

Illustrative annual report and financial statements

**Occupational pension scheme applying
FRS 102 and the 2018 Pensions SORP**

May 2020

Illustrative annual report and financial statements

Introduction

The example annual report that follows includes the financial statements of Typipens Pension Scheme, a United Kingdom Occupational Pension Scheme.

These illustrative financial statements show the principal requirements of FRS 102 (including the 2018 Pensions SORP) and include disclosures relating to the early adoption of the 2018 SORP and Improvements and Clarifications Amendments to FRS102. The 2018 SORP must be adopted for periods commencing on or after 1 January 2019, but may be adopted earlier.

Typipens Pension Scheme is a fictitious pension scheme. The annual report has been prepared for illustrative purposes only and shows the disclosures and formats that might be expected for a pension scheme of its size and complexity.

These financial statements also include voluntary disclosures that illustrate certain aspects of disclosure under FRS 102.

Guidance and information

References to source material are given in the left-hand margin.

Commentary to clarify the requirements or to add PwC views is shown with orange shading.

The intention is not to show all conceivable disclosures and this annual report should not, therefore, be used as a definitive checklist. The suggested disclosures are not necessarily applicable for all occupational pension schemes.

In particular, this illustrative report does **not** cover:

- Consolidated financial statements
- Local authority pension schemes which are required to prepare their financial statements in accordance with the Code of Practice on Local Authority Accounting which is largely based on IFRS.
- Changes in accounting policies and correction of prior period material errors (SORP 3.6.12-15)
- Departures from FRS 102
- Non-cash contributions (SORP 3.8.10)
- Unapproved schemes (which need to account for tax under FRS 102 chapter 29)
- Schemes with tangible fixed assets (refer to FRS 102 chapter 17)
- Common investment funds (SORP 3.22)
- Longevity swaps (SORP 3.12.24)
- Ring-fenced DB sections (SORP 3.27)
- Schemes in PPF assessment or winding up, or otherwise prepared on a basis other than going concern (SORP 3.29, 30, 31)
- Presentation in a currency other than functional currency
- All requirements specific to schemes in the Republic of Ireland

Abbreviations

FRS 102:34.27	=	Financial Reporting Standard 102 (March 2018), 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', paragraph number This incorporates 'Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial Review 2017 – Incremental improvements and clarifications' issued in December 2017
SORP 3.11.4	=	Financial Reports of Pension Schemes, A Statement of Recommended Practice (2018), paragraph number
DR 3 Sch 8	=	The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734), schedule number, paragraph number
AAR Sch 3A	=	The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (SI 1996/1975), schedule number, paragraph number
AdmR 23	=	The Occupational Pension Schemes (Scheme Administration) Regulations 1996, paragraph number
InvR 12	=	The Occupational Pension Schemes (Investment) Regulations 2005, paragraph number
PA yyyy s123	=	Pensions Act 1995/2004, section number
TPR Code 13.78	=	The Pensions Regulator's code of practice number, paragraph number
DV	=	Disclosure voluntary. Disclosure is highly recommended but not required and therefore represents best practice
PN15	=	Practice Note 15 (Revised) The Audit of Occupational Pension Schemes in the United Kingdom, published by the Financial Reporting Council in November 2017

Typipens Pension Scheme

Illustrative annual report and financial statements
for the year ended 31 December 20X9

Pension scheme registry number 123 456 789

Contents

Trustees and advisors	1
Chairman's review	3
Trustees' report	4
Statement regarding DC governance	13
Independent auditors' report	16
Fund account	17
Statement of net assets (available for benefits)	19
Notes to the financial statements	21
Independent auditors' statement about contributions	49
Summary of contributions	50
Actuarial certificate	51

Trustees and advisors

DR 3 Sch 17	Trustees	<p>Employer appointed</p> <p>JD Bailey (Chairman) AC Hyde (a) (*) MR Smith (*) JG Tritton</p> <p>Member nominated</p> <p>ET Brown (appointed 1 July 20X9) (p) SJ Harris (d) (*) N Ashridge (retired 1 July 20X9) (p)</p> <p>(a) Active member of the Scheme (d) Deferred member of the Scheme (p) Pensioner member of the Scheme</p> <p>(*) Also a member of the investment committee</p>
		<p>If a scheme only has corporate trustees, the names of directors of corporate trustees must be disclosed.</p> <p>Changes between the end of the scheme year up to the approval of the annual report should also be disclosed.</p> <p>Disclosure of membership of committees is voluntary.</p>
DV	Secretary	TP Renshaw 82 Capital Road, London EC1V 1TP
DR 3 Sch 19	Scheme administrator	PAD Limited
DR 3 Sch 19	Actuary	A Smith FIA (until 6 August 20X9) J Edwards FIA (from 6 August 20X9) Smith & Jones LLP
DR 3 Sch 19	Independent auditors	PricewaterhouseCoopers LLP
DR 3 Sch 19	Legal advisors	Cane, Able & Co LLP
DR 3 Sch 19	Investment advisor	Spires Holmes LLP
DR 3 Sch 27	DB Investment managers	Shredders Investments Limited East Parade Investments Limited
	DC Investment managers	Shredders Investments Limited DeeCee Solutions East Parade Investments Limited
DR 3 Sch 19	Investment custodian	Franks Limited
DR 3 Sch 19	AVC managers	Provincialwide Assurance Limited Countryside Building Society
DR 3 Sch 19	Property manager	Plaster & Co Limited
DR 3 Sch 19	Property valuers	Valuer & Co
DR 3 Sch 19	Credit advisors (employer covenant)	BRS Limited

DR 3 Sch 19 DV	Bankers	Southwark Bank plc
	Principal and participating employers	<p>Typico Company Limited (Principal)</p> <p>Typico Finance Limited</p> <p>Typico.com Limited</p> <p>Typico Contracts Limited (until 1 September 20X9)</p> <p>DR requires disclosure of the name and address (postal and electronic) of every person who employs a member of the scheme, but this disclosure does not have to be given in the annual report.</p>
DR 3 Sch 20 DV	Name and address for enquiries	<p>NH Evans, Pensions manager</p> <p>Typipens Pension Scheme, 82 Capital Road, London EC1V 1TP</p> <p>member.enquiries@typipens-pensch.co.uk</p> <p>Additional information relating to the Scheme can also be found on the Scheme website at www.typipens-pensch.co.uk</p> <p>A postal and electronic address is required. The electronic address could be an email address or a website if it has the facility for asking questions.</p> <p>References to DR 3 Sch 19 should include 'the names of the professional advisors and of such banks, custodians and other persons who have acted for or who have been retained by the trustees during the year.'</p> <p>Indication must be given for changes to the information in this section since the previous year.</p> <p>Changes between the end of the Scheme year up to the approval of the annual report should also be disclosed.</p>

Chairman's review

For the year ended 31 December 20X9

There is no requirement for schemes to produce a chairman's statement.

There is a requirement for DC schemes to include a statement about governance which is signed by the chairman (see later section, page 13 onwards) but in view of the quite detailed nature of its content, we encourage schemes wishing to include a traditional high-level summary in a chairman's statement to do this separately.

We have used the heading 'Chairman's review' in this example to ensure that the two statements signed by the chairman are suitably differentiated.

DV

Subject matter contents may include, for example:

- Significant events/transactions
- Investment strategy (DB and DC)
- Investment performance (DB and DC)
- Actuarial valuation matters/updates
- Changes in Trustees/advisors
- Forward looking matters

JD Bailey - Chairman

Date:

Trustees' report

For the year ended 31 December 20X9

DV	The Trustees of the Typipens Pension Scheme (the 'Scheme') present their annual report for the year ended 31 December 20X9.		
	Scheme constitution and management		
DV	The Scheme is an occupational pension scheme set up under trust to provide retirement benefits for certain groups of employees of Typico Company Limited and its subsidiaries. It is governed by the Third Definitive Trust Deed dated 12 March 20X6 and subsequent amendments.		
DV	<p>During the year, deeds of amendment were executed to bring about the following changes:</p> <ul style="list-style-type: none"> • Extending the definition of spouse to ensure equal treatment for spouses in same-sex couples; and • Enabling the provision of more flexible benefit arrangements for DC members following the changes introduced in the 20X8 Finance Act. 		
DV	Responsibility for setting the strategy and for managing the Scheme rests with the Trustees. The persons who acted as Trustees during the year are listed on page 1. The Trustees meet quarterly and decisions are passed on a simple majority of those voting.		
DV	The Trustees have also set up an investment committee comprising 4 Trustees which has delegated authority to make decisions concerning investments within its terms of reference and to make recommendations to the full trustee board on other matters. The investment committee also meets quarterly.		
DR 3 Sch 18	The Scheme rules contain provisions for appointment and removal of Trustees. The Scheme ordinarily has six Trustees, four of whom are appointed by the employer and two nominated by the Scheme's members. In anticipation of the retirement of Mr N Ashbridge, nominations were sought from the membership for a replacement Trustee and an additional member-nominated Trustee. Only one nomination was received and, having satisfied the remaining Trustees that she had suitable experience, Miss ET Brown was appointed from 1 July 20X9.		
DR 3 Sch 18	If the scheme has a corporate trustee, give details about provisions in the company's articles of association which relate to the appointment and removal of trustee directors.		
DV	The Trustees' attendance at meetings of the Trustee board and relevant committees is summarised below. Where a Trustee was not entitled to attend all of the meetings in the year, the maximum number of meetings is given in brackets:		
DV	Trustee	Trustee board 4 meetings	Investment committee 4 meetings
	JD Bailey	4	N/A
	AC Hyde	4	4
	MR Smith	4	4
	JG Tritton	4	3
	ET Brown	2 (of 2)	N/A
	SJ Harris	4	4
	N Ashridge	1 (of 2)	N/A
DV	Schemes with DC benefits are required to provide information about how the Trustees have addressed the Trustee Knowledge & Understanding requirements of Pensions Act 2004 as part of the statement about DC governance illustrated on page 13. DB only schemes may wish to provide similar comments here but are not required to do so.		

DV	Trustees who are employed within the Typico group are not paid additionally by the Scheme for their services as Trustees. Retired Trustees are paid a fee and reimbursed for expenses incurred in performance with their duties, in accordance with the Trustees' agreed policy.
DV	The Trustees have agreed a business plan to support their governance arrangements. This includes periodic review of registers of risks and conflicts to ensure that appropriate internal controls are put in place and remain effective.
DV	The Trustees have appointed professional advisors and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on pages 1 and 2. The Trustees have written agreements in place with each of them.
DR 3 Sch 31 (if an auditor or actuary resigns or is removed)	During the year, Mr A Smith retired from Smith & Jones LLP and resigned his position as Scheme Actuary. In his statement on leaving office, he noted no circumstances connected with his resignation which, in his opinion, significantly affected the interests of the members or the prospective members of, or beneficiaries under, the Scheme. His colleague Mr J Edwards was appointed as Scheme Actuary in his place.

