The Freshwater Group Staff Retirement Benefits Plan

Plan Registration Number: 100573976

Trustee’s Annual Report and Financial Statements
For the Year Ended 30 July 2024

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Trustee, Sponsoring Employer and their Advisers

Trustees

Corporate Trustee

Freshwater Pension Trustees Limited

Employer-nominated Trustee Directors

B S E Freshwater

S I Freshwater

Member-nominated Trustee Director

L Hyman

Sponsoring Employer

Highdorn Co. Limited

Actuary

Martin West, FIA – Capita Pension Solutions Limited

Independent Auditor

Cohen Arnold

Plan Administrator and Consultants

Defined Benefit Section

Capita Pension Solutions Limited

Defined Contribution Section

Royal London

Investment Managers

Defined Benefit Section

Schroder Investment Management (UK) Limited

Rothschild & Co Wealth Management UK Limited

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Schroder Investment Management (UK) Limited

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Banks

Defined Benefit Section

Barclays Bank plc
National Westminster Bank plc

Defined Contribution Section

Barclays Bank plc

Trustee's Report

The Trustee of The Freshwater Group Staff Retirement Benefits Plan ("the Plan") presents its report together with the audited accounts for the year ended 30 July 2024. The Plan is a defined benefit (DB) Plan, with a defined contribution section (DC) which was introduced on 1 July 2007.

The Plan was established in 1971 and is governed by a definitive trust deed dated 8 May 1985, with subsequent amendments.

Benefit accrual within both the DB and DC sections of the Plan ceased with effect from 11 May 2018 and 1 July 2019 respectively, following completion of the requisite consultation exercise with members.

The remaining investment assets within the DC section were transferred to a Master Trust arrangement operated by Legal & General on 15 January 2021. Consequently, there is no DC governance statement from the Chair or the Trustee Board within this report as the requirement to produce such a document no longer applies. The DC assets that remain within the Plan, relate to benefits arising from the death of members within the DC Section, which have yet to be settled.

Plan Management

Trustee

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate a Member-nominated Trustee for selection at certain intervals.

The one Member-nominated Trustee Director, as shown on page 2, was nominated by the members under the rules notified to the members of the Plan. He may be removed before the end of his term only by agreement of all the remaining Trustee Directors, although his appointment terminates if his term of office comes to an end and he is not reappointed or he ceases to be a member of the Plan.

In accordance with the Trust Deed, the Sponsoring Employer, Highdorn Co. Limited, has the power to appoint and remove the other Trustee Directors of the Plan.

Further information about the Plan is given in the explanatory booklets which are issued to all the relevant members.

Trustee knowledge and understanding

The Pensions Act 2004 requires the Trustee to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Plan's 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 which was revised and re-issued in November 2009.

Sponsoring employer

The Plan has historically been provided for all eligible employees of the Sponsoring Employer, Highdorn Co. Limited, whose registered address is, Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR.

Financial development

The financial statements on pages 22 to 39 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 increased from £32,467,648 at 30 July 2023 to £34,157,013 at 30 July 2024. This increase comprises net withdrawals from dealings with members of £631,919 and net return on investments of £2,321,284. During the year there were no significant developments affecting the financial position of the Plan.

Trustee’s Report

Going concern

The Plan’s financial statements have been prepared on the going concern basis. In making this assessment, the Trustee have assessed the ability of the Sponsoring Employer (“the Company”) to continue to meet its obligations to the Plan and for the Plan to meet its future obligations to pay member benefits as they fall due. The Trustee has reviewed information made available by the Company and its advisors and therefore the Trustee believes the Plan is well positioned to manage its risks successfully. Considering this, the Trustee has a reasonable expectation that the Plan will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Plan’s financial statements.

Membership and Benefits

The membership movements of the Plan for the year are given below:

Defined benefit section

	Deferred	Pensioners	Total
At 30 July 2023	77	148	225
Adjustments	-	(2)	(2)
Retirements	(4)	4	-
Deaths	-	(6)	(6)
Pension suspended	-	(2)	(2)
New spouse pensioners	-	2	2
At 30 July 2024	**73**	**144**	**217**

Defined contribution section

	Active	Deferred	Total
At 30 July 2023	-	3	3
At 30 July 2024	**-**	**3**	**3**

Pensioners include individuals receiving a pension upon the death of their spouse.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Calculation of transfer values

No allowance is made in the calculation of transfer values for discretionary pension increases.

Pension increases

All pensions are subject to an increase each year in accordance with the Rules of the Plan as follows:

Pension accrued before 6 April 1997 - 0% (except any Guaranteed Minimum Pension (“GMP”) accrued after April 1988 as a result of being contracted out of the State Scheme which will increase by the rate of inflation as measured by the Consumer Prices Index up to a maximum of 3%).

Pension accrued between 6 April 1997 and 5 April 2006 - increase in Retail Prices Index up to a maximum of 5%.

Trustee’s Report

Membership and Benefits (continued).

Pension increases (continued)

Pension accrued after 6 April 2006 - increase in Retail Prices Index to a maximum of 2.5%.

The employer has awarded no discretionary increases during the year ended 30 July 2024.

GMP equalisation

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

The High Court has since determined that Trustees owed a duty to a transferring member to make a transfer payment which reflected the member’s right to equalised benefits. Where the initial transfer payment was inadequate on this basis the Trustees are under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustee is reviewing, with its advisers, the implication of these rulings in the context of the Plan rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

Capita Cyber Incident

The Plan is administered by Capita Pension Solutions Limited on behalf of the Trustee.

On 6 April 2023, Capita informed the Trustee it had experienced a cyber incident following an unauthorised access to Capita’s systems on or around 22 March 2023, before being interrupted by Capita on 31 March 2023.

On 17 May 2023, Capita informed the Trustee that personal data which Capita processes on behalf of the Trustee had been part of the data exfiltrated as a result of the cyber incident.

The Trustee has taken action to comply with its regulatory obligations, including informing relevant regulators and communicating with affected members.

General Code (the ‘Code’)

The Pensions Regulator's (TPR) long-awaited General Code of Practice came in to force on 27 March 2024. The code consolidates existing codes of practice into one document, as well as introducing some new requirements for pension schemes.

Central to the Code are the Regulator's expectations as to the features of a well-run scheme and how the governing body (those in charge of pension schemes) should comply with their legal duties. Governing bodies will need to have in place an effective system of governance (ESOG), which is a collection of internal controls and procedures in relation to running a pension scheme. The code sets out TPR’s expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place, which includes the obligation to conduct an Own Risk Assessment (ORA).

While the ORA is a new provision, TPR anticipates that many of the stipulations are already being adhered to by schemes. The Trustees are working with their advisers to identify any gaps and assess what actions need to be taken to ensure compliance with the General Code.

Investment Matters

Overview

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

Investment managers

The names of those who have managed the Plan's investments during the year are listed on page 2. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The Trustee has elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustee will consider these policies in all future selections and will deepen its understanding of its existing managers' policies over time. The Trustee's policy on such matters is set out in full in the Statement of Investment Principles.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles which includes the Trustee policy relating to ethical investment and the exercise of the rights attaching to investments. This is available on request (see address for enquiries on page 15) or online using the following link:

https://highdorn.co.uk/pension_information.

This Statement may change from time to time according to advice received from the investment manager or consultants.

Departures from investment principles

The Trustee de-risked its investment strategy in December 2023 and increased its liability hedge against interest rates and inflation expectations. Therefore, the Plan's SIP was subsequently updated in May 2024 to reflect the change in investment strategy.

Custodial arrangement

The safe custody of the Plan's investments is delegated to professional custodians via the use of pooled funds.

Basis of investment managers' fees

The investment managers levy a charge which is deducted from the value of the assets and reflected in the price of the units except when the minimum fee is not met. There is, however, a separate management fee payable as standard in respect of BlackRock investments (see note 17).

