

Dalriada. *A better way*

Cranborne Star Pension Scheme

**Report and Financial Statements
For the year ended 31 May 2023**

Registration number: 12003826

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Cranborne Star Pension Scheme
Principal Employer and Advisers to the Scheme

Trustees

Athena Pension Services Limited "the original trustee"
Dipford House, Queens Square
Huddersfield Road
Honley
Holmfirth, HD9 6QZ

Dalriada Trustees Limited
Linen Loft
27 - 37 Adelaide Street
Belfast
BT2 8FE

Principal Employer

Cranborne Star Limited (in liquidation)
Scotgate House, 2 Scotgate Road
Honley
Holmfirth
HD9 6GD

Administrator

Dalriada Trustees Limited
Linen Loft
27 - 37 Adelaide Street
Belfast
BT2 8FE

Auditor

Johnston Carmichael LLP
Statutory Auditor
227 West George Street
Glasgow
G2 2ND

Legal Adviser

Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Investment adviser

Advisory Investment Services Limited
Burnetts, School Lane
Ashurst
Sussex
BN44 3AY

**Cranborne Star Pension Scheme
Principal Employer and Advisers to the Scheme**

Investment platform provider

Mobius Life Limited
3rd Floor
20 Gresham Street
London
EC2V 7JE

Third-party investment managers

Legal & General Investment Management

BlackRock Life Limited

all c/o Mobius Life Limited

Bankers

Barclays Bank PLC
Imperial House
Donegall Square East
Belfast
BT1 5HL

Cranborne Star Pension Scheme Trustees' Report

Introduction

The Trustees of the Cranborne Star Pension Scheme ("the Scheme") are pleased to present their report together with the audited financial statements for the year ended 31 May 2023. The Scheme is a defined contribution scheme.

The Scheme was established on 26 January 2011, and is currently governed by the trust deed and rules dated the same date. In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004. The Scheme was contracted-out of the S2P (previously known as the State Earnings-Related Pension Scheme) under certificates issued by the Secretary of State for Work and Pensions. Funds derived from contracting out payments were known as protected rights benefits. From 6 April 2012, it has not been possible to contract out of the S2P through a Defined Contribution pension scheme. All existing contracted out payments are treated as non-protected rights benefits. Individuals who were contracted out automatically began to accrue benefits under the S2P from 6 April 2012.

The Annual Governance Statement included as Appendix 1, the Investment Manager's Report included as Appendix 2 and the Compliance Statement set out on pages 28 and 29 form part of this report.

Scheme management

The Trustees are

Athena Pension Services Limited.
Dalriada Trustees Limited.

The director of Athena Pension Services Limited is Craig McMillan Tweedley.

The directors of Dalriada are D N Copeland (resigned 30 September 2022), R D Fogarty, A B Kennett, T Lukic, C J Roberts, B D Spence, K S Stafford (appointed 6 June 2022) and V Vassou. The directors of Dalriada were appointed in accordance with that company's Memorandum and Articles of Association.

In accordance with the provisions of the Pensions Act 1995 as amended, The Pensions Regulator has the power to appoint an independent trustee. Dalriada Trustees Limited was so appointed, with exclusive powers, on 31 May 2011 under section 7 of the Pensions Act 1995, and may only be removed by The Pensions Regulator.

Dalriada Trustees Limited ("Dalriada") has appointed external specialists to advise on legal and accounting matters.

Principal Employer

Over the past couple of years, Dalriada looked to restore, and then immediately wind up, the principal employer Cranborne Star Limited which was dissolved on 13 May 2014. The principal employer was restored on 7 July 2020 and the completion of the wind up on 25 November 2020, with the dissolution of the company to take place on 17 September 2024.

The reason for this was to create a relevant insolvency event such that the Scheme would be able to make a claim on the Fraud Compensation Fund (FCF), subject to other conditions being met.

Dalriada has submitted a claim to the FCF on 30 August 2022.

**Cranborne Star Pension Scheme
Trustees' Report**

Internal Dispute Resolution Procedure (IDRP)

It is a requirement of the Pensions Act 1995 that all occupational pension schemes must have a dispute resolution procedure in place for dealing with any disputes between the Trustees and the Scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to Dalriada Trustees Limited, Linen Loft, 27 - 37 Adelaide Street, Belfast, BT2 8FE or by download from the members' website page <http://www.dalriadatrustees.co.uk/Ark> or via Email request to arkadmin@dalriadatrustees.co.uk.

Financial development of the Scheme

The financial statements of the Scheme for the year ended 31 May 2023 are set out on pages 17 to 25; the Trustees' summary of contributions and the Auditor's statement about contributions are set out on pages 26 and 27. The financial statements have been prepared and audited in accordance with the regulations made under section 41(1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £2,470,335 at 31 May 2022 to £2,260,559 at 31 May 2023.

Transfers at less than cash equivalent

No transfer values were paid during the year.

Membership

As at 31 May 2023, 86 members were entitled to benefits from the Scheme.

There were no changes to the membership of the Scheme during the year as set out in the following table.

	Deferred	Pensioner
Membership at 01/06/2022	86	-
Membership at 31/05/2023	86	-

Two members have died, this has not been reflected in the membership figures as no payment has been made in respect of these members.

Pension increases

No pensions were paid during the year.

Changes to the Scheme rules

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

Cranborne Star Pension Scheme Trustees' Report

Governance and Risk Management

Following their appointment, Dalriada identified a number of concerns surrounding the Scheme investments and the administration of the Scheme.

Under the wrapper of 'Maximising Pension Value Arrangements' (MPVA's), the original trustee effected a number of unsecured loans to members of other pension schemes. Dalriada asked the Court to provide direction regarding the status of the MPVA loans. A judgment handed down on 16 December 2011 found that MPVA loans were unauthorised member payments, as defined by s.160(2) of Finance Act 2004 and in breach of the Trustees powers of investment.

This decision by the Court was subject to an application for permission to appeal which was finally dismissed by the Court in December 2013.

Dalriada has not made any further MPVA loans from the date of their appointment with the exception of some MPVAs that were set up and subsequently paid by telegraphic transfer in the days shortly after appointment and that Dalriada were not able to prevent being paid.

Other investments were made in various property related investments with no evidence of an investment adviser being appointed and appropriate investment advice being sought or received.

Aside from the loans to members and the lack of investment advice, no agreements appeared to be in place with the Ark LLPs (Ark), the company previously employed to provide administration services.

Similarly, no proper accounting records appeared to have been kept.

Since appointment, Dalriada has put in place a more robust administration database. Further, Dalriada has created appropriate accounting records the information from which underpins the accounts appended to this Report and which have been independently audited.

Dalriada was of the opinion that the front end administration charges taken by Ark were not appropriate and commenced separate legal proceedings in an attempt to recover at least a proportion of those monies, obtaining a freezing order at the outset of proceedings. It became evident that the funds taken by Ark were transferred to, and spread amongst, a large number of introducing companies prior to Dalriada's appointment as Trustee. Ultimately it was determined not to be cost effective to continue pursuing the claim against Ark. A settlement was reached in early 2017 with Ark with regards to Dalriada's claim and, also, a counterclaim by Ark for outstanding fees.

Dalriada will continue to develop its business plan which will set out its objectives in areas such as administration, investment, funding and communication. Alongside the business plan, a risk register has been put in place, setting out the key risks to which the Scheme is subject and the controls in place to mitigate these.

Cranborne Star Pension Scheme Trustees' Report

Fraud Compensation Fund

In November 2020, a judgment was handed down following Court proceedings involving Dalriada and the Pension Protection Fund (PPF) with regard to eligibility of schemes like the Ark schemes to make claims on the Fraud Compensation Fund (FCF). In short, the judge found that schemes of this nature were able to make applications.

Following this decision Dalriada worked with the FCF with regard to the Scheme's potential claim (and the claims of the other Ark schemes). Dalriada provided the FCF with a significant amount of evidence and submitted a claim application to the FCF on 30 August 2022.

In April 2023, the FCF advised that they were satisfied that the Scheme (and the other Ark schemes) had suffered losses as a result of dishonesty. This means that the Scheme has a viable claim on the FCF and is eligible for compensation, on completion of the FCF claim process.

However, there remain a number of unresolved issues, not least how deal with the recovery of the MPVA loans. At this time, the FCF considers the non repayment of the MPVA loans as investment losses. Given that we need to agree with the FCF if, and, if so, to what extent, we pursue repayment of the MPVA loans to the extent that it's cost effective to do so. This will determine at what point the Scheme is at 'last resort'. A scheme needs to be at 'last resort' i.e. that all avenues of potential recovery have been exhausted or are otherwise not cost effective to pursue before a claim can progress.

