NATIONAL DEPOSIT FRIENDLY SOCIETY

STAFF SUPERANNUATION FUND

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31st December 2022

Pension Scheme Registration Number 10006052

NATIONAL DEPOSIT FRIENDLY SOCIETY

STAFF SUPERANNUATION FUND

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022

Pension Scheme Registration Number 10006052

CONTENTS **PAGE**

TRUSTEE AND ADVISORS	**2**
TRUSTEE'S REPORT	**4**
INVESTMENT REPORT	**10**
SCHEDULE OF CONTRIBUTIONS	**17**
ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS	**19**
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS	**20**
SUMMARY OF CONTRIBUTIONS	**21**
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE	**22**
FUND ACCOUNT	**25**
NET ASSETS STATEMENT (AVAILABLE FOR BENEFITS)	**26**
NOTES TO THE FINANCIAL STATEMENTS	**27**
COMPLIANCE STATEMENT	**35**
MEMBERS' INFORMATION	**36**
IMPLEMENTATION STATEMENT	**38**

TRUSTEE AND ADVISORS

TRUSTEE

NDFS PENSION TRUST LIMITED

TRUSTEE DIRECTORS

MARTYN LOVE (Member – Nominated Director)
CHRISTOPHER TAYLOR (Society – Nominated Director)
TEMPLE TRUSTEES LIMITED represented by Sarah Jeffrey-Gray

ADVISORS

SCHEME ACTUARY	Ben Flynn of Isio Group Limited 22-24 Queen Square, Bristol, BS1 4ND
INDEPENDENT AUDITOR	Mazars LLP The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF
BANKERS	HSBC Bank PLC 60 Queen Victoria Street, London, EC4N 4TR
INVESTMENT MANAGERS	Fidelity Investment Limited. 4 Cannon Street, London, EC4M 5AB
	BlackRock 12 Throgmorton Avenue, London, EC2N 2DL

INVESTMENT ADVISORS	XPS Pensions (Trigon) Limited Cote House The Promenade Clifton Bristol BS8 3NG
SCHEME ADMINISTRATOR	Enquiries about the Fund generally or entitlement to benefit should be sent to the Scheme Administrator XPS Pensions (Trigon) Limited (FAO Tracy White) Cote House The Promenade Clifton Bristol BS8 3NG Tracy.White@xpsgroup.com

TRUSTEE'S REPORT

The National Deposit Friendly Society Staff Superannuation Fund (the "Fund") is governed by a definitive trust deed and rules dated 15th June 2006 (as amended 29th May 2009). The Trustee of the Fund is a trustee company, NDFS Pension Trust Limited.

The Directors of NDFS Pension Trust Limited (the "Trustee") present the Trustee's report, investment report, actuarial statements and financial statements of the Fund for the year ended 31st December 2022.

The Trustee is responsible for the administration and investment policy of the Fund. The Directors of the trustee company meet at least three times a year formally to discuss matters concerning the Fund including overall investment results. The administration of the Fund is reviewed at these meetings, discussions and decisions follow reports received from the Actuaries, Investment Managers, Scheme Administrator and others as the Fund's business dictates.

The power of appointing the Trustee of the Fund is with the Board of the sponsoring employer of the Fund being National Deposit Friendly Society (the "Society"). The Memorandum and Articles of Association of the trustee company contain the provisions for the appointment and removal of the Directors of the trustee company. At least one third of the Directors must be nominated and selected by the members of the Fund.

The Fund was closed to new entrants and future accrual of benefits with effect from 31st May 2009. The Trust Deed and Rules were amended on 29th May 2009 to reflect this change.

EVENTS IN THE YEAR

The Fund sold its investments in Standard Life and Legal and General on 28th June 2022 and 6th July 2022 respectively. The proceeds of these divestments were reinvested within the Fidelity portfolio on 15th December 2022.

During the year Christopher Taylor was appointed a Trustee Director on 20th December 2022.

