

Dalriada. **A better way**

Mendip RBS

**Report and Financial Statements
For the year ended 31 March 2021**

Registration number: 12004759

Table of Contents

Principal Employer and Advisers to the Scheme.....	3
Trustees' Report.....	5
Statement of Trustees' Responsibilities	11
Independent Auditor's Report	12
Financial Statements	16
Notes to the Financial Statements	18
Summary of Contributions.....	25
Independent Auditor's Statement about Contributions.....	26
Compliance Statement.....	27
Investment Report	Appendix 1
Implementation Statement.....	Appendix 2
Annual Governance Statement.....	Appendix 3

Mendip RBS
Principal Employer and Advisers to the Scheme

Scheme provider

Clarendon Hill Investments Limited
St Georges Court
Winnington Avenue
Cheshire
CW8 4EE

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
Earl Street
London
EC2A 4ES

Investment adviser

Advisory Investment Services Limited (appointed: 30 October 2020)
Burnetts, School Lane
Ashurst
Sussex
BN44 3AY

Mendip RBS
Principal Employer and Advisers to the Scheme

Investment managers

Hedge Capital Investment Group Ltd (removed: 12 May 2017)
c/o KPMG LLP
15 Canada Square
London
E14 5GL

Investment platform provider

Mobius Life Limited (appointed: 19 January 2021)
7th 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

Mendip RBS Trustees' Report

Introduction

The Trustees of the Mendip RBS ("the Scheme") present their report together with the audited financial statements for the year ended 31 March 2021. The Scheme is a defined contribution scheme.

The Scheme was established on 23 August 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 was no longer possible to contract out of the S2P through a defined contribution scheme. All existing contracted out payments will be treated as non-protected rights benefits.

The Compliance Statement set out on pages 27 and 28, the Investment Report included as Appendix 1, the Implementation Statement included as Appendix 2 and the Annual Governance Statement included as Appendix 3 form part of this report.

Scheme management

The Trustees are

John Laurence Woodward.
Jennifer Doris Ilett.
Dalriada Trustees Limited.

The directors of Dalriada Trustees Limited are DN Copeland, RD Fogarty (appointed 30 June 2020), CM Johnstone, AB Kennett, T Lukic, CJ Roberts, BD Spence and V Vassou. The directors of Dalriada Trustees Limited ("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 28 March 2012 under section 7 of the Pensions Act 1995, and may only be removed by The Pensions Regulator.

The Trustees have appointed external specialists to advise on legal and accounting matters.

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://dalriadatrustees.co.uk/pennines-and-mendip> or by request by email, address penninesandmendip@dalriadatrustees.co.uk

**Mendip RBS
Trustees' Report**

Financial development of the Scheme

The financial statements of the Scheme for the year ended 31 March 2021 are set out on pages 16 to 24; the Trustees' summary of contributions and the Auditor's statement about contributions are set out on pages 25 and 26. 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 £61,009 at 31 March 2020 to £9,009 at 31 March 2021.

However, these figures should be read alongside the comments made later in this Report, particularly in the 'Investment Report' section.

Transfers at less than cash equivalent

No transfer values have been paid from the Scheme.

Membership

As at 31 March 2021, 153 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 01/04/2020	<u>153</u>	<u>-</u>
Membership at 31/03/2021	<u>153</u>	<u>-</u>

Two members died in 2020, this has not been reflected in the membership figures as no payment has been made in respect of the members.

Pension increases

No pensions were paid in the year.

Changes to the Scheme rules

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

**Mendip RBS
Trustees' Report**

Governance and Risk Management

Following their appointment, Dalriada identified a number of concerns with the incumbent administrator (T12), not least the significant charges being levied. Dalriada gave notice to T12 of termination of their contract shortly after their appointment, which was resisted by T12 who claimed payment of outstanding fees in excess of £100,000. This was disputed and resisted by Dalriada. T12 was subsequently dissolved on 17 March 2015. Legal advice is that T12 would also extremely likely be time barred from issuing any claim. Given this, we have not included this money as a potential contingent liability in these accounts.

Other than the funds held in cash in the Scheme's bank account, all monies transferred into the Scheme were invested in preference shares in Hedge Capital Investment Group plc, which later became Hedge Capital Investment Group Limited. Dalriada's concerns are set out later on in this Report in the 'Investment Report' section.

There appears to have been limited investment advice taken by the previous trustees and no evidence of an appropriate investment adviser being appointed, as required under legislation.

Dalriada has now put in place a more robust administration database and created proper accounting records, the information within which underpins the accounts appended to this Report and which have been independently audited.

Dalriada has developed and will continue to develop its business plan which set out its objectives in various key areas and, 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.

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 penninesandmendip@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, where appropriate, to assist in the administration of 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.

**Mendip RBS
Trustees' Report**

Further Information (continued)

The Trustees are regarded as 'Controller' for the purposes of the Regulations, in relation to the process referred to above. The advisers appointed by the Trustee are usually 'Processors', however, some advisers, such as the scheme actuary and auditors 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.

Trustees' report on the Scheme's Investments

Other than funds held in cash in the Scheme's bank account, all monies transferred into the Scheme were invested in preference shares in Hedge Capital Investment Group plc/Limited (HCIG). Within HCIG, the monies were ultimately used for investment in a range of 'alternative' investments and to facilitate the offer of personal loans back to Scheme members.

Dalriada was unclear as to the value of the underpinning investments and, so, to the actual value of the Scheme's investment in HCIG and, as such, had difficulty in showing a correct asset value in previous accounts.

On appointment Dalriada commenced high court action against the previous trustees and the organisers of the Scheme to seek recovery of the monies paid to HCIG, claiming, not least, that monies were paid in breach of trust. It also sought, and obtained, a freezing order over the assets of the Hedge companies.

Dalriada's claim was subject to a summary judgment application but this was rejected by the Court and, subsequently, there was a protracted period of negotiation, looking to reach a settlement of Dalriada Trustees' claim.

As we also reported, the settlement, once agreed, would require the sanction of the Court.

Settlement was reached with the Hedge Companies in the autumn of 2016. The key terms of the settlement were:

- Dalriada took ownership of the various Hedge Companies, with the exception of Hedge Capital Limited (the company that made the loans).
- Hedge Capital Limited was placed into Administration and KPMG (subsequently Interpath Advisory following KPMG's sale of its UK Restructuring business) were appointed as Administrators.
- All legal action was discontinued and agreement was reached on payment of costs to Hedge's legal advisers.

An application was then made to Court to have the terms of the settlement sanctioned. The application was heard in May 2017. This hearing was held in private, but we can confirm that the Court approved the intended settlement, which enabled Dalriada and the Hedge entities (as well as Mr Woodward, a previous trustee and director of the Scheme sponsor) to proceed with implementing the steps required under the terms of the settlement.