Employer related investments

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

Trustee's Report

Investment Matters

Asset allocation

At the year end, the asset allocation was as follows:

	30 July 2024	30 July 2023
	%*	%
Equities		
UK Equities	4.0	7.1
Overseas Equities	37.1	65.5
Emerging Markets	0.5	0.3
Total Equities	**41.6**	72.9
Other Return-seeking assets		
Fixed income	2.5	5.5
Alternative growth assets	3.7	6.5
Total Other Return-seeking assets	**6.2**	12.0
Liability-Matching and Cash		
Leveraged gilt funds (Liability Driven Investment)	48.4	12.7
Cash	3.8	2.4
Total Liability-Matching and Cash	**52.2**	15.1
Total	**100.0**	100.0

Source: Investment managers

Trustee's Report (continued)

Investment Matters (continued)

Review of investment performance

At the year end, the Plan's investment returns (gross of fees) are set out in the following table. The table shows the performance for each fund, along with the performance benchmark (shown in italics) for each fund.

Fund Name	1 Year %	3 Annual Year Returns %	5 Annual Year Returns %
Schroder Life Sterling Liquidity Plus Fund Series 4	5.6	3.3	2.1
SONIA	*5.3*	*3.1*	*2.0*
Schroder Life Diversified Growth Fund	8.9	-0.3	3.0
ICE BofA Sterling 3-Month Government Bill Index +4.5%	*10.2*	*9.1*	*8.1*
Schroder Matching Physical and Synthetic Gilt Fund Range*	2.4	-32.2	-22.0
*Composite Benchmark**	*2.5*	*-32.4*	*-22.1*
Rothschild New Court Equity Growth Fund	9.3	1.7	6.7
UK Inflation (CPI) +4% p.a.	*6.4*	*10.5*	*8.5*
BlackRock Global Equity Index	19.1	10.3	11.5
MSCI World Net Total Return in GBP	*18.5*	*9.7*	*11.0*

Performance is shown historically for the funds and is not plan specific

**Performance data is only available quarterly for the gilt fund range and hence the performance data is as at 30 June 2024.*

Implementation statement

The Trustee has, in accordance with the current trustee disclosure rules and regulations, issued an implementation statement in respect of the Plan year ended 30 July 2024 to:

i) Set out how, and the extent to which, in the opinion of the Trustee, the policy required under regulation 2(3)(c) of the Occupational Pension Schemes (Investment) Regulations 2005 has been followed during the year, and

ii) Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year.

A full copy of this statement is appended to and forms an integral part of this report (refer to pages 40 to 45).

Report of Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every Plan is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustee and the Employer and set out in the current Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 30 July 2021. The table below shows figures as at 30 July 2022, 30 July 2023 and the actuarial valuation figures as at 30 July 2021 for comparison.

Effective Date:	**30 July 2021**	**30 July 2022**	**30 July 2023**
The value of the Technical Provisions was:	£43.864 million	£35.010 million	£28.020 million
The value of the assets at that date was:	£40.386 million	£35.202 million	£32.079 million
Surplus/(Shortfall)	(£3.478 million)	£0.192 million	£4.059 million
Funding level	92%	101%	114%

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

Method

The actuarial method to be used in the calculation of the Technical Provisions is the projected unit method.

Significant actuarial assumptions

Pre-retirement discount interest rate:

The pre-retirement discount rate is derived as the annualised gilt yield at a duration of 20 years taken from the Bank of England spot yield curve at the effective date plus 2% p.a.

Post-retirement discount interest rate:

The post-retirement discount rate is derived as the annualised gilt yield at a duration of 20 years taken from the Bank of England spot yield curve at the effective date plus 0.5% p.a.

Future Retail Price inflation:

Future increases in the Retail Prices Index (RPI) are based on the implied rate of RPI inflation from the Bank of England 20-year spot curve, less an inflation risk premium of 0.15% p.a.

Future Consumer Price inflation:

The Consumer Price Index (CPI) assumption is calculated as the assumed rate of RPI inflation curve less a deduction of 0.5% p.a. at each duration.

Pension increases:

Derived from price inflation rates allowing for the caps and floors on pension increases according to the provisions in the Plan's rules. The assumed rates of increase in each case are assessed using the Black-Scholes model with a volatility parameter of 1.4% p.a.

Trustee's Report

Report of Actuarial Liabilities (continued)

***Mortality**:*

For the period before and after retirement, the mortality rates are assumed to be in line with the S3PA table, adjusted for each member's year of birth. Allowance for future improvements is in line with the CMI 2020 projections with a long-term rate of 1.5% p.a., weighting of 0.0%, IAMI of 0.0% p.a. with $S\kappa 7$.

GMP Equalisation

The Department for Work and Pensions is consulting on a methodology for equalising Guaranteed Minimum Pensions between men and women and a High Court case ruling on some issues relating to a particular situation was handed down in October 2018.

Subsequently on 20 November 2020 the High Court provided a further ruling that defined benefit pension schemes will need to review individual transfer value payments since 1990 and correct these if there is any additional liability due to be paid because of the impact GMP equalisation.

The High Court rulings are expected to have implications for all defined benefit pension schemes that contain GMPs, and an approximate allowance has been estimated for the impact of GMP equalisation for the Plan of £600,000 in the calculation of the Technical Provisions as at 30 July 2021.

2024 Valuation

The next valuation of the Plan is as at 30 July 2024 and is currently underway with preliminary results expected to be available by end of March 2025. The actuarial forecast based on data work completed so far indicates that the statutory funding requirements are likely to be met without the need for additional employer funding.

Trustee's Report

Summary of Contributions Payable

During the year ended 30 July 2024, the contributions payable to the Plan by the Employer were as follows:

	Defined Benefit Section	Defined Contribution Section	2024 Total
	£	£	£
Contributions from employer:			
Deficit funding	**560,000**	**-**	**560,000**
Contributions payable under the Schedule of Contributions	**560,000**	**-**	**560,000**
Other contributions payable:			
Group life	**81,876**	**-**	**81,876**
Total contributions reported in the financial statements	**641,876**	**-**	**641,876**

Following the completion of the Actuarial Valuation of the Plan, as at 30 July 2021, a revised Schedule of Contributions dated 26 October 2022 was agreed and certified by the Actuary. This requires Recovery Plan contributions to be paid between 1 August 2022 and 31 August 2025 at a rate of £560,000 pa; paid monthly to eliminate the deficit.

The Schedule of Contributions will be revised upon completion of the 2024 Actuarial valuation currently underway (see page 10).

Trustee's Report

Compliance Matters

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

Internal Disputes Resolution Procedure

Any concerns connected with the Plan should initially be referred to Mr J Southgate, Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR, who will try to resolve the problem as quickly as possible.

Transfer Values

Transfer values are calculated and verified as required under the provisions of the Pension Schemes Act 1993. No discretionary benefits are included.

Taxation

The Plan is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004. The Trustee has no reason to believe that there have been any changes to the tax status of the Plan during the year.

MoneyHelper

MoneyHelper (formerly The Money and Pensions Service (MaPs)) was created in 2019 as a single body providing information to the public on matters relating to workplace and personal pensions.

MoneyHelper, Bedford Borough Hall, 138 Cauldwell Street, Bedford, MK42 9AP.

Telephone: 0800 011 3797

Email: contact@maps.org.uk

Website: https://maps.org.uk/en

Pensions Ombudsman

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

The Pensions Ombudsman, 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU.

Telephone: 0800 917 4487

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

Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where Trustees, Employers or Professional Advisers have failed in their duties.

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

Telephone: 0345 600 7060

Trustee's Report

Compliance Matters (continued)

Pension Tracing

A pension tracing service is carried out by the Department for Work and Pensions.