TRUSTEE'S REPORT (continued)

REPORT ON ACTUARIAL LIABILITIES

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

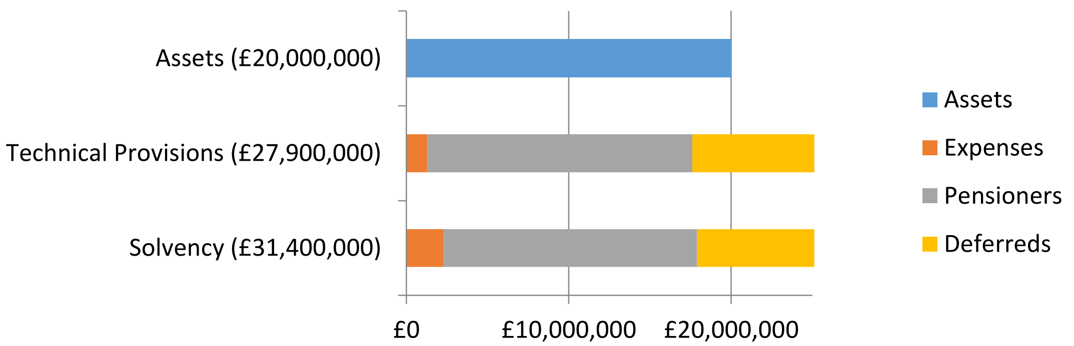
The Fund was subject to a triennial valuation as at 31st December 2019 the results of which were reported to the Trustee during the course of 2020 and early 2021; it was completed and signed in March 2021. The next triennial valuation will be as at 31st December 2022.

The financial position of the Fund was assessed using two key measures at as at 31st December 2019. The results were as follows:

- There was a shortfall of £7.9m relative to the technical provisions (i.e. the level of assets agreed by the Trustee and the Society) as being appropriate to meet members' benefits, assuming the Fund continues as a going concern)
- There was an estimated shortfall of £11.4m relative to the solvency position (i.e. the estimated level of assets needed to buy insurance policies for benefits earned to the valuation date).

These results are illustrated below:

Technical Provisions and Solvency Position



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

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits Method.

TRUSTEE'S REPORT (continued)

REPORT ON ACTUARIAL LIABILITIES (continued)

Significant actuarial assumptions
Discount rate: The Bank of England nominal spot yield curve at the appropriate durations for each member payment to be incorporated into a full yield curve valuation

As an example, at the average (Macaulay) duration of non-pensioners' liabilities of 24.5 years, the implied discount rate assumption was 1.41% per annum.

At the average (Macaulay) duration of pensioners' liabilities of 11.5 years, the implied discount rate assumption was 0.93% per annum.

Future Retail Price Inflation: The Bank of England implied inflation spot curve at the appropriate durations for each member payment to be incorporated into a full yield curve valuation.

As an example, at the average (Macaulay) duration of non-pensioners' liabilities of 24.5 years, the implied inflation assumption was 3.33% per annum.

At the average (Macaulay) duration of pensioners' liabilities of 11.5 years, the implied inflation assumption was 3.32% per annum.

Future Consumer Price Inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.7% per annum to allow for the expected future differences between retail and consumer price inflation.

Pension increases: derived from the term dependent rates for future retail price inflation but subject to a maximum increase of 5.0% per annum for service before 29 May 2005 and 2.5% per annum for service on or after 29 May 2005.

Pay increases: general pay increases of 1.0% per annum above the term dependent rates for the future retail price inflation.

Mortality: for the period in retirement, standard tables S3PxA with a scaling factor of 90%.

Following consideration of the valuation results the Trustee and the Society have agreed that the shortfall relative to the technical provisions should be eliminated by the payment of monthly contributions of £35,000 from January 2021 to March 2021, £61,667 for each month from April 2021 to December 2021, £65,000 each month in 2022, £75,000 each month in 2023, £85,000 each month in 2024, £95,000 each month in 2025, £105,000 each month in 2026 and £115,000 each month in 2027. The Employer will also make payments of £280,000 in April 2021 and January 2022.

TRUSTEE'S REPORT (continued)

This has been confirmed in the Recovery Plan which has been agreed by the Trustee and the Society on 25th March 2021.

The next full valuation will be performed as at 31st December 2022. The Schedule of Contributions and the Recovery Plan will be reviewed and revised by the end of March 2024 based on the valuation as at 31st December 2022.