In addition to the main settlement with Hedge, Dalriada also reached agreement with another party who had invested funds in HCIG. However, as previously reported to members, their investment was small.

Following the Court sanction and the conclusion of the settlement between Dalriada and the various Hedge entities, all funds held in cash by HCIG totaling £2,121,100 were returned to the Scheme.

Dalriada appointed Andrew Conquest as director to each of the following companies – Hedge Capital Investment Group (HCIG), Hedge Capital Investments Limited (HCIL), Hedge Tax Mitigation Limited (HTML) and Hedge Capital Markets Limited (HCML).

HCML was a dormant company and was dissolved.

HCIG, HCIL and HTML were placed into voluntary liquidation on 27 November 2017 and KPMG (now Interpath) appointed as liquidators of each of the companies on 8 December 2017.

**Mendip RBS
Trustees' Report**

Trustees' report on the Scheme's Investments (continued)

It was always the intention that, once the settlement was achieved and Dalriada took ownership of the various Hedge companies, it would look to strip away the corporate structure and look to identify, and place a value on, the assets underlying the companies, in particular HCIL.

As we have reported previously, Dalriada is aware of some of these underlying investments, which include a mobile learning application for phones and tablets and an investment linked to Brazilian teak plantations. Whilst any recovery is now in the hands of Interpath as liquidators, it was always anticipated that there would be little value in these investments.

Dalriada is also aware that a significant sum was paid to Sustainable Wealth Group. Investments in Sustainable Wealth Group were promoted by Forensic Review, a company offering cash inducements for members to transfer. Forensic Review was under investigation by the FSA (now FCA). Sustainable Wealth itself entered administration following an application by the Serious Fraud Office. Over £2m of funds was transferred to the US without the knowledge of Hedge and Dalriada supported legal action for recovery of these monies.

Dalriada understands that, ultimately, the monies were returned to the UK and were to be included in the general Sustainable Wealth liquidation. Whether there is ultimately any recovery is now a matter for Interpath and will become evident as the liquidation of HCIL progresses but it is now unlikely that there will be any material recovery from this particular investment.

Finally, as commented above, a significant sum had been used to provide unsecured personal loans. It was hoped that this loan book might have some value. However, the Administrators (Initially KPMG and subsequently Interpath) identified a number of issues with the loans that would have needed to be corrected if it was going to be possible to realise any value in the loan book. Dalriada considered with the Administrators the options in this regard, together with the associated costs, and determined that the costs that would be incurred in correcting the issues would likely outweigh the value obtained in 'selling' the loan book to a third party, with, as a result, no benefit to the Scheme. Given that, the loan book will effectively be abandoned.

Interpath, in their capacity as both Administrators of Hedge Capital Limited and Liquidators of various of its holding companies, have a number of powers with regard to recovery of assets and investigation into the actions of the previous directors. Dalriada is continuing to work with Interpath to try to ascertain what value there might be in each of the companies. Interpath are required to produce regular progress Reports in respect of the administration and liquidations. It is now likely that these will be completed by the end of 2021. Any residual claims against third parties will be assigned back to Dalriada but, to the extent that the Administrators / Liquidators did not consider it cost effective to pursue these claims, it is unlikely that Dalriada will either, but, by assigning the claims back, the option remains available should, for example, new information come to light.

Dalriada, as a Trustee to the Schemes, is by far the major creditor. In October 2021, an estimated outcome statement was produced that suggested some £396,000 will eventually be returned to the Schemes on completion of the Administration and connected Liquidations, of this amount around £127,000 could be returned to Mendip RBS.

During the year, the day to day management of the Scheme's investments was delegated by the Trustee to the Investment Adviser, Advisory Investment Services Limited and, following advice on investment strategy from Advisory Investment Services, the majority of the Scheme's liquid funds were invested in Legal & General and Blackrock funds, via the Mobius platform. The detailed investment platform provider's report is included as Appendix 1.

**Mendip RBS
Trustees' Report**

Trustees' report on the Scheme's investments (continued)

Dalriada will now focus on the pursuit of further recovery of funds by way of a claim on the Fraud Compensation Fund (FCF). As was reported to members in 2020, following Court proceedings involving Dalriada, the Pension Protection Fund (who manage the FCF) and the DWP, it was found that schemes like the Mendip scheme were able to make claims on the FCF for losses arising from acts of fraud and dishonesty. Dalriada has been working, and will continue to work, with the PPF with regard to a potential claim by the Scheme. However, at this time, we do not know whether any claim will ultimately be successful.

Custodial arrangements

Mobius Life Limited

The funds held by the Scheme invest in unlisted vehicles offered by other investment managers. As such, Mobius Life owns units of other funds and does not directly hold stock.

The third-party investment managers of the underlying funds will appoint their own custodians.

Investment principles

Trustees are required to produce a Statement of Investment Principles, which incorporates the investment strategy, in accordance with section 35 of the Pensions Act 1995. Dalriada had had sight of what appeared to be a template, unsigned and undated Statement of Investment principles, prepared by the previous trustees and/or their administrators.

As commented earlier, Dalriada has now taken advice from Advisory Investment Services Limited and implemented an investment strategy that, whilst still cautious, looks to generate a greater return than just holding funds in cash. Dalriada has now prepared an updated Statement of Investment principles that reflects that strategy. A copy is available by download from the members' website page <http://dalriadatrustees.co.uk/pennines-and-mendip>.

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.

The Scheme's Investments with Mobius Life Limited comply with the restrictions prescribed by regulations made under section 40 of the Pensions Act 1995.

**Mendip RBS
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 Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the 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.....

26/10/2021
Date.....

Mendip RBS
Independent Auditor's report to the Trustees

Opinion

We have audited the financial statements of the Mendip RBS (the 'Scheme') for the year ended 31 March 2021 which comprise the fund account, the 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 the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, 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 opinion

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

Material uncertainty related to going concern

We draw your attention to note 1 of the financial statements, which indicates that if the Scheme was required to pay the Scheme Sanction Charge liability recognised within these financial statements, the Scheme may not be able to pay this liability in full. As stated in note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Scheme's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

Mendip RBS
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.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 11, 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.

Mendip RBS

Independent Auditor's report to the Trustees

Auditor responsibilities for the audit of the financial statements (continued)

- 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 to which an audit is 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- We identified and gained an understanding of the legal and regulatory framework relevant to the scheme. Based on our understanding of the scheme, we determined that the most significant were the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Pensions Acts 1995 and 2004.
- We gained an understanding of how the Scheme complies with these legal and regulatory frameworks by making enquiries of the Trustees and the Scheme administrator about where they think fraud is most likely to occur, including asking the Trustees if they are aware of any suspected or known instances of fraud and if there is an area of the financial statements that they think is more susceptible to fraud. This included asking the Trustees as to whether any reports had been made to The Pensions Regulator during the year or since the year end.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur, by gaining an understanding of the controls that the Trustees, Scheme administrator, and Scheme investment manager have established to address risks or that otherwise seek to prevent, deter or detect fraud. This included reviewing the most recent internal control reports of the Scheme's administrator and investment managers.
- We undertook a review of the Scheme's accounting transactions, including journal entries used in the preparation of the financial statements, to consider if any were unusual and may indicate potential irregularities.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Mendip RBS
Independent Auditor's report to the Trustees

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.