The Pension Tracing Service may be contacted at The Pension Service 9, Mail Handling Unit A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

Registration under the applicable Data Protection Legislation

The General Data Protection Regulation ("GDPR") is a regulation in EU law of the European Parliament intended to strengthen and unify data protection for all individuals within the EU. It also addresses the export of personal data outside of the EU.

The Data Protection Act 2018 (DPA 2018) enshrined GDPR in UK law from 23 May 2018 and the Trustee worked with its advisers to formulate its GDPR policy so that it was compliant.

From 1 January 2021, the UK GDPR came into effect which will run alongside the DPA 2018, and the EU GDPR to which all EU nations remain subject, and this includes where Capita, as Plan administrator, operate within the EU. This ensures that we have adequate provision for the safe processing of data in the UK and in the EU/EEA.

The Trustee's obligations under the UK GDPR are fundamentally the same as our obligations under the EU GDPR and it continues to remain subject to UK Data Protection laws.

Trustee's Report

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited accounts for each Plan year which:

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

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

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

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

The Trustee is also responsible for ensuring that the online information about the Plan, as published by the Principal Employer at: https://highdorn.co.uk/pension_information, has integrity and is up-to-date. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Contact for Further Information

For further information about the Plan generally, or complaints in relation to Plan matters, please write to:

James Southgate – Chief Financial Officer
Freshwater House
158-162 Shaftesbury Avenue
London
WC2H 8HR

Email: james.southgate@freshwatergroup.co.uk

Approval of the Trustee's Report

The Trustee's report was approved by the Trustee on ………3 March……………2025 and signed on its behalf by:

…………………………………………… B S E Freshwater, Trustee Director

Schedule of Contributions

Freshwater Group Staff Retirement Benefits Plan

Schedule of Contributions

This Schedule of Contributions has been prepared by the Trustees of the Freshwater Group Staff Retirement Benefits Plan (the “Scheme”) after obtaining the advice of the Scheme Actuary on the Scheme Funding Assessment as at 30 July 2021 (the “Effective Date”).

This Schedule of Contributions replaces the previous Schedule of Contributions, dated 26 September 2019 and it will be subject to review at future scheme funding assessments. This Schedule of Contributions has been agreed by Highdorn Company Limited (the “Employer”). The Trustees and the Employer hereby agree that the following contributions will be paid to the Scheme.

Period covered by this Schedule of Contributions

This Schedule of Contributions covers the period from the date it is certified by the Scheme Actuary for a period of five years, i.e. the Trustees and the Employer are agreeing the contributions for this period.

Contributions payable by the employer

In order to eliminate the funding deficit as at 30 July 2021, the Employer will pay Recovery Plan contributions as follows:

- Between 1 August 2021 and 31 July 2022:
  - £560,000 pa; paid monthly, plus
  - £600,000
- Between 1 August 2022 and 31 August 2025:
  - £560,000 pa; paid monthly

The contributions detailed above, will be paid monthly, and will be paid on or before the 19th of the calendar month following that to which the payment relates.

The Employer will also pay the administrative expenses of operating the Scheme, including any levies payable to the Pensions Regulator and the Pension Protection Fund. However, investment management fees will be borne by the Scheme.

The Employer may also pay any additional contributions from time to time that it so chooses.

Signed on behalf of the Trustees:

Name: B S E Freshwater

Date: 26 October 2022

Signed on behalf of the Employer:

Name: J S Southgate

Position: Chief Financial Officer

Date: 26 October 2022

Actuary's Certification of the Schedule of Contributions

Freshwater Group Staff Retirement Benefits Plan

Certification of the Schedule of Contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 30 July 2021 to be met by the end of the period specified in the Recovery Plan dated 26 October 2022.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 26 October 2022.

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

Signature:	
Name:	Martin West
Date:	26 October 2022
Name of employer:	Capita Pension Solutions Limited
Address:	65 Gresham Street London EC2V 7NQ
Qualification:	Fellow of the Institute and Faculty of Actuaries

Independent Auditor's Report to the Trustee of The Freshwater Group Staff Retirement Benefits Plan

Opinion

We have audited the financial statements of The Freshwater Group Staff Retirement Benefits Plan (the "Plan") for the year ended 30 July 2024 which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Plan during the year ended 30 July 2024, 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's responsibilities for the audit of the financial statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the Trustee of The Freshwater Group Staff Retirement Benefits Plan (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Plan's Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 14, the Trustee is 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Plan, or has no realistic alternative but to do so.

Auditor's 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.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan and determined that the most relevant to the presentation of the financial statements are those that relate to the reporting legislation (UK GAAP and the Pensions Act), The Pension Regulator, the UK General Data Protection Regulation (GDPR), Health & Safety Regulations and the Bribery Act. We understood how the Plan is complying with those frameworks through discussion with the Trustee Directors and senior management, and by identifying the Plan's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to the Trustee.

Independent Auditor's Report to the Trustee of The Freshwater Group Staff Retirement Benefits Plan (continued)

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

We communicated these identified frameworks amongst our audit team and remain alert to any indications of non-compliance throughout the audit. We ensured that the engagement team had sufficient competence and capability to identify or recognise non-compliance with laws and regulations.

- We discussed with the Trustee Directors and senior management the policies and procedures regarding compliance with these legal and regulatory frameworks.
- We assessed the susceptibility of the Plan's financial statements to material misstatement, including how fraud might occur, by reviewing the Plan's identified risks and enquiry with the Trustee Directors and senior management during the planning and finalisation phases of our audit. The susceptibility to such material misstatement was determined to be low.
- Based on this understanding we designed our audit procedures to identify non-compliance with the identified legal and regulatory frameworks, which were part of our procedures on the related financial statement items. Our procedures included reviewing the Plan's internal controls policies and procedures, reviewing the minutes of board meetings and correspondence with regulatory bodies, testing transactions outside the normal course of the business and journal entries, and discussions with the Trustee Directors and senior management.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit, in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of our report

This report is made solely to the Plan's Trustee, 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 Plan's Trustee 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 Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Cohen Arnold

Cohen Arnold
Chartered Accountants
Registered Auditor

New Burlington House
1075 Finchley Road
Temple Fortune
London NW11 0PU

Our audit was completed on ……3 March 2025……………………..and our opinion was expressed at that date.

Independent Auditor's Statement about Contributions to the Trustee of The Freshwater Group Staff Retirement Benefits Plan

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 Trustee of The Freshwater Group Staff Retirement Benefits Plan.

We have examined the Summary of Contributions to The Freshwater Group Staff Retirement Benefits Plan for the Plan year ended 30 July 2024 as set out on page 11.

In our opinion contributions for the Plan year ended 30 July 2024 as reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 26 October 2022.

Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the Summary of Contributions as set out on page 11, have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of contributions.

Responsibilities of the Trustee

As described in the Statement of Trustee's Responsibilities the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan. The Trustee is also responsible for keeping records of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions.

Auditor's Responsibilities for the Statement about Contributions

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our Statement

This Statement is made solely to the Trustee, 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, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an Auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinions we have formed.

Cohen Arnold

Cohen Arnold
Chartered Accountants and Statutory Auditor
London

Date: 3 March 2025

Fund Account

For the Year Ending 30 July 2024

	Note	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £	2023 Total £
Contributions and benefits					
Employer contributions		**641,876**	**-**	**641,876**	1,079,326
Total contributions	5	**641,876**	**-**	**641,876**	1,079,326
Benefits paid or payable	6	**(1,191,915)**	**-**	**(1,191,915)**	(1,196,543)
Other payments	7	**(81,876)**	**-**	**(81,876)**	(86,010)
Administrative expenses	8	**(4)**	**-**	**(4)**	-
		(1,273,795)	**-**	**(1,273,795)**	(1,282,553)
Net withdrawals from dealings with members		**(631,919)**	**-**	**(631,919)**	(203,227)
Returns on investments					
Investment income	9	**54,711**	**-**	**54,711**	52,361
Change in market value of investments	10	**2,303,187**	**610**	**2,303,797**	(2,712,248)
Investment management expenses	17	**(37,224)**	**-**	**(37,224)**	(54,906)
Net returns/(losses) on investments		**2,320,674**	**610**	**2,321,284**	(2,714,793)
Net increase/(decrease) in the fund during the year		**1,688,755**	**610**	**1,689,365**	(2,918,020)
Net assets of the Plan at start of year		**32,464,742**	**2,906**	**32,467,648**	35,385,668
Net assets of the Plan at end of year		**34,153,497**	**3,516**	**34,157,013**	32,467,648

The accompanying notes on pages 24 to 39 are an integral part of these financial statements.

