
Due from DC Section	*259*	*-*	*259*
	11,627	*259*	*11,886*

Included in the Defined Contribution cash balances above is £nil (2022: £nil) which is not allocated to members.

Amounts due from Employer relate to monthly contributions of Scheme expenses.

Notes to the financial statements for the year ended 5 April 2023 (continued)

17 CURRENT LIABILITIES

	Defined benefit section	**Defined contribution section**	**Total 2023**
	£000	**£000**	**£000**
Deferred annuity income	**1,315**	**-**	**1,315**
Unpaid benefits	**388**	**-**	**388**
Accrued expenses	**442**	**-**	**442**
Due to DB Section	**-**	**117**	**117**
	2,145	**117**	**2,262**

	Defined benefit section	*Defined contribution section*	*Total 2022*
	£000	*£000*	*£000*
Deferred annuity income	*-*	*-*	*-*
Unpaid benefits	*82*	*-*	*82*
Accrued expenses	*841*	*-*	*841*
Due to DB Section	*-*	*259*	*259*
	923	*259*	*1,182*

18 EMPLOYER RELATED INVESTMENTS

There were no direct employer-related investments at 5 April 2023 (2022: £nil).

19 CONTINGENT LIABILITIES

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Subsequently, in November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee notes that the issues will have an impact on the Scheme and has been considering them in conjunction with its advisers.

Under the rulings schemes are required to backdate benefit adjustments in relation to GMP equalisation, provide interest on the backdated amounts and revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The Trustee is currently working through a GMP rectification exercise. The approach for the equalisation of GMP within future cash equivalent transfer values was considered and implemented effective from September 2021. Since then the Scheme has been quoting transfer values which include an allowance for GMP equalisation.

Notes to the financial statements for the year ended 5 April 2023 (continued)

19 CONTINGENT LIABILITIES (continued)

The Trustee and Company have not yet agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest or additional transfer values. Therefore, the cost of backdating pension benefits and related interest and additional transfer values have not been recognised in the Financial Statements. They will be recognised once the Trustee is able to reach a reliable estimate. As part of the 2021 actuarial valuation, a 0.25% loading was applied to the overall total liabilities as an approximate allowance for GMP equalisation.

20 RELATED PARTY TRANSACTIONS

Other that those items disclosed below and elsewhere in the financial statements, there were no related party transactions.

At 5 April 2023, none (5 April 2022: three) of the Trustee Directors were pensioner members and were in receipt of a pension in accordance with the Scheme Rules.

Fees paid in respect of Independent Trustee services provided by PAN Trustees UK LLP for the year ended 5 April 2023 were £227k (5 April 2022: £266k), Ross Trustee Services Limited were £33k (5 April 2022: £35k), 20-20 Trustee Services Limited were £28k (5 April 2022: £20k) and adhoc Trustee fees were £12k (5 April 2022: £nil).

21 SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure in the financial statements.

Section 6 – Independent Auditors' Statement About Contributions

Independent Auditors' Statement about Contributions to the Trustee of De La Rue Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions payable under the schedules of contributions for the scheme year ended 5 April 2023 as reported in De La Rue Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the scheme actuary on 2 March 2022 and 3 April 2023.

We have examined De La Rue Pension Scheme's summary of contributions for the scheme year ended 5 April 2023 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the trustee in respect of contributions

As explained more fully in the statement of trustee's responsibilities, the scheme's trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:

Section 7 - Summary of Contributions

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 5 April 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee.

It sets out the Employer and Employee contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 2 March 2022 and 3 April 2023 in respect of the Scheme year ended 5 April 2023. The Scheme Auditors report on contributions payable under the Schedules in the Auditors' Statement about Contributions.

Summary of Contributions payable in respect of the Scheme year

Employer's Contributions	£000
Deficit funding	11,250
Other contributions	1,521
Total contributions payable to the Scheme under the Schedules per the Fund Account	**12,771**

Approved by the Trustee and signed for and on behalf of the Trustee:

-- Trustee Director

-- Date

Section 8 – Actuarial Statement & Certificates

De La Rue Pension Scheme

Schedule of Contributions – Actuarial Certificate

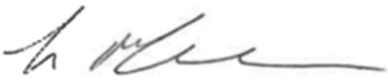
Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that at the date of signing the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated_28__ June 2023.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 2 March 2022.