Also, as covered later, we need to agree the final tax calculations with HMRC, as directed by the Tax Tribunal. The tax charge levied on the Scheme (but not those levied on the members) should be compensable by the FCF, as and when the tax charge amount is agreed.

At this time, we cannot be certain when the Scheme will receive FCF compensation but it will be some time. Final wind up of the schemes will also be some months after payment of final compensation.

HMRC

Dalriada was aware, and made members aware, that HMRC were likely to look to levy tax charges as a result of the MPVA payments. HMRC subsequently issued unauthorised payment charges on members and also a Scheme Sanction Charge on the Scheme itself. Dalriada engaged subsequently, both with HMRC and, also, with the members, in setting out the actions to take with regard to appealing the tax charges. Dalriada subsequently appealed the Scheme Sanction Charge. It was not possible to find an alternative to seeing the appeal process through and, ultimately, Dalriada's appeal was heard in the Tax Tribunal. The hearing began on 2 December 2022 and lasted for 11 days. The Tribunal's decision was handed down on 21 March 2023.

The basis for Dalriada's appeal was that HMRC was wrong in its approach in attempting to levy unauthorised payment charges (on the members) and a corresponding Scheme Sanction Charge on the Scheme, in accordance with s160 FA04. For this to work, tax charges would be calculated based on the loans 'made' by members and there would need to be clear evidence of direct member to member matching. Dalriada considered there to be sufficient evidence that member to member matching did not work and, in any event, this was not the intention of those responsible for designing and operating the Ark schemes at outset. Dalriada argued that the correct basis for any tax charges was in accordance with s173 FA04, as found previously by the High Court.

Dalriada lost its appeal. HMRC was not bound by the earlier decision by the High Court. The Tribunal discounted the evidence of those responsible for designing and operating the Ark schemes and found that there was sufficient evidence to suggest that the intention was for member to member matching. Given that, on the strict application of the law, HMRC's approach was correct. Further they determined that members could in fact be taxed twice, both on any loan they 'made' (on a s160 basis) and on any loan they received (on a s173 basis).

Cranborne Star Pension Scheme Trustees' Report

HMRC (continued)

Despite assurances to the contrary previously, HMRC have advised that they intend to apply the Tribunal's decision in full which we understand means they will look to tax members on both a s160 and s173 basis where appropriate.

On advice, Dalriada decided not to lodge an appeal, principally because the decision was based on the application of the law and, as such, it would be unlikely to be overturned. Further, Dalriada received confirmation from the Fraud Compensation Fund (FCF) that they were satisfied the Scheme had suffered losses as a result of dishonesty. This meant the Scheme had a viable claim on the FCF and, as such, any Scheme Sanction Charge would be compensable by the FCF.

There is now a significant piece of work required for Dalriada to agree the final tax calculations with HMRC, as directed by the Tribunal.

The fallout from the Tribunal's decision, and HMRC's actions generally, have generated (and continue to generate) increased work, not least dealing with member enquiries.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and was updated with effect from April 2015. Dalriada is aware of these requirements and as a professional trustee, maintains an ongoing training programme for all of its staff.

Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries.

If members have any complaints or queries regarding the Scheme, or wish to obtain further information, they should contact Dalriada Trustees Limited, Linen Loft, 27 - 37 Adelaide Street, Belfast, BT2 8FE. Email address arkadmin@dalriadatrustees.co.uk

The General Data Protection Regulations 2016/679 (Regulations) cover information which is held electronically, i.e. computer based information and extend data protection laws to cover paper-based records held for individuals. The Regulations contain restrictions on the processing of special categories of data as defined in the Regulations, to which individuals must give their consent. This category of data can include information on, for example, the health of a member or marital status.

Members' personal data will be used by the Scheme's advisers to administer the Scheme, and may be passed to other professional providers or advisers.

The Trustees and the Scheme's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purposes of administering and operating the Scheme, which includes passing on data to third parties, as mentioned above.

Dalriada is regarded as 'Controller' for the purposes of the Regulations, in relation to the process referred to above. The advisers appointed by Dalriada are usually 'Processors', however, some advisers, such as scheme actuary and auditor are considered to be controllers by the various professional regulatory bodies. Under the Regulations where two or more controllers jointly determine the purposes and means of processing, they shall be joint controllers of the data.

Cranborne Star Pension Scheme Trustees' Report

Investment report

As commented earlier in this Report, the original trustee invested in various property related investments.

Further, there was, at outset, some resistance to the provision of information surrounding these investments by both the original trustee and Ark, notably the lack of any appropriate investment advice being sought or received.

The original trustee and Ark failed to comply with the appropriate investment Regulations and did not properly carry out their fiduciary duties as required under general trust law. The loans to members were found by the Court to be in breach of the Trustees investment powers and were deemed void. Whilst Dalriada has made some attempt to recover the loans, ultimately the approach taken will be dictated by the requirements of the Fraud Compensation Fund (FCF) with regard to progressing the Scheme's claim on the FCF and subject to direction of the Court.

During the year, the day to day management of the Scheme's liquid investments was delegated by the Trustees to a third party investment platform provider, Mobius Life Limited (Mobius).

The Scheme's underlying liquid investments were delegated to third party investment managers, Legal & General Investment Management and BlackRock Investment Management. Access to these managers is achieved through Mobius. A Report from Mobius is included as Appendix 2.

With regard to various other property investments, Dalriada has undergone its own research and its findings are summarised below:

Affinity Commercial LLP (Affinity) (previously Rom Capital Asset Management Limited (HYPER))

The Affinity investments amounted to an investment in a property unit trust. Dalriada were told units would be listed and, in theory, tradable on the Channel Island stock exchange. Dalriada ascertained that the original promoters had experienced some problems in getting the trust listed and that Affinity had, on advice, decided to turn the fund into a limited company and issue shares. Dalriada were asked to complete paperwork to take ownership of the shares. HYPER entered voluntary liquidation in November 2012. Dalriada continued to liaise with Affinity through its legal advisers to obtain answers to its questions around the documentation and, also, to understand what the value of the investment was/what exit options might be available. Dalriada entered into settlement negotiations with Affinity and, ultimately, a final settlement sum was agreed that included repayment of all of the original investment plus an additional amount for lost interest. In total £1,552,946 was recovered in late 2017, to be split across the four Ark schemes that invested in Affinity.

Entrepreneurs Capital Holdings

Dalriada reached an agreement with Entrepreneurs Capital Holdings Limited, which resulted in the sum originally invested, together with interest being returned to the Scheme. This was shown in the 2014 accounts.

South Horizon Trading Limited (Cyprus)

At the time of Dalriada's appointment, funds had been paid to a Cypriot company with a view to securing an option to buy the shares in the company that owned a plot of land near Larnaca. The company concerned was seeking further funds in order to complete the share purchase. However, Dalriada had reservations about this, given the state of the property market in Cyprus.

Dalriada reached an agreement with the Cypriot company that has resulted in the sum originally invested, together with interest, being returned to the Scheme. This was shown in the 2013 accounts.

Cranborne Star Pension Scheme Trustees' Report

Custodial arrangements

The funds invested through Mobius are invested in unitised funds offered by other investment managers and, as such, Mobius owns units of other funds. The investment managers of the underlying funds will appoint their own custodians. Where Schemes use Mobius to provide segregated portfolios, Mobius uses Northern Trust as custodian.

Dalriada has been unable to obtain details of any custodial arrangements having been put in place with the other investments.

Investment principles

Prior to Dalriada's appointment, no serviceable Statement of Investment Principles existed for the Scheme.

Ordinarily, trustees should prepare a Statement of Investment Principles governing decisions about investments (although it is not a legal requirement for schemes with less than 100 members, such as the Scheme). In line with the implementation of the investment strategy, in conjunction with its investment adviser, Dalriada has now prepared a Statement of Investment Principles.

A copy of this Statement is accessible to members on a website:

<https://www.dalriadatrustees.co.uk/wp-content/uploads/2018/10/Cranborne-Star-SIP-Updated.pdf>

Ultimately, it is Dalriada's intention to wind up the Scheme as soon as it is able, with members' remaining funds being transferred to a more suitable arrangement.

The mandates put in place by the Trustee specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental factors when making investment decisions.

Employer related investments

There were no employer related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995.

**Cranborne Star Pension Scheme
Trustees' Report**

Statement of Trustees' Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

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

Signed for and on behalf of the Trustees



For Dalriada Trustees Limited.....