If there are matters disclosed by the outgoing auditor or actuary, this Statement must be reproduced. Otherwise, repeating a 'no matters' Declaration is voluntary (although best practice). This information could alternatively be given as a footnote on the trustees and advisors page.

Financial developments and financial statements

DR 3 Sch 24	The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under section 41(1) and (6) of that Act.
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The statement of compliance should be amended if, for example, the financial statements are not prepared and audited within 7 months of the end of the Scheme year.

DV	<p>Significant developments affecting the financial position of the Scheme during the year include:</p> <ul style="list-style-type: none"> Investment in a special purpose vehicle funded by a £9 million additional contribution; and A group transfer of £70,000 from former schemes of Typico.com Limited employees.
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Membership and benefits

DR 3 Sch 21	<p>Schemes must disclose the number of members (analysed between active, deferred and pensioners) and beneficiaries (e.g. spouse and dependant pensioners) at one date during the year.</p> <p>This is usually presented as a reconciliation of movements as it is helpful in understanding the impact of membership changes on the financial statements.</p> <p>Where a reconciliation is provided, 'adjustments' relating to member status changes processed during the year to reflect late notification of prior year status changes should be shown under the appropriate heading in the table (e.g. members retiring).</p> <p>There is no requirement to analyse between DB and DC members, but many schemes would find it helpful to do so and would be considered to be best practice.</p>
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DV

The change in membership numbers during the year is as follows:

	Active members	Deferred members	Pensioners	Beneficiaries	Total
At the start of the year	643	241	119	20	1,023
New members joining	113	-	-	-	113
Members retiring	(12)	(2)	14	-	-
Members leaving prior to pension age	(37)	37	-	-	-
Members leaving with refunds	(2)	-	-	-	(2)
Deaths	(2)	-	(5)	-	(7)
New spouse and dependant pensions	-	-	-	5	5
Cessation of dependant pensions	-	-	-	(2)	(2)
At the end of the year	703	276	128	23	1,130

SORP 3.24.3

Included within the above are:

- 7 (20X8: 7) pensioner and 2 (20X8: 1) beneficiaries whose benefits are provided by annuities.
- 120 (20X8: 35) active and 8 (20X8: nil) deferred members who are members of the DC section.

SORP 3.8.3 (if a reconciliation is presented)

New members joining are stated net of auto-enrolment opt-outs where contributions were never remitted to the Scheme.

SORP 3.8.18, 30

Information presented in this section should be consistent with the accruals treatment adopted in the financial statements. Significant differences (e.g. arising on group transfers) should be explained.

DR 3 Sch 22

Pension increases

This section is not required for schemes which are money purchase only.

The Trust Deed and Rules makes provision for increases in pensions in payment and deferred pensions. The increases applied depend on when the benefits were accrued and under which legacy pension scheme. The table below summarises the most recent increases applied. None of the increases was discretionary.

Effective date	Minimum (%)	Maximum (%)	Average (%)
Pensions in payment			
1 April 20X9	0	5.0	3.6
1 April 20X8	0	5.0	2.8
1 April 20X7	0	2.5	2.1
Deferred pensions			
1 April 20X9	2.4	5.0	3.5
1 April 20X8	1.6	5.0	2.4
1 April 20X7	0.4	2.5	1.9

Disclosing the two increases before the year end shows the effect of pension increases on the reported pensions figures in the financial statements. By reporting a subsequent increase (if known), the reader is not confused by information about his own most recent increase which may be inconsistent with increases disclosed. The minimum disclosure requirement is to provide information about increases applied in the year only. A single increase rate will suffice if all members received the same increase (subject only to reductions if the pension has been in payment for less than a year at the time of increase).

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

This disclosure is not required for money purchase schemes which are wholly-insured.

More extensive disclosure requirements apply if the example statement above is not true for the whole period – for example, where the scheme is applying a reduction to transfer values during periods of deficit, the note should explain why the reduction is being applied, and when full values became (or expected to become) available.

Actuarial liabilities

This section is not required for schemes which are money purchase only.

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

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

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 December 20X7

The SORP allows a choice of valuations to be used, with the expectation that it would not normally be necessary to commission a valuation solely for this report. Options are:

- The most recent scheme funding valuation under section 224 of the Pensions Act 2004;
- A more recent valuation (such as annual funding update) on a consistent basis with the above, if available; or
- Another valuation that complies with technical actuarial standards issued by FRC.

Valuation date: 31 December	20X7	20X4
Value of technical provisions	£32.0m	£30.0m
Value of assets available to meet technical provisions	£24.0m	£25.0m
as a percentage of technical provisions	75%	83%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustees also consider the level of funding relative to the estimated costs of such a buy-out (known as 'solvency liabilities') and equivalent information on this basis is provided below:

Valuation date: 31 December	20X7	20X4
Value of solvency liabilities	£48.0m	£45.0m
Value of assets available to meet solvency liabilities	£24.0m	£25.0m
as a percentage of solvency liabilities	50%	55%

For schemes with ring-fenced DB sections (e.g. multi-employer schemes) this information can be presented by section or on an aggregated basis.

SORP 3.34.11	The values of assets and technical provisions should include the value of benefits covered by annuity contracts.
SORP 3.34.4	If the valuation date differs from the reporting date of the financial statements, the SORP recommends the net assets of the scheme at the valuation date are also disclosed.
SORP 3.34.6	The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:
SORP 3.34.6	<p>Method</p> <p>The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.</p>
SORP 3.34.6	<p>Significant actuarial assumptions</p> <p>This information will usually come from the Summary Funding Statement (SFS). The SFS is prepared for a different purpose and contains much additional information, so should not be reproduced verbatim in the annual report.</p> <p>Discount interest rate: Term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 0.5% per annum.</p> <p>Future Retail Price inflation: Term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.</p> <p>Future Consumer Price inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.9% per annum.</p> <p>Pension increases: Derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.</p> <p>Pay increases: General pay increases of 1.5% per annum above the term dependent rates for the future retail price inflation (NB not a significant assumption if few active members).</p> <p>Mortality: For the period in retirement, standard tables S1PMA with a scaling factor of 98% for male active members; 103% for male deferred members and 99% for male pensioner members; and S1PFA with a scaling factor of 103% for female active members, 107% for female deferred members and 111% for female pensioner members.</p>
DV	<p>Recovery plan</p> <p>A recovery plan was agreed between the Trustees and the employer on 24 March 20X8. Under the recovery plan, it was agreed that the employer would increase contributions for active DB members from 15% to 16% and pay additional deficit contributions of £200,000 per annum (in monthly instalments) for five years from 1 April 20X8. On the basis of conditions prevailing at that date, the Scheme funding deficit was expected to be eliminated by 1 April 20X13.</p>
SORP 3.34.7	These arrangements were formalised in a schedule of contributions which the Scheme Actuary certified on 24 March 20X8. A copy of his certificate is included on page 51 of this annual report.
DV	In addition to the Statutory Funding Objective, the Trustees have set a secondary funding objective targeting self-sufficiency on a winding up basis over 10 years. The Employer has indicated willingness to continue funding the Scheme at a similar rate following the conclusion of the agreed recovery plan provided that business performance and viability is not undermined by this.
DV	<p>Next actuarial valuation</p> <p>The next triennial valuation will be performed as at 31 December 20X10. The Trustees expect to review draft results in September 20X11 and to agree a revised recovery plan within the statutory timescale by 31 March 20X12.</p>

Investment management

Investment strategy and principles

DV The Trustees are responsible for determining the Scheme's investment strategy.

The following disclosures in this section only apply to schemes to which section 35 of the Pensions Act 1995 applies (most schemes with 100 or more members). InvR 6 contains a full list of exemptions.

This section should include the strategy and principles for both DB and DC sections (if applicable).

DR 3 Sch 28 In accordance with section 35 of the Pensions Act 1995, the Trustees have agreed a statement of investment principles ('SIP'). This was last revised in June 20X8 following completion of the most recent actuarial valuation.

DR 3 Sch 28 A copy of the SIP can be found on the Scheme website and may be obtained from the contact for enquiries on page 2.

DR 3 Sch 30 (a, b) Give details of any departures from the SIP as at the year end date, including the reasons why and explaining what action, if any, it is proposed to take or has already been taken to remedy the position. This should include prior year departures which had not been resolved in the previous year.

DV The Trustees' investment strategy considers the Scheme's investments in the following groupings:

- **Return-seeking assets:** Predominantly equities, diversified funds and properties, where the objective is to achieve growth within the constraints of the risk profile set by the Trustees.
- **Liability-driven assets:** Predominantly bonds, LDI funds, repurchase and reverse repurchase agreements and swaps, where the objective is to secure fixed or inflation-adjusted cash flows in future, and where the investments are generally expected to be held to maturity.
- **Money purchase assets:** As these are chosen by individual DC members, the Trustees focus primarily on the suitability of the range of investments offered.

Management and custody of investments

DR 3 Sch 27 The Trustees have delegated management of investments to professional investment managers which are listed on page 1. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

DR 3 Sch 30 (d, e) The mandates put in place by the Trustees specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and a requirement to consider environmental, social and governance (ESG) and ethical factors when making investment decisions. The Trustees have less influence over the underlying investments within pooled investment vehicles held by the Scheme but review the managers' policies and statements of compliance in respect of these matters.

DR 3 Sch 29 The Trustees have appointed Franks Limited to keep custody of the Scheme's investments, other than:

- Pooled investment vehicles, where the manager makes its own arrangements for custody of underlying investments;
- Direct property, where title deeds are held by the Scheme's legal advisors; and
- Additional Voluntary Contributions and other investments which are in the form of insurance policies, where the master policy documents are held by the Trustees.

This statement is not required for a wholly-insured scheme, defined as a scheme under which all the benefits provided are secured by a policy or policies of insurance or annuity contract(s).

Investment performance

DV

The Trustees assess the performance of the Scheme's investments in the following groupings consistent with the overall strategy:

- **Return-seeking assets:** Are assessed by reference to benchmarks and performance targets set and agreed with each manager.
- **Liability-driven assets:** Are compared with benchmarks but the Trustees' main focus is security of cash flows and therefore growth in these assets (which is normally linked to growth in Scheme liabilities, or vice versa) is less relevant.
- **Money purchase assets:** As these are chosen by individual DC members, the Trustees receive information about performance against benchmarks. Performance information is provided to members as part of the annual package of information.

This section should include investment performance for both DB and DC sections (if applicable).

DV

The Trustees receive reports from their investment advisors monthly showing actual performance by manager and fund. Investment managers present to the investment committee once or twice (for return-seeking managers) each year, to report on compliance with their agreements and to be questioned by the investment committee members. DC members are provided with an annual summary of the performance of their investment choices and monthly performance information is available in DC fund fact sheets which are available on request.