Please note that the adequacy of contributions statement in this certificate relates to the scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature	
Date	_28_ June 2023
Name	Laura McLaren
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

De La Rue Pension Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective was met at the date of signing and can be expected to continue to be met for the period for which the schedule is to be in force.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 12 April 2021.

Please note that the adequacy of contributions statement in this certificate relates to the scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature

DocuSigned by:
1DFA2CAB0AF5447...

Date	12 May 2023
Name	Laura McLaren
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Section 9 - DB Implementation Statement for the year ended 5 April 2023

Statement of Compliance with the De La Rue Pension Scheme's Stewardship Policy for the year ended 5 April 2023.

1. Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 6 April 2022 to 5 April 2023.

The Scheme provides you with benefits on a defined benefit ('DB') basis. This means that the benefits paid to you depend on your salary and length of service.

The Statement of Investment Principles ("SIP") sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme's SIP policies that were in place during the year to 05 April 2023. The Scheme's SIP was last reviewed by the Trustee in September 2022, and the coverage of this statement of compliance includes the existing policies and any updates to the policies following review. The SIP was updated to reflect the following changes:

- the transfer of the DC section of the Scheme to a master trust arrangement;
- the Scheme's investment in a buy-in policy which took place in May 2022 to insure a portion of the liabilities;
- the establishment of the Scheme's Climate Change Policy and additional detail on the Trustee's approach to financially material considerations including climate risk.

The next review of the SIP will take place no later than September 2025 as per the regulatory triennial schedule, or sooner if there are changes to the investment strategy.

The Scheme's DB assets are invested in a combination of equities, which have voting rights attached, and other assets which generally do not confer voting rights such as liability-hedging assets, bonds and other debt-based investments, and private debt – as such, the Trustee recognises the importance of engagements by the Scheme's non-equity investment managers and expects the managers to report on their engagements.

The Scheme also has a small subsection of legacy Additional Voluntary Contributions ("AVC"), a portion of which is invested in equities. The Trustee has taken a proportionate and pragmatic approach to detailing AVC voting and engagement information for the purposes of this statement.

2. Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as active owner of the Scheme's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed periodically in line with the Scheme's Statement of Investment Principles ("SIP") and is available at https://delaruepensions.co.uk/de-la-rue/

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that the investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on dialogue with the investment managers, undertaken in conjunction with the Trustee's investment advisers. The Trustee meets periodically with the investment managers and considers the managers' exercise of stewardship during these meetings and through reporting provided by their investment adviser. The Trustee also monitors their own compliance with the Scheme's Stewardship Policy on a regular basis and are satisfied that they have complied over the year to 5 April 2023.

3. Voting activity

The Trustee seeks to ensure that the managers are exercising voting rights and, where appropriate, to monitor managers' voting patterns. The Trustee also monitors the investment managers' voting on particular companies or issues that affect more than one company.

3.1 LGIM – voting summary

The Scheme's DB assets are invested in equities through two mandates: LGIM Global Equity Index, comprised of underlying regional equity funds (including GBP-hedged funds), and LGIM UK Equity Index. These holdings have voting rights attached. LGIM uses the Institutional Shareholder Services ("ISS") "Proxy Exchange" electronic voting platform to vote, with all voting decisions made by LGIM and no part of the strategic decisions outsourced.

Table 1: LGIM voting data for the year to 31 March 2023

	UK Equity Index	North America Equity Index	Europe (ex UK) Equity Index	**Japan Equity Index**	**Asia Pacific (ex-Japan) Equity Index**	**World Emerging Markets Equity Index**
Proportion of Scheme at 5 April	0.1%	0.2%	0.1%	0.1%	0.0%	0.1%
No. of meetings eligible to vote at	733	676	618	505	503	4231
No. of resolutions eligible to vote on during the period	10,870	8,543	10,391	6,267	3,590	36,506
% of resolutions voted	99.9%	99.4%	99.9%	100.0%	100.0%	99.9%
% of resolutions voted with management	94.5%	65.4%	81.0%	88.8%	70.8%	79.5%
% of resolutions voted against management	5.5%	34.6%	18.5%	11.3%	29.2%	18.4%
% of resolutions abstained	0.0%	0.1%	0.5%	0.0%	0.0%	2.1%

Source: LGIM, 31 March 2023 as the nearest relevant date to 5 April 2023. Numbers have been rounded to 1 decimal place.