REVIEW OF FINANCIAL DEVELOPMENT OF THE FUND

The Trustee uses the services of XPS Pensions (Trigon) Limited to monitor the performance of its investments and investment performance and reports are reviewed by the Trustee at each meeting. The fixed income fund and diversified growth fund managers are remunerated on a fee-paying basis directly related to the fund performance, and their costs are met from the dealing within these funds and not as a direct expense in the accounts.

The change in interest rates and the subsequent decline in the market value of fixed interest investments coupled with net cash outflows in respect of pension payments have resulted in a net decrease in Fund value from £20,321,175 as at 31st December 2021 to £15,636,945 at the close of the year.

The Fund uses Fidelity and BlackRock to actively manage its fixed interest portfolio. In addition the Fund used Standard Life until June 2022 and invested in the LGIM Property Fund until July 2022.

MEMBERSHIP

The change in the membership of the Fund during the year is given below:

	Closure Members	Deferred Pensioners	Pensioners
As at 1st January 2022	8	54	118
Adjustments (new dependants)	(2)	2	1
Retirements	-	(3)	3
Deaths	-	-	(5)
As at 31st December 2022	6	53	117

FURTHER INFORMATION

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

Further details of investment performance are included in the investment report. Further disclosures required by legislation are included in the compliance statement. Requests for additional information about the Fund generally, or queries relating to members' own benefits, should be made to the Scheme Administrator whose address appears on page 3 of this report.

TRUSTEE'S REPORT (continued)

Employer related investments
There have been no employer related investments as defined by s40 of the Pensions Act 1995 during the Fund year.

Pension increases
Under the rules of the Fund pensions in payment in respect of service accrued on or after 29th May 2005 will increase in line with RPI with a cap of 2.5%, as compared to pensions being paid for service prior to this date which increase with RPI capped at 5%. The Society has reserved the right to present a case to the Trustee in future for using the CPI Index for increases to pensions in payment for certain benefits where RPI is not hard-coded into the Rules of the Fund. With regard to deferred pensions, the Fund provides a guaranteed increase of not less than the revaluation percentage specified by the Secretary of State in accordance with Schedule 3 of the Pension Scheme Act 1993 applicable over the period from the date on which the member left Pensionable service up to Normal Pension Date.

On 1st October 2022, pensions in payment were increased by 5.0% in respect of service accrued before 29th May 2005 and by 2.5% in respect of service accrued on or after 29th May 2005. Deferred pensions were increased in accordance with statutory requirements. Closure members continue to receive salary linkage to pensionable service accrued to the point of closure. Increases to pensions in payment in earlier years were:

1st October 2021	3.8% & 2.5%
1st October 2020	1.6% & 1.6%
1st October 2019	2.8% & 2.5%

Transfer values
Any transfer values are cash equivalents calculated and paid in the manner prescribed by the Actuaries in accordance with the social security legislation. The calculation of transfer values does not include any allowance for discretionary benefits.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with the UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in Regulation 3A 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 reporting framework applicable to occupational pension schemes.

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

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the Society and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received and for adopting risk-based processes to monitor whether contributions are made to the Fund by the Society 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.

S D Jeffrey-Gray
S D Jeffrey-Gray (Jun 21, 2023 13:31 GMT+1)

Trustee Director Sarah Jeffrey-Gray Director for Temple Trustees Limited

Date: June 2023

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE'S REPORT)

The day to day management of the Fund's investments has been delegated to a selection of professional investment management firms, who the Trustee, together with its advisers, monitors on a regular basis.

The Trustee has drawn up a Statement of Investment Principles as required under section 35 of the Pensions Act 1995. The main purpose of the Statement is to set details of the investment strategy, the Trustee's investment objectives, its attitude to risk and its policy for meeting the Statutory Funding Objective imposed by the Pensions Act 2004.