DR 3 Sch 30(c)

Performance of the Scheme's investments over short and longer periods is summarised as follows:

Annualised return over	1 year (%)	3 years (%)	5 years (%)	Allocation (%)
Return-seeking assets	9.3	11.1	6.3	60
Benchmark	8.4	10.5	6.2	
Performance target	9.0	11.0	6.8	
Liability-driven assets	1.2	2.4	2.2	38
Benchmark	1.2	2.5	2.1	
Money purchase assets	7.5	9.1	5.1	2
Benchmark	7.4	8.9	4.8	
Scheme total	6.2	7.4	4.7	100
Benchmark	6.0	7.2	4.9	

DR 3 Sch 30(c)

SORP 2.5.6

The minimum requirement is to disclose information about investment performance over the year and (for schemes that have existed for at least 3 years) over a longer period of between 3 and 5 years ended with the Scheme year end. This requirement is for the Scheme as a whole so a change in strategy or investment managers should not prevent the calculation of performance measures of this nature.

SORP 2.5.6 indicates that for defined contribution arrangements disclosure of investment performance by fund may also be disclosed as this could be more relevant to members.

For example, Trustees may wish to consider disclosure of investment performance for individual defined contribution funds that exceed 5% of net assets or the investment performance for the default defined contribution fund if this includes the majority of members to make the disclosure meaningful for the reader.

DV	<p>The principal economic factors which have affected the benchmarks against which performance is compared were as follows:</p> <ul style="list-style-type: none"> • Economic growth in Europe remained slow and uncertainties about Greece's position in the Eurozone led to a lack of investment and lower equity prices in that sector. • However, strong growth in the United Kingdom, the United States and some emerging market economies enabled overall equity returns to remain satisfactory. • Active equity managers placed greater weightings on technology and service companies which have performed better than the FTSE 100 index as a whole, resulting in a degree of outperformance. • Yields of high quality government bonds, such as in the United Kingdom, fell as the gap between these and Eurozone government and many corporate bonds widened. • Property remained a buoyant sector. <p>PwC comment: This is background information only. The focus should be on matters relevant to specific classes of investments, and comments about the general economic environment should be kept relatively brief and at a high level, so as to avoid detracting from the key communications about the Trustees' decisions and how they have impacted the Scheme and its members.</p>
DR 3 Sch 30(c)	<p>The Trustees have 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. More details about investments are given in the notes to the financial statements.</p> <p>Employer-related investments</p>
DR 3 Sch 32, 33	<p>Details of employer-related investments are given in note 32 to the financial statements.</p> <p>The requirements for disclosing employer-related investments currently appear in the SORP, the Audited Accounts Regulations (both of which set financial statements content requirements) and the Disclosure Regulations (which covers the content of the remainder of the annual report). As the disclosures therefore fall within the scope of the audit, it is preferable to make full disclosures in the financial statements and cross-refer from the Trustees' Report to cover the Disclosure Regulations requirement.</p>
SORP 2.6	<p>Statement of Trustees' responsibilities</p> <p>Trustees' responsibilities in respect of the financial statements</p>
AAR 2 PA 1995 s41	<p>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 Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:</p> <ul style="list-style-type: none"> • 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.
ISA (UK) 210.6	<p>In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for 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.</p>
DR 12	<p>The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.</p>
AdmR 12 PA 2004 s249A	<p>The Trustees also have a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.</p>

DV

The Trustees are also responsible for the maintenance and integrity of the www.typipens-pensch.co.uk website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This paragraph is recommended where the annual report is to be published electronically. The responsibilities will need to be amended where the Trustees use another party's website (e.g. employer or third party administrator) but Trustees retain the responsibility for ensuring that information communicated to members through a third party website complies with applicable law.

Trustees' responsibilities in respect of contributions

Responsibilities in respect of contributions differ in law for DC only schemes compared with schemes which include DB benefits. The audit team will provide a suitable example wording if necessary.

PA 1995 s87
(DC)

PA 2004 s227
(DB)

The Trustees are 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.

AdmR 12
TPR Code 03
(DB), 05 (DC)

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

PA 1995 s88
(DC)

PA 2004 s228
(DB)

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Further information

DR 3 Sch 20

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 2.

Approval

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

For United Kingdom schemes there is no specific requirement as to how many trustees should sign. The decision should be based on the Trustees' own practice.

JD Bailey

ET Brown

Date:

Statement regarding DC governance

For the year ended 31 December 20X9

AdmR 23

DR 3 Sch 34

InvR2A

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustees of certain schemes to include an annual statement regarding governance in the annual report.

This is a requirement for schemes which are wholly or partly money purchase (other than schemes which only have money purchase benefits arising from AVCs). There are also limited exemptions for public sector and some very small schemes, see the Admin Regulations.

This example covers the requirements of the regulations and also the recommendations of the Pension Regulator's guidance arising from Code of Practice 13.

Schemes which are not required to prepare a governance statement may voluntarily disclose some of the information below, if relevant to readers.

Schemes which have DB and DC sections need to make it clear whether the statements included relate only to DC sections or to the Scheme as a whole. Where a Scheme has a DC section this must also include a discussion regarding any AVC investments.

The Administration Regulations require the Statement to cover:

- The default arrangement, its objectives and how it is governed
This must cover the name(s) of the default funds or strategies, the objectives (including any details of investment return targets), how the funds are managed on behalf of the members, when the principles of governance were last reviewed and the frequency of future periodic reviews.
- Processing of core financial transactions
This must outline how the Trustees ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) are processed accurately and completely. This should indicate who undertakes the processing and how performance is monitored by the Trustees.
- Disclosure of costs and charges (including transaction costs) relating to the default arrangement and other arrangements
This must include the Trustees' assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for members. In addition to default funds, the level of transaction costs and charges must be stated for each fund that members are able to select or in which funds are invested
This may also include giving high level details of the range of alternative funds available in addition to the default arrangement and an indication of the level of fees and charges associated with these funds.
- Trustee knowledge and understanding
Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.
It is likely that any comments made in this section will relate to the Trustees as a body in dealing with the whole Scheme and will not be restricted to the DC section.

This section must describe how the above requirements have been met and how the combined knowledge and understanding of the Trustees, together with advice available to them, enables them properly to exercise their functions. It should include details of the arrangements Trustees have for keeping themselves up-to-date with relevant developments and details of any assessments or self-assessment of training needs that are undertaken. It is also likely to include details of the fact Trustees receive advice from professional advisors and that such skills are considered when selecting new advisors.

AdmR 26

- The Trustee board and member representation (for master trusts only)

Additional content is required for schemes in which some or all of the employers are not connected and the scheme is not operated as separate sections with separate trustees representing the unconnected employers. This definition covers master trusts but may encompass other schemes, for example where a participating employer is sold to an independent group, but members remain within the scheme.

In brief, the additional requirements are:

- How have the requirements for the chair and majority of trustees to be non-affiliated to companies providing administration or investment services to the Scheme been met
- How were the requirements to appoint non-affiliated trustees through an open and transparent appointment process met.
- Details of arrangements in place to meet the requirement for representation of the views of members to the Trustees.
- Assessment of value for members

AdmR 23

In addition the latest version of the SIP for the default arrangement, prepared in accordance with regulation 2A of the Investment Regulations 2005 must be included with the statement.

The SIP for the default arrangement must cover at least the following matters:

- a. the aims and objectives of the trustees or managers in respect of such investments
- b. their policies in relation to the matters mentioned below in respect of the default arrangement and
- c. an explanation of how the aims and objectives mentioned in sub-paragraph (a) and the policies mentioned in sub-paragraph (b) (together 'the default strategy') are intended to ensure that assets are invested in the best interests of the group of persons consisting of relevant members and relevant beneficiaries.

Note that there is no requirement to include the SIP for the Scheme as a whole under regulation 2 of the Investment Regulations 2005, although trustees may find it necessary to do so if they cannot easily extract the specific default arrangement content.

AdmR 23(1)(e)

The Regulations require that the statement be signed by the Chair specifically unless there is a vacancy in office (which may not exceed three months [AdmR 22(5)]).

This statement regarding DC governance was approved by the Trustees and signed on their behalf by:

JD Bailey – Chairman

Date:

While not strictly required by law TPR guidance now expects that trustees of schemes within the scope of TPR Code 13 will publish a statement about DC Governance.

This will include how the trustees have assessed that Scheme systems, processes and controls across key governance functions are consistent with those set out in TPR Code 13.

Where the trustees adopt a different approach to that set out in the DC Code and/or DC regulatory guidance, it is expected that trustees will explain how trustees comply with the law (for features in the code) or implement good practice (for features in the regulatory guidance).

Where the Scheme does not have systems and processes in place to demonstrate particular features, it is expected that trustees will explain why a feature is not present, any action plans in place to implement an absent feature and the expected timescales.

The statement might include any action plans in place to improve existing features to a 'best practice' level and priorities for the trustees for the upcoming scheme year.

The level of detail provided in the explanations is at the discretion of trustees. However, the statement should provide a meaningful level of detail to enable a scheme member or (potential) sponsoring employer to evaluate the scheme and the extent to which it exhibits the features.

Trustees of master trusts should also indicate whether they have obtained independent assurance as set out in the ICAEW Master Trust supplement to AAF 02/07 (being ICAEW Technical release TECH 07/14).

Independent auditors' report

The wording of the independent auditors' report (and statement about contributions) is updated from time to time and needs to reflect specific aspects of the financial statements and the annual report in which they are published. Wording to be used for a specific scheme will be supplied by the auditors.

Fund account

For the year ended 31 December 20X9

All amounts in tables are in £ thousands unless otherwise stated

It is an explicit requirement of FRS 102 3.23 to show the presentation currency and level of rounding if any. It could also be dealt with by specifying in column headings of each table in the primary statements and notes to the financial statements.

Any prior year restatements/adjustments should be clearly marked in column headings (with a note to fully explain the background and details); this is also the case for the Statement of net asset available for benefits.