Statement of Net Assets

Available for benefits as at 30 July 2024

	Note	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £	2023 Total £
Investment assets:					
Pooled investment vehicles	11	**33,022,927**	**4,260**	**33,027,187**	31,205,674
Annuity policies	12	**998,117**	**-**	**998,117**	1,027,685
Total net investments	10	**34,021,044**	**4,260**	**34,025,304**	32,233,359
Current assets	19	**187,433**	**50,538**	**237,971**	322,670
Current liabilities	20	**(54,980)**	**(51,282)**	**(106,262)**	(88,381)
Net assets of the Plan at end of year		**34,153,497**	**3,516**	**34,157,013**	32,467,648

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which takes into account such obligations for the defined benefit section, is dealt within the Report of Actuarial Liabilities on page 9 of the Annual Report and these financial statements should be read in conjunction with this report.

The accompanying notes on pages 24 to 39 form an integral part of these financial statements.

These financial statements were approved by the Trustee on ……………3 March……………………2025 and signed on its behalf by:

……………………………………………… B S E Freshwater, Trustee Director

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 ("FRS 102") and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised June 2018).

2. Identification of the financial statements

The Plan is established as a trust under English Law. The registered address of The Freshwater Group Staff Retirement Benefits Plan is Freshwater House, 158 – 162 Shaftesbury Avenue, London, WC2H 8HR. The Plan has two sections: a defined benefit (DB) section and a defined contribution (DC) section. Both sections are closed to new members and future accruals. The DC assets were transferred from the Plan to a Master Trust operated by Legal & General on 15 Jan 2021.

3. Accounting policies

The following principal accounting policies were consistently applied in the preparation of the financial statements, except when stated otherwise:

Valuation of investments

Investments are included at market value with the valuation of pooled investment vehicles being based on the bid price or single swinging price basis at the accounting date, as advised by the investment managers. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with market value principles, provided by the pooled investment managers.

AVC investments comprise policies of assurance, the valuation of which are taken as the surrender values of the policies at the year end, as advised by the AVC providers.

The market value of annuity policies has been estimated as twenty times the annual income received from the policies. The change in investment market values, are accounted for in the year in which they arise, and include profits and losses on investments sold, as well as unrealised gains and losses, in the value of investments held at the year end.

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

Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

Employer deficit funding contributions are accounted for on the due dates in accordance with the Schedule of Contributions.

Additional contributions are received on an ad hoc basis to assist with cashflow requirements in the ordinary course of business of the Plan.

Group life assurance premiums are paid directly by the contributing company on behalf of the Plan.

Notes to the Financial Statements

3. Accounting policies (continued)

Transfers

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

Investment Income

Income is accounted for in the period in which it falls due.

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

Income generated by pooled investment units is not distributed, but retained within the pooled investments and reflected in the market value of the units.

Receipts from annuity policies held by the Trustee to fund benefits payable to Plan members are included within investment income on an accruals basis.

Administrative expenses

Administrative and investment expenses are met by the contributing company except for those expenses detailed in notes 8 and notes 17.

Presentation currency

The Plan's functional currency and presentational currency is pound sterling (GBP).

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Notes to the Financial Statements

4. Primary Statements Comparatives

Fund Account

For the Year Ending 30 July 2023

	Note	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Contributions and benefits				
Employer contributions		1,079,326	-	1,079,326
Total contributions	5	1,079,326	-	1,079,326
Benefits paid or payable	6	(1,196,543)	-	(1,196,543)
Other payments	7	(86,010)	-	(86,010)
		(1,282,553)	-	(1,282,553)
Net withdrawals from dealings with members		(203,227)	-	(203,227)
Returns on investments				
Investment income	9	52,361	-	52,361
Change in market value of investments		(2,712,180)	(68)	(2,712,248)
Investment management expenses	17	(54,906)	-	(54,906)
Net losses on investments		(2,714,725)	(68)	(2,714,793)
Net decrease in the fund during the year		(2,917,952)	(68)	(2,918,020)
Net assets of the Plan at start of year		35,382,694	2,974	35,385,668
Net assets of the Plan at end of year		32,464,742	2,906	32,467,648

Notes to the Financial Statements

4. Primary Statements Comparatives

Statement of Net Assets

Available for benefits as at 30 July 2023

	Note	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Investment assets:				
Pooled investment vehicles	11	31,202,024	3,650	31,205,674
Annuity policies	12	1,027,685	-	1,027,685
Total net investments	10	32,229,709	3,650	32,233,359
Current assets	19	272,132	50,538	322,670
Current liabilities	20	(37,099)	(51,282)	(88,381)
Net assets of the Plan at end of year		32,464,742	2,906	32,467,648

Notes to the Financial Statements

5. Contributions

	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £
Employer contributions			
Deficit funding	**560,000**	**-**	**560,000**
Group Life	**81,876**	**-**	**81,876**
	641,876	**-**	**641,876**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Employer contributions			
Deficit funding	560,000	-	560,000
Additional	400,000	-	400,000
Group Life	86,010	-	86,010
Other (see note 17)	33,316	-	33,316
	1,079,326	-	1,079,326

As agreed per the Schedule of Contributions certified on 26 October 2022, Recovery Plan contributions of £560,000 pa have been paid on a monthly basis.

6. Benefits paid or payable

	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £
Pensions	**1,178,635**	**-**	**1,178,635**
Commutations of pensions and lump sum retirement benefits	**13,280**	**-**	**13,280**
	1,191,915	**-**	**1,191,915**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Pensions	1,142,117	-	1,142,117
Commutations of pensions and lump sum retirement benefits	54,426	-	54,426
	1,196,543	-	1,196,543

Notes to the Financial Statements

7. Other payments

	2024 Defined benefit section £	**2024 Defined contribution section £**	**2024 Total £**
Premiums on term insurance policies			
Current year	**83,939**	**-**	**83,939**
Prior Year	**(2,063)**	**-**	**(2,063)**
	81,876	**-**	**81,876**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Premiums on term insurance policies			
Current year	88,065	-	88,065
Prior Year	(2,055)	-	(2,055)
	86,010	-	86,010

Term insurance is secured by policies underwritten by Canada Life Assurance Company Limited. The premiums are paid directly by the Sponsoring Employer and, as these are not recharged to the Plan, they also represent Employer Contributions (see note 5).

8. Administrative expenses

	2024 Defined benefit section £	**2024 Defined contribution section £**	**2024 Total £**
Administration, management and custody	**4**	**-**	**4**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Administration, management and custody	**-**	**-**	**-**

Notes to the Financial Statements

9. Investment income

	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £
Interest on cash deposit	**2,968**	**-**	**2,968**
Annuity income	**51,743**	**-**	**51,743**
	54,711	**-**	**54,711**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Interest on cash deposit	1,361	-	1,361
Annuity income	51,000	-	51,000
	52,361	-	52,361

10. Reconciliation of investments held at the beginning and end of the year

	Market Value at 31 July 2023 £	Purchases at cost £	Sales proceeds £	Change in market value £	Market Value at 30 July 2024 £
Defined benefit section					
Pooled investment vehicles	31,202,024	**20,823,044**	**(21,334,896)**	**2,332,755**	**33,022,927**
Annuity policies	1,027,685	**-**	**-**	**(29,568)**	**998,117**
	32,229,709	**20,823,044**	**(21,334,896)**	**2,303,187**	**34,021,044**

	Market Value at 31 July 2023 £	Purchases at cost £	Sales proceeds £	Change in market value £	Market Value at 30 July 2024 £
Defined contribution section					
Pooled investment vehicles	3,650	**-**	**-**	**610**	**4,260**

Investments in the Defined Contributions Section purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid. The investment provider designates the investment records by member. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting. Of the Defined Contribution investments, £4,260 (2023: £3,650) are considered to be designated to members.