The Trustee reviews the asset distribution within its investment strategy on a periodic basis. The agreed asset allocation during the year as follows:-

Asset Class	**Benchmark Allocation**
Gilts	70%
Property	20%
Credit	10%

Following the divestments in 2020 and 2021, the investment strategy is currently being reviewed.
The Trustee monitors the actual asset allocation of the Fund. If the asset allocation moves by more than 5% above or below the benchmark allocation, the Trustee will decide whether to amend the asset allocation. The Trustee can also hold a small allocation as cash.

Following the divestment of the Legal and General Fund in July 2022, the Fund currently has no investments in property and so the Funds property allocation is below the 20% benchmark allocation of the Investment Strategy.

Asset Class	**31.12.2022** Actual % of Asset Distribution	**31.12.2022** £
Fixed Interest		
Fidelity Index Linked Bond Fund	44.10%	6,857,438
Fidelity UK Corporate Bond Fund	33.95%	5,279,412
BlackRock Aquila Life 5-15 year UK Gilt Index S1	0.01%	1,059
BlackRock Aquila Over 15 year Gilt Index S1	0.00%	1
	78.06%	**12,137,910**
Cash Fund		
Fidelity Cash Fund	21.94%	3,412,533
	21.94%	**3,412,553**
	100.00%	**15,550,443**

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

BLACKROCK INVESTMENT REPORT

Fund objective
This Fund is invested in two BlackRock funds: the Aquila Life Over 15 Years UK Gilt Index Fund; and the Aquila Life 5 to 15 Years UK Gilt Index Fund.

The Aquila Life Over 15 Years UK Gilt Index Fund aims to achieve a return consistent with the FTA Over 15 Year Gilt Index.

The Aquila Life 5 to 15 Years UK Gilt Index Fund invests in UK Government fixed income securities (Gilts) that have a maturity of between 5 and 15 years. The Fund aims to achieve a return consistent with FTSE UK Gilts 5 to 15 Years Index.

Market commentary
Q1 2022 Activity
Inflation was the large global risk to monitor closely over the period. Commodity prices skyrocketed and whilst the UK is less energy dependent than many European nations, lacking energy and fuel supply from Russia has placed upward pressure on inflation. In this environment, UK Government bond yields continued to rise following another interest rate increase of 25 bps in March, but yield moves were less pronounced than its last base rate increase. Bank of England (BoE) officials noted that the impact from the war in Ukraine is potentially large and made a consistent policy direction difficult to determine in the near term as bifurcation between weaker economic growth and higher inflation expectations accelerated.

The geopolitical crises in Ukraine propelled the phenomena of supply driven inflation and has posed a dilemma to central banks to choose between economic growth or controlling inflation as the risk of de-anchored expectations looms. BoE Governor, Andrew Bailey, acknowledged growth risks from the war in Ukraine but has been wary on implications for monetary policy given elevated uncertainty. Yet, the BoE has so far placed inflation as a priority and has led the normalization path of developed market central banks, a trend it continued in March as it increased the base rate for the second time by 0.25% to 0.75%. UK government bond yields increased across the curve particularly at the shorter end as UK 2-year yields increased 31 bps, accompanied by a 20 bps rise in 10-year yields. However, whilst the Monetary Policy Committed (MPC) voted 9-1 for the 25bps hike, a majority of the committee stating they raised rates to reduce the risk that recent upward trends in pay growth and inflation become embedded in expectations. Such comments likely reduce the necessity to hike aggressively in order to curtail inflation and caused volatility in intramonth bond yields.

Inflationary pressure continues to mount as UK Headline CPI increased from 5.5% to 6.2% in the 12 months to February 2022, remaining at a 30-year high. Key drivers of the mounting pressure were spurred by the war in Ukraine which has led to soaring commodity price increases, most pronounced in food and energy. The largest upward contributions came from housing and household services (+1.39%), derived principally from electricity, gas and other fuels in addition to and transport (+1.26%) percentage points. Most recently, the BoE forecasts inflation to peak this Spring at 8%, but implied inflation could overshoot as global inflationary pressures will likely strengthen considerably further over coming months while growth in economies that are net energy importers such as the UK, is likely to slow.