Date.....
21/12/2023

Cranborne Star Pension Scheme
Independent Auditor's report to the Trustees

Qualified Opinion

We have audited the financial statements of the Cranborne Star Pension Scheme (the 'Scheme') for the year ended 31 May 2023 which comprise the fund account, statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- Give a true and fair view of the financial transactions of the Scheme during the year ended 31 May 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for Qualified Opinion

Included within current assets, in note 9 are MPVA assets of £1,573,446 at 31 May 2022 and 31 May 2023. As explained in note 9 to the financial statements, the Scheme's Trustees could not establish the recoverability of the MPVA current assets presented in the statement of net assets as at 31 May 2022 and 31 May 2023. Due to the current status of legal proceedings between HMRC and the Scheme and its members, we were unable to obtain sufficient appropriate audit evidence about the recoverability and hence the carrying value of the Scheme's MPVA assets as at 31 May 2022 and as at 31 May 2023 by using alternative audit procedures. We were also unable to obtain sufficient appropriate audit evidence as to whether any potential impairment is required against the carrying amount of the MPVAs during the year ended 31 May 2023 as presented in the fund account. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

Conclusions relating to going concern

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

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

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

Cranborne Star Pension Scheme
Independent Auditor's report to the Trustees

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the report and financial statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves as to the recoverability of the carrying value of the Scheme's MPVA assets of £1,573,446 at 31 May 2022 and 31 May 2023. We have concluded that where the other information refers to the Scheme's MPVA assets, it may be materially misstated for the same reason.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 12, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

Cranborne Star Pension Scheme
Independent Auditor's report to the Trustees

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Extent the audit was considered capable of detecting irregularities, including fraud

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.
- The Pension Schemes Statement of Recommended Practice (2018).
- The Pensions Acts 1995 and 2004.
- Financial Reporting Standard 102.

We gained an understanding of how the Scheme is complying with these laws and regulations by making enquiries of the Trustees. We corroborated these enquiries through our review of the Trustee maintained breaches register.

We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur, by enquiring of the Trustees to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Trustees were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Trustees oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls

**Cranborne Star Pension Scheme
Independent Auditor's report to the Trustees**

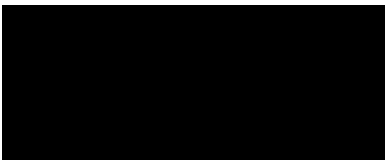
In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing member announcements published by the Trustees on the Scheme's website.
- Reviewing the latest available internal control reports of the Scheme administrator and Scheme investment platform provider.
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the rationale of significant transactions outside the normal course of business and reviewing judgments made by management in their calculation of accounting estimates for potential management bias.
- Completion of appropriate checklists and use of our experience to assess the Scheme's compliance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Use of our report

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



Statutory Auditor

227 West George Street
Glasgow G2 2ND

Date: 21/12/2023

**Cranborne Star Pension Scheme
Financial Statements**

For the year ended 31 May 2023

Fund Account

	Note	2023 £	2022 £
Contributions and benefits			
Administrative expenses	3	<u>(175,613)</u>	<u>(88,141)</u>
		<u>(175,613)</u>	<u>(88,141)</u>
Net withdrawals from dealings with members			
		<u>(175,613)</u>	<u>(88,141)</u>
Returns on investments			
Investment income	4	580	14
Change in market value of investments	5	<u>(34,743)</u>	<u>(53,975)</u>
Net returns on investments		<u>(34,163)</u>	<u>(53,961)</u>
Net decrease in the fund for the year		(209,776)	(142,102)
Net assets at 1 June 2022		2,470,335	2,612,437
Net assets at 31 May 2023		<u><u>2,260,559</u></u>	<u><u>2,470,335</u></u>

The notes on pages 19 to 25 form an integral part of these financial statements.

**Cranborne Star Pension Scheme
Financial Statements**

**Statement of Net Assets
(available for benefits) as at 31 May 2023**

	Note	2023 £	2022 £
Investment assets:	5		
Pooled investment vehicles	6	<u>1,331,578</u>	<u>1,526,821</u>
		<u>1,331,578</u>	<u>1,526,821</u>
 Current assets	 9	 1,643,477	 1,647,288
Current liabilities	10	(714,496)	(703,774)
 Net assets at 31 May 2023		 <u><u>2,260,559</u></u>	 <u><u>2,470,335</u></u>

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

The notes on pages 19 to 25 form an integral part of these financial statements.

21/12/2023

These financial statements were approved by the Trustees and authorised for issue on.....

Signed for and on behalf of the Trustees

For Dalriada Trustees Limited..... 

Cranborne Star Pension Scheme
Notes to the Financial Statements

1. Basis of preparation

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

1.1. Identification of the financial statements

The Scheme is established as a trust and is governed by, the laws of England and Wales. The Principal Employer's registered address is disclosed on page 3 and the address for enquiries to the Scheme is included in the Trustees' Report on page 9.

2. Accounting policies

Functional currency

The functional currency used in the financial statements is Sterling and all figures have been rounded to the nearest pound.

Investment Income

Interest on bank deposits is accounted for as it accrues.

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

Transfers

Individual transfers to and from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged which is normally when the transfer amount is paid or received.

There were no transfers out during the year.

Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustees as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving. Currently Dalriada is not able to identify benefits payable.

Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

Investment Assets

Unitised pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price as advised by the investment managers at the year end.

MPVAs

MPVAs are a number of unsecured and unauthorised loans made to members of other pension schemes under the wrapper of 'Maximising Pension Value Arrangements' (MPVAs).

MPVAs are initially accounted for at transaction price and are subsequently valued at transaction price less any loans which have been part or fully repaid by members.

At present Dalriada is unable to estimate any provision for impairment to the balance.

Cranborne Star Pension Scheme
Notes to the Financial Statements

3. Administrative expenses

	2023	2022
	£	£
Consultancy fees	480	480
Audit fees	4,500	3,600
Legal fees	86,600	40,979
Pensions Regulator Levy	1,878	-
Trustee fees	82,115	43,002
Other professional fees	40	80
	<u>175,613</u>	<u>88,141</u>

4. Investment income

	2023	2022
	£	£
Interest on cash deposits	580	14
	<u>580</u>	<u>14</u>

5. Reconciliation of investments

	Value at	Purchases	Sales	Change in	Value at
	31/05/2022	at cost	proceeds	market	31/05/2023
	£	£	£	£	£
Pooled investment vehicles	1,526,821	-	(160,500)	(34,743)	1,331,578
Investments Total	<u>1,526,821</u>	<u>-</u>	<u>(160,500)</u>	<u>(34,743)</u>	<u>1,331,578</u>
Unallocated to members	<u>1,526,821</u>				<u>1,331,578</u>

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

Pooled investment vehicles are all managed by companies registered in the United Kingdom.

Where the investments are held in managed and unitised funds the change in market value also includes expenses both implicit and explicit to the Scheme and any reinvested income, where the income is not distributed.

Concentration of Investments

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

	2023		2022	
	£	%	£	%
L&G Life AR Cash Fund	130,816	5.8	285,024	11.5
L&G Life CSAJ PMC Short Dated Sterling Corporate Bond	398,189	17.6	411,551	16.7
BLK Life AQC Corpportate Bond Up To 5 Years Index Fund	802,573	35.5	830,246	33.6

**Cranborne Star Pension Scheme
Notes to the Financial Statements**

6. Pooled investment vehicles

	2023	2022
	£	£
Bonds	1,200,763	1,241,797
Cash	130,815	285,024
	<u>1,331,578</u>	<u>1,526,821</u>

7. Fair value hierarchy

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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 fall within the above hierarchy as follows:

31 May 2023				
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	1,331,578	-	1,331,578
	-	1,331,578	-	1,331,578

31 May 2022				
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	1,526,821	-	1,526,821
	-	1,526,821	-	1,526,821

8. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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

Market risk: this comprises currency risk, interest rate risk and other price risk.

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

**Cranborne Star Pension Scheme
Notes to the Financial Statements**

8. Investment risk disclosures (continued)

The SORP recommends these risk disclosures are made for all investments.

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. 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.

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

(i) Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustees set the investment strategy for the Scheme taking into account considerations such as the long term liabilities of the Scheme.

(ii) Credit Risk

The Scheme is subject to direct credit risk within the investment portfolio to the extent of the holdings in pooled investment vehicles and assets held in cash and are indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles which contain fixed interest investments. Cash in the Trustees Bank Account is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the pooled manager operates. Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles, specifically the Scheme's bond mandates which hold credit instruments. The Trustees have delegated the day-to-day management of the pooled investment vehicles.

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

	31-May-23	31-May-22
Unit linked insurance contracts	1,331,578	1,526,821
Total	1,331,578	1,526,821

(iii) Currency Risk

The Scheme is not directly exposed to currency risk as the pooled investment vehicles held are denominated in Sterling.