SORP 3.5.1,2			20X9			20X8		
		Note	DB	DC	Total	DB	DC	Total
FRS 102 34.37 (a)	Employer contributions	4	11,217	400	11,617	1,551	240	1,791
FRS 102 34.37 (b)	Employee contributions	4	602	200	802	385	136	521
	Total contributions		11,819	600	12,419	1,936	376	2,312
FRS 102 34.37 (j)	Transfers in	5	114	714	828	-	57	57
FRS 102 34.37 (d)	Other income	6	18	-	18	11	-	11
			11,951	1,314	13,265	1,947	433	2,380
FRS 102 34.37 (e), SORP 3.7.1	Benefits paid or payable	7	1,031	67	1,098	790	-	790
FRS 102 34.37 (k)	Payments to and on account of leavers	8	23	-	23	13	-	13
SORP 3.5.3	Transfers out to other schemes	9	15	32	47	457	-	457
FRS 102 34.37 (g)	Other payments	10	79	-	79	86	-	86
FRS 102 34.37 (f)	Administrative expenses	11	180	-	180	198	-	198
			1,328	99	1,427	1,544	-	1,544
SORP 3.7.2	Net additions from dealings with members		10,623	1,215	11,838	403	433	836
	Net returns on investments							
FRS 102 34.37 (c)	Investment income	12	1,428	-	1,428	1,194	-	1,194
FRS 102 34.37 (i)	Change in market value of investments	13	2,641	283	2,924	(6,072)	(135)	(6,207)
	Investment management expenses	15	(56)	2	(54)	(47)	2	(45)
FRS 102 34.37 (h)	Taxes on investment income	16	(27)	-	(27)	(34)	-	(34)
SORP 3.7.2			3,986	285	4,271	(4,959)	(133)	(5,092)
SORP 3.7.2	Net increase/(decrease) in the fund		14,609	1,500	16,109	(4,556)	300	(4,256)
	Opening net assets available for benefits		24,853	695	25,548	29,409	395	29,804
SORP 3.27.4	Transfers between sections	17	29	(29)	-	-	-	-
	Closing net assets available for benefits		39,491	2,166	41,657	24,853	695	25,548

DV

The notes on pages 21 to 48 form part of these financial statements.

Schemes which are entirely DB or DC will only need two columns of figures: current and comparative. Schemes which have both DB and DC sections must distinguish between DB and DC elements where material (FRS 102 34.34/SORP 3.27.2).

The SORP requires presentation of comparatives in the notes when it is **impractical** in the primary statements. The preferred approach is to present six columns in the primary statements **and** the notes, so users are presented with comparatives (in the true sense) when reading the financial statements.

Most schemes should be able to accommodate six-columns of figures provided that figures are presented with a suitable degree of rounding (e.g. £'000 or to nearest £0.1m depending on the size of the scheme). Alternatively, landscape presentation in the primary statements could be considered.

Further items in relation to Scheme transactions must be included on the face of the Fund account if considered to be significant (both quantitatively and qualitatively) to the Scheme's affairs.

Statement of net assets (available for benefits)

As at 31 December 20X9

All amounts in tables are in £ thousands unless otherwise stated

SORP 3.5.1,2

SORP 3.9.2,3

	Note	20X9		Total	20X8		Total
		DB	DC		DB	DC	
Investment assets	13						
Equities	13	11,067	-	11,067	9,122	-	9,122
Bonds	13	10,436	-	10,436	8,422	-	8,422
Property	18	1,010	-	1,010	995	-	995
Pooled investment vehicles	19	6,049	2,146	8,195	4,773	680	5,453
Derivatives	21	450	-	450	397	-	397
Insurance policies	22	69	-	69	50	-	50
Other investments	23	9,300	-	9,300	-	-	-
AVC investments	24	65	-	65	49	-	49
Amounts receivable under reverse repurchase agreements	25	124	-	124	-	-	-
Cash	26	92	-	92	17	-	17
Other investment balances	26	977	-	977	1,025	-	1,025
		39,639	2,146	41,785	24,850	680	25,530
Investment liabilities	13						
Derivatives	21	(240)	-	(240)	(235)	-	(235)
Amounts payable under repurchase agreements	25	(257)	-	(257)	-	-	-
Other investment balances	26	(261)	-	(261)	(254)	-	(254)
		(758)	-	(758)	(489)	-	(489)
Total net investments	13	38,881	2,146	41,027	24,361	680	25,041
Current assets	33	871	20	891	727	15	742
Current liabilities	34	(261)	-	(261)	(235)	-	(235)
Net current assets		610	20	630	492	15	507
Net assets available for benefits		39,491	2,166	41,657	24,853	695	25,548

SORP 3.34.8, 9 The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 7 and 8 of the Trustees' Report and these financial statements should be read in conjunction with this report.

The final sentence is not needed for schemes which are DC only

DV The notes of pages 21 to 48 form part of these financial statements.

SORP 3.39.1 The financial statements on pages 17 to 48 were approved by the Trustees and signed on their behalf by:

For a United Kingdom scheme the SORP allows sign-off by at least one trustee or trustee director. Two signatures are required for Republic of Ireland schemes.

JD Bailey

ET Brown

Date:

SORP 3.9.3 Further items in relation to Scheme assets and liabilities must be included on the face of the Statement of net assets if considered to be significant (both quantitatively and qualitatively) to the Scheme's affairs.

Notes to the financial statements

For the year ended 31 December 20X9

All amounts in tables are in £ thousands unless otherwise stated

The order in which notes are presented should follow FRS 102 8.5 (i.e. statement of compliance with FRS 102, summary of significant accounting policies, information about line items on the face of the financial statements in the order in which they appear, then any other disclosures).

FRS 102: 3.24

1. Identification of the financial statements

SORP 3.38.1,3

Typipens Pension Scheme (the 'Scheme') is established as a trust under English law. The address for enquiries to the Scheme is:

NH Evans, Pensions manager, Typipens Pension Scheme, 82 Capital Road, London EC1V 1TP

Prior to 1 July 20X8 it was known as the Typipens Group Retirement Benefits and Life Assurance Scheme.

Any change of name since the end of the previous reporting period should be noted here (FRS 102 3.23(a)) and not repeated in every reference to the scheme name such as in page headings.

SORP 3.8.36

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004 This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme has two sections a defined benefit (DB) section and a defined contribution (DC) section. Both sections are open to new members and to future accrual.

AAR 3A(6)FRS 102: 3.3

2. Basis of preparation

SORP 3.6.25, 3.6.26(a)

**SORP 3.23.5
SORP 3.6.30**

The individual financial statements of Typipens Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK 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 June 2018) ('the SORP').

**FRS 102:1.18,
SORP 3.2.1**

In June 20X8, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2009. The Trustees have adopted the revised SORP the first time in these financial statements. The adoption of the revised SORP has had no material impact on these financial statements. However, it has required certain additions to or amendments of disclosures in the financial statements.

If the adoption of the revised SORP has had a material impact on the financial statements, the qualitative and quantitative nature of the impact should be disclosed and the wording above amended appropriately

SORP 3.6.26(b)	3. Summary of significant accounting policies
FRS 102:8.5 and 10.7	<p>The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.</p> <p>(a) Treatment of subsidiary undertakings</p> <p>This section is only relevant for schemes with subsidiary undertakings (including controlled pooled investment vehicles). If the Scheme elects to prepare consolidated financial statements, the heading should be changed to 'Basis of consolidation' and the policies amended to reflect the guidance in SORP 3.23. Subsidiaries (including any sole-investor pooled investment vehicles or qualifying investment funds) which are held as part of an investment portfolio are not permitted to be consolidated under FRS 102.</p>
SORP 3.23.5	In accordance with FRS 102, the Trustees are not required to prepare consolidated financial statements and have chosen not to do so.
SORP 3.23.4, 5	Subsidiary undertakings are included at fair value within investment assets, and a summary of the undertakings' net assets is provided as a note to the financial statements.
	(b) Currency
SORP 3.28.1 FRS 102.30.2	The Scheme's functional currency and presentational currency is pounds sterling (GBP).
SORP 3.28.2	The SORP recommends that pension schemes determine their functional currency by reference to the currency used in its dealings with members.
FRS 102.30.9, 7 SORP 3.28.3, 4	Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.
SORP 3.28.6	Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.
	(c) Contributions
SORP 3.8.1, 2, 4, 6	<p>Normal and additional voluntary contributions (except for single premium additional voluntary contributions), both from employees and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of employee contributions this is when deducted from pay.</p> <p>However, contributions in respect of employees in the first 30 days following auto-enrolment are accounted for when their right to opt-out has expired, unless remitted to the Scheme earlier. All contributions payable under salary sacrifice arrangements are classified as employer contributions.</p> <p>Single premium additional voluntary contributions are accounted for when paid.</p>
SORP 3.8.7	Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.
SORP 3.8.8, 9, 10, 11	Employers' deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the employer and the Trustees.
SORP 3.8.12, 13	Employers' contributions in respect of Section 75 debts are accounted for when paid or when determined by the actuary whichever is the earlier. Debts are recognised in full with provisions for recoverability and the time value of money.

SORP 3.8.14	Other contributions made by the employer to reimburse costs and levies payable by the Trustees are accounted for on the same basis as the corresponding expense. All 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.
SORP 3.8.10	Where contributions are paid other than in cash, the assets received are accounted for at fair value on the date of receipt or date of entitlement if earlier.
(d) Transfers from and to other schemes	
SORP 3.8.25-30	Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the trustees of the receiving scheme accept the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made.
(e) Benefits and payments to and on account of leavers	
SORP 3.8.19	Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements, are accounted for in the period to which they relate.
SORP 3.8.19, 21	Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.
SORP 3.8.21	Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Trustees are notified of the member's decision to leave the Scheme.
SORP 3.8.24	Where the Trustees agree or are required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.
(f) Administrative and other expenses	
SORP 3.8.31	Administrative expenses and premiums on term insurance policies are accounted for on an accruals basis.
(g) Investment income and expenditure	
SORP 3.8.32	Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.
SORP 3.14.2, 3.8.34	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.
SORP 3.8.34	Rental income is accounted for as earned under the terms of the lease.
SORP 3.7.2	Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income on a cash basis
SORP 3.8.34	Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns.
SORP 3.8.34	Income arising from annuity policies is included in investment income on an accruals basis.

SORP allows alternative treatments: Receipts from annuity contracts may also be reported as sales proceeds within the investment reconciliation table or apportioned between income and sales proceeds.

SORP 3.7.2	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 and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.
SORP 3.8.34	
SORP 3.8.45,46	Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.
SORP 3.8.31	Investment management expenses are accounted for on an accruals basis and shown separately within investment returns.
(h) Valuation and classification of investments	
FRS 102.28.15(b)	Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.
SORP 3.12.1	
SORP 3.12, 13	Where quoted or other unit prices are not available, the Trustees adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.
SORP 3.12	<p>The methods of determining fair value for the principal classes of investments are:</p> <ul style="list-style-type: none"> • Equities, bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price. • Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end. • The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustees. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.
SORP 3.12.32-35	<ul style="list-style-type: none"> • Properties are valued annually by independent valuers who have recent experience of the locations and types of properties held by the Scheme, taking account, amongst other things, of the current estimate of rental values and market yields.
SORP 3.10.6	<ul style="list-style-type: none"> • Exchange traded futures are valued at the difference between exchange settlement prices and inception prices. • Swaps are valued at the net present value of future cash flows arising therefrom. • Over the counter options are valued by the investment manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year end date. • Forward exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
SORP 3.12.170-214	<ul style="list-style-type: none"> • Annuity (insurance) policies are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme funding valuation assumptions updated for market conditions at the reporting date.

SORP 3.12.181 allows for different bases to be adopted.

- SORP 3.12.23**
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

There does not need to be a specific policy for AVC investments if they are of a type covered by an existing policy.

- Unitised insurance policies are valued on the same basis as pooled investment vehicles with similar characteristics.