The release of UK Composite PMI reflected a marginal decline from 59.9 to 59.7, signaling strong economic growth. Despite persistence in high output, firms are currently faced with looming energy cost increases in conjunction with renewed disruptions to supply chains as non-energy imports from Ukraine and Russia are restricted. Against this backdrop, input cost have increased in addition the steepest price rise since the survey began. Further, escalating inflationary pressure related to the Russia/Ukraine conflict led to a sharp decrease in business optimism. The UK labour market further tightened as UK unemployment fell to 3.9% whilst average weekly earnings continued an upward trajectory. Despite wages increasing at a high rate, in light of increasing cost pressure on both household and businesses, decreasing consumer spending power remains a key trend to monitor over the coming months.

Q2 2022 Activity

In a similar fashion to the global landscape, Sterling bonds remained under pressure and resulted in a steep increase in yields for both government and widening of corporate bond spreads. Key culprits behind the sharp sell off were elevated inflation data in addition to increasingly hawkish rhetoric from central banks signalling further tightening to come. The Bank of England (BoE) hiked interest rates to their highest levels in 13 years. In this environment, the market narrative shifted from higher inflation concerns to slowing growth risks as the moderation of UK's growth became more apparent.

UK inflation rose from 9.0% to hit a new 40-year high of 9.1% in May. Food and energy prices drive the upward surge, greatly exacerbated by the fallout from the war in Ukraine. In light of more persistent inflation reports, the BoE revised near term inflation forecasts, estimating inflation to increase to 11% by October 2022. Against this backdrop the bank hiked interest rates for a fifth successive time to 1.25%. Officials further stated they would "act forcefully" in the wake of further heightened figures, suggesting they remain open to larger hikes in future should they be necessary. Such comments have raised concerns that the intensity of focus on dampening down inflation lead to central banks tightening beyond the recessionary precipice. Both the short and long ends of the gilt market have seen a material rise in yields, the 10-year gilt yield reached an eight-year high of 2.65% over the month but managed to recover toward the period's close.

The BoE's Monetary Policy Committee (MPC) acknowledged UK inflation is being driven by UK specific forces. Core consumer goods prices were rising faster in the UK than in the US or eurozone whilst service prices increased quicker than in the eurozone. Sterling was weaker against both the US dollar and euro given rising fears about a potential trade war with the EU, adding to input costs which remain at elevated levels as supply weakness persists. This suggests a risk that "self-sustaining momentum" in inflation could persist despite a weakening economic environment.

Recession fears began to creep into the market as concerns around the hit to consumers' spending power in the face of high inflation began to be reflected in faster data outturns. This caused a turning point in the market's expectations for future rate hikes. Inflation pricing over the month finally began to moderate, driven by expectations of a growth slowdown, taking some of the heat out of the inflation market. Effects of such rhetoric are beginning to pay off as medium-term UK inflation expectations fell considerably over the course of June. 5-year breakeven decreased from 4.48% to 3.70%, one of the most notable decreases in the past decade.

Q3 2022 Activity

The Monetary Policy Committee (MPC) raised its policy rate by 0.5% to 2.25%, a 14-year high. The Bank of England (BoE) now expects a recession to start in the fourth quarter, yet it warned of further tightening to contain inflation, which it expects to increase to 13%. Macro-economic indicators further indicated slowing growth, with most recent PMI indicators reflecting contracting economic activity. Chancellor Kwasi Kwarteng's mini budget announcement place fiscal credibility under a spotlight and put the Bank of England in a difficult situation, having to engage in Quantitative Easing for financial stability reasons. This created substantial bond market volatility, as markets towards month end reacted to an opposing policy mix of fiscal expansion and monetary tightening.

The Chancellor's mini-budget on 23 September introduced a series of unfunded spending commitments, spooking market participants, as the measures were a) above-and-beyond what was expected; b) deemed to be badly targeted; c) not matched with detailed savings or supply-side reforms and d) presented as the first step in a programme of lower taxes. This was quickly interpreted as a material change to the projected path of the UK's structural budget deficit, and a risky approach when also putting in place the Energy Price Guarantee which leaves the public finances exposed to movements in natural gas prices. BoE Governor, Andrew Bailey, publicly stated that "the MPC will not hesitate to change interest rates by as much as needed to return inflation to the 2% target" in response to the demand impulse from the government measures.