Indirect exposure to currency risk arises as a result of the Scheme's pooled investment vehicles' underlying holdings including securities that are denominated in non-GBP currencies. The fund manager may choose to hedge foreign currency exposures within the pooled investment vehicles. The Trustees do not conduct any direct currency hedging however invest in GBP currency hedged versions of pooled funds where it deems it appropriate.

**Cranborne Star Pension Scheme
Notes to the Financial Statements**

8. Investment risk disclosures (continued)

(iv) Interest Rate Risk

The Scheme is not directly exposed to interest rate risk across the pooled investment vehicles they invest in, as the price of those vehicles are not directly affected by changes in interest rates.

As a result of some of the pooled investment vehicles held by the Scheme investing in fixed interest products such as government and corporate bonds, the Scheme is exposed indirectly to interest rate risk. Movements in interest rates will have a bearing on the price of those underlying government and corporate debt securities held which will affect the net asset value of the vehicles and consequently, the unit price of the pooled investment vehicles. The following holdings are subject to changes in interest risk:

	31-May-23	31-May-22
L&G Life CSAJ PMC Short Dated Sterling Corporate Bond Index Fund	398,189	411,551
BLK Life AQC Corporate Bond Up To 5 Years Index Fund	802,573	830,246
L&G Life AR Cash Fund	130,816	285,024
Total	1,331,578	1,526,821

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes cash held in pooled investments.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets:

	31-May-23	31-May-22
L&G Life AR Cash Fund	130,816	285,024
Total	130,816	285,024

The Trustees have delegated the day-to-day management of the Scheme's investments to its investment managers. A further breakdown of the Scheme's investments is included in note 6.

9. Current assets

	2023	2022
	£	£
Sundry debtors	13,104	13,104
MPVA's	1,573,446	1,573,446
Cash balances	56,927	60,738
	<u>1,643,477</u>	<u>1,647,288</u>

Included in the bank balance is £56,927 (2022: £60,738) which is not allocated to members.

The original trustee/administrators did not make any allocation of funds when members transferred in. Consequently, Dalriada has been unable to carry out an allocation of funds to members and will, in time, require further direction from the Court as to the most appropriate method to use.

**Cranborne Star Pension Scheme
Notes to the Financial Statements**

MPVA's

	Value at 01/06/2022	Purchases at cost	Sale proceeds	Change in market value	Value at 31/05/2023
	£	£	£	£	£
MPVA	1,573,446	-	-		1,573,446
	<u>1,573,446</u>	-	-	-	<u>1,573,446</u>

The original trustee effected a number of unsecured loans to members of other pension schemes under the wrapper of 'Maximising Pension Value Arrangements' (MPVAs).

Subsequent to their appointment Dalriada did not make any further MPVA payments (with the exception of some MPVAs that were set up and subsequently paid by telegraphic transfer in the days shortly after appointment and that Dalriada were not able to prevent being paid) and sought direction from the Court regarding the status of the amounts already paid. On 16 December 2011 the Court ruled that MPVA loans were unauthorised member payments, as defined by s.160(2) of the Finance Act 2004, and as a result the Court held that the MPVA loans were not validly made.

Dalriada sought direction from the Court as to the approach it should take with regard to the recovery of the MPVA loans and, following a hearing in the summer of 2017, it received direction that it was able to look to recover the MPVA loans. Dalriada, through its legal advisers, sought repayment or, otherwise, that members provided details as to their financial position and whether they were likely to be able to repay, either over a period of time, at some time in the future or ever. A further complication was that there were potential limitation issues and, as such, Dalriada looked to enter into standstill agreements to avoid having to commence legal action prior to direction from the Court. Whilst the majority of members did enter into standstill agreements, some didn't and Dalriada commenced legal action accordingly, obtaining default judgments in a number of cases. However, Dalriada will not look to enforce any judgment until such time as it has had further direction from the Court. Dalriada anticipates returning to Court for further directions which it is hoped will sanction Dalriada making an offer to members to be able to repay loans over a period of time. It had been hoped to get back into Court in 2019. This did not happen for a number of reasons largely connected to the tax appeals and, also, a second application that is intended be made with regard to members joining the Scheme after Dalriada's appointment.

Subsequent to the Fraud Compensation Fund (FCF) confirming the Scheme has suffered losses as a result of dishonesty and, as such, has a viable claim on the FCF, this will now also impact on decisions and actions with regard to recovery of the MPVA loans.

Dalriada has included as a debt an amount of £1,573,446, being the money paid out under these arrangements and now to be recovered from the recipients. As at 31 May 2023, £178,249 (2022: £178,249) had been recovered.

However, whilst Dalriada is able to confirm the amounts paid out to individuals under these arrangements, it is unable to establish the recoverability of these amounts.

10. Current liabilities

	2023	2022
	£	£
Scheme sanction charge	(695,086)	(695,086)
Accrued expenses	<u>(19,410)</u>	<u>(8,688)</u>
	<u>(714,496)</u>	<u>(703,774)</u>

The Scheme sanction charge amount reflects the amount currently levied on the Scheme and previously appealed. Following Dalriada's unsuccessful appeal, it has been directed by the Tax Tribunal to recalculate the tax charges in accordance with the Tribunal's decision, handed down in March 2023.

**Cranborne Star Pension Scheme
Notes to the Financial Statements**

11. Related Party Transactions

During the year Trustee Fees of £82,115 (2022: £43,002) were due to Dalriada. As at 31 May 2023 £8,410 (2022: £3,581) was still due to Dalriada.

Funds are due from the Lancaster Pension Scheme with regards to a transfer that was received into the Lancaster Pension Scheme in error, the funds due as at 31 May 2023 are £13,104 (2022: £13,104).

Cranborne Star Pension Scheme and Lancaster Pension Scheme are related parties as Dalriada is Trustee to all Schemes.

12. Contingent Assets and Liabilities

The Scheme has made an application to the Fraud Compensation Fund (FCF) and, by reference to its letter of 24 April 2023, the FCF has confirmed that it is satisfied that the Scheme has suffered losses attributable to dishonesty. This means that, in time, the Scheme will receive compensation. That compensation will cover investment losses (including, in principle, the irrecoverable MPVA loans), historic and future costs, to the extent they are attributable to dishonesty (and subject to further due diligence on the part of FCF) and any tax charges falling on the Scheme.

It is expected that the amount of compensation will be material however, it is not possible to put an estimate on the final amount as this will depend on, amongst other things, the final figure to be agreed between Dalriada and HMRC in relation to Scheme tax charges, to what extent and, so, what proportion of costs are attributable to dishonesty and how, ultimately, the FCF treat the losses in relation to the MPVA loans.

The Scheme is liable to pay Scheme Sanction Charges and amounts have been levied on the Scheme by HMRC. Dalriada unsuccessfully appealed these charges in the Tax Tribunal.

However, as a consequence of the decision reached in the Tax Tribunal, Dalriada is now required to work with HMRC to determine the appropriate level of tax charges, based on the direction of the Tribunal, in particular with reference to how members were matched with other members in relation to the loans made between members of the various Ark schemes. This process is ongoing and may ultimately require HMRC and Dalriada to go back to the Tribunal for further direction, in the event they can't agree on the basis of calculation for any particular member or members. As such, it is not possible to give an estimate as to what the final amount of tax will be or how long this process might take.

Ultimately, the amount of tax due to be paid may be more or less than the amount of Scheme Sanction Charges currently levied on the Scheme and, further, HMRC may look to apply late payment interest on any final amount determined. However, significantly, as a result of the view reached by the FCF that the Scheme has suffered losses attributable to dishonesty, any tax charges as ultimately determined, including late payment interest, should form part of the compensation payable resulting from the Scheme's claim on the FCF.

13. Subsequent Events

There were no reportable subsequent events at the date of signing.

14. Taxation

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


15. Self investment

There were no known instances of self investment during the year.

**Cranborne Star Pension Scheme
Summary of Contributions**

During the year ended 31 May 2023 no contributions were due or paid to the Scheme.

Signed for and on behalf of the Trustees

For Dalriada Trustees Limited.....

21/12/2023
Date.....

Independent Auditor's Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Cranborne Star Pension Scheme

We have examined the summary of contributions to the Cranborne Star Pension Scheme for the Scheme year ended 31 May 2023 to which this statement is attached.

Statement about contributions payable under the Scheme rules

In our opinion contributions for the Scheme year ended 31 May 2023 as reported in the summary of contributions and payable under the Scheme rules have in all material respects been paid at least in accordance with the Scheme rules.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for securing that a payment schedule is prepared, maintained and from time to time revised and for monitoring whether contributions are made to the Scheme by the employer in accordance with the payment schedule.

It is our responsibility to provide a Statement about Contributions paid under the Scheme rules and to report our opinion to you.

Use of our report

This report is made solely to the Trustees, as a body in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this report, or for the opinions we have formed.