- SORP 3.12.25-31**
- Investments in partnership arrangements which are designed to produce cash flows which may vary with future events are included at the present value of expected cash flows determined using a Monte Carlo simulation of a range of possible outcomes.

SORP 3.12.12 Accrued interest is excluded from the market value of bonds but is included in investment income receivable.

(i) Other investments arrangements

SORP 3.19, 3.20 The Scheme continues to recognise assets delivered out under repurchase contracts and stock-lending arrangements to reflect its ongoing interest in those securities. Cash received from repurchase contracts is recognised as an investment asset, and an investment liability is recognised for the value of the repurchase obligation. Collateral received in respect of stock-lending arrangements is disclosed but not recognised as a Scheme 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.

FRS102 8.6 and 8.7 **(j) 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.

- Critical judgements in applying the accounting policies

Control of Typipens ABC Limited Partnership

Assessing whether the Scheme controls Typipens ABC LP requires judgement. The Trustees have taken advice that the investment in the limited partnership is structured in such a way that the Trustees do not control Typipens ABC LP. The agreement does not permit the Trustees to set the annual budget and financial plan, appoint and remove senior executives or set operating procedures and responsibilities. As such, the partnership interest has been included in these financial statements as a financial asset and has not been consolidated.

For most schemes there will be very few, if any, critical accounting judgements made in applying the accounting policies. However, where any judgements included in the other accounting policies and Notes to the financial statements are considered to be critical or require additional prominence, trustees may wish to consider including in a separate note to bring them to the attention of the readers of the financial statements.

- Key accounting estimates and assumptions

The Trustees make estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustees believe 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 within (h) and (i) above and within notes 18, 23, 29 and 30.

For schemes that hold only straightforward investments there may not be any estimates that have a significant risk of causing a material adjustment to the asset and liability values, in which case the above disclosure may not be relevant.

4. Contributions

SORP 3.7.2		20X9			20X8		
		DB	DC	Total	DB	DC	Total
	Employer contributions						
SORP 3.8.4	Normal	1,737	400	2,137	1,351	240	1,591
SORP 3.8.5, 8	Deficit funding	200	-	200	200	-	200
SORP 3.8.7	Augmentation	95	-	95	-	-	-
SORP 3.8.12, 13	Section 75 debt	5	-	5	-	-	-
	Other – funding for investment in Typipens ABC LP	9,000	-	9,000	-	-	-
SORP 3.8.14	Other – administrative expenses	180	-	180	-	-	-
		11,217	400	11,617	1,551	240	1,791
	Employee contributions						
SORP 3.8.1	Normal	582	200	782	360	136	496
SORP 3.8.1	Additional voluntary contributions	20	-	20	25	-	25
		602	200	802	385	136	521
	Total	11,819	600	12,419	1,936	376	2,312

SORP 3.8.14 Other categories of contributions may be added. Terms used should be consistent with other references to contributions in other parts of the annual report, such as the summary of contributions.

SORP 3.8.6 Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

SORP 3.8.8
SORP 3.8.5, 11 Deficit funding contributions of £200,000 per annum are being paid by the Employer to the DB section of the Scheme for a period of five years in accordance with the recovery plan dated 24 March 20X8 in order to improve the Scheme's funding position. In addition, employer normal contributions include approximately £500,000 (20X8: £400,000) in relation to deficit funding as this makes up 5% of the average 16% employer contribution rate.

SORP 3.8.8 The information should reflect the latest schedule of contributions if this has been revised after the year end.
Where deficit contributions are accounted for in advance of the due dates this should be explained in the notes to the financial statements.

DV

If the Scheme has multiple employers paying different levels of deficit contributions, or an irregular pattern of future payments, information about future deficit contributions may be better presented as a table showing amounts falling due in various future periods (e.g. within 1 year, 1-2 years, 2-5 years, 5-10 years, more than 10 years).

SORP 3.8.10

In addition, the Employer is committed to pay additional deficit funding contributions if a sale of Typico.com Limited is achieved before 31 December 20X22. In the event of such a sale, the Scheme will receive 25% of the sale proceeds subject to a maximum of the Scheme's deficit on a scheme specific funding basis at 31 December prior to the sale.

SORP 3.8.12,
13

A participating employer Typico Contracts Limited withdrew from the Scheme on 1 September 20X9. The section 75 debt was determined by the Scheme actuary at £5,000. This debt was settled in cash by the employer during the year.

SORP 3.8.15

Other contributions – funding for investment in Typipens ABC LP comprise £9 million to fund the purchase of the partnership interest in Typipens ABC LP (see note 23).

Other administrative expenses are paid by the employer to meet the costs of Scheme administration and the Pension Protection Fund and other levies.

Augmentation contributions comprise a series of single payments to augment the benefits of individual members.

5. Transfers in

SORP 3.7.2

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Group transfers in from other schemes	70	-	70	-	-	-
Individual transfers in from other schemes	44	714	758	-	57	57
	114	714	828	-	57	57

SORP 3.8.29

The group transfer in was in respect of the inclusion of Typico.com Limited which became a participating employer during the year. The transfer was settled by a stock transfer of £65,000 equities and cash of £5,000.

6. Other income

SORP 3.7.2

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Claims on term insurance policies	18	-	18	11	-	11

7. Benefits paid or payable

SORP 3.7.2		20X9			20X8		
		DB	DC	Total	DB	DC	Total
SORP 3.8.4	Pensions	690	-	690	640	-	640
	Commutation of pensions and lump sum retirement benefits	291	30	321	55	-	55
SORP 3.24.6	Purchase of annuities on retirement	-	25	25	24	-	24
	Lump sum death benefits	10	-	10	71	-	71
SORP 3.8.22	Benefits taken under income drawdown arrangements	-	12	12	-	-	-
SORP 3.8.43	Taxation where lifetime or annual allowance exceeded	40	-	40	-	-	-
		1,031	67	1,098	790	-	790

8. Payments to and on account of leavers

SORP 3.7.2		20X9			20X8		
		DB	DC	Total	DB	DC	Total
SORP 3.8.2	Refund of contributions in respect of:						
	- non-vested leavers	5	-	5	3	-	3
	- opt-outs	8	-	8	10	-	10
SORP 3.24.6	Purchase of annuities to match preserved benefits	10	-	10	-	-	-
		23	-	23	13	-	13

9. Transfers out to other schemes

SORP 3.7.2		20X9			20X8		
		DB	DC	Total	DB	DC	Total
SORP 3.8.26	Group transfer out to XYZ Retirement Plan	-	-	-	428	-	428
	Individual transfers out to other schemes	15	32	47	29	-	29
		15	32	47	457	-	457
SORP 3.8.29	The group transfer out in 20X8 related to members in the XYZ division transferred to the XYZ Retirement Plan. The transfer value was settled in cash.						

FRS 102:5.9 Additional line items and disclosures are required when such presentation is relevant to an understanding of the Scheme's financial performance. This is likely to include very large transfers out which change radically the size or nature of the Scheme.

10. Other payments

SORP 3.7.2		20X9			20X8		
		DB	DC	Total	DB	DC	Total
	Premiums on term insurance policies	79	-	79	86	-	86

11. Administrative expenses

SORP 3.7.2

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Administration and processing	90	-	90	140	-	140
PPF levy	42	-	42	22	-	22
Actuarial fees	22	-	22	5	-	5
Audit fees	15	-	15	14	-	14
Trustee fees and expenses	3	-	3	2	-	2
Legal fees	6	-	6	10	-	10
Other professional fees	2	-	2	5	-	5
	180	-	180	198	-	198

SORP 3.32.14
FRS 102 33.7

SORP 3.8.31

The SORP requires that administrative expenses be disclosed with 'suitable analysis' where material. The headings in the table above are therefore not prescriptive.

SORP 3.32, 33

The administration and management of the Scheme is provided by the Principal Employer. The direct costs of employees involved in administration and management are not recharged to the Scheme.

The Scheme bears all other costs of administration. Direct costs are charged to the section to which they relate. All indirect costs are met by the DB section based on an allocation methodology agreed by the Trustees, reflecting the agreement with the Employer that all such costs are covered by additional contributions.

12. Investment income

SORP 3.7.2,
3.8.32

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Dividends from equities	594	-	594	501	-	501
Income from bonds	350	-	350	395	-	395
Net rents from properties	74	-	74	73	-	73
Income from pooled investment vehicles	202	-	202	169	-	169
Net receipts/(payments) from swaps	(5)	-	(5)	-	-	-
Interest on repurchase agreements – net	(2)	-	(2)	-	-	-
Annuity income	3	-	3	-	-	-
Income from other investments	135	-	135	-	-	-
Interest on cash deposits	40	-	40	30	-	30
Stock lending commission	9	-	9	4	-	4
Other investment income	28	-	28	22	-	22
	1,428	-	1,428	1,194	-	22

SORP 3.7.2

Net rents from properties is stated after deducting £11,000 (20X8: £10,000) of property related expenses.

AAR 3A(5)
SORP 3.14.1

13. Reconciliation of net investments

	Opening value	Purchases and derivative payments	Sales proceeds and derivative receipts	Change in market value	Closing value
Defined benefit section					
Equities	9,122	6,212	(5,120)	853	11,067
Bonds	8,422	5,065	(4,005)	954	10,436
Property	995	400	(450)	65	1,010
Pooled investment vehicles	4,773	2,356	(1,301)	221	6,049
Derivatives – net	162	276	(453)	225	210
Insurance policies	50	-	-	19	69
Other investments	-	9,000	-	300	9,300
AVC investments	49	20	(8)	4	65
	23,573	23,329	(11,337)	2,641	38,206
Cash	17				92
Amounts receivable under reverse repurchase agreements	-				124
Amounts payable under repurchase agreements	-				(257)
Other investment balances – net	771				716
Total DB net investments	24,361				38,881
Defined contribution section					
Pooled investment vehicles	680	1,218	(35)	283	2,146

SORP 3.14.1,

Comparative figures for purchases and sales figures are not required.

SORP 3.14.1

Headings 'and derivative payments/receipts' can be removed if the Scheme has had no derivatives during the period covered by the reconciliation. The table should be analysed by the asset classes shown on the face of the Statement of Net Assets as a minimum, preferably in the same order.

NB - If the movements (purchases and sales) in the table are significant, disclosure beneath the table should explain the movements and how they have arisen.

14. Investment transaction costs

SORP 3.8.45 Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in note 13. Direct transaction costs incurred are analysed as follows:

	20X9			20X8	
	Equities	Bonds	Other	Total	Total
Fees	30	6	20	56	36
Commissions	12	3	3	18	12
Taxes	14	-	9	23	29
20X9 total	56	9	32	97	
20X8 total	42	8	27	-	77

SORP 3.8.47 In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. With the exception of the direct transaction costs incurred on the sole investor fund as disclosed in note 20, it has not been possible for the Trustees to quantify such indirect transaction costs.