The resolutions which LGIM voted against management the most on over the Scheme year were:

- Executive remuneration; and
- Board composition.

3.2 LGIM – significant votes

The Trustee has asked LGIM to report on the most significant votes cast on behalf of the Trustee in relation to the portfolios they manage. Managers are expected to detail why the votes identified were significant, the size of the position in the portfolio, how the manager voted, any engagement the manager had undertaken with the company and the outcome of the vote.

From the LGIM reports, the Trustee has identified the votes recorded in Table 2 as being of greater relevance to the Scheme. Significant votes may be defined, among other criteria, as those that have a large relative size of holding, potential impact of vote on company, size of manager position in company, profile of resolution.

Table 2: LGIM significant votes for the year to 31 March 2023

Date	Company	Subject	Vote	Significance and rationale
18/05/2022	Meituan	Resolution 2 - Elect Wang Xing as Director	Against	Diversity: LGIM expect a company to have at least one female on the board. Joint Chair/CEO: LGIM expect the roles of Chair and CEO to be separate, and a division of responsibilities to ensure balance of authority and responsibility on the Board. LGIM deem that Xing Wang failed to ensure the company's compliance with relevant rules and regulations, and raises concerns on their ability to fulfil fiduciary duties in the company.
22/05/2022	Royal Dutch Shell Plc	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against	Climate change: LGIM acknowledge the progress made by the company in strengthening its operational emissions reduction targets, and additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low-carbon pathway. However, LGIM remain concerned with the disclosed plans for oil and gas production, and expect further disclosure of targets associated with the upstream and downstream businesses.
25/05/2022	Amazon.com	Resolution 1f - Elect Director Daniel P. Huttenlocher	Against	Human rights: The director is a long-standing member of the Leadership Development & Compensation

				Committee which is accountable for human capital management failings.
02/06/2022	NVIDIA Corporation	Resolution 1g - Elect Director Harvey C. Jones	Against	Diversity: LGIM expect a company to have at least 25% female representation on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe these should demonstrate leadership in this area. Independence: LGIM expect a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
29/06/2022	Shin-Etsu Chemical Co., Ltd.	Resolution 3.1 - Elect Director Kanagawa, Chihiro	Against	Diversity: Lack of meaningful diversity on the board. Accountability: The Company has not provided disclosure surrounding the use of former CEO as Advisor to the Board. Independence: Lack of independent directors on the board to bring an external perspective. Relevant and suitably diverse mix of skills and perspectives is deemed critical to the quality of the board and the strategic direction of the company. LGIM would like to see all companies have a third of the board comprising truly independent directors.

Source: LGIM, 31 March 2023 as the nearest relevant date to 5 April 2023. LGIM's voting decisions incorporate specific market policies that allow for local nuances to align with best practices and have in place a "custom" voting policy which is flexible to different markets.

3.3 Additional Voluntary Contributions – voting summary

The Scheme also offers AVC policies through BlackRock and Aviva (currently included in pooled investment vehicles) and Prudential, Phoenix Life and Utmost.

The underlying managers of these funds vote on behalf of the Trustee where assets are invested in funds which confer voting rights. Aviva and Phoenix Life do not provide funds with voting rights attached. Voting data from Utmost was not available at the time of preparing this statement of compliance.

BlackRock

BlackRock make use of the services of the proxy voting advisor ISS. The following BlackRock fund offered through the Scheme has voting rights associated with it:

Table 3: BlackRock voting data for the year to 31 March 2023

BlackRock 60/40 Global Equity fund	
No. of meetings eligible to vote at during the period	3,042
No. of resolutions eligible to vote on during the period	39,117
% of resolutions voted	94.0%
% of resolutions voted with management	93.0%
% of resolutions voted against management	6.0%
% of resolutions abstained	0.0%
% of meetings with at least one vote against management	29.0%

Source: BlackRock, 31 March 2023 as the nearest relevant date to 5 April 2023.