Statutory Auditor

227 West George Street
Glasgow G2 2ND

Date: 21/12/2023

Cranborne Star Pension Scheme Compliance Statement

Changes in and other matters relating to the Scheme advisers

Any changes to Scheme advisers are listed in the "Principal Employer and Advisers to the Scheme" section on pages 3 and 4.

Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

Telephone: 0800 731 0193

Website: <https://www.gov.uk/find-pension-contact-details>

The Money and Pensions Service

The Money and Pensions Service creates one organisation from the three existing providers of government-sponsored financial guidance:

- The Money Advice Service
- The Pensions Advisory Service
- Pension Wise

The Money and Pensions Service brought together for the first time the provision of debt advice, money guidance and pensions guidance. For pensions guidance the Money and Pensions Service will provide information to the public on matters relating to workplace and personal pensions. From 30 June 2021, the new consumer-face of MaPS is Money Helper.

Telephone: 0115 965 9570

Email: pensions.enquiries@moneyhelper.org.uk

Website: www.moneyhelper.org.uk

The Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved under the IDRPs, an application can be made to the Pensions Ombudsman to investigate and determine any complaint or dispute of fact or law involving occupational pension scheme. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487

Website: www.pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

**Cranborne Star Pension Scheme
Compliance Statement**

The Pensions Regulator

The statutory body that regulates occupational pension schemes is The Pensions Regulator (TPR). TPR can be contacted at:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

Telephone: 0345 600 0707

Website: www.thepensionsregulator.gov.uk

E-mail: customersupport@tpr.gov.uk

Appendix 1



Cranborne Star Pension Scheme

Investment Manager's Report to 31 May 2023

Fund Performance to: 31 May 2023

% Fund Growth	1 Year to 31 May 23	3 Years to 31 May 23	1 Year to 31 May 22	1 Year to 31 May 21	1 Year to 31 May 20	1 Year to 31 May 19
L&G Life AR Cash Fund	2.8 %	1.0 %	0.2 %	0.0 %	0.6 %	0.7 %
L&G Life CSAJ PMC Short Dated Sterling Corporate Bond Index Fund	-3.1 %	-2.6 %	-4.6 %	-0.2 %	0.0 %	0.0 %
BLK Life AQL Up To 5 Year Corporate Bond Index Fund	na	na	na	na	na	na

Market Returns	1 Year to 31 May 23	3 Years to 31 May 23	1 Year to 31 May 22	1 Year to 31 May 21	1 Year to 31 May 20	1 Year to 31 May 19
FTSE ALL Share Index	0.4 %	10.2 %	8.3 %	23.1 %	-11.2 %	-3.2 %
FTSE 100	1.7 %	10.9 %	12.4 %	19.5 %	-11.8 %	-2.5 %
FTSE 250	-5.4 %	5.8 %	-7.9 %	35.8 %	-7.9 %	-6.4 %
FTSE Small Cap	-5.3 %	11.1 %	-5.3 %	53.1 %	-9.8 %	-3.1 %
FTSE AW World Index	3.9 %	11.3 %	7.2 %	23.9 %	8.4 %	5.0 %
FTSE North America	4.1 %	12.4 %	10.5 %	23.4 %	14.8 %	9.2 %
FTSE Developed Europe ex UK	7.9 %	10.2 %	-1.9 %	26.3 %	1.8 %	1.4 %
FTSE Developed Asia Pacific ex Japan	-5.2 %	8.7 %	-1.4 %	37.5 %	-7.4 %	-2.0 %
FTSE Japan	6.8 %	4.4 %	-2.2 %	9.0 %	9.6 %	-5.4 %
FTSE Over 15 year fixed interest	-28.6 %	-20.5 %	-19.1 %	-13.2 %	21.5 %	6.0 %
FTA All Stock Fixed Interest Gilt Index	-15.7 %	-11.5 %	-11.4 %	-7.4 %	12.0 %	4.1 %
FTA Over 5 Year Index-Linked Gilt Index	-26.9 %	-15.7 %	-14.9 %	-3.7 %	10.3 %	9.3 %

Past performance should not be seen as a guide to future performance and may not be repeated.

Notes:

- Returns shown are gross of charges based on Mobius Life unit prices
- Returns for periods in excess of a year are annualised.
- Past performance should not be seen as a guide to future performance and may not be repeated. The value of investments may go down as well as up and investors may not get back the amount originally invested, are not certain to make a profit and may lose money.
- Exchange rate changes may cause the value of overseas investments to rise or fall.
- Investors should be aware that investment in emerging markets involves a high degree of risk and should be seen as long term in nature.
- Investment in property may not be readily realisable. The value of property is generally a matter of valuers opinion rather than fact.
- Where a fund is invested with another life company by means of a reinsurance arrangement, we monitor the way the reinsurer manages the business, but we do not guarantee the solvency of the reinsurer, so the risk of default by the reinsurer is borne by policyholders who invest in the relevant fund.
- Mobius Life Limited provides information on our products and services to enable you to make your own investment decisions, and this document should not be regarded as a personalised recommendation.

Fund Profiles

BLK Life AQL Up To 5 Year Corporate Bond Index Fund

The fund invests in investment grade corporate bonds denominated in sterling. The fund aims to achieve a return consistent with the iBoxx Sterling Non-Gilts 1-5 Year Index. This index consists of bonds with a maturity period of up to 5 years.

L&G Life AR Cash Fund

This Fund consists of monies which are invested in short term instruments. The Fund aims to perform in line with SONIA (Sterling Overnight Index Average), without incurring excessive risk.

L&G Life CSAJ PMC Short Dated Sterling Corporate Bond Index Fund

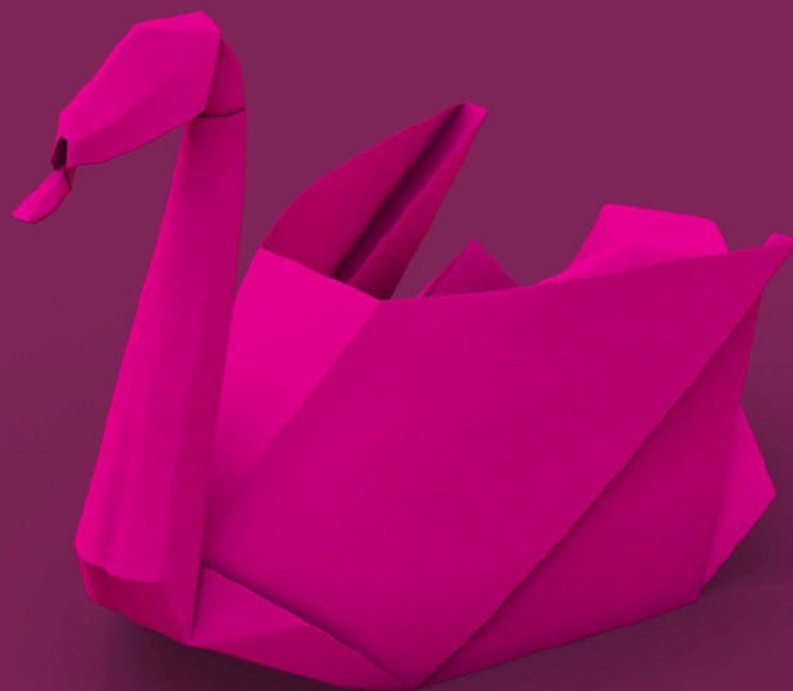
The investment objective of the fund is currently to track the performance of the Markit iBoxx Sterling Corporates 1-5 Index.

Appendix 2

Cranborne Star Pension Scheme

Annual Governance Statement

By the Chair of Trustees for the
Scheme Year Ending 31 May 2023



Dalriada.
A better way

Contents

Section	Title	Page
1	Introduction and Background	3
2	Trustee knowledge and understanding	10
3	Knowledge of the trust deed and rules	13

Signatory of:



1 Introduction and Background

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and having taken account of the related guidance from The Pensions Regulator ("TPR"), when considering the various aspects of the operation of the Scheme on which we are required to report to members.

It relates to the Cranborne Star Pension Scheme ("the Scheme") and covers the period from 1 June 2022 to 31 May 2023

This statement will be published on a website made available to members.

Consideration has also been given to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information'.

Matters in relation to the Scheme are considered by a dedicated committee of the Dalriada Trustees Limited ("Dalriada") Board, which meets at least four times a year. However, issues are also considered on an ad hoc basis between committee meetings. The Scheme has a dedicated client manager, alongside a project manager, who ensures anything requiring attention by the committee is communicated, and acted upon, in a timely manner.