15. Investment management expenses

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Administration, management and custody	53	(2)	51	43	(2)	41
Performance measurement	2	-	2	2	-	2
Other advisory fees	1	-	1	2	-	2
	56	(2)	54	47	(2)	45

SORP 3.7.2 The SORP requires investment management expenses to be analysed with 'suitable analysis' where material. The headings in the table above are therefore not prescriptive.

The negative value for investment management charges for the DC section reflects a rebate to the Scheme of charges levied by investment managers.

16. Taxes on investment income

SORP 3.7.2 The taxation charge within investment returns represents irrecoverable withholding tax arising on certain classes of investment income.

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17. Transfers between sections

SORP 3.25.3,
3.27.4

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Self-annuitisation	29	(29)	-	-	-	-

SORP 3.25.3

Self-annuitisation is a transfer from the DC section to the DB section when a DC member retiring elects to take a pension from the Scheme at conversion rates set annually by the Trustees, rather than requesting an annuity under the open market option. This approach is also used for spouses' pensions arising from DC deaths-in-service.

Another common reason for transfers between schemes is employer share of refunds. When a member entitled to a short service refund leaves, his DC funds are disinvested and an amount equivalent to employee contributions only is refunded. The balance could be transferred to the DB section for general use by the trustees, although in this example, such contributions are retained in the DC section.

18. Property

SORP 3.10.4-5

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
UK freehold property	720	-	720	625	-	625
Overseas long leasehold property	290	-	290	370	-	370
	1,010	-	1,010	995	-	995

FRS 102.16.10
(c), (d)

SORP 3.10.4

The Scheme holds a number of warehouse units in prime locations. There are no legal restrictions on the realisability of these properties or on remittance of income or disposal proceeds, although the Trustees recognise that 3-6 months would be necessary to achieve a disposal on favourable terms. One property is currently vacant and is being prepared for sale. In each other property the tenant is responsible for repairs and maintenance and has provided a bond to cover dilapidations at the end of the lease.

FRS 102.16.10
(a), (b)

SORP 3.10.5

The properties are stated at open market value determined by S Veyor, FRICS of Valuer & Co, a member firm of the Royal Institution of Chartered Surveyors, which is independent of the Trustees and of the Employer. Valuations were performed as at 31 December each year in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards UK PS 1.1 'Valuation for Financial Statements'. The principal assumptions on which the valuations were based were rental income from current tenants, the remaining term of current leases and market rents by area for the locations in which the properties were based.

SORP 3.28.7

Included within change in market value for properties is a gain of £25,000 (20X8: loss of £18,000) relating to retranslation of overseas properties where the value is determined in a local currency.

Foreign exchange gains and losses arising on investment property need to be disclosed separately (unlike FX gains and losses on financial instruments which are included in CIMV and not reported separately).

SORP 3.23.4

Investments in property are held through subsidiary undertakings which have not been consolidated in accordance with the Scheme's accounting policies. These undertakings have no other material assets or liabilities other than the properties included above.

19. Pooled investment vehicles

SORP 3.10.8,
3.11.2

	20X9			20X8		
By type	DB	DC	Total	DB	DC	Total
Equities	2,687	22	2,709	2,875	10	2,885
Bonds	1,698	-	1,698	1,311	-	1,311
Diversified growth	509	2,077	2,586	-	602	602
Fund of hedge funds	380	-	380	325	-	325
Private equity	305	-	305	202	-	202
Property	34	-	34	60	-	60
LDI	436	-	436	-	-	-
Cash	-	47	47	-	68	68
	6,049	2,146	8,195	4,773	680	5,453

SORP 3.21.3

20. Sole investor fund

The Scheme invests in the Shredders ABC Fund of which it is the sole investor. This is shown within the Bond pooled investment balance shown in note 19 and a breakdown of the underlying investment classes held within the fund has been included below.

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Bonds	998	-	998	879	-	879
Liquidity funds	379	-	379	337	-	337
Derivatives – net	(311)	-	(311)	(226)	-	(226)
Repurchase agreements – net	(34)	-	(34)	(15)	-	(15)
Cash	21	-	21	18	-	18
	1,053	-	1,053	993	-	993

Direct transaction costs have been incurred on the sole investor arrangement of £24,000 (20X8: £19,000).

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21. Derivatives

DB section only	20X9			20X8		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Exchange traded						
Futures	58	(68)	(10)	158	(65)	93
Over-the-counter contracts						
Forward foreign currency	42	(25)	17	40	(50)	(10)
Swaps	223	(125)	98	98	(50)	48
Options	127	(22)	105	101	(70)	31
	450	(240)	210	397	(235)	162

SORP 3.10.6

Objectives and policies for holding derivatives

The Trustees have authorised the use of derivative financial instruments by their investment managers as part of their investment strategy as follows:

- Futures: Where cash is held for short-term liquidity, the Trustees have entered into index-based contracts of equivalent economic value to avoid being 'out-of-the-market'.
- Forward foreign currency: The Trustees invest in overseas markets and assets denominated in foreign currency in order to construct a suitably diversified investment portfolio. Bearing in mind the Trustees' obligation to settle benefits in sterling, the Trustees have agreed a maximum net exposure to foreign currencies of 15% of net DB investments and have entered into forward foreign currency contracts to achieve this.
- Swaps: The Trustees aim to match the liability-driven element of the investment portfolio with the Scheme's long term liabilities, particularly in relation to the sensitivities to interest rate movements. Due to the lack of available long-dated bonds the Trustees hold interest-rate and inflation swaps to extend the duration and match more closely with the Scheme's liability profile.
- Options: Equity option contracts have been entered into in order to allow the Scheme to benefit from potentially greater returns from equities whilst minimising the risk of loss through adverse market movements.

FRS 102 3.14

Outstanding derivative financial instruments at the year end are summarised as follows:

It is not necessary to give detailed contract information for prior year end unless it is relevant to an understanding of the current period's financial statements.

Futures

Type	Expires within	Nominal value	Fair value	
			Asset	Liability
UK FTSE equity	1 month	1,000	58	-
UK <10 year gilt	6 months	2,500	-	(68)
			58	(68)

Included within cash balances is a liability of £8,000 (20X8: asset of £91,000) in respect of initial and variation margins arising on open futures contracts at the year end.

Forward foreign currency

Type	Expires within	Nominal value	Fair value	
			Asset	Liability
Sell USD for GBP (4 contracts)	1 month	1,000	42	-
Sell EUR for GBP (3 contracts)	3 months	800	-	(12)
Others (6 contracts)	6 months	1,200	-	(13)
			42	(25)

The nominal value represents the sterling value of the foreign currency amount of the contract translated at the year end spot rate.

Swaps

Type	Expires within	Notional principal	Fair value	
			Asset	Liability
Interest rate swaps				
Pay fixed for variable (6 month LIBOR)	10-20 years	2,600	218	-
Pay variable (12 month LIBOR) for fixed	20-30 years	290	5	-
			223	-
Inflation swaps: Pay fixed for RPI	10-20 years	1,750	-	(125)
			223	(125)

SORP 3.15.15

The notional principal of the swap is the amount used to determine the swapped receipts and payments. Collateral of £101,000 (20X8: £52,000) is held for the unrealised gain on swaps, comprising bonds and cash. This is held in an allocated account with the counterparties' custodians and is not included within Scheme assets.

If the balances are material, disclose also the principal assumptions adopted in applying valuation techniques.

Options

Type	Expires within	Notional principal	Fair value	
			Asset	Liability
Purchased call – UK equities	1 month	420	127	-
Purchased call – European equities	3 months	175	-	(22)
			127	(22)

SORP 3.15.15

The notional principal represents the value of the underlying stock protected by the option contracts. Collateral of £104,000 (20X8: £34,000) is held for the unrealised gain on options, comprising bonds and cash. This is held in an allocated account with the counterparties' custodians and is not included within Scheme assets.

If the balances are material, disclose also the principal assumptions adopted in applying valuation techniques.

SORP 3.21

22. Insurance policies

The Trustees hold insurance policies with XYZ Insurance plc and other companies which provide annuity income (note 12) to cover pensions for certain members.

AAR 3A.2

If the value of insurance policies is more than 5% of net assets, disclose also all of the principal assumptions adopted in applying valuation techniques.

Buy-in policies would also be disclosed within this note and the same disclosure principles would apply.

**SORP 3.9.2,
3.10.8**

SPVs 3.11.7

23. Other investments

On 1 July 20X9 the Trustees agreed to invest in Typipens ABC LP, a Scottish limited partnership in which the other partners are companies in the Typico group. The partnership holds a bond issued by Typico Inc with a face value of £10 million which is secured on the trade receivables of this company. The bond agreement requires a minimum of 4 times the bond value of trade receivables less than 60 days to be charged under the security arrangement, and at 31 December 20X9 the collateral amounted to 6.8 times the bond value. The bond pays interest at a coupon rate of 3% pa subject to an annual inflation adjustment each July based on the Retail Prices index for the previous December. The bond is due for redemption in 20X29, twenty years after issue. The Scheme received an additional contribution (note 4) from the employer of £9 million to enable this investment to take place.

The purchase cost of the partnership interest was £9 million. This entitles the Scheme to receive 90% of the interest received by the partnership for the term of the bond. At the end of the bond term, the partnership will be dissolved, and the Scheme will receive a final distribution of any Scheme deficit, calculated on a scheme funding basis by the Scheme Actuary, subject to a maximum of £10 million at that time.

**SORP 3.12.26-
29**

The Trustees commissioned Smith & Jones LLP to perform a valuation for financial statements purposes of the partnership interest at inception and at each year end. The valuation is based on the net present value of the coupon receipts, discounted as for bonds of similar standing, and uses a stochastic model to estimate the likely final receipt by modelling probabilities of different deficits in twenty years' time using Scheme funding assumptions, discounted on the same basis as the coupon receipts. Smith & Jones concluded that on inception, the fair value of the Scheme's partnership interest was equivalent to its purchase cost. At 31 December 20X9, the fair value was reassessed as £9.3 million, of which approximately 70% is attributable to the coupon receipts and 30% to the final distribution.

SORP 3.12.31

The Trustees have taken advice that the investment is structured in such a way that it does not constitute an employer-related investment. However, the involvement of Typico group companies in the partnership results in this investment being classed as a related party. In the event of an insolvency of Typico Inc or any of the Scheme's employers, or other default events specified in the partnership agreement, the Scheme is entitled to receive the full value of the bond. The Trustees have a legal right to dispose of the partnership interest, but it is noted that there is unlikely to be a third party purchaser in view of the employer's ability to affect the value of the partnership interest by changing the level of Scheme funding over the life of the partnership. However, in view of the security of the cash flows over the partnership life, the Trustees consider that the partnership interest meets the definition of a financial asset under FRS 102.

SORP 3.26

24. Additional voluntary contribution (AVC) investments

SORP 3.26.4

The Scheme made AVC arrangements whereby individuals in the DB section were able to pay additional contributions which were invested in with-profits policies on a defined contribution basis. This arrangement was withdrawn in 20X4 but individuals contributing at the time were allowed to continue contributing until they left employment in the Typico group.