The companies managing the pooled investments are registered in the United Kingdom.

Notes to the Financial Statements

11. Pooled investment vehicles

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

	2024 £'000	2023 £'000
Defined Benefit Section		
Equities	**13,880,040**	24,282,763
Bonds	**15,994,944**	3,972,987
Cash	**574,736**	588,010
Diversified Growth Fund	**2,573,207**	2,358,264
	33,022,927	31,202,024

	2024 £'000	2023 £'000
Defined Contribution Section		
Equities	**3,269**	2,705
Bonds	**743**	706
Cash	**248**	239
	4,260	3,650

12. Annuity policies

At 30 July 2024, the Plan held annuity policies in the name of the Trustee with policy providers as follows:

	2024 Defined benefit section £	2024 Defined contribution section £	2024 Total £
Reassure	**253,803**	**-**	**253,803**
Canada Life	**744,314**	**-**	**744,314**
	998,117	**-**	**998,117**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Reassure	318,816	-	318,816
Canada Life	708,869	-	708,869
	1,027,685	-	1,027,685

The above annuity policies have been bought in order to secure a pension for certain members on their retirement. Annuity income arising from these policies is reported within investment income (note 9) and the associated pension cost is reported within benefits paid (note 6).

Notes to the Financial Statements

13. Additional voluntary contribution investments

Defined contribution section

The Trustee holds assets within the main funds to secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 30 July each year, confirming the amounts held to their account and the movements during the year.

Defined contribution members were able to make AVCs in line with their main benefits prior to the cessation of benefit accrual effective from 1 July 2019.

14. Transaction costs

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

15. Concentration of Investments

The following investments each account for more than 5% of the Plan's net assets at the year-end:

	2024		2023	
	£	**%**	£	%
Defined benefit section				
Schroder Matching Synthetic Gilt Fund Range	**15,994,944**	**46.8**	3,972,987	12.2
Aquila Life MSCI World Fund S16	**7,495,749**	**21.9**	12,711,763	39.1
Rothschild New Court Equity Growth Fund	**6,384,291**	**18.7**	11,571,000	35.6
Schroder Life Diversified Growth Fund	**2,573,207**	**7.5**	2,358,264	7.3

Notes to the Financial Statements

16. Fair value determination

The fair value of financial instruments has been estimated 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 assessment date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed) 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 Plan's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

As at 30 July 2024

	Level 1 £	**Level 2 £**	**Level 3 £**	**Total £**
Defined benefit section				
Pooled investment vehicles	**-**	**33,022,927**	**-**	**33,022,927**
Annuities	**-**	**-**	**998,117**	**998,117**
	-	**33,022,927**	**998,117**	**34,021,044**
Defined contribution section				
Pooled investment vehicles	**-**	**4,260**	**-**	**4,260**
	-	**33,027,187**	**998,117**	**34,025,304**

As at 30 July 2023

	Level 1 £	**Level 2 £**	**Level 3 £**	**Total £**
Defined benefit section				
Pooled investment vehicles	-	31,202,024	-	31,202,024
Annuities	-	-	1,027,685	1,027,685
	-	31,202,024	1,027,685	32,229,709
Defined contribution section				
Pooled investment vehicles	-	3,650	-	3,650
	-	31,205,674	1,027,685	32,233,359

Notes to the Financial Statements

17. Investment management expenses

	2024 Defined benefit section £	**2024 Defined contribution section £**	**2024 Total £**
Administration, management, and custody			
Current year	**37,224**	**-**	**37,224**
	37,224	**-**	**37,224**

	2023 Defined benefit section £	2023 Defined contribution section £	2023 Total £
Administration, management, and custody			
Current year	21,590	-	21,590
Prior year	33,316	-	33,316
	54,906	-	54,906

The above expenses comprise BlackRock fees of £18,017 (2023: £54,906) separately charged as standard, together with top-up fees of £19,207 (2023; £nil) charged by Schroder to meet the shortfall in their minimum annual fee of £50,000 normally payable through the pricing of the Plan's assets which they manage.

Last year's prior year expenses of £33,316 relating to BlackRock fee arrears, were settled by the Employer and the funding of which was treated as a one-off contribution to the Plan (see note 5).

18. Investment risk disclosures

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

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

- **Currency risk**: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk**: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- **Other price risk**: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk),

Notes to the Financial Statements

18. Investment risk disclosures (continued)

whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Plan has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the asset management agreements in place with the Plan's asset managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

	Credit Risk		**Market risk***			**30 July 2024 £**	30 July 2023 £
	Direct	**Indirect**	**Currency**	**Interest rate**	**Other price**		
Pooled investment vehicles: - Schroder Sterling Liquidity Plus Fund	Y	Y	Y	Y	Y	**574,736**	588,010
- Schroder Intermediated Diversified Growth Fund	Y	Y	Y	Y	Y	**2,573,207**	2,358,264
- Schroder Matching Synthetic Gilt Fund Range	Y	Y	N	Y	Y	**15,994,944**	3,972,987
- Rothschild New Court Equity Growth Fund	Y	Y	Y	Y	Y	**6,384,291**	11,571,000
- BlackRock Global Equity Index Fund	N	N	Y	N	Y	**7,495,749**	12,711,763
Total investments**						**33,022,927**	31,202,024

* There is no direct market risk arising from the holdings in the pooled investment vehicles. Indirect market risks and indirect credit risks arise through the underlying investments within the pooled funds.

** Includes only pooled investment vehicles held by the Plan and excludes cash held in the trustee bank account and the legacy insurance policies.

In the above table, the risks noted applied to both 2024 and 2023.

Only a portion of the funds involved may be exposed to the risks in question.

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

Investment strategy

The primary investment objective of the Plan was to maintain a portfolio of suitable assets of appropriate liquidity which would generate investment returns to meet, together with future contributions, the benefits of the Plan payable under the trust deed and rules as they fall due.

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Investment strategy (continued)

The Trustee sets the investment strategy for the Plan by taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Plan and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP) dated 8 May 2024 (refer to Appendix 2 on page 46) .

The current strategy is to:

a. Hold around 53.4% of the Plan's assets in investments that move in line with the long-term liabilities of the Plan. This is referred to as the Liability Matching Portfolio and comprises bonds and derivatives that are held within leveraged Liability Driven Investment (LDI) Funds, as well as some cash funds. The purpose of the Liability Matching Portfolio is to hedge against the impact of interest rate and inflation movements on long term liabilities.

b. Hold around 46.6% of the Plan's assets in return seeking investments comprising equities, Diversified Growth Funds and other alternative growth assets.

c. Hedge around 90% of low dependency liabilities against movements in interest rates and inflation expectations.

The strategy has been reflected in an updated Statement of Investment Principles dated 8 May 2024

(refer to Appendix 2 on page 46).

Information provided by the investment managers as at end of July 2024.

Credit risk

The Plan invests in pooled investment vehicles through asset managers, and therefore is directly exposed to the credit risk of the asset managers. The asset managers are regulated by the FCA. The Plan was indirectly exposed to credit risk in relation to the underlying financial instruments held within these pooled investment funds.