Johnston Carmichael LLP

Johnston Carmichael LLP
Statutory Auditor

227 West George Street
Glasgow G2 2ND

Date: *26 October 2021*

**Mendip RBS
Financial Statements**

For the year ended 31 March 2021

Fund Account

	Note	2021 £	2020 £
Contributions and benefits			
Administrative expenses	3	<u>(44,743)</u>	<u>(34,080)</u>
		<u>(44,743)</u>	<u>(34,080)</u>
Net withdrawals from dealings with members		<u>(44,743)</u>	<u>(34,080)</u>
Returns on investments			
Investment income	4	209	6,484
Change in market value of investments	5	<u>(7,466)</u>	<u>-</u>
Net returns on investments		<u>(7,257)</u>	<u>6,484</u>
Net decrease in the fund for the year		(52,000)	(27,596)
Net assets at 1 April 2020		61,009	88,605
Net assets at 31 March 2021		<u>9,009</u>	<u>61,009</u>

The notes on pages 18 to 24 form an integral part of these financial statements.

**Mendip RBS
Financial Statements**

**Statement of Net Assets
(available for benefits) as at 31 March 2021**

	Note	2021 £	2020 £
Investment assets:	5		
Pooled investment vehicles	6	1,002,725	-
		<u>1,002,725</u>	<u>-</u>
Current assets	9	28,401	1,082,134
Current liabilities	10	(1,022,117)	(1,021,125)
Net assets at 31 March 2021		<u><u>9,009</u></u>	<u><u>61,009</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 18 to 24 form an Integral part of these financial statements.

26/10/2021

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.....

Mendip RBS
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.

At 31 March 2021, the Scheme had net assets of £9,009 (2020 - £61,009) which are stated after the recognition of a Scheme Sanction Charge liability of £1,015,806 (2020 - £1,015,806) as explained in note 10. As the Scheme is required to pay the ongoing administration expenses of the Scheme, which in the current year totaled £44,743, the Trustees anticipate that the Scheme may show a net liabilities position in its next financial statements for the year ended 31 March 2022.

Dalriada are currently appealing against the Scheme Sanction Charge, however if payment of this charge was required then the Trustees acknowledge the risk that the Scheme may not have sufficient financial resources to pay the charge in full.

In this knowledge, the Trustees have considered the basis of preparation of these financial statements. The Trustees have prepared these financial statements on a going concern basis, however the Trustees acknowledge that these conditions create a material uncertainty that may cast significant doubt on the Scheme's ability to continue as a going concern.

The Trustees have considered the measurement and recognition of the assets and liabilities included in the Scheme's Statement of Net Assets and concluded that no adjustments are necessary to these as a consequence of this material uncertainty.

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 Scheme Provider's registered address is disclosed on page 3 and the address for enquiries to the Scheme is included in the Trustees' Report on page 7.

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.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value, otherwise it is accounted for when declared by the fund manager.

Change in Market Value

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.

Mendip RBS
Notes to the Financial Statements

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.

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

Administrative expenses are accounted for on an accruals basis.

Investment Assets

Other than funds held in cash in the Scheme's bank account, all monies transferred into the Scheme were invested in preference shares in Hedge Capital Investment Group plc/Limited (HCIG), before Dalriada was appointed.

Dalriada was unclear as to the value of the underpinning investments and, so, to the actual value of the Scheme's investment in HCIG and, as such, had difficulty in showing a correct asset value in previous accounts. Dalriada had previously valued the investment consistent with the net asset value of HCIG, as shown in that company's most recently filed audited accounts for the year ended 31 December 2015. However, Dalriada had caveated that asset figure to the extent that, once more information was known about the underpinning investments, the net value may be considerably lower.

Following the conclusion of the settlement between Dalriada and the various Hedge entities, all funds held in cash by HCIG were returned to the Scheme.

There remain other investments within HCIG, as set out in the Investment Report on pages 8 & 9. As liquidators, Interpath are tasked with recovering what money it can from those investments but, currently, we don't anticipate any material recovery. Given this, we have exercised prudence, and assumed nil recovery. The net assets now more properly reflect the value in HCIG.

Unlisted 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.

3. Administrative expenses

	2021	2020
	£	£
Consultancy fees	600	-
Audit fees	3,301	2,880
Legal fees	5,581	3,402
Pensions Regulator Levy	396	356
Trustee fees	34,850	27,402
Other professional fees	15	40
	<u>44,743</u>	<u>34,080</u>

Mendip RBS
Notes to the Financial Statements

4. Investment Income

	2021	2020
	£	£
Interest on cash deposits	<u>209</u>	<u>6,484</u>
	<u>209</u>	<u>6,484</u>

5. Reconciliation of investments

	Value at 31/03/2020	Purchases at cost	Sale proceeds	Change in market value	Value at 31/03/2021
	£	£	£	£	£
Pooled investment vehicles	-	1,010,191	-	(7,466)	1,002,725
Investments Total	-	1,010,191	-	(7,466)	1,002,725
Unallocated to members	-				1,002,725

Where the Investments are held in managed and utilised 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.

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

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 Trustee.

Concentration of Investments

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

	2021		2020	
	£	%	£	%
L&G Life AR Cash Fund	101,010	1121.2	-	0.0
L&G Life CSAJ PMC Short Dated Sterling Corporate Bond	300,839	3339.3	-	0.0
BLK Life AQC Corporate Bond Up To 5 Years Index Fund	600,876	6669.7	-	0.0

6. Pooled investment vehicles

	2021	2020
	£	£
Bonds	901,715	-
Cash	<u>101,010</u>	<u>-</u>
	<u>1,002,725</u>	<u>-</u>

Mendip RBS
Notes to the Financial Statements

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 March 2021			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	1,002,725	-	1,002,725
	-	1,002,725	-	1,002,725

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.

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

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

Mendip RBS
Notes to the Financial Statements

(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, together with future contributions, 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. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy (beyond the first £85,000 (or such sum as the Trustees' estimate will be required to pay the annual fees) which will be held 100% in cash), is to hold 90% in short-dated corporate bonds and 10% in cash.

(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 Mar 2021
Unit linked insurance contracts	1,002,725
Total	1,002,725

(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.

Mendip RBS
Notes to the Financial Statements

(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.