SORP 3.26.5

Members of the DC section are allowed to pay contributions at a higher rate than required in the Scheme rules. These contributions are co-invested with other DC assets and are not separately distinguishable.

AVC assets shown in the financial statements relate solely to the DB AVC arrangements.

	20X9	20X8
Countryside Building Society (principally cash)	23	19
Provincial Assurance Limited (with profits insurance policy)	42	30
	65	49

SORP 3.19**25. Repurchase and reverse repurchase agreements**

	20X9	20X8
Amounts receivable under reverse repurchase agreements	124	-
Amounts payable under repurchase agreements	(257)	-
	(133)	-

SORP 3.10.8

Bonds with a fair value of £265,000 have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (20X8: nil). There are 8 (20X8: none) repurchase agreements, with maturity dates between January and June 20X10.

Bonds with a fair value of £130,000 received as collateral in respect of reverse repurchase agreements is not recognised in the financial statements (20X8: nil). Cash delivered to the counterparties is recognised as amounts receivable in the table above. There are 4 (20X8: none) reverse repurchase agreements, with maturity dates between March and May 20X10.

SORP 3.9.2**26. Cash and other net investment balances**

By type	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Cash – sterling	85	-	85	17	-	17
Cash – foreign currency	7	-	7	-	-	-
	92	-	92	17	-	17
Amounts due from brokers	887	-	887	958	-	958
Accrued investment income	90	-	90	67	-	67
	977	-	977	1,025	-	1,025
Amounts due to brokers	(261)	-	(261)	(254)	-	(254)
	(261)	-	(261)	(254)	-	(254)
	808	-	808	788	-	788

SORP 3.20**27. Stock lending****SORP 3.20.2**

The stock lending programme lends certain equity and bond investments to approved borrowers. At the year end the fair value of quoted equities and bonds on loan were £235,000 (20X8: £179,000) and £67,000 (20X8: £65,000) respectively, in exchange for which the custodian held collateral worth £320,000 (20X8: £250,000). The collateral consists of eligible securities and letters of credit.

SORP 3.20.1

If stock lending has been authorised, this fact should be disclosed even if no activity has taken place in the last year.

SORP 3.25**28. Defined contribution assets**

Defined contribution section investments held by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustees. The Scheme administrator allocates investment units to members. The Trustees may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

Defined contribution investment assets are allocated to members by the administrator, designated to members by DeeCee Solutions, and not allocated or designated to members (and therefore available to the Trustees to apply as specified in the Scheme rules), as follows:

SORP 3.25.2

	20X9	20X8
Allocated to members	2,123	660
Designated to members	9	8
Not allocated or designated to members	14	12
	2,146	680

Defined contribution assets (including those allocated to the Trustees in the table above) are not part of a common pool of assets available to meet defined benefit liabilities.

The SORP defines DC assets as 'allocated to members', 'designated to members' or 'not designated or allocated to members'.

'Allocated' assets are held on a pooled basis by the investment manager and the administrator keeps records of the allocation of investments to member's, whereas 'Designated' assets are held by the investment manager solely for the benefit of the named members.

Preparers of financial statements should ensure that they are aware of how DC assets are being held so that such assets can be identified correctly within the financial statements.

SORP 3.13.1**29. Fair value hierarchy**

The fair value of investments has been determined using the following hierarchy:

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

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 in its entirety.

The Scheme's investment assets and liabilities have been included at fair value within these categories as follows:

Fair value

	20X9			
	Level 1	Level 2	Level 3	Total
Defined benefit section				
Investment assets				
Equities	10,765	-	302	11,067
Bonds	6,122	4,314	-	10,436
Property	-	-	1,010	1,010
Pooled investment vehicles	12	5,514	523	6,049
Derivatives – net	(10)	98	122	210
Insurance policies	-	-	69	69
Other investments	-	-	9,300	9,300
AVC investments	-	23	42	65
Cash	92	-	-	92
Repurchase and reverse repurchase agreements – net	-	(133)	-	(133)
Other investment balances – net	716	-	-	716
	17,697	9,816	11,368	38,881
Defined contribution section				
Investment assets				
Pooled investment vehicles		2,146		2,146
Total investments	17,697	11,962	11,368	41,027

Fair value

	20X8			
	Level 1	Level 2	Level 3	Total
Defined benefit section				
Investment assets				
Equities	8,956	-	166	9,122
Bonds	5,675	2,747	-	8,422
Property	-	-	995	995
Pooled investment vehicles	40	4073	660	4,773
Derivatives – net	93	48	21	162
Insurance policies	-	-	50	50
Other investments	-	-	-	-
AVC investments	-	19	30	49
Cash	17	-	-	17
Repurchase and reverse repurchase agreements – net	-	-	-	-
Other investment balances – net	771	-	-	771
	15,552	6,887	1,922	24,361
Defined contribution section				
Investment assets				
Pooled investment vehicles		680		680
Total investments	15,552	7,567	1,922	25,041

SORP 3.13.23	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.
SORP 3.13.23	<p>It is generally sufficient to refer to the accepted valuation methodologies and use of market information to satisfy the requirement to disclose the assumptions applied in determining fair value. For example, for private equity investments referring to the International Venture Capital Association's guidelines would be sufficient.</p> <p>For other investments, such as SPVs, where the assumptions may be Scheme specific, additional disclosure of assumptions (e.g. discount rate, illiquidity of the investment, assumptions relating to future cash flows etc.) and valuation methods should be included.</p> <p>Further, where Level 3 assets are significant (both quantitatively and qualitatively) to the financial statements, a sensitivity analysis of the key assumptions should be disclosed.</p>
SORP 3.13.5 & 3.13.8	These paragraphs provide very specific information relating to Bond asset levelling and any additional disclosure that may be required if The Debt Management Office – Gilt Edged Market Makers Association (GEMMA) prices are used when market quotes are available.
SORP 3.15,3.16	<p>30. Investment risks</p> <p>Types of risk relating to investments</p> <p>FRS 102 requires the disclosure of information in relation to certain investment risks.</p> <p>Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</p> <p>Market risk: this comprises currency risk, interest rate risk and other price risk.</p> <ul style="list-style-type: none"> • Currency risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. • Interest rate risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. • Other price risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. <p>The Trustees determine their investment strategy after taking advice from a professional investment advisor. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.</p>
SORP 3.15.7	The following table summarises the extent to which the various classes of investments are affected by financial risks:

SORP 3.21.4
(sole investor
funds)

	Credit risk	Market risk			20X9 Value	20X8 Value
		Currency	Interest rate	Other price		
Defined benefit section						
Equities					11,067	9,122
Bonds					10,436	8,422
Property					1,010	995
Pooled investment vehicles (other than sole investor funds)						
Direct						
Indirect					4,996	3,780
Derivatives – net					210	162
Insurance policies					69	50
Other investments					9,300	-
AVC investments					65	49
Cash deposits and other net investment assets					808	788
Repurchase and reverse repurchase agreements					(133)	-
Assets held by sole investor fund:						
Bonds					998	879
Liquidity fund					379	337
Derivatives - net					(311)	(226)
Repurchase agreements					(34)	(15)
Cash					21	18
Total DB section investments					38,881	24,361
Defined contribution section						
Pooled investment vehicles					2,146	680

In the above table, the risk noted affects the asset class

- Significantly,
- ◐ Partially
- Hardly/not at all.

This is a PwC suggested format. Preparers are at liberty to adopt different formats, so long as the overall objectives of FRS 102 in respect of financial instrument risk disclosures are achieved.

Further information on the Trustees' overall approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Defined benefit (DB) section

SORP 3.15.8

Investment strategy

The investment overall objective of the defined benefit section (DB Section) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the trust deed and rules as they fall due.

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

The current strategy is to hold:

- 40% in return seeking investments comprising UK and overseas equities, equities futures, investment property, hedge funds and private equity.
- 60% in investments that move in line with the long term liabilities of the Scheme. This is referred to as LDI and comprises UK and overseas government and corporate bonds, interest rate swaps and repurchase agreements, the purpose of which is to hedge against the impact interest rate movement on long term liabilities.
- no more than 15% of the above in overseas currencies. To achieve this, the Trustees have put in place a currency hedging strategy using forward foreign exchange rates.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, over-the-counter ('OTC') derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

DB investments exposed to credit risk	20X9	20X8
Bonds	10,436	8,422
Property let to tenants	880	800
Pooled investment vehicles		
Funds (direct and indirect risk)	645	318
Funds (direct risk only)	5,404	4,455
Derivatives – assets	450	397
Derivatives – liabilities	(240)	(235)
Insurance policies	69	50
Other investments	9,300	-
AVC investments	65	49
Repurchase and reverse repurchase agreements – net	(133)	-
Cash	92	17
Other net investment assets	716	771
	27,684	15,044

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or 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.

SORP 3.15.19 The Trustees consider 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.

SORP 3.15.14 Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 21). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts, but all counterparties are required to be at least investment grade.

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

The Trustees manage the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. This is summarised in note 27.

Credit risk on repurchase agreements is mitigated through collateral arrangements as disclosed in note 25.

SORP 3.16.7 Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

A summary of pooled investment vehicle by type of arrangement is as follows:

Legal nature of the pooled arrangements	20X9	20X8
Unit linked insurance contracts	199	329
Authorised unit trusts	3,337	1,576
Open ended investment companies	741	1,288
Limited liability partnerships	719	587
Sole investor authorised fund	1,053	993
	6,049	4,773

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

Credit risk also arises within other investments in respect of Typipens ABC LP which invests in an unrated bond which is ultimately secured on trade receivables of the employer's parent. Credit risk is reduced by monitoring collateral levels which, as explained in note 23, are significantly higher than the value at risk.

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

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trustees have set a benchmark limit to overseas currency exposure of 15% of the total portfolio value which is achieved through a currency hedging policy utilising forward foreign currency contracts (see note 21). The net currency exposure at the current and previous year-ends was:

				20X9	20X8
	Direct exposure	Indirect exposure	Hedging	Net exposure after hedging	Net exposure after hedging
Pounds sterling (GBP)	32,621	(3,059)	3,000	32,562	19,918
Euros (EUR)	2,128	433	(800)	1,761	1,400
US dollars (USD)	975	2,100	(1,000)	2,075	1,818
Japanese Yen (JPY)	440	-	(400)	40	42
Other currencies	1,797	526	(800)	1,523	190
Total	37,961	-	-	37,961	23,368
Unhedged foreign currency exposure				14.2%	14.8%

SORP 3.15.7 allows currency exposures to be reported gross or net of hedging arrangements. Net reporting has been used in this example (hence comparatives provided for net exposures) but a reconciliation from gross has been provided to illustrate the financial impact of the narrative comments above.