Investments exposed to credit risk	**30 July 2024 £**	30 July 2023 £
Pooled investment funds:		
Direct and indirect credit risk:		
Rothschild New Court Equity Growth Fund	**6,384,291**	11,571,000
Schroder Sterling Liquidity Plus Fund	**574,736**	588,010
Schroder Intermediated Diversified Growth Fund	**2,573,207**	2,358,264
Schroder Matching Synthetic Gilt Fund Range	**15,994,944**	3,972,987
Total investments*	**25,527,178**	18,490,261

* Includes only pooled investment vehicles that were held by the Plan and excludes cash that was held in the trustee bank account and the legacy insurance policies.

The Plan's holdings in pooled investment vehicles did not have a credit rating. Direct credit risk arising from the asset manager is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the asset manager and the regulatory environments in which the asset manager operates.

Indirect credit risk arises in relation to underlying investments held. At the year end the total value of underlying pooled investments subject to credit risk was £25,527,178 (2023: £18,490,261). As part of managing this risk, a number of controls are used by the asset manager to reduce the impact of this risk, such as holding collateral and monitoring credit ratings associated with each counterparty. This risk was

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Credit risk (continued)

managed by requiring the asset manager to diversify the portfolio to minimise the impact of credit events of any issuer.

Currency risk

All the Plan's assets were priced in sterling, so that there was no direct foreign exchange risk. The Plan was subject to indirect currency risk because some of the Plan's investments were held in overseas markets via pooled investment vehicles. In certain circumstances, the asset manager may seek to manage exposure to currency movements by using forward currency contracts.

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

	30 July 2024 Net exposure unhedged £	30 July 2023 Net exposure unhedged £
Pooled investment vehicles		
Rothschild New Court Equity Growth Fund	**6,384,291**	11,571,000
BlackRock Global Equity Index Fund	**7,495,749**	12,711,763
Schroder Intermediated Diversified Growth Fund	**2,573,207**	2,358,264
Schroder Sterling Liquidity Plus Fund	**574,736**	588,010
Total investments*	**17,027,983**	27,229,037

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

Interest rate risk

The Plan was subject to indirect interest rate risk because some of the Plan's investments were held in bonds and money market instruments through pooled vehicles, and cash. Under this strategy, if interest rates fell, the value of liability matching investments would rise to help mitigate the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rose, the value of liability matching investments should fall, and the value of the actuarial liabilities would also be expected to fall.

	30 July 2024 £	30 July 2023 £
Pooled investment vehicles		
Schroder Sterling Liquidity Plus Fund	**574,736**	588,010
Schroder Intermediated Diversified Growth Fund	**2,573,207**	2,358,264
Schroder Matching Synthetic Gilt Fund Range	**15,994,944**	3,972,987
Rothschild New Court Equity Growth Fund	**6,384,291**	11,571,000
Total investments	**25,527,178**	18,490,261

At the year end the total assets subject to interest rates risk represented 77.3% of the Plan's pooled investment assets (2023: 59.3%).

Notes to the Financial Statements

18. Investment risk disclosures (continued)

Other price risk

	30 July 2024 £	30 July 2023 £
Pooled investment vehicles		
Schroder Sterling Liquidity Plus Fund	**574,736**	588,010
Schroder Intermediated Diversified Growth Fund	**2,573,207**	2,358,264
Schroder Matching Synthetic Gilt Fund Range	**15,994,944**	3,972,987
Rothschild New Court Equity Growth Fund	**6,384,291**	11,571,000
BlackRock Global Equity Index Fund	**7,495,749**	12,711,763
Total investments	**33,022,927**	31,202,024

Other price risk arose principally in relation to equities, credit, property and inflation-linked LDI assets held in the pooled vehicles. At the year end the total assets subject to other price risks represented 100% of the Plan's pooled investment assets (2023: 100%). The Plan managed this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

19. Current assets

	2024 Defined benefit section £	**2024 Defined contribution section £**	**2024 Total £**
Bank balances held with:			
Barclays Bank Plc	**14,455**	**50,538**	**64,993**
National Westminster Bank Plc	**171,240**	**-**	**171,240**
Accrued bank interest	**213**	**-**	**213**
Accrued annuity income	**1,525**	**-**	**1,525**
	187,433	**50,538**	**237,971**

	2023 £	2023 £	2023 £
Bank balances held with:			
Barclays Bank Plc	14,455	50,538	64,993
National Westminster Bank Plc	256,116	-	256,116
Accrued bank interest	233	-	233
Accrued annuity income	1,328	-	1,328
	272,132	50,538	322,670

The full balance £50,538 (2023: £50,538) of the Defined Contribution cash is designated to members.

Notes to the Financial Statements

20. Current liabilities

	2024 Defined benefit section £	**2024 Defined contribution section £**	**2024 Total £**
Unpaid benefits	**-**	**5,296**	**5,296**
Taxation	**23,480**	**40,359**	**63,839**
Investment Management Expenses	**31,500**	**-**	**31,500**
Death in service payment due	**-**	**5,627**	**5,627**
	54,980	**51,282**	**106,262**

	2023 £	2023 £	2023 £
Unpaid benefits	-	5,296	5,296
Taxation	20,996	40,359	61,355
Investment Management Expenses	16,103	-	16,103
Death in service payment due	-	5,627	5,627
	37,099	51,282	88,381

21. Related party transactions

L Hyman, a Member-nominated Trustee Director, is also a pensioner of the Plan and receives benefits in accordance with the Plan rules and on the same terms as normally granted to members.

Contributions received in respect of Trustee Directors who are members of the Plan have been made in accordance with the Trust Deed and Rules. The Trustee Directors receive no fees for their services to the Plan.

All administrative expenses, other than those stated in notes 8 and 17 (in part), are borne directly by the sponsoring employer, Highdorn Co. Limited, and are not recharged to the Plan.

There are no other disclosable related party transactions.

Appendix 1

Implementation Statement for the Freshwater Group Staff Retirement Benefits Plan

Covering 31 July 2023 to 30 July 2024

1. Background

The Trustee of the Freshwater Group Staff Retirement Benefits Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the Plan's Statement of Investment Principles ("SIP") during the previous Plan year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes.

A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIP can be found below:

https://highdorn.co.uk/pension_information/SIP%20March%2024.pdf

2. Investment Objectives and activity

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

- To achieve, over the long term, a return on the Plan's assets which is sufficient (in conjunction with the Plan's existing assets, and contributions) to pay all members' benefits in full;
- To maintain a reasonable level of investment risk, which is supported by the Plan's time horizon and Employer covenant (which is the Employer's legal obligation and financial ability to support the Plan now and in the future);
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustee de-risked its investment strategy in December 2023, and therefore, the Plan's SIP was subsequently updated in May 2024 to reflect the change in investment strategy.

3. Voting and Engagement

The Trustee is keen that its managers are signatories of the UK Stewardship Code, currently all the investment managers are signatories.

The Trustee has elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustee will consider these policies in all future selections and will deepen its understanding of its existing managers' policies over time.

The Plan, over the year, had holdings in the below funds:

- <u>Schroder Sterling Liquidity Plus Fund</u>
- <u>Schroder Matching Synthetic Gilt Fund Range</u>
- Schroder Intermediated Diversified Growth Fund
- BlackRock Global Equity Index
- Rothschild New Court Equity Growth Fund

The underlined funds are fixed income funds therefore do not hold physical equities and hence there are no voting rights and voting data for the Trustee to report on. Voting information in respect of the other funds listed above, which do contain physical equities, is set out in the rest of this statement

4. Description of Investment Management's voting processes

a. Schroders

Schroders describe their voting process as the below:

"As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our Proxy Voting Policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we will vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, and consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as that provided by Glass Lewis, the Investment Association's Institutional Voting Information Services and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

In 2023, we voted on approximately 7,400 meetings and 95% of total resolutions and instructed a vote against the board at over 52% of meetings.

in Q4 2023 we switched vendor from ISS to Glass Lewis (GL) who act as our one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from GL in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

GL automatically votes all our holdings of which we own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in our voting decisions as well as creating a more formalised approach to our voting process."

b. Blackrock

Blackrock describe their voting process as the below:

"The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients.