As you are aware from the Announcements issued to members since its appointment, Dalriada Trustees Limited ("Dalriada") was appointed as trustee to the Scheme by the Pensions Regulator amid concerns that the Scheme was being used as a vehicle for pension liberation. This has presented Dalriada with a number of challenges around governance. Nevertheless, this statement is a legal requirement and, as such, can serve as a useful reminder of the issues faced by Dalriada and, where it cannot meet certain governance obligations, I have explained why that it is the case.

Whilst the previous trustees were not removed by the Pensions Regulator, Dalriada Trustees Limited (Dalriada) was appointed with exclusive powers so Dalriada is, effectively, the sole trustee of the Scheme.

The Scheme was used, principally, as a vehicle to allow members under the minimum retirement age of 55 to access cash payments. Under the wrapper of a 'Maximising Pension Value Arrangement' (MPVA), members of the Scheme received an unsecured loan (or loans) from other pension schemes, similarly established. In turn, and, again, using the MPVA wrapper, the previous trustee effected a number of unsecured loans to members of those other pension schemes.

Subsequent to its appointment, Dalriada did not make any further MPVA payments and sought direction from the Court regarding the status of the MPVA loans already in place. A judgment handed down on 16 December 2011 found that the MPVA loans were unauthorised member payments and in breach of the trustee's powers of investment.

HMRC also considered the MPVA loans to be unauthorised payments and, as a result, HMRC issued provisional tax assessments against both the Scheme and its members. These provisional assessments are significant and were appealed by the majority of members and by Dalriada respectively. The appeals were heard in the Tax Tribunal (equivalent to the Court for matters relating to tax) in December 2022 and the Tribunal's decision was released in March 2023.

HMRC's argument was that a tax charge arose on a payment (in this case, the MPVA loans) 'to or in respect of' a member. It was HMRC's view that an MPVA loan was a payment made 'in respect of' a member that would result in a 'reciprocal' loan back from another Ark scheme. In effect, members would be taxed on the loan they had 'made' to a member of another Ark scheme.

As such, for HMRC's view to be correct, the Tribunal needed to conclude that member to member matching was intended by the Scheme.

Dalriada argued that that it was never the intention of the people who set up the Ark Schemes that there was member to member matching and that the correct approach to taxing the MPVA loans was as determined in the earlier High Court proceedings, essentially in the same way as if they had received an employment related loan. Dalriada's proposed approach would have resulted in significantly less tax than under HMRC's approach.

The Tribunal concluded that member to member matching was intended and therefore accepted HMRC's proposed approach that tax charges apply to payments made 'in respect of' members.

The Tribunal also concluded that it was possible for tax to arise in accordance with Dalriada's proposed approach, so on the payment a member received. In effect, members could end up being taxed twice.

In addition to the loans made to members of other schemes, the Scheme made a number of inappropriate investments which have now been recovered.

As confirmed in its Announcements to members and in our last Chair's Statement, Dalriada has been working with the Fraud Compensation Fund (FCF) and has submitted an application on behalf of the Scheme for compensation.

In April 2023, the FCF confirmed that there are reasonable grounds for believing that that the Scheme has suffered losses as a result of dishonesty and will be eligible for compensation. This is positive news for the Scheme and its members as it means that compensation will be payable ultimately.

However, it will still be some time before final figures are agreed and compensation can be paid. At that point Dalriada will need to determine how the compensation should be apportioned between members, such that we can place a value on members' benefits.

Once compensation has been paid to the Scheme and the value of members' benefits determined, Dalriada will look to put the Scheme into wind up and transfer members' benefits to a suitable alternative pension arrangement.

Dalriada will keep members informed by way of further Announcements.

Default arrangement

A number of requirements of the Administration Regulations relate only to a "default arrangement" as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Scheme does not have a default fund for ongoing accrual. It is not a qualifying scheme within the meaning given by section 99 of the Pensions Act 2008. The Scheme is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme. The Scheme's assets are made up solely by way of member transfer payments into the Scheme.

The Scheme did not, and does not, offer a Default Lifestyle Strategy and did not offer members any real choice as to how their funds were invested.

As there is no default arrangement in the Scheme there have been no specified performance-based fees incurred during the scheme year.

For the reasons set out in Section 1, it is not possible to provide members with a meaningful statement on the return on their investments. The purported investments made by the previous trustee(s) were not made acting upon the recommendation of any appropriately qualified advisor.

As has been reported in previous Chair Statements, Dalriada took appropriate advice to determine a suitable investment strategy for the liquid funds held by the Scheme. The Scheme has employed a low-risk investment strategy to account for the illiquidity of the remaining investments made by the previous trustee. The current strategy reflects Dalriada's intention to wind-up the Scheme as soon as it is able and transfer any remaining member funds to a more suitable arrangement. The current strategy (beyond the first £85,000 (or such sum as the Trustee estimates will be required to meet the costs of the Scheme) which will be held 100% in cash), is to hold 90% in short-dated corporate bonds and 10% in cash.

Dalriada will continue to take appropriate advice to review the investment strategy from time-to-time and to determine whether it remains suitable for the Scheme.

This Chair's Statement, and other information, is published on a dedicated Scheme website. However as the assets in the Scheme cannot be fully determined, we cannot produce meaningful annual benefit statements for the Scheme members. We are therefore unable to comply with the requirement to notify members in an Annual Benefit Statement that the relevant parts of the Chair's Statement have been published on the website.

Statement of Investment Principles ("SIP")

No serviceable SIP existed for the Scheme prior to Dalriada's appointment. However, as the Scheme had fewer than 100 members, it was not a legal requirement.

The day-to-day oversight of the Scheme's investments was delegated by the Trustee to the Scheme's Investment Adviser, Advisory Investment Services Limited ("AIS"). As laid out above, where some assets have been recovered, Dalriada has taken appropriate and professional investment advice to determine a suitable investment strategy, and has in place a SIP to reflect that strategy. Despite not being a legal requirement, the SIP was updated in May 2023 and will be reviewed by Dalriada at least every three years. Such a strategy reflects Dalriada's intention to wind-up the Scheme as soon as it is possible.

As the only remaining unrealised investments, being the MPVA loans, are unconventional and unregulated, they do not comply with any maximum charge requirements. Dalriada has previously worked to realise investments where it is appropriate and possible to do so.

Dalriada has also produced annual Scheme Reports and Accounts. These and the SIP are published on the members' website.

Review of default strategy and default arrangements

There is no default investment arrangement or default investment strategy in place for the Scheme at the current time. As such, there has been no review of the default arrangement or default strategy in the year in question and no previous review for which a date can be given.

Core Financial Transactions

Trustees have a specific duty to ensure that core financial transactions relating to DC schemes are processed promptly and accurately. These include the following:

- investing contributions in the scheme
- transferring assets related to members into or out of the scheme
- transferring the assets between different investments within the scheme
- making payments from the scheme to or on behalf of the members.

The Scheme does not currently accept contributions or transfers in and is unable to pay any level of benefit, including transfers values, to members at the present time.

This is due to a number of factors, not least uncertainty, to date, as to the value of the Scheme's remaining investments and the position with regard to tax charges

The financial transactions the Scheme does make are primarily in relation to costs.

Unsurprisingly, Dalriada has been unable to carry out routine administrative actions for the Scheme over the reporting period. Therefore, there have been no material administration service issues which need to be reported here.

Notwithstanding this, Dalriada, as a professional independent trustee, has processes and controls in place that are suitably designed to ensure any service objectives can be achieved once the Scheme is in a position to operate in the manner of a normal scheme. Dalriada's administrations processes are independently audited and accredited under AAF 01/20 and AAF 02/07.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets and formally reported on, on a quarterly basis.

In addition, acknowledging that we need accurate member data for the processing of member benefits, Dalriada will carry out an analysis of 'common data' and 'scheme specific data' (as defined by TPR). This helps us to ensure the integrity of member data that is processed.

We perform monthly bank account reconciliations for all the schemes to which Dalriada is appointed. The purpose of these reconciliations is to ensure that all transactions processed through the bank accounts (money in and out) can be accounted for. Any transactions which cannot be accounted for are investigated and corrected if required.

Charges and Transaction Costs

The governance rules require trustees to make an assessment of investment management charges and transactions costs borne by the scheme members and the extent to which those charges and costs represent good value for money for members.

The investment management charges incurred by the regularised scheme investments are as follows:

Name	Fund Manager Charge	Additional Expenses	Mobius Life	Effective total annual fund charge
L&G Cash	0.05%	0.00%	0.04%	0.09%
L&G Short Dated Sterling Corporate Bond	0.14%	0.00%	0.04%	0.18%
BlackRock Sterling Corporate Bond 1-5 years	0.06%	0.015%	0.04%	0.115%

The Trustee has calculated the other charges and, so far as they were able to do so, the transaction costs, borne by Scheme members for the Scheme Year.

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs.