Alternatively, a currency exposure table could be presented just showing currencies other than the functional currency, in which case the totals for the 'indirect exposure' and 'hedging' columns would not be zero.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, interest rate swaps and repurchase agreements (either as segregated investments or through pooled vehicles), and cash. The Trustees have set a benchmark for total investment in bonds, interest rate swaps and repurchase agreements of 40% of the total investment portfolio, as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year-end the portfolio represented 60% of the total investment portfolio (20X8: 57%).

A table, similar to that provided for credit risk exposures on page 39, could be provided to illustrate the values subject to this type of risk.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, hedge funds, private equity and investment properties. The Scheme has set a target asset allocation of 40% of investments being held in return seeking investments. At the year-end the portfolio represented 40% of the total investment portfolio (20X8: 43%).

A table, similar to that provided for credit risk exposures on page 39, could be provided to illustrate the values subject to this type of risk.

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

**SORP 3.15.6,
10**

Defined contribution (DC) section

Investment strategy

The Trustees' overall objective of the DC section is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and the employer, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIP outlines the investment objectives and strategy for the Defined Contribution assets of the Scheme.

The investment funds offered to members are white label funds provided by XYZ Insurance Company. These are funds specifically created for this Scheme which are invested in other funds available through XYZ Insurance Company's platform but with more beneficial pricing arrangements. Four such funds are available as follows:

- Equities
- Bonds
- Diversified Growth
- Cash

The Trustees have an investment management agreement in place with Shredders Investments Limited ('Shredders') that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of Shredders, including the direct management of credit and market risks.

The Trustees monitor the underlying risks by quarterly investment reviews with Shredders.

The risks disclosed here relate to the DC Section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustees and therefore may face a different profile of risks from their individual choices compared with the Section as a whole.

Credit risk

The DC Section is subject to direct credit risk in relation to Shredders through its holding in unit linked insurance funds (which are their legal nature) provided by Shredders.

Shredders is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the creditworthiness of Shredders by reviewing published credit ratings. Shredders invests all the Scheme's funds in its own investment unit linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default by Shredders members may be entitled to limited compensation from the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members.

At the year-end the Bond, Cash and Diversified Growth funds were exposed to underlying credit risk.

The Trustees only invest in funds where the financial instruments and all counterparties are at least investment grade.

Market risk

The Scheme's DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Shredders.

Exposed to:	Currency risk	Interest rate risk	Other price risk
Fund			
Equity funds	✓	-	✓
Bond funds	✓	✓	-
Cash funds	✓	✓	-
Diversified growth funds	✓	✓	✓

SORP 3.17
AAR 3A(2)

31. Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	20X9		20X8	
	Value	%	Value	%
Defined benefit investments				
Typipens ABC LP	9,300	22.3	**	**
UK Treasury Gilt 2.5% 2026	2,190	5.3	1,742	6.8
East Parade North American Equity Fund	2,100	5.0	1,650	6.5
Defined contribution investments				
Typipens Lifestyle Growth Fund	2,077	5.0	**	**

** Not disclosed as the value was below 5% last year.

The Audited Accounts Regulations provides an exemption for UK Gilts. PwC view is that full disclosure of all 5% investments is preferable for transparency, as the list will rarely be a long list. The narrative should explain clearly if investments which exceed 5% have been omitted from this disclosure, taking advantage of the exemptions allowed by the Audited Accounts Regulations.

SORP 3.33

32. Employer-related investments

There were no direct employer-related investments at 31 December 20X9 (20X8: nil). The Trustees recognise that indirect investment in Typico Inc, the employer's parent company, is possible through holdings in pooled investment vehicles. Based on information provided by the investment managers, the Trustees estimate that, at 31 December 20X9, any indirect exposure to shares in Typico Inc was 0.3% (20X8: 0.3%) of the net assets of the Scheme.

The requirement is to disclose the percentage of the Scheme's resources invested in employer-related investments at the end of the year.

Further disclosures are required if the percentage exceeds 5% or investments are in contravention of section 40(1) of the Pensions Act 1995.

Schemes which have 'different employers' may adopt alternative disclosures which include listing the 100 largest investments by value and the percentage each represents, identifying which of these are employer-related, and providing further details if the total exceeds 5%.

Remember that late contributions at the year-end (with comparatives) normally constitute employer-related investments and therefore should be included in the above disclosures.

However, contributions due at the year end which were not overdue at the year do 'not' constitute employer-related investments, even if they were subsequently paid late.

33. Current assets

SORP 3.10.10

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Contributions due in respect of:						
Employers	180	5	185	207	4	211
Employees	60	3	63	52	2	54
Cash balances	625	12	637	464	9	473
Other debtors	6	-	6	4	-	4
	871	20	891	727	15	742

Included in DC bank balances is £10,000 (20X8: £8,000) which is not allocated to members. All other DC current assets are allocated to members.

.....

SORP 3.10.10

34. Current liabilities

	20X9			20X8		
	DB	DC	Total	DB	DC	Total
Unpaid benefits	164	-	164	117	-	117
Tax deducted from pensions	91	-	91	82	-	82
Accrued expenses	6	-	6	18	-	18
Other creditors	-	-	-	18	-	18
	261	-	261	235	-	235

SORP 3.8.19

Disclosure of significant benefits, pending a member decision, is required, with an indication of the amount (if known at the time), together with an explanation that they will be accounted for when the member decision has been received (the requirement was previously that disclosure should be made of the potential effect on the financial statements).

SORP 3.32

35. Related party transactions

Related party transactions and balances comprise:

SORP 3.32.18

Key management personnel

SORP

3.32.20(a), 21

- Contributions (note 4) and contributions receivable (note 33) including amounts in respect of 2 Trustees and pensions paid (note 7) in respect of 2 Trustees (20X8: Contributions 2, Pensions 2).

SORP 3.32.21

- In addition, pensions were paid in respect of 2 spouses of Trustees (20X8: 1) who had accrued benefits under the Scheme in their own right.

Additional disclosure may be required if contributions, pensions etc were discretionary or were made on terms not normally granted to members.

-
- SORP 3.32.20 (b)**
- Fees and expenses of £3,000 (20X8: £2,000) were paid to certain Trustees who were not in current employment of the Typico group (note 11).

Note that only a total is required, not by individual trustee.

A total must also be disclosed (with comparatives) if the amounts are paid by the employer and not recharged to the scheme, unless the amounts paid to individuals are not distinguishable from other remuneration as an employee, such as where trustee duties are performed in company time without a specific salary adjustment.

SORP 3.32.18

Employer and other related parties

- SORP 3.32.22**
- The employer provided some administrative services including the provision of the Secretary of the Trustees without recharge to the Scheme (years 20X9 and 20X8).
 - The Scheme has an interest in and has received income from Typipens ABC LP, a Scottish limited partnership where the other partners are companies in the Employer's group. See notes 12 and 23.
-

36. Contingencies and commitments

- SORP 3.35.1**
- In the opinion of the Trustees, the Scheme had no contingent liabilities at 31 December 20X9 (20X8: nil).

Note that liabilities to pay pensions after the end of the scheme year are not contingent liabilities under FRS 102 – they are actual liabilities which are specifically excluded from the financial statements. Examples of contingent liabilities could include claims against the scheme or the costs of litigation.

- SORP 3.35.2**
- At 31 December 20X9, the Scheme had undrawn commitments to fund a private equity vehicle amounting to £50,000 (20X8: £100,000).
-

SORP 3.37

37. Subsequent events

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

This is a quantitative and qualitative assessment made up to the date of approval of the financial statements.

Independent auditors' statement about contributions

The wording of the independent auditors' statement about contributions is updated from time to time and needs to reflect specific aspects of the summary of contributions and the annual report in which it is published. Wording to be used for a specific scheme will be supplied by the auditors.

Summary of contributions

For the year ended 31 December 20X9

All amounts in £ thousands unless otherwise stated

During the year ended 31 December 20X9, the contributions payable to the Scheme were as follows:

PN 15.228

	DB			DC		
	Employers	Employees	Total	Employers	Employees	Total
Contributions required by the schedule of contributions						
Normal contributions	1,737	582	2,319	400	200	600
Deficit funding	200	-	200	-	-	-
Other contributions – administrative expenses	180	-	180	-	-	-
	2,117	582	2,699	400	200	600
Other contributions						
Augmentations	95	-	95	-	-	-
Section 75 debt	5	-	5	-	-	-
Additional voluntary contributions	-	20	20	-	-	-
Other contributions – funding for investment in Typipens ABC LP	9,000	-	9,000	-	-	-
Total	11,217	602	11,819	400	200	600

DR 3 Sch 25, 26

PN15.251

If contributions required by the schedule were not paid in accordance with the schedule's requirements such that the auditors' statement is negative or qualified, the Trustees must give an account of the reasons why and how the situation has been or is likely to be resolved. If an equivalent situation was not resolved in the prior year, this disclosure must also cover the actual or likely resolution of the prior year contribution failure. These must also be referred to in the Trustees' report. [DV] Disclosures may also be given for lesser failures which have not resulted in a negative or qualified auditors' statement.

PN15.252, 253

Consider adding additional information to ensure that the scope and measurement criteria of the auditors' statement are clear. For example:

- a scheme with multiple concurrent schedules in force (such as an industry-wide scheme) may benefit from a list of applicable schedules;
- a scheme which has no schedule in place for part of the year; or
- a scheme where new sections or classes of members occurred not specified by the schedule (such as schemes being used for auto-enrolment for the first time before a schedule is revised, or contributions from a scheme merger under the schedule of a predecessor scheme).

This summary is prepared solely for the purpose of reconciling the contributions required by the schedule (and therefore subject to the auditors' statement on the previous page) to the contributions recognised in the financial statements. Comparative figures are not required.

Approved by the Trustees on {date} and signed on their behalf by:

JD Bailey

ET Brown

For a United Kingdom scheme the SORP allows sign-off by at least one trustee or trustee director. Two signatures are required for Republic of Ireland schemes.

Actuarial certificate

About the adequacy of the contributions payable towards the Scheme

DR 3 Sch 6	Name of Scheme	Typipens Pension Scheme
	Effective date of valuation	31 December 20X7

Adequacy of rates of contributions

PA 2004 s227	I hereby certify that, in my opinion, the rates of contribution shown in the Schedule of Contributions dated 24 March 20X8 are such that the Statutory Funding Objective can be expected to be met by the end of the period specified in the recovery plan dated 24 March 20X8.
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Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, the Schedule of Contributions dated 24 March 20X8 is consistent with the Statement of Funding Principles dated 24 March 20X8.

The certification of the adequacy of rates of contribution for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature	Date	24 March 20X8
Name	Qualification:	Fellow of the Institute of Actuaries

This certificate is only required where Part 3 of Pensions Act 2004 applies, i.e. most schemes which are not wholly money purchase.

Note that the technical provisions certificate is no longer required to be included in the annual report. This is now dealt with in the report on actuarial liabilities.



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