In the bond market, the renewed rise in developed market global rates that we have seen since mid-summer accelerated after the event, understandably led by the gilt market. The market priced in the need for a more aggressive central bank reaction, with the Bank Rate priced to reach up to 6.25% and sterling falling close to parity against the dollar. In a statement, Governor Andrew Bailey noted that the BoE was monitoring developments in the financial markets "very closely". The UK 2-year yield increased from 3.02% to 4.23% and 10-year rose from 2.80% to 4.10% by September's close. The rapid move higher in government borrowing costs across the curve triggered sizable collateral calls for liability-driven investment (LDI) strategies, which in turn has caused selling of gilts and credit to raise cash. The Bank of England intervened on 28 September to prevent this forced selling from becoming so disorderly that it caused broad financial instability. Toward the beginning of October the market was pricing in a terminal rate of 5.7%.

Q4 2022 Activity
UK economic highlights during December included a Bank of England (BoE) split decision rate hike, CPI showing possible signs of cooling, a positive month-on-month GDP number, and unemployment remaining near historic lows. The pound strengthened as GBP/USD hit 1.24, the highest level since mid-June. Bond yields trended higher throughout the month as the curve steepened with the 10-year gilt outperforming shorter dated bonds. 10-year gilt yields increased by just shy of 60bps while 2-year gilt yields increased by only 30bps. It was an important month to end the year as it gave some clues to the big questions of how much higher inflation may go and how the BoE would deal with it. Although the economic data proved better than expected, markets are forecasting a recession for 2023, technically having started in Q3 2022. The BoE has equally warned of economic challenges ahead.

The start of the month saw the latest monthly GDP reading grow at 0.5% following the previous two months of negative growth. Annual GDP also beat expectations growing at a pace of 1.5% while GDP for Q3 shrank more than first reported, revised to a decline of -0.3%. CPI showed signs of easing and the possibility that it peaked in November after coming in lower than expected at 10.7% YoY. Core inflation also came in lower at 6.3%, only the second downside miss of the year. The largest contributors to the decline were the drop in cost of petrol and used auto prices. The jobs market remained tight with the unemployment rate at 3.7%, in line with expectations.

The BoE raised interest rates by 50bps to 3.5%, highest since October 2008. Voting 6-3 to slow their pace from last month's meeting - the largest rate hike since 1989 - it was a three-way split for the divided bank. Two members dissented from hiking altogether while one member, Catherine Mann, favoured a larger hike of 75bps. Comments proved equally dovish with “considerable” uncertainties around the economic outlook. However, the BoE expects inflation to continue to fall gradually, and revised the GDP forecast for the fourth quarter of 2022 to a smaller decline of 0.1%.

FIDELITY INVESTMENT REPORT

Market Environment
Twelve Month Market review to 31st December 2022.

Market Background
Fixed income markets endured significant volatility and posted negative returns in 2022. Markets battled with soaring inflation, unprecedented interest rate hikes by central banks and a subsequent synchronised slowdown in global economic activity. Russia’s invasion of Ukraine, supply chain disruptions, an energy crisis in Europe and COVID-19 related lockdowns in China earlier in the year exacerbated an already challenging macroeconomic backdrop. However, markets recovered some lost ground towards the end of the year, as investors bet on easing inflation and slowing growth, which could eventually force global central banks to pursue a slower pace of tightening. Bond markets fell further in the last few weeks of the year amid worries that easing mobility restrictions and a complete reopening of China could keep inflation higher for longer. A surprise move by the Bank of Japan (BOJ), which moved its 10-year bond yields ceiling to 0.5% from 0.25% as part of its yield curve control programme, also sparked a sell off in sovereign bonds. Nevertheless, the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England (BoE) stuck to a hawkish stance and delivered several interest rate hikes over the period, with a clear prioritisation of inflation at the cost of growth. In turn, benchmark 10-year sovereign yields touched multi-year highs and government bonds posted negative returns. In the corporate credit space, both investment grade and high yield bonds posted negative returns, due to a mix of wider credit spreads and higher sovereign yields. However, risk sentiment improved and credit markets appeared resilient towards the end of the period as investors hoped for a slower pace of global monetary policy tightening and relatively stable corporate fundamentals. On the economic front, the global growth outlook deteriorated significantly, amid tighter financial conditions and intensifying geopolitical risks. This was evident in flash composite Purchasing Managers’ Index (PMI) readings for the period, which edged down into contractionary territory for the US, UK and eurozone. Meanwhile, November inflation readings appeared to ease across regions, even as they remained elevated.