A summary of the underlying portfolio exposed to interest rate risk is as follows:

	31 Mar 2021
P09209 L&G Life CSAJ PMC Short Dated Sterling Corporate Bond Index Fund	£300,839
P09210 BLK Life AQC Corporate Bond Up To 5 Years Index Fund	£600,876
P09208 L&G Life AR Cash Fund	£101,010
Total	£1,002,725

(v) Other price risk

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

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

The Trustees have delegated the day-to-day management of the pooled investment vehicles to Mobius Life Limited.

A summary of the underlying portfolio exposed to other price risk is as follows

	31 Mar 2021
P09208 L&G Life AR Cash Fund	£101,010
Total	£101,010

9. Current assets

	2021	2020
	£	£
Cash balances	28,401	1,082,134
	<u>28,401</u>	<u>1,082,134</u>

Included in the bank balance for the year ended 31 March 2021 is £28,401 (2020: £1,082,134) which is not allocated to members.

Mendip RBS
Notes to the Financial Statements

10. Current liabilities

	2021	2020
	£	£
Scheme Sanction Charge	(1,015,806)	(1,015,806)
Accrued expenses	<u>(6,311)</u>	<u>(5,319)</u>
	<u>(1,022,117)</u>	<u>(1,021,125)</u>

HMRC has levied Scheme Sanction Charge calculated at 40% of the corresponding unauthorised payment charges levied on the members of the Scheme. These unauthorised payment charges have been calculated based on the higher of the loan received by the member or 50% of the amount transferred into the Scheme in respect of the member. It is HMRC's view that unauthorised payment tax charges have arisen. Dalriada is appealing the Scheme Sanction Charge.

11. Related Party Transactions

During the year ended 31 March 2021 the fees due to Dalriada were £34,850 (2020: £27,402). As at 31 March 2021 £2,528 (2020: £1,958) was still due to Dalriada.

During the year Mendip RBS, a Scheme under the control of the same Trustees, paid fees for Pennines RBS which totalled £nil (2020: £30,635) all funds previously due to Mendip RBS were transferred to Mendip RBS before the previous year end.

12. Contingent Asset

As disclosed on page 9, as part of the liquidation of Hedge Capital Limited and its various holding companies, an estimated outcome statement was produced that suggested some £396,000 will eventually be returned to the Schemes on completion of the Administration and connected Liquidations, of this amount around £127,000 could be returned to Mendip RBS.

13. Contingent Liabilities

There were no contingent liabilities at the year end.

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.

**Mendip RBS
Summary of Contributions**

During the year ended 31 March 2021 no contributions were paid or were due to the Scheme.

Signed for and on behalf of the Trustees

For Dalriada Trustees Limited.....

26/10/2021
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 Mendip RBS

We have examined the summary of contributions to the Mendip RBS for the Scheme year ended 31 March 2021 to which this statement is attached.

Statement about contributions payable under the payment schedule

In our opinion contributions for the Scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the payment schedule have in all material respects been paid at least in accordance with the payment schedule and 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 payment schedule. 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 payment schedule.

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 payment schedule 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.

Johnston Carmichael LLP

Johnston Carmichael LLP
Statutory Auditor

227 West George Street
Glasgow G2 2ND

Date: *26 October 2021*

**Mendip RBS
Compliance Statement**

Changes In and other matters relating to the Scheme advisers

Any changes to the Scheme advisers are shown 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:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU
Telephone: 0800 731 0193
Website: <https://www.gov.uk/find-pension-contact-details>

The Money and Pensions Service (MaPS)

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 brings 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.

Holborn Centre
120 Holborn
London
EC1N 2TD
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 IDR, 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
E-mail: enquiries@pensions-ombudsman.org.uk

**Mendip RBS
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
Napier House
Trafalgar Place
Brighton BN1 4DW
Telephone: 0345 600 1011

Website: www.thepensionsregulator.gov.uk

E-mail: customersupport@tpr.gov.uk

**Mendip RBS
Appendix 1**



**Mendip RBS
Investment Manager's Report to 31 March 2021**

Fund Performance to: 31 Mar 2021

% Fund Growth	1 Year to 31 Mar 21	3 Years to 31 Mar 21	1 Year to 31 Mar 20	1 Year to 31 Mar 19	1 Year to 31 Mar 18	1 Year to 31 Mar 17
L&G Life AR Cash Fund	0.1 %	0.5 %	0.7 %	0.6 %	0.3 %	0.3 %
L&G Life CSAJ PMC Short Dated Sterling Corporate Bond Index Fund	-0.7 %	-0.2 %	0.0 %	0.0 %	na	na
BLK Life AQC Corporate Bond Up To 5 Years Index Fund	4.3 %	na	na	na	na	na

Market Returns	1 Year to 31 Mar 21	3 Years to 31 Mar 21	1 Year to 31 Mar 20	1 Year to 31 Mar 19	1 Year to 31 Mar 18	1 Year to 31 Mar 17
FTSE ALL Share Index	26.7 %	3.2 %	-18.5 %	6.4 %	1.2 %	22.0 %
FTSE 100	21.9 %	2.3 %	-18.4 %	7.7 %	0.2 %	23.3 %
FTSE 250	45.1 %	6.0 %	-18.6 %	1.0 %	5.3 %	15.3 %
FTSE Small Cap	63.0 %	9.9 %	-19.4 %	1.0 %	6.0 %	23.0 %
FTSE AW World Index	39.9 %	13.4 %	-6.1 %	11.1 %	2.4 %	32.6 %
FTSE North America	42.8 %	17.7 %	-2.8 %	17.5 %	1.3 %	35.0 %
FTSE Developed Europe ex UK	34.5 %	8.2 %	-8.2 %	2.6 %	3.9 %	28.0 %
FTSE Developed Asia Pacific ex Japan	50.6 %	9.2 %	-17.6 %	4.8 %	1.9 %	37.4 %
FTSE Japan	26.3 %	7.0 %	-2.1 %	-0.9 %	7.5 %	32.8 %
FTSE Over 15 year fixed interest	-10.4 %	3.3 %	17.6 %	4.7 %	2.2 %	12.3 %
FTA All Stock Fixed Interest Gilt Index	-5.5 %	2.5 %	9.9 %	3.7 %	0.5 %	6.6 %
FTA Over 5 Year Index-Linked Gilt Index	2.6 %	3.5 %	2.4 %	5.7 %	0.7 %	22.0 %
3 Month LIBOR GBP	0.1 %	0.6 %	0.8 %	0.8 %	0.4 %	0.5 %
7 Day LIBID	0.1 %	0.5 %	0.6 %	0.6 %	0.2 %	0.2 %

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

Mendip RBS

Appendix 1

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 AQC Corporate Bond Up To 5 Years Index Fund

The fund aims to achieve index returns in line with the iBoxx GBP non-gilts, 1-5 year index.