We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients

4. Description of Investment Management's voting processes (continued)

b. Blackrock (continued)

on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive.

Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes."

c. Rothschild

Rothschild describe their voting process as the below:

"The relatively concentrated and low turnover nature of our equity holdings enables us to review all meeting resolutions for our portfolio companies ourselves. Where possible, we have alerts set up so we automatically receive meeting details as soon as they are released. Where this is not available, our close monitoring of portfolio companies means we will pick up details soon after their publication. The initial review of meeting details is usually conducted by one of the responsible investment specialists in our investment team. Their thoughts, along with the meeting documentation is then shared with the lead analyst of the company and at least one of the co-heads of the investment team. Once all involved are comfortable with the direction of the votes, instructions are sent to our operations team for execution. All voting decisions and results are stored by the team"

5. **Summary of voting behaviour over the year**

a. Schroders

Schroders currently only provide voting data at quarter ends but are working to start providing this data at month end in the near future.

	Summary Info
Manager name	Schroders
Fund name	Intermediated Diversified Growth Fund
Approximate value of trustees' assets	c.£2.6m as at 30 July 2024
Number of Equity holdings	1,236
Number of meetings eligible to vote	1,129
Number of resolutions eligible to vote	14,749
% of resolutions voted	96.53%
% of resolutions voted with management	89.37%
% of resolutions voted against management	10.63%
% of resolutions abstained	0.17%
% of meetings voted at least once against management?	57.14%

**Data provided as at 30 June 2024*

5. Summary of voting behaviour over the year (continued)

b. Blackrock

A summary of Blackrock's voting behaviour over the period is provided in the table below:	**Summary Info**
Manager name	Blackrock
Fund name	Global Equity Index
Approximate value of trustees' assets	c.£7.5m as at 30 July 2024
Number of meetings eligible to vote	1,490
Number of resolutions eligible to vote	21,721
% of resolutions voted	98.0%
% of resolutions voted with management	96.0%
% of resolutions voted against management	3.0%
% of resolutions abstained	0.0%
% of meetings voted at least once against management?	24.0%

c. Rothschild

A summary of Rothschild's voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Rothschild
Fund name	New Court Equity Growth Fund
Approximate value of trustees' assets	c.£6.4m as at 30 July 2024
Number of meetings eligible to vote	23
Number of resolutions eligible to vote	371
% of resolutions voted	100.0%
% of resolutions voted with management	93.00%
% of resolutions voted against management	7.00%
% of resolutions abstained	0.0%
% of meetings voted at least once against management?	6.0%

6. Most significant votes over the year

a. Schroders

Schroders believe that all resolutions when they vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.

b. Blackrock

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

BIS periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that they consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to their clients and other stakeholders, and potentially represent a material risk to the investment they undertake on behalf of clients.

BIS make this information public shortly after the shareholder meeting, so clients and others can be aware of their vote determination when it is most relevant to the them. BIS consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements

6. Most significant votes over the year (continued)

c. Rothschild

Rothschild have no fixed internal definition of what votes constitutes being significant and what votes do not.

Qualitatively Rothschild deemed significant votes as:

1. Against the recommendation of the board
2. On a resolution put forward by a fellow shareholder
3. On a climate related resolution

Below is a sample of the significant votes made by the managers over the period 31 July 2023 – 30 July 2024 by fund.

Schroder Intermediated Diversified Growth Fund

Company name	Alphabet Inc.	Jazz Pharmaceuticals plc
Date of vote	02 June 2023	03 August 2023
Summary of the resolution	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	Elect Director Rick E. Winningham
How you voted	For	Against
Rationale for the voting decision	Shareholders would benefit from additional disclosure on how the company's lobbying activities align to its climate goals and how it addresses any misalignment with its trade associations and other indirect lobbying activities	Climate: Behind peers on climate risk management and oversight, we believe the way in which we have voted is in the best financial interests of our clients investments.
Outcome of the vote	Fail	Pass

Blackrock Global Equity Index Fund

Company name	New World Development Company Limited	Qantas Airways Limited
Date of vote	02 November 2023	03 November 2023
Summary of the resolution	Approve Revision of Annual Caps and Related Transactions	Approve Remuneration Report
How you voted	For	Against
Rationale for the voting decision		1- [LN-M0550-001] Remuneration arrangements are poorly structured. 2- [LN-M0550-002] Remuneration committee discretion has been used poorly.
Outcome of the vote	Pass	Fail

Rothschild New Court Equity Growth Fund

Company name	Deere	Moody's
Date of vote	28 February 2024	16 April 2024
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.32%	4.01%
Summary of the resolution	Customer and Company Sustainability Congruency Report	To amend the Moody's Corporation Restated Certificate of Incorporation to authorize stockholders owning 25% of the Company's common stock to have the Company call special meetings of stockholders
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	Information requested already contained in sustainability report	Currently 15% ownership required to call a special SH meeting. The board would like to raise the threshold to 25%. Their reasoning is that this is the average threshold that S&P 500 companies have. A 15% level is not uncommon, however. A quick perplexity search suggests that this is correct, although it seems as though there isn't a hard and fast rule over appropriate threshold. Management obviously prefer higher thresholds, shareholders prefer lower. I believe there is merit in keeping management honest with an achievable special meeting threshold level. The tension is whether management is distracted by potential unnecessary activist investor involvement, facilitated by a 15% level. Berkshire current hold ~13%, which should be a good signal for long-term investors vs activist involvement. In general I don't support the restriction of shareholder rights and therefore recommend to vote against the change to the more onerous 25% threshold level as it, on balance, reduces shareholder optionality.
Outcome of the vote	No	Yes
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	No - Company already does a strong job at reporting and this proposal would have duplicated efforts	This vote weakened shareholder rights however this is not a material issue for us.
On which criteria have you assessed this vote to be "most significant"?	We define a significant vote as: 1) Against the recommendation of the board 2) On a resolution put forward by a fellow shareholder 3) On a climate related resolution	We define a significant vote as: 1) Against the recommendation of the board 2) On a resolution put forward by a fellow shareholder 3) On a climate related resolution

Appendix 2

Statement of Investment Principles – March 2024

Introduction

The Trustee of the Freshwater Group Staff Retirement Benefits Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. In preparing this Statement the Trustee has consulted the Freshwater Group of Companies (the "Employer") on the Trustee's investment principles.

Governance

The Trustee makes all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustee takes advice. The Trustee's investment consultants, Capita Pension Solutions Limited ("Capita"), are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience to provide such advice. Capita is authorised under the Financial Services and Markets Act 2000 to provide regulated investment advice to the Trustee.

Investment Objectives

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

- To achieve, over the long term, a return on the Plan's assets which is sufficient (in conjunction with the Plan's existing assets, and contributions) to pay all members' benefits in full. In practice the Trustee plans to achieve this by Buying-Out the Plan with an insurer in the medium term. This would involve purchasing a bulk annuity policy which matches the Plan's liabilities in full.
- To maintain a reasonable level of investment risk, which is supported by the Plan's time horizon and Employer covenant (which is the Employer's legal obligation and financial ability to support the Plan now and in the future);
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept a degree of volatility in the funding position to aim to reduce the long-term cost of providing the Plan's benefits.