“Transaction costs” are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Dalriada has deviated from the approach set out in the DWP statutory guidance for the reasons set out below.

In the period covered by this Chair’s statement no payments into the Scheme have been accepted, either by way of contribution or transfers-in, that would be considered transaction costs. During the period there were disinvestments of £160,500 made to the Scheme bank account from the regularised Scheme investments held with Mobius Life Limited. These disinvestments did not result in any transaction costs and there have been no other transaction costs over the period.

Dalriada assumed trusteeship of the Scheme via a bulk appointment by TPR, when Dalriada was also appointed to five other schemes. The Schemes shared (and continue to share) similar characteristics, such as the previous trustees, administration records and investments. Where work is carried out that has a mutual benefit to all six schemes collectively, the costs will be shared across all schemes.

Under the terms of its appointment, the fees of Dalriada and its advisers fall as a debt due from the employer (or sponsor). However, in this case the sponsor company, having been previously dissolved, was restored, ordered to be wound up and, so, put into liquidation in July 2020 (this being required for the purposes of making a claim on the FCF). In this situation the terms of appointment set out that costs (or “charges”) should be met from Scheme funds.

It should be noted, however, that, subject to due diligence by the FCF that the costs incurred to date were reasonable and that they can be attributable to the dishonesty, we are hopeful that the majority of Dalriada’s costs (and those of its advisers) will be compensated by the FCF. Costs which the FCF consider ‘business as usual’ for a scheme will not be compensated as these are costs which must be borne by all pension schemes.

Due to the mismanagement of the Scheme by its previous trustees and the subsequent actions taken by Dalriada since appointment, it is inevitable that the Scheme has incurred, and will continue to incur, significantly higher ongoing costs than would be the case for a similarly sized but conventional scheme.

These costs, including its own and adviser costs (including legal fees), for the year ending 31 May 2023 are set out in the Accounts and total £175,613.

Dalriada will continue to confirm to members the amount of costs incurred in subsequent Chair Statements. In addition, it will continue to prepare annual Reports and Accounts. These will be audited by an independent auditor and include an audit of any core financial transactions that have taken place.

“Good value” assessment of charges and transactions

Generally, trustees should assess the extent to which the charges described above represent “good value” for members during the scheme year, by considering the level of member borne charges against the benefits attributable to such charges.

Whether something represents good value is not capable of being precisely defined. However, for these purposes, trustees should consider that charges may be viewed as representing good value for members where an optimum combination of cost and quality is achieved for the whole membership, relative to other options available in the market.

The characteristics of the Scheme are unusual and there are no readily available comparators to determine whether the costs incurred represent good value.

However, the actions undertaken by Dalriada, beyond those considered necessary for the appropriate management of the Scheme, are centred on action around recovery of funds. Such actions are considered

on a cost-benefit analysis. Where necessary, Court approval would be sought for the use of Scheme funds to pay for any legal action.

Dalriada was appointed following a tender exercise by TPR and is subject to ongoing oversight by TPR.

Dalriada's costs (both for ongoing management and regarding action around recovery of funds) are calculated using a blended charging rate. This rate sits well below Dalriada's standard market rates for senior staff. The trustee's legal advisers operate on a similar basis, albeit on a different charging rate.

As commented above, Dalriada, as a professional independent trustee, has processes and controls in place that are suitably designed to ensure any service objectives can be achieved once the Scheme is in a position to operate in the manner of a normal scheme. Dalriada's administration processes are independently audited and accredited under AAF 01/20 and AAF 02/07.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets, and formally reported on, on a quarterly basis.

Dalriada is required to advise members of the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights to money purchase benefits. However, due to the nature of Dalriada's appointment and the uncertainty as to both Dalriada's and its adviser's fees, as well as the uncertainty around the recovery from the Scheme's remaining investments and the level of FCF compensation, this is not possible to do at this time.

As commented earlier, as part of the successful claim on the FCF, the costs incurred by Dalriada attributable directly or indirectly to dealing with the act(s) of dishonesty giving rise to the claim can be compensated for as part of the claim. As such, Dalriada expects a significant proportion of the costs incurred by the Scheme to date to be compensated by the FCF.

When Dalriada is in a position to do so, it will advise members of the cumulative effect over time of the relevant costs and charges on the value of the members' benefits.

Given the nature of the Scheme and the fact that Dalriada was appointed as Trustee with exclusive powers as a result of TPR's concerns about the misuse and misappropriation of Scheme funds, and those concerns having been well founded, the Scheme could not and cannot provide good value to members.

As noted above we cannot produce meaningful annual benefit statements for the Scheme members. We are therefore unable to comply with the requirement to notify members in an Annual Benefit Statement that the relevant parts of the Chair's Statement have been published on the website.

Once the FCF claims process is complete, Dalriada will wind up the Scheme and secure members benefits with an alternative registered pension provider, to the extent it is possible to do so.

Value for Members Assessment and Reporting of Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ("the 2021 Regulations) introduced new requirements for trustees of relevant occupational pension schemes to carry out a more detailed value for members ("VfM") assessment.

For the purposes of the 2021 Regulations, the Scheme is a "relevant occupational pension scheme" because at the date of this Statement the Scheme had total assets worth less than £100 million and had been operating for three or more years.

A VfM assessment should include a comparison of the reported costs, charges and fund performance (net investment returns) for the given scheme against a minimum of three other comparison schemes, as well as a self-assessment of key scheme governance and administration criteria.

Given the particular circumstances of the Scheme, and the lack of comparison schemes with which to usefully compare the Scheme, a more detailed VfM assessment and consideration of the key scheme governance and administration criteria, is not possible and would not be meaningful. Furthermore, given the lack of comparison schemes with invested assets, a comparison of investment returns is not possible.

In regard to a VfM assessment of the reported investment charges, while we are unable to provide a comparison against a minimum of three other comparison schemes, we can confirm that the Scheme's investment advisor regularly reviews the charges applied to the investments with Mobius.

In terms of key scheme governance and administration criteria, the particular circumstances of the Scheme inevitably mean that there are governance requirements that cannot be complied with. Dalriada keeps a record of any breaches and duly notifies TPR each quarter.

In terms of administration requirements, the particular circumstances of the Scheme mean that it cannot be administered in line with common practice and TPR guidance. However, Dalriada communicates regularly with members, setting up a website for members, a dedicated member helpline and a Scheme e-mail address, should members have any queries with regard to their membership of the Scheme. Dalriada regularly updates members by way of Announcements, which are published on the members' website.

However, despite not being able to carry out a detailed VfM assessment in line with the 2021 Regulations, we are of the view that such an assessment would conclude that the Scheme could not, and cannot, provide value for members, given the circumstances outlined in this Statement.

2 Trustee knowledge and understanding

The Trustee has considered the latest guidance in relation to Chair Statements from TPR and has ensured that its practices reflect the requirements set out. I have set out below how the Trustee ensures it currently meets the knowledge and understanding requirements of trustees.

DALRIADA TRUSTEES LIMITED ("DALRIADA")

Dalriada is an independent professional trustee, established in 2003, which has been appointed by TPR under section 7 of the Pensions Act 1995 to a significant number of schemes. These appointments have been as a result of TPR having concerns about the nature and operation of the schemes and the extent to which the then trustees understood their statutory and fiduciary duties and responsibilities. Dalriada refers to such schemes as "Regulatory Appointments". The Scheme is a Regulatory Appointment.

Dalriada has established a specialist team drawn, from various relevant disciplines within Dalriada to manage the governance of these Regulatory Appointments, which we have called the Irregular Schemes Team.

A dedicated committee – the Irregular Schemes Practice Board ("the Practice Board") – has been established by the Board of Directors of Dalriada to oversee the activities of the Irregular Schemes Team in its governance of this Scheme and other Regulatory Appointments. Care has been taken to ensure that the membership of the Practice Board is such that there is sufficient knowledge and understanding to meet the requirements set out in sections 247 and 248 of the Pensions Act 2004 and TPR's Code of Practice 7 on Trustee Knowledge and Understanding.

I have set out below the membership of the Practice Board, along with a short summary of their skill set and experience. In addition, it is worth noting that two members of the Practice Board are directors of Dalriada.

Dalriada operates a team-based approach, which gives the Irregular Schemes Team access to over 150 pensions and support personnel, with a broad skill set suited to identifying and implementing the variety of tasks required to successfully manage the schemes. This includes pension administration experts, an in-house legal team, fund accountants and investment experts. Whilst the core Irregular Schemes Team deals with the majority of matters arising on the Scheme on a day-to-day basis (in conjunction with its appointed advisers), it can access the specialist expertise of the wider Dalriada team as and when required.