The following BlackRock funds offered through the Scheme do not have voting rights attached:

- BlackRock Over 15-Year Gilt fund; and
- BlackRock Cash fund

Prudential

Prudential make use of the services of the proxy voting advisor ISS. The following Prudential funds offered through the Scheme have voting rights:

- Prudential With Profits Fund
- Prudential Dynamic Growth (no data available at time of preparing statement)
- Prudential Global Equity
- Prudential International Equity
- Prudential S3 Discretionary Pen

Summary voting statistics for the Prudential funds with attaching voting rights are displayed in Table 4.

Table 4: Prudential voting data for the year to 31 December 2022

	With-Profits	Global Equity	International Equity	Discretionary Pen
No. of resolutions eligible to vote on during the period	75,012	23,915	16,026	24,427
% of resolutions voted	96.7%	97.3%	96.7%	97.4%
% of resolutions voted with management	91.2%	93.7%	92.4%	93.6%
% of resolutions voted against management	7.1%	5.6%	6.7%	5.7%
% of resolutions abstained	1.7%	0.7%	0.9%	0.7%

Source: Prudential, 31 December 2022 as the most recent data available from Prudential.

The following Prudential funds offered through the Scheme do not have voting rights attached to them:

- Prudential Fixed Interest

3.4 Additional Voluntary Contributions – significant votes

The Trustee has asked BlackRock to report on the most significant votes cast on behalf of the Trustee in relation to the portfolios they manage. From the BlackRock reports, the Trustee has identified the votes recorded in Table 5 as being of greater relevance to the Scheme.

Table 5: BlackRock significant votes for the year to 31 March 2023

Date	Company	Subject	Vote
24/05/2022	Royal Dutch Shell Plc	Approve the Shell Energy Transition Progress Update	BlackRock voted for the resolution
25/05/2022	Amazon.com	Commission a Third-Party Audit on Working Conditions	BlackRock voted against the resolution
07/07/2022	J Sainsbury Plc	Shareholder Resolution on Living Wage Accreditation	BlackRock voted against the resolution

Source: BlackRock, 31 March 2023 as the nearest relevant date to 5 April 2023.

Significant votes in relation to Prudential's funds had not been disclosed at the time of preparing this statement.

4. Trustee engagement activity

The Trustee holds meetings with the investment managers on a periodic basis where stewardship matters are discussed in further detail. Over the year, the Trustee met with one out of its five DB investment managers.

Table 6: Trustee's engagement activity with DB investment managers over the year to 5 April 2023

Date	Fund manager	Subject discussed	Outcome
10/6/2022	Insight	Responsible investment policies and climate risk ratings, portfolio and markets update, integrated credit solution proposal	The Trustee undertook an assessment of Insight's position and impact in the RI space.

5. Manager engagement activity

Aside from the equities holding, the Scheme is invested in non-equity assets without voting rights attached. The managers are nonetheless expected to engage with investee companies on Environmental Social and Governance ("ESG") issues.

The following table summarises the key engagement activity for the 12-month period ended 31 March 2023.