L&G Life AR Cash Fund

This Fund consists of monies which are invested in short term instruments, up to a normal maximum of 35 days, from high quality borrowers aiming to achieve a gross return of at least 7 day LIBID.

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

Please Consult your Advisor

Provided by the Advisor for L&G Life CSAJ Short Dated Sterling Corporate Bond Index Fund

The fund aims to track the performance of the Markit iBoxx Sterling Corporates 1-5 Year Index.

Mendip RBS

Implementation Statement

for the year ending 31 March 2021

This Implementation Statement ("the Statement") has been prepared by Dairiada Trustees Limited ("the Trustee") for the Mendip RBS ("the Scheme").

It has been prepared to comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734), as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (SI 2018/988) ("the Disclosure Regulations").

Mendip RBS

August 2021

Introduction

Dalriada Trustees Limited ("Dalriada") was appointed Trustee of the Scheme ("the Trustee") by Order of The Pensions Regulator ("TPR") amid concerns as to how the Scheme was being managed by the former trustees and, further, that members may have been victims of a pensions scam.

A Statement of Investment Principles ("SIP") dated September 2020 was prepared by the Trustee and published on 30 September 2020, to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

As such, the SIP has been in force for part of the Scheme year and the Scheme's assets were invested in line with the SIP and Investment Strategy in January 2021. No SIP was in place prior to 30 September 2020, due to the particular circumstances of the Scheme, as outlined below.

The Scheme has appointed Advisory Investment Services Limited ("AIS") as Investment Adviser.

This Statement has been prepared in accordance with the Disclosure Regulations, in as far as it has been possible to do so, given the circumstances of the Scheme.

BACKGROUND OF THE SCHEME

Prior to Dalriada's appointment as Trustee, the former trustees had invested Scheme assets in inappropriate and unorthodox investments, without taking appropriate advice, as required by pensions legislation. These assets were generally illiquid and/or of uncertain value.

Therefore, the Trustee's aim is to recover what funds it can for members, resolve any associated tax or legal issues and, thereafter, to allow members to transfer the value of their pension pots to alternative, more appropriate arrangements and wind-up the Scheme. Given the irregular nature of the Scheme, the time frame for this is uncertain and may extend to a number of years.

In so far as it is possible to do so, the Trustee invests the available assets to secure a return over cash, with a lower level of risk. The tolerance to capital losses is minimal, accepting there will be drawdowns on the capital value, not least to meet ongoing expenses.

The SIP and this Statement only apply to those assets that the Trustee has been able to recover and realise, such that they are capable of being invested in accordance with the SIP. As and when the Trustee is able to recover and realise these unorthodox investments, such funds will be invested in line with the SIP.

Under applicable legislation, the Scheme is a defined contribution ("DC") scheme, for the purpose of this Statement. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. The SIP is consistent with those powers.

In this Statement we seek to:

- set out the Trustee's investment policies as per the SIP;
- comment on the voting and engagement behaviour and how the Trustee's policy has been followed during the Scheme Year; and
- set out how, and the extent to which, the SIP has been followed during the Scheme Year.

Mendip RBS
Appendix 2

Trustee Investment Policies

Generally, the ultimate objective of any (legitimate) pension scheme is to provide an income in retirement for its members which reflects the level of funds paid into members' individual accounts and the returns achieved from the investment funds held.

This section sets out the policies in the SIP in force at the Scheme year end, relating to the following:

- Financially Material Considerations for the Investment Strategy
- Non-Financial Matters
- Stewardship (Voting and Engagement)
- Investment Manager Arrangements

FINANCIALLY MATERIAL CONSIDERATIONS FOR THE INVESTMENT STRATEGY

The Trustee has, to the extent possible given the particular circumstances of the Scheme, considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine the investment strategy over the length of time it is anticipated the Scheme will remain ongoing.

The Trustee believes that, to the extent possible given the particular circumstances of the Scheme, financially material considerations (including climate change) are allowed for when setting the investment strategy.

To invest in the best financial interests of the beneficiaries, the Trustee has elected to invest realised assets through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest or of the unorthodox investments held by the Scheme. However, the fund managers and the investment consultant are expected to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment managers' own philosophy and processes to ESG issues. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies will also be reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors, including climate change, could impact the Scheme and its investments;
- Use ESG ratings information to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers share information about their ESG policies and details of how they integrate ESG into their investment processes, via its investment consultant.

Mendip RBS Appendix 2

If the Trustee determines that financially material considerations have not been factored into the investment managers' processes, it will take this into account on whether to select or retain an investment manager.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

STEWARDSHIP

The Trustee's policy on the exercise of rights attaching to investments, including any voting rights, is that these rights should be exercised by the investment managers on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment managers should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure of those companies and their management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment managers, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

INVESTMENT MANAGER ARRANGEMENTS

The Trustee, after considering suitable advice from the investment Adviser, appointed BlackRock and Legal & General Investment Management as the managers ("Investment Managers") of the assets held by the Scheme, all of which are held on the Mobius Life Investment platform ("Mobius").

The investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation and the exercise of any voting rights. All the managers are remunerated by fund-based charges on the value of the Scheme's assets that they hold.

Incentives to align investment managers investment strategy and decisions with the Trustee's policies

The Scheme invests in pooled funds. The Trustee acknowledges the funds' investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy, taking into account the fees being charged, which acts as the fund managers' incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the fund's investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

Mendip RBS

Appendix 2

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers voting and ESG policies and how it engages with the company, as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as cash and bonds, as they may not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

~~The Trustee believes the annual fees paid to the fund managers incentivises them to execute their~~ investment policies consistently, as the longer the units are held the larger the income to the investment manager.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

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

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the individual funds over at least a 3-5 year period or over a market cycle, if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its and each fund manager's goals are aligned.

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

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

**Mendip RBS
Appendix 2**

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the period which the Scheme expects to remain ongoing, but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Stewardship – Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year, where applicable.

VOTING AND ENGAGEMENT ACTIVITY

The Trustee's policy in relation to stewardship is set out on page 8 of the SIP.

As the Scheme's Investments are exclusively in cash and bond funds, with no voting rights, there was no voting activity to report. Engagement activity has not been requested as at the date of this Statement, given the short period of time the Scheme's funds have been invested (i.e. since January 2021), but will be requested going forward.

Should the Investment Strategy of the Scheme (and the SIP) be amended in the future to include an element of listed equities or other assets that carry voting rights and afford fund managers the opportunity to engage with investee companies, the Trustee will work with its Investment Adviser and Investment Managers in relation to providing information regarding voting and engagement activity in future implementation statements.

For completeness, as the Scheme's investments carry no voting rights, no "significant votes" have been identified or voted on over the course of the Scheme year.