As far as we are aware, no other professional independent trustee firm has established and developed a specialist team in this difficult and challenging area of trusteeship. The relevant experience developed by the Irregular Schemes Team on such cases is unmatched and unrivalled.

THE PRACTICE BOARD

Sean Browes

Sean has been working in the pensions industry since he graduated in 1988. He worked for two major benefit consultancies in both administration management and consultancy roles, before joining Dalriada in 2003. Sean has a broad range of skills and experience suited to all areas of pension scheme management.

Sean leads the Irregular Schemes Team, dealing with Dalriada's appointments by TPR to schemes suspected of being involved in pension liberation or thought to be scams. He now has a wealth of experience and knowledge with regard to the unique characteristics associated with the administration and management of these types of scheme and the challenges they present.

Sean is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Certificate in DC Governance and Award in Pension Trusteeship (DC and DB). Sean has met all required CPD requirements.

Neil Copeland

Neil is a co-founder of Dalriada and acts as an Accredited Professional Trustee on some of our most complex and challenging cases, including our Regulatory Appointments. Neil specialises in schemes with technically challenging governance and covenant issues, as well as having over 25 years of experience in relation to defined benefit, hybrid, defined contribution, multi-employer and sectionalised arrangements.

Neil spends a significant proportion of his time working on Regulatory Appointments. Like Sean, Neil has developed considerable experience of the complex and non-standard issues faced by the Dalriada team in managing the Regulatory Appointments. This has included acting as a witness in high profile litigation in relation to Regulatory Appointments in support of TPR and representing Dalriada in oral hearings before the Determinations Panel, where Dalriada's appointment by TPR has been challenged by the incumbent trustees or other directly affected parties.

Neil is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and is a Fellow of the Pensions Management Institute and holds their Certificate in DC Governance and Award in Pension Trusteeship (DC and DB). Neil has met all required CPD requirements.

Tom Lukic

Tom is a director of Dalriada and leads the Dalriada business across the Midlands. He has broad pensions experience with particular expertise in employer covenant and corporate transactions. He has worked with a range of trustee boards managing scheme assets from c.£5 million to more than £1 billion. Similarly, he is experienced in working with a broad spectrum of sponsoring employers from small, owner-managed businesses through to much larger and complex groups, being either privately owned or fully listed.

Tom's experience, both as an adviser and as an Accredited Professional Trustee, provides particular insight into corporate structures and insolvencies. Where the investments of Regulatory Appointments include shares and/or bonds in, or issued by, corporate entities, an understanding of the accounting and financial structures of these entities is essential and Tom provides a wealth of experience in this area.

Tom is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Tom has met all required CPD requirements.

Brian Spence

Brian is a co-founder and director of Dalriada. He is now involved in the provision of a wide range of advice to pension scheme sponsors and trustees. Brian is well-known in the pensions industry for taking a strategic view in dealing with pension scheme matters and uses his experience to deliver practical solutions which satisfy the needs of trustees, employers and other stakeholders. Brian is recognised by TPR and the pensions industry as an expert in dealing with contentious and/or complex issues. He is a lead contact and "key person" for a number of high-profile trustee appointments.

In addition, Brian has practical experience of working as a Professional Trustee in all three major legal jurisdictions of the UK and as a Professional Trustee and advisor in Ireland. Brian has held a UK Scheme Actuary Practising Certificate since inception of the role in 1997.

Brian has an in-depth knowledge of legal processes, particularly around testing points of legal principle related to the operation of pension schemes, often as a result of deficiencies in scheme documentation (a common issue with Regulatory Appointments). He also has experience in litigation involving pension

schemes – where it is cost effective to do so, Dalriada will look to take legal action against the perpetrators of a scam with the aim to recover misappropriated assets.

Brian is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Brian has met all required CPD requirements.

Amanda Banister

Amanda is a professional trustee with a wealth of experience in the pensions industry. Before joining Dalriada, Amanda was a pensions partner in a global law firm. She also spent three years in-house at the Pension Protection Fund in its early years, shaping its legal approach and gaining wide experience in pensions policy and insolvency/restructuring. After leaving, she continued to advise the PPF on some of its highest profile and most complex matters.

Amanda's experience of working with and advising the PPF is a valuable asset to the Practice Board, as is her significant experience of contentious pensions issues, including Pensions Ombudsman disputes. Amanda also has a strong governance and risk management skillset, with an ability to solve testing problems, which are strongly aligned with the work of the Practice Board and Regulatory Appointments in general.

Amanda is a qualified solicitor, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship. Amanda has met all required CPD requirements.

3 Knowledge of the trust deed and rules

All documents setting out the trustee's current policies

The Scheme has a dedicated client manager who has an in-depth knowledge of the Scheme and its governing documentation.

At the point of becoming Independent Trustee to the Scheme, a prescribed take-on process was followed. This included an assimilation and review of all the relevant Scheme documentation, including the trust deed and rules. The Practice Board is made aware of any issues or risks in relation to the Scheme's trust deed and rules as and when they arise, with appropriate action agreed in relation to the issue or risk identified. In addition to the knowledge held by the client manager and Irregular Schemes Team, the Trustee obtains legal advice in relation to the Scheme's documentation, where necessary.

There have been no new trustees introduced in this reporting period. However, there is an appropriate induction process in place to support new trustees.

A working knowledge of the current Statement of Investment Principles

As above, the Scheme has a dedicated client manager who has an in-depth knowledge of the Scheme and its governing documentation, including the SIP. The Practice Board is made aware of any issues or risks in relation to the Scheme's SIP as and when they arise, with appropriate action agreed in relation to the issue or risk identified.

Sufficient knowledge and understanding of the law relating to pensions and trusts and understanding of the principles relating to the funding and investment of occupational schemes

Those Dalriada staff working on the Scheme are obliged to self-evaluate their learning and development requirements on an annual basis as part of Dalriada's internal review process. The process identifies how staff can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. Dalriada staff are also required to comply with their respective training requirements in order to maintain a required level of continuing professional education ("CPE") and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPE requirements.

Every Professional Trustee is required to undertake a minimum number of hours training each year. This is recorded centrally by Dalriada's Human Resources Team and, where appropriate, forms part of staff personal development plans. This training can include internal and external courses and attendance at industry events, as well as a degree of self-learning by way of subscriptions to professional publications and electronic information channels.

Further, every Professional Trustee is required to complete TPR's Trustee Toolkit and subscribes to the updates issued by TPR.

Professional Trustees belong to Dalriada's knowledge management network which keeps them up to date with industry thinking. They also have access to a team of in-house pensions experts who inform the team about changes to pensions legislation and practices.

The trustees have access to Pendragon Perspective and Aries - both industry-leading tools, giving access to pension legislation.

Dalriada has its own in-house legal specialists to provide support and guidance to trustees around legislation and interpretation of scheme documentation. This is further aided by advice from external legal advisers, which is obtained when the Trustee feels this reinforcement is necessary to support their own understanding.

Combined knowledge and understanding, together with available advice enables the trustees to properly exercise their function

Dalriada has informally assessed the skill set and experience of each member of the Practice Board and the client team. It has taken into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice.

The Practice Board understands the need to more formally assess the skills of its members. This is done using a skills matrix developed for this purpose. Any areas for development flagged during this process will be addressed as part of the individual's personal development plan and reviewed throughout the year.

An evaluation of the effectiveness of the Practice Board as a whole is also carried out.

I consider that the combined knowledge and understanding of the Practice Board and the client team enables them to exercise properly their function as trustee of the Scheme. In particular:


- Members of the Practice Board have the relevant financial knowledge and experience to enable the Trustee to comply with its duties in relation to investment of the Scheme's assets. Tom Lukic's experience (see above) is particularly advantageous in this area.
- There is a vast range of pensions experience and knowledge within the Practice Board and the client team. This is appropriate to deal with the governance of the Scheme in line with the trust deed and rules, along with other scheme documentation. There is also a great deal of experience relevant to dealing with issues which might be thrown up by the Scheme which require the amendment of scheme documentation.
- Sean Browes, Neil Copeland and Brian Spence have a great deal of knowledge and experience in relation to schemes of complex nature, such as this Scheme. This includes schemes where investments made by previous trustees are deemed to be highly inappropriate, their administration has been poor and / or the previous trustees have not had the sufficient knowledge and understanding to be trustees of an occupational pension scheme.
- Sean Browes and Neil Copeland have many years of experience in the administration of pension schemes, allowing a keen oversight of the administration of the Scheme.

Member Representation

Dalriada seeks to keep members informed and to facilitate direct access for members to Dalriada by means of a:

- Dedicated member website;
- Dedicated contact e-mail address; and
- Dedicated phone line.

Signed for and on behalf of Dalriada Trustees Limited (the Trustee)



Chairman

Date 15 December 2023

Dalriada. A better way

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