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Returns (Gross of Fees) – 31st December 2022

Fund Name	3 Months	1 Year	3 Years Annualised	5 Years Annualised
INDEX LINKED BOND PENSIONS FUND CL1 (Gross) (4)	**-6.4**	**-39.4**	**-10.7**	**-5.4**
FTSE A UK Index-Linked Over 5 Years Index – Datastream (3)	-7.5	-38.0	-10.1	-5.01
STERLING CORPORATE BOND PENSIONS FUND – CL1 (Gross) (2)	**5.8**	**-16.7**	**-3.5**	**-0.5**
Merrill Lynch Euro Sterling Bond Index – Datastream (1)	6.2	-17.7	-4.9	-1.5
LONG DATED STERLING CORPORATE BOND PENSIONS FUND CL1 (Gross) (5)	**6.9**	**-29.8**	**-8.7**	**-3.0**
Merrill Lynch Eurosterling Over 10 years Bond Index –Dstream (6)	8.4	-29.9	-9.1	-3.4

All returns up to one year are cumulative. All other returns are annualised.
Footnotes:
1. 100% Merrill Lynch Eurosterling Bond Index. Source: Datastream
2. This fund is a UK Open Ended Investment Company - Fidelity Institutional Funds. Performance is calculated on a NAV to NAV basis, with income reinvested. Source: Fidelity. Datasource: FIL (Gross of Fees)
3. 100% FTSE A UK Index Linked Gilts Over 5 Years Index. Source: Datastream.
4. This fund is a UK Open Ended Investment Company - Fidelity Institutional Funds. Performance is calculated on a NAV to NAV basis, with income reinvested. Source: Fidelity. Datasource: FIL (Gross of Fees)
5. 100% Merrill Lynch Eurosterling Over 10 Years Bond Index. Source: DataStream
6. This fund is a UK Open Ended Investment Company - Fidelity Institutional Funds. Performance is calculated on a NAV to NAV basis, with income reinvested. Source: Fidelity. Datasource: FIL (Gross of Fees)

LEGAL AND GENERAL INVESTMENT REPORT

Fund Objective
The fund aims to exceed the AREF/IPD UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.

Fund Characteristics
The fund invests in UK freehold and leasehold property recognising that superior stock selection is a key driver of outperformance. The fund does not permit gearing on directly held assets. The fund may invest in indirect vehicles and property derivatives.

Commentary
The investments were divested from this fund on the 6th July 2022. The proceeds of this sale were then invested on the 15th December 2022 into the following three Fidelity Funds: Fidelity Cash Fund; Fidelity Index-Linked Bond fund; and Fidelity UK Corporate Bond Fund.

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

STANDARD LIFE INVESTMENTS INVESTMENT REPORT

Fund aims
The fund is invested in the Standard Life Investments Absolute Return Global Bond Strategies Fund which aims to provide positive investment returns in the form of income and capital growth in all market conditions over the medium to long term. The fund is actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus three per-cent a year, gross of fees. It exploits market inefficiencies through active allocation to a diverse range of market positions. The fund uses a combination of traditional assets (such as bonds, cash and money market instruments) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

Commentary
The investments were divested from this fund on the 28th June 2022. The proceeds of this sale were then invested on the 15th December 2022 into the following three Fidelity Funds: Fidelity Cash Fund; Fidelity Index-Linked Bond fund; and Fidelity UK Corporate Bond Fund.

MARKETABILITY OF INVESTMENTS

At the year-end all pooled investments were quoted on a recognised stock exchange and are therefore considered to be marketable on a short term basis.