Mendip RBS
Appendix 2

Review and Changes to the SIP during the Scheme Year

The Scheme did not have a SIP in place prior to September 2020. The latest SIP, which was dated 30 September 2020, can be found [here](#).

The Trustee prepared and adopted the SIP over the Scheme year, complying with all the legislative requirements including the requirements on clarifying and strengthening trustee duties that came into force on 1 October 2019, as well as other changes that came into force on 1 October 2020. The SIP was signed in September 2020 and the Scheme's assets, excluding the inappropriate assets, were invested in line with the SIP in January 2021.

As this was the first SIP for the Scheme, the Trustee set out all policies relating to:

- **Investment strategy;**
- **Types of investment;**
- **Balance between different types of investment;**
- Expected return on investments; Realisation of investments; and
- **Risks.**

Full details of these policies can be viewed in the SIP (linked above).

In order to comply with the requirements on clarifying and strengthening trustee duties that came into force on 1 October 2019, the Trustee also set out the following in the SIP:

- how they take account of financially material considerations over the appropriate time horizon of the investments, including those arising from ESG considerations, including climate change;
- their policies in relation to the stewardship of the investments, including engagement with investee firms and the exercise of the voting rights associated with the investment, where applicable; and
- **The Trustee decided not to set a policy for non-financial matters in the selection, retention and realisation of investments. Whilst the Trustee believes it looks out for the best interests of the members, they have not yet explicitly taken into account the member views on ESG or ethical views due to the particular circumstances of the Scheme.**

There were changes made to comply with the requirements on investment manager arrangements as well as policies on engagement and stewardship that came into force on 1 October 2020. The Trustee has set out the following:

- Arrangements with any asset manager, including incentives, remuneration, performance evaluation, portfolio turnover and duration of the arrangement.
- How they monitor the investee company on capital structure and how they manage actual and potential conflicts of interest in relation to their engagement.
- The Trustee also set out how they would monitor financially material considerations.

The Trustee believes that all of the above policies will help deliver long-term value for all members.

Compliance with SIP during the Scheme Year

The Trustee is of the opinion that the SIP has been followed over the Scheme year, for the period that the Scheme's assets have been invested in line with the SIP (i.e. since January 2021). The actions taken over the year in compliance with the SIP are as follows:

- Prior to investing the Scheme's funds in January 2021, the Trustees engaged with the Investment Adviser at length and obtained advice as to the most appropriate funds and Investment Fund Managers to best implement the Investment Strategy. The Investment Adviser considered the performance of various funds and fund managers, including the costs of the funds, the fund managers' philosophy, the underlying assets of the funds, before recommending the chosen investment managers. The managers were also selected as they are UN PRI signatories. The Trustee is of the opinion that the manager selection exercise satisfied the requirements of the SIP.
- Implemented the Investment Strategy (via investing the funds in January 2021 with the Investment Managers) in line with the Scheme's SIP and the advice of the Investment Adviser. The primary objective of the Investment Strategy is to provide a reasonable, stable investment portfolio, that targets some return over cash whilst protecting against further capital loss. Investing in the funds detailed above was in line with this objective and also ensured that the Investment Strategy of the Scheme is consistent with relevant legislation/regulations, the Scheme's Trust Deed and Rules and best practice. The requirement to include diversification in the portfolio was also satisfied by the implementation.
- The Trustee will monitor the investments going forward via regular reviews with the Investment Adviser to ensure that this objective is being met. This includes areas such as manager performance, fees and costs, as well as overall governance costs. Mobius also provide quarterly reports that will be reviewed by the Trustee and the Investment Adviser going forward.

Conclusion

The Trustee is of the view that the Scheme's SIP has been followed during the Scheme year, for that period which it was in force and Scheme assets were invested in line with the SIP.

Where it has been identified in this Statement that the SIP needs to be reviewed or amended, the Trustee shall endeavour to complete such review and/or amendments as soon as possible.

With the input of the Investment Adviser, the Trustee will continue to review the Scheme's Investments on a quarterly basis and take action should the Investment Objectives and other SIP policies not be met.

Dalriada. A better way

Mendip RBS (“the Scheme”) Annual Governance Statement by the Chair of the Trustee for the Scheme Year Ending on 31 March 2021

Contents	Page
<u>Introduction and Background</u>	2
<u>Default arrangement</u>	4
<u>Statement of Investment Principles</u>	4
<u>Review of default strategy and default arrangements</u>	4
<u>Core Financial Transactions</u>	4
<u>Charges and Transaction Costs</u>	5
<u>“Good value” assessment of charges and transactions</u>	6
<u>Trustee knowledge and understanding</u>	6
<u>Member Representation</u>	11
<u>Appendix 1 – SIP</u>	12

Mendip RBS

Appendix 3

Introduction and background [\(return to top\)](#)

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related Pensions Regulator guidance.

It relates to the Mendip RBS (the "Scheme").

Consideration has also been given to the Pensions Regulator's 'A quick guide to the chair's statement' and to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information', both published in September 2018.

This statement covers the period from 1 April 2020 to 31 March 2021.

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

Matters in relation to the Scheme are considered by a dedicated subcommittee of the Dalriada Board which meets quarterly. Issues are also considered on an ad hoc basis between committee meetings and the Scheme has a dedicated client manager, alongside a project manager, who ensures anything requiring attention by the subcommittee is communicated, and acted upon, in a timely manner.

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 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 access to their pension funds by way of a loan.

The Scheme had a single investment being the investment in preference shares issued by Hedge Capital Investment Group plc (later Limited) (HCIG). Loans to members were made by another Group company, Hedge Capital Limited, which, in turn, was funded by way of a loan from a further Group company, Hedge Capital Investments Limited (HCIL), a company wholly owned by HCIG.

These loans were seen as unauthorised payments by HMRC which has resulted in HMRC issuing provisional assessments for significant tax charges against both the Scheme and its members.

As well as providing the funds to loan back to members, HCIL invested further funds in other unusual and high-risk investments.

Following appointment, Dalriada took legal action against the Hedge Companies. In the autumn of 2016, a settlement agreement was reached with the various parties involved with the Hedge Companies. The key terms of the settlement were:

- Dalriada took ownership of the various Hedge Companies, with the exception of Hedge Capital Limited (the company that made the loans).
- Hedge Capital Limited was placed into Administration and KPMG (subsequently Interpath Advisory following KPMG's sale of its UK Restructuring business) were appointed as Administrators.
- All legal action was discontinued and agreement was reached on payment of costs to Hedge's legal advisers.

The terms of the settlement were sanctioned by the Court, following an application to Court, heard in May 2017.

Following the Court sanction and the conclusion of the settlement between Dalriada and the various Hedge entities, all funds held in cash by HCIG totaling £2,121,100 were returned to the Scheme.