Table 7: Summary of investment managers' activity over the year to 31 March 2023

<table>
<tr><th>Manager: Fund</th><th>Approach</th><th>Topic(s) engaged on</th></tr>
<tr><td>Insight: Corporate Bonds, Secured Finance Fund and ABS Funds</td><td> Portfolio of debt securities, with no voting rights. Insight engages via questionnaires, surveys and calls with senior management mainly at executive level. Insight produce annual reports on integration of Responsible Investment principles into their investment management process across the business. </td><td> Corporate bonds (Buy and Maintain portfolio) Insight undertook 44 engagements across 25 entities during the year. The most engaged topics were strategy and purpose, climate change, and human capital management. ABS (Liquid and Global ABS) and Secured Finance Insight undertook 50 engagements across 40 entities. Notable engagements were with the counterparties Pepper and European Data Warehouse (EDW) as detailed below. <u>Pepper</u>: Insight engaged on including ESG considerations in the loan origination and underwriting process, which Pepper currently do not incorporate. Pepper is widely held across Insight's portfolios including the ABS funds held by the Scheme. Pepper agreed that they would review this, although no plans have been made to amend the origination process. <u>European Data Warehouse</u>: Insight engaged on data provision and reporting of market level ESG data, and expect to continue engaging over the next few years to improve data availability and comparability across the market to enhance ESG analysis and reporting. </td></tr>
<tr><td>Insight: Liability Driven Investments and Cash</td><td> The funds invest in gilts, cash instruments, asset-backed securities, and other fixed income, with no voting rights. Cash instruments exclude controversial weapons, defence, tobacco, gambling facilities, fossil fuels and coal mining. </td><td> Liability Driven Investments (LDI) The LDI is a portfolio mainly comprised of gilts, meaning the scope for engagement on ESG is limited. Nonetheless, Insight continue to promote the industry's incorporation of ESG risks borne by derivatives counterparties into engagements and has developed a scoring system for counterparties. Cash (Insight Liquidity Fund) Insight carried out 17 ESG-related engagements across 7 entities, mainly focused on climate change, and financial performance and reporting. Notable engagements included the following counterparties: <u>Rabobank</u>: Insight sought to understand Rabobank's progress in its net zero strategy as well as an update on controversies. The purpose of the engagement was to gather more information rather than influence the investee at this stage. Insight followed up in Q3 to further develop their understanding of Rabobank's </td></tr>
</table>

		progress in the following topics – MIFID and mis-selling; net zero approach, and cyber security. UBS: Insight held a dedicated ESG meeting at senior level to address weak governance scores in Insight's Prime ESG ratings and understand how UBS are working to improve their performance. Insight expect UBS to set specific a net zero target for the loan book, and acknowledge that UBS is tightening lending criteria to restrict new coal and nuclear issues.
Partners Group: Illiquid Private Debt	The MAC (III) 2016 fund and the MAC (V) 2019 fund invest in private debt and have no material exposure to assets which carry any voting rights. There may be some debt holdings which are converted to equity or have equity holdings attributed to them, in which case Partners follow their Proxy Voting directive. Partners Group engages via regular calls with investee company management. Partners Group implements a Climate Change Strategy to manage their portfolios towards the Paris Agreement climate goals and in alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and has a key focus on renewable energy and carbon avoidance strategies in their portfolios.	Partners Group engaged with its investee companies across issues such as restructuring and sustainability. Key engagements were as follows: Ligentia: Partners continue to engage to establish sustainability-linked loan margin ratchet and ESG targets for margin ratchet, and improve in the areas of container utilisation (higher utilisation leads to lower greenhouse gas emissions), carbon reduction targets, and representation of minority demographics in management positions across the business. Cote Bistro: Partners engaged on restructuring. In January, 12 value creation initiatives for 2023 with clear actions and responsibilities were defined to work towards full recovery in the current UK macroeconomic environment. The ultimate goal is to sell Cote in a value-maximizing process to recover investor capital.

Source: Insight Investment, Partners Group, 31 March 2023 as the nearest relevant date to 5 April 2023.

6. Buy-in policy

During the year covered by this statement of compliance, a portion of the Scheme's liabilities were insured in a buy-in transaction with the insurance provider Scottish Widows meaning that Scottish Widows are contracted to meet a portion of the members' benefits as they fall due. Although the provider has voting protocols, we understand that the nature of assets held in the Scheme's buy-in policy do not generally confer voting rights. The Trustee considered Scottish Widows' approach to ESG during the buy-in provider selection exercise. Now the buy-in has been completed, the Trustee is liaising with Scottish Widows regarding their ongoing approach to ESG in the context of the assets held under the insurance policy, to ensure this meets the Trustee's considerations for financially material risks as set out in the SIP.

7. Review of policies

The Trustee recognises that financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options.

The Scheme is on course to publish its first TCFD report in Q4 2023 and the Trustee has received detailed training sessions from thier investment adviser in preparation. During the year covered by this statement, the Trustee undertook the following actions:

- Reviewed their investment beliefs and the investment managers' climate-related governance;
- Considered potential climate metrics for the Scheme, and agreed time horizons and targets for performance;
- Established their Climate Change Policy document which sets out their approach to climate risk as a financially material consideration.

The Trustee is satisfied that they have complied with the principles detailed in the SIP during the year.