Statement of Investment Principles (continued)

Risk Management and Measurement

The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Plan and monitors investment performance on an annual basis. The Trustee believes that the investment strategy provides for adequate diversification, both within and across different asset classes. The Trustee further believes that the current investment strategy is appropriate given the Plan's liability profile. The Trustee's policy on risk management is as follows:

- The primary investment risk faced by the Plan arises as a result of a mismatch between the Plan's assets and its liabilities. The Trustee's principal focus in setting investment strategy is therefore taking into account the nature and duration of the Plan's liabilities.
- The Trustee recognises that whilst increasing risk can potentially increase long-term returns, it can also increase the short-term volatility of the Plan's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Plan is relatively mature and so is cashflow negative i.e. benefit outgo vastly exceeds contribution income. To avoid being a forced seller of volatile assets at potentially depressed priced in order to meet benefit outgo, the Trustee has made an allocation to a cash-equivalent Sterling Liquidity Fund which is being drawn on.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Plan's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.
- The Trustee recognises that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, it believes this risk can be outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others.
- The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.
- Collateral management is crucial in respect of any leveraged investments. The Trustee has invested in the Schroders "standalone" operating model for leveraged Liability Driven Investments (LDI). This model utilises leveraged and unleveraged gilt funds within the LDI solution to help minimise leverage for any given level of hedging. Some cash-equivalents are held as part of the LDI solution to meet collateral calls. Where further capital is required to meet collateral calls, the portfolio is switched from unleveraged gilt funds to leveraged gilt funds in order to free up capital. The converse is true. In the unlikely event that collateral calls exceed the available capital within the LDI solution, collateral calls will be met from the Schroders Diversified Growth Fund.
- Environmental, Social and Governance (ESG) risks could have a material impact over the life of the Plan and the Trustee will look to manage these risks where proportionate to do so.

Should there be a material change in the Plan's circumstances, the Trustee will review whether the current risk profile remains appropriate.

Statement of Investment Principles (continued)

Investment Strategy

Given its investment objectives the Trustee has adopted the asset allocation detailed in the table below. The Trustee is going to further review its investment strategy in 2024.

Asset class	Initial target asset allocation (%)
Active Equity	18.6
Passive Equity	20.5
Diversified Growth Funds (DGFs)	7.5
Total Growth Assets	**46.6**
Liability Driven Investment (LDI) and Cash-equivalents	53.4
Total Matching Assets	**53.4**
Total	**100.0**
Interest rate hedge ratio (% Low Dependency* liabilities)	90.0
Inflation hedge ratio (% Low Dependency* liabilities)	90.0

* *Liability measure uses a discount rate of gilts+0.5% pa, market-consistent RPI inflation, CPI is assumed to be 1.0%/0.1% pa lower than RPI inflation pre/post 2030 and other assumptions are as per the 26 October 2022 Statement of Funding Principles.*

The Trustee plans to hold this asset allocation for the short to medium term to help generate investment returns to close any deficit on a Buy-out basis. Further de-risking out of Growth assets is expected in the short to medium term as part of preparing for a Buy-out.

From time-to-time, and at least annually, the Trustee will monitor the actual asset allocation and hedge ratios, and consider how cash flows will be invested or disinvested, and whether any rebalancing of the assets is required.

Further detail on the investment products utilised to fulfil the investment strategy can be found in the Appendix.

Expected Return

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustee expects the Plan’s assets to generate a return, over the long term, of circa 2% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Plan’s liability value. This return is a “best estimate” of future returns that has been arrived at given the Plan’s current strategic asset allocation and in the light of advice from the investment consultant.

The Trustee recognises that, over the short term, actual performance may deviate significantly from this long-term expectation. This “best estimate” will also generally be higher than the assumption used for funding purposes for the actuarial valuation of the Plan’s liabilities on the on-going technical provisions basis. For funding purposes, a prudent estimate of returns is used, as agreed by the Trustee based on advice from the Scheme Actuary.

Statement of Investment Principles (continued)

Investment Mandates/Products

The Trustee has selected Rothschild & Co Wealth Management UK ("Rothschild"), BlackRock Investment Management (UK) Ltd ("BlackRock") and Schroder Investment Management Limited ('Schroders') as the appointed investment managers ('the Investment Managers') to manage the assets of the Plan. The Investment Managers are regulated under the Financial Services and Markets Act 2000. The Trustee has rolling contracts with its Investment Managers.

The Trustee has set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

The Trustee monitors the performance of its Investment Products at least annually in the context of the agreed objectives for each mandate and its overall investment strategy. This monitoring is facilitated by reports produced by its Investment Managers.

Investment Manager Remuneration

The remuneration for the Investment Managers' services is in line with the overall investment strategy set out above. The Trustee's investment advisors have confirmed, as part of their initial product selection advice, that the Annual Management Charges levied by the investment managers are reasonable.

Investment Manager Philosophy and Engagement

Based on product selection advice from its investment advisors, the Trustee has selected products which have a clear investment objective, investment philosophy and investment parameters which align with the Trustee's investment strategy. One of the benefits of this is that it helps ensure that investment managers make decisions based on medium to long-term, financial and non-financial, performance of the business in which shares or corporate bonds are invested.

The Trustee has selected products which have a clear voting and engagement policy, which aligns with the Trustee's investment strategy and incentivises the asset manager to engage with the businesses in which shares or corporate bonds are invested. The Trustee reviews and monitors voting activity annually as part of the drafting of its Implementation Statement.

Investment Manager Portfolio Costs

The Trustee recognises that portfolio turnover is necessary in the successful management of the Plan's investments and that this results in costs of buying, selling, lending and borrowing investments. Based on product selection advice from its investment advisors, the Trustee has selected products which it understands to have a robust approach to portfolio management. Should the Trustee's regular monitoring of performance raise concerns then the Trustee will probe further. This may include requesting updated statistics from the investment manager regarding portfolio management costs and portfolio turnover (and reviewing the reasonableness of these).

Environmental, Social and Governance ("ESG") Considerations

The Trustee believes that its main duty, reflected in its investment objectives, is to protect the financial interests of the Plan's members. The Trustee believes that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of its investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustee forms a view of the length of time that it considers is needed for the funding of future benefits by the investments of the Plan. The Trustee views ESG issues as a long-term theme, whereas the Trustee plans to Buy-Out the Plan in the medium term, and so the Trustee takes an active approach to ESG issues.

Statement of Investment Principles (continued)

Environmental, Social and Governance ("ESG") Considerations (continued)

The Trustee believes that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustee has elected to invest in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which it invests (especially where assets are managed passively). However, the Trustee will consider the managers' policies in all future selections and reviews and monitors voting activity annually as part of the drafting of its Implementation Statement.

The Trustee is keen that all its managers are signatories of the UN Principles of Responsible Investment, which is currently the case. The Trustee is also keen that its equity and DGF managers are signatories of the UK Stewardship Code. This is currently the case.

Non-financial matters, including members' views, are currently not taken into account.

Compliance with Myners' Principles

The Trustee believes that it complies with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustee believes this to be justified.

Employer-Related Investments

The Trustee's policy is not to hold any direct Employer -related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a fixed fee or time-cost basis - as agreed between the Trustee and Capita.

Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Mr BSE Freshwater

Trustee Director (Chairman)
Signed on behalf of the Trustee of the Freshwater Group Staff Retirement Benefits Plan

Date **8 May 2024**

Statement of Investment Principles (continued)

Appendix – Summary of Investment Mandates

The Trustee has appointed the Investment Managers to manage the Plan's assets. The Investment Managers are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset class	Investment Manager	Investment Product	Initial strategic asset allocation (%)
Active Equity	Rothschild	New Court Equity Growth Fund	18.6
Passive Equity	BlackRock	Global Equity Index	20.5
Diversified Growth Fund (DGF)	Schroder	Diversified Growth	7.5
Total Growth Assets			**46.6**
Liability Driven Investment (LDI) and Cash-equivalents	Schroder	Matching Synthetic Gilt Fund Range, Matching Unleveraged Gilt Fund Range and Sterling Liquidity Plus	53.4
Total Matching Assets			53.4
Total			**100.00**