Mendip RBS

Appendix 3

Dalriada appointed Andrew Conquest as director to each of the following companies – Hedge Capital Investment Group (HCIG), Hedge Capital Investments Limited (HCIL), Hedge Tax Mitigation Limited (HTML) and Hedge Capital Markets Limited (HCML).

HCML was a dormant company and was dissolved.

HCIG, HCIL and HTML were placed into voluntary liquidation on 27 November 2017 and KPMG (now Interpath) appointed as liquidators of each of the companies on 8 December 2017.

It was always the intention that, once the settlement was achieved and Dalriada took ownership of the various Hedge companies, it would look to strip away the corporate structure and look to identify, and place a value on, the assets underlying the companies, in particular HCIL.

Whilst any recovery is now in the hands of Interpath as liquidators, it was always anticipated that there would be little value in these investments.

As commented above, a significant sum had been used to provide unsecured personal loans. It was hoped that this loan book might have some value. However, the Administrators (initially KPMG and subsequently Interpath) identified a number of issues with the loans that would have needed to be corrected if it was going to be possible to realise any value in the loan book. Dalriada considered with the Administrators the options in this regard, together with the associated costs, and determined that the costs that would be incurred in correcting the issues would likely outweigh the value obtained in 'selling' the loan book to a third party, with, as a result, no benefit to the Scheme. Given that, the loan book will effectively be abandoned.

Interpath, in their capacity as both Administrators of Hedge Capital Limited and Liquidators of various of its holding companies, have a number of powers with regard to recovery of assets and investigation into the actions of the previous directors. Dalriada is continuing to work with Interpath to try to ascertain what value there might be in each of the companies. Interpath are required to produce regular progress Reports in respect of the administration and liquidations. It is now likely that these will be completed by the end of 2021. Any residual claims against third parties will be assigned back to Dalriada but, to the extent that the Administrators / Liquidators did not consider it cost effective to pursue these claims, it is unlikely that Dalriada will either, but, by assigning the claims back, the option remains available should, for example, new information come to light.

Dalriada, as a Trustee to the Schemes, is by far the major creditor. In March 2021, an estimated outcome statement was produced that suggested some £133,000 will eventually be returned to the Schemes on completion of the Administration and connected Liquidations.

During the year, the day to day management of the Scheme's investments was delegated by the Trustee to the Investment Adviser, Advisory Investment Services Limited and, following advice on investment strategy from Advisory Investment Services, the majority of the Scheme's liquid funds were invested in Legal & General and Blackrock funds, via the Mobius platform.

Dalriada will now focus on the pursuit of further recovery of funds by way of a claim on the Fraud Compensation Fund (FCF). Dalriada has been working, and will continue to work, with the PPF with regard to a potential claim by the Scheme. However, at this time, we do not know whether any claim will ultimately be successful. Ultimately, it is Dalriada's intention that the Scheme will be wound up and members will be offered the option to transfer any remaining benefits to alternative pension arrangements.

Mendip RBS Appendix 3

Default arrangement ([return to top](#))

A number of requirements of the Administration Regulations, which are referred to in this statement, 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.

It is not, nor ever has been, used to meet any auto-enrolment obligations and no regular contributions are being, or ever have been, paid into the Scheme. The Scheme's assets are made up solely by way of member transfer payments into the Scheme.

The Scheme does not offer a Default Lifestyle Strategy.

The Scheme did not offer members any choice as to how their funds were invested, funds being used to secure preference shares in HCIG.

Alongside the loans to members, funds were invested by HCIL (a subsidiary of HCIG) in unusual, high-risk and largely illiquid investments. The ultimate value of the investments made by HCIL will be determined by the Administrators (Interpath).

As such, in Dalriada's view, there has never been an appropriate default investment arrangement. There is no life-styling option available.

Statement of Investment Principles ([return to top](#))

Ordinarily, trustees should prepare a statement of investment principles ("SIP") governing decisions about investments.

No serviceable Statement of Investment Principles existed for the Scheme prior to Dalriada's appointment.

Dalriada is continuing to work with Interpath to determine what further assets may be recovered alongside those funds already transferred to the Scheme following the settlement agreement.

Where assets have been recovered Dalriada has taken appropriate and professional investment advice and has in place a suitable Statement of Investment Principles (SIP) see [Appendix 1](#). The SIP was prepared in September 2020 and will be reviewed by Dalriada every three years.

Subject to any FCF application for compensation, it is Dalriada's ultimate intention to wind up the Scheme as soon as it is able, giving members the opportunity to transfer any remaining funds to a more suitable arrangement of their choice.

Copies of the Scheme's Report and Accounts are published on the members' website. The Scheme's Report and Accounts include the latest Chair Statement.

Review of default strategy and default arrangements ([return to top](#))

As noted above, there is no default arrangement or default strategy in place for the Scheme. 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 ([return to top](#))

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

Mendip RBS

Appendix 3

- 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, for the Scheme year ending 31 March 2021, is unable to pay any level of benefit, including transfers values, to members.

This is due to a number of factors including: the continuing uncertainty regarding the value of the Scheme's investments; the position regarding the potential tax charges mentioned above; apportioning of costs to members. More information on this has been provided in Dalriada's Announcements to members.

The Financial Transactions the Scheme does make are, in the main, in relation to costs. These are reported in the Scheme's annual accounts.

Given its inability to carry out routine administrative actions, unsurprisingly, over the reporting period, there have been no material administration service issues which need to be reported here by Dalriada.

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 administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

Once Dalriada is able 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 The Pensions Regulator). This helps us to ensure the integrity of member data that is processed.

To ensure that all transactions processed through the bank accounts (money in and out) can be accounted for, we perform daily bank reconciliations for all Scheme bank accounts. Any transactions which cannot be accounted for are investigated and corrected if required.

Charges and Transaction Costs [\(return to top\)](#)

The governance rules require the Trustee to assess 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 Trustee has calculated the 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 for the buying, selling, lending or borrowing of investments.

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

There have been no transactions since Dalriada's appointment. Dalriada has not accepted any payments into the Scheme, either by way of contribution or transfers in meaning there have been no transaction costs.

However, under the terms of its appointment, the fees of Dalriada and its advisers are met from Scheme funds. Whilst these costs (or "charges") fall as debt due from the employer (or sponsor), in this case the sponsor was a dormant company with no assets.

Mendip RBS

Appendix 3

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 for the year ending 31 March 2021 (including trustee fees and legal and other professional fees) are set in the Accounts and total: £44,743.00.

Dalriada will continue to confirm to members the amount of costs incurred in subsequent Chair Statements. In addition, a full set of Report and Accounts has been prepared which have been audited by an independent auditor, which includes an audit of any core financial transactions that have taken place.

"Good value" assessment of charges and transactions [\(return to top\)](#)

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, but 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 collective 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 legal action around recovery of funds. Such actions are considered on a cost benefit analysis and, where necessary, Court approval is sought for the use of Scheme funds to pay for such legal action.

Dalriada was appointed following a tender exercise by the Pensions Regulator (TPR) and Dalriada is subject to ongoing oversight by TPR.

Dalriada's costs (both for ongoing management and action taken to recover funds) are calculated using a blended charging rate that sits well below its standard market rates. Its legal advisers operate on a similar basis.

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 able to operate in the manner of a normal scheme. Dalriada's administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

Once Dalriada is able 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 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 members' accrued rights to money purchase benefits. However, due to the nature of Dalriada's appointment, the uncertainty as to the value of the Scheme's assets and the uncertainty as to both Dalriada's and its adviser's fees this is not possible to do currently. When Dalriada is in a position to do so, it will advise members.

Trustee knowledge and understanding [\(return to top\)](#)

The Trustee has considered the latest guidance in relation to Chair Statements from The Pensions Regulator 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.

Mendip RBS

Appendix 3

Dalriada is an independent professional trustee, established in 2003, appointed to several schemes by The Pensions Regulator under section 7 of the Pensions Act 1995 as a result of The Pensions Regulator having concerns about the nature and operation of those schemes and the extent to which the then current 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 Committee - "the Committee") 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 Committee is such that there is sufficient knowledge and understanding within the Committee to meet the requirements set out in sections 247 and 248 of the Pensions Act 2004 and The Pensions Regulator's Code of Practice 7 on Trustee Knowledge and Understanding.

I have set out below the membership of the Committee, along with a short note on their skill set and experience. In addition, it is worth noting that three members of the Committee are directors of Dalriada Trustees Limited. Dalriada operates a team-based approach which gives the Regulatory Appointments Team access to over 120 pensions and support personnel with a broad skill set suited to identifying and implementing the variety of tasks required to successfully manage the Scheme, including 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 Committee [\(return to top\)](#)

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 The Pensions Regulator 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 an accredited member of the Association of Professional Pension Trustees, has completed The Pensions Regulator'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 and director of Dalriada Trustees Limited. He acts as a 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

Mendip RBS

Appendix 3

having over 25 years of experience in relation to defined benefit, hybrid, defined contribution, multi-employer and sectionalised arrangements.

Neil is the Dalriada Board representative for the Irregular Schemes Team and 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 The Pensions Regulator and representing Dalriada in oral hearings before the Determinations Panel where Dalriada's appointment by The Pensions Regulator has been challenged by the incumbent trustees or other directly affected parties.

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

Tom Lukic

Tom is also a director of Dalriada Trustees Limited 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 a Professional Trustee, provides particular insight into corporate structures and insolvencies. Where scheme's investments 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 an accredited member of the Association of Professional Pension Trustees, has completed The Pensions Regulator'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 Trustees Limited. 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 the Trustees, the employers and other stakeholders. Brian is recognised by The Pensions Regulator 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) and, also, litigation – 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 an accredited member of the Association of Professional Pension Trustees, has completed The Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Brian has met all required CPD requirements.

Mendip RBS
Appendix 3

Gino Rocco

Gino performs the role of Professional Trustee in relation to all aspects of pension law focusing in particular on defined benefit and defined contribution pension schemes that range in size from the small to the very large.

A solicitor admitted to practice in England and Wales and a Member of the Association of Pension Lawyers, Gino has over 15 years' experience gained at City and National Firms as well as a leading pension consultancy practice.

Gino's experience includes complex benefit interpretation issues, scheme equalisation and benefit rectifications. He has detailed experience of pensions issues arising under TUPE transfers and the Fair Deal protections where employees are transferred from the public (in particular LGPS and NHSPS) to the private sector.

Gino is an accredited member of the Association of Professional Pension Trustees, has completed The Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Gino has met all required GPD requirements.

Knowledge of the trust deed and rules and all documents setting out the trustee's current policies [\(return to top\)](#)

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 an 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 Committee 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 lead Professional Trustee, the trustees obtain legal advice in relation to the Scheme's documentation, where necessary.

There have been no new trustees introduced in this reporting period (there is an appropriate induction process in place to support the addition of new trustees).

A working knowledge of the current Statement of Investment Principles (SIP)

As above, the Scheme has a dedicated client manager who has an in-depth knowledge of the Scheme and its governing documentation. The Committee 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. In addition to the knowledge held by the client manager and lead Professional Trustee, the trustees obtain independent expert advice in relation to the Scheme's documentation, where necessary.

There have been no new trustees introduced in this reporting period (there is an appropriate induction process in place to support the addition of new trustees).

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, including the lead Professional Trustee, are obliged to self-evaluate their learning and development requirements on an annual basis as part of Dalriada's internal appraisal 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.

Mendip RBS

Appendix 3

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 in a year. This is recorded centrally by Dalriada's HR 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 trustee representative is required to complete The Pensions Regulator's Trustee Toolkit and subscribes to the updates issued by The Pensions Regulator.

Trustee representatives 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 trustees feel the reinforcement is necessary to support their own understanding.

Combined knowledge and understanding, together with available advice enables the trustees to properly exercise their function [\(return to top\)](#)

Dalriada has informally assessed the skill set and experience of each member of the Committee 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 Committee 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 Committee as a whole is also carried out.

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

- Members of the Committee 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) in particular is advantageous in this area.
- There is a vast range of pensions experience and knowledge within the Committee 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, where investments made by previous trustees are deemed to be highly inappropriate, their administration has been poor and / or the trustees have not had the sufficient knowledge and understanding to be trustees of an occupational pension scheme.

**Mendip RBS
Appendix 3**

- 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 [\(return to top\)](#)

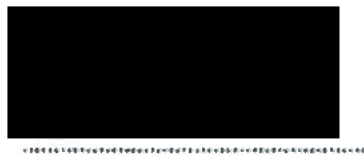
Dalriada is aware that members of the Scheme are potential victims of a scam. As such, we look to keep members informed and to facilitate direct access for members to Dalriada by means of a:

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

Where required for legal action, members have been represented by a representative beneficiary with their own legal advice provided for.

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

Chair



Date

13 September 2021

**Mendip RBS
Appendix 3**

Appendix 1 – SIP [\(return to top\)](#)

Link to SIP: -

<https://www.dalriadatrustees.co.uk/wp-content/uploads/2020/09/Mendip-RBS-SIP-Sept-2020.pdf>






Final Accounts Mendip 31.03.2021

Final Audit Report

2021-10-26

Created:	2021-10-26
By:	Janice Mitchell (janice_mitchell@dalriadatrustees.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAANN7mMkvZwznTt12LeAoiZKWgBH0IUng

"Final Accounts Mendip 31.03.2021" History

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