CUSTODIAL ARRANGEMENTS

The appointed Custodians for the Institutional OEICS Fidelity pooled funds that the Superannuation Fund invests in were J P Morgan Chase, whilst Brown Brothers Harriman were the custodians for the Schroder's SICAV pooled funds. The appointed Custodians for the BlackRock and Standard Life pooled funds was BNY Mellon.

STATEMENT OF INVESTMENT PRINCIPLES

A Statement of Investment Principles has been produced as required by Section 35 of the Pension Act 1995, and is available to download at www.nationalfriendly.co.uk/downloads.

The most recent Statement of Investment Principles is dated 20th September 2020, and will next be reviewed following the completion of the Actuarial Valuation dated 31st December 2022 and no later than 20th September 2023.

NATIONAL DEPOSIT FRIENDLY SOCIETY
STAFF SUPERANNUATION FUND

SCHEDULE OF CONTRIBUTIONS

Status

The Schedule of Contributions was prepared by the Trustee of the National Deposit Friendly Society Staff Superannuation Fund ("the Fund") on 18th March 2021 after obtaining the advice of Stephanie Murphy, the Scheme Actuary.

The Principal Employer is National Deposit Friendly Society Limited ("the Employer").

This schedule replaces the previous version dated 26th March 2018.

1. Contributions to be paid to the Fund from 1st April 2021 to 31st December 2027

Calendar Year	Monthly Contributions (£)	Lump Sum (£)	Total Annual Contributions (£)
2021	35,000 January – March (existing schedule) 61,667 April – December	280,000 (April 2021)	940,000
2022	65,000	280,000 (January 2022)	1,060,000
2023	75,000	-	900,000
2024	85,000	-	1,020,000
2025	95,000	-	1,140,000
2026	105,000	-	1,260,000
2027	115,000	-	1,380,000

Contributions are to be paid to the Scheme in arrears by the end of the calendar month to which they relate.

2. In respect of expenses and statutory levies

The Employer has agreed to meet the costs of the annual Pension Protection Fund levy and any other expenses as agreed by the Employer and the Trustee.

3. Additional Contributions

The Employer will make additional contributions in respect of the cost of any augmentation granted if requested by the Trustee (and agreed by the Employer if required by the Fund Rules) who will take actuarial advice in respect of the additional contributions required.

The Employer may pay further additional contributions at its discretion.

SCHEDULE OF CONTRIBUTIONS (continued)

Date of review of this Schedule

It is acknowledged that this Schedule of Contributions and the Recovery Plan in respect of the valuation as at 31st December 2019 will be reviewed and revised by the end of March 2024 based on the then deficit disclosed by the valuation as at 31st December 2022.

This Schedule of Contributions, dated 18th March 2021 has been agreed by the Employer, National Deposit Friendly Society Limited.

Signed on behalf of the Employer

Name: Graham Singleton
Position: Interim CEO
Date: 25th March 2021

This Schedule of Contributions, dated 26th March 2018 has been agreed by the Trustee of the National Deposit Friendly Society Staff Superannuation Fund.

Signed on behalf of the Trustee

Name: Sarah Jeffrey-Gray
Position: Director for Temple Trustees Limited,
Date: 18th March 2021

ACTUARY’S CERTIFICATE

Actuary’s Certificate of Schedule of Contributions

Name of Fund : National Deposit Friendly Society Staff Superannuation Fund

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 can be expected to be met on 31st December 2019 by the end of the period specified in the Recovery Plan dated 18th March 2021.

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 18th March 2021.

   The certification of the adequacy of the rates of contributions for the purposes 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 Fund’s liabilities by purchase of annuities, if the Fund were to be wound up.

Stephanie Murphy
Scheme Actuary

Fellow of the Institute and Faculty of Actuaries
18th March 2021

Premier Pensions Management

Premier Pensions Management Limited
AMP House
Dingwall Road
Croydon
CR0 2LX

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF NATIONAL DEPOSIT FRIENDLY SOCIETY SUPERANNUATION FUND

We have examined the Summary of Contributions of National Deposit Friendly Society Staff Superannuation Fund payable in respect of the Fund year ended 31st December 2022 to which this statement is attached.

In our opinion the contributions for the Fund year ended 31st December 2022 as reported in the Summary of Contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 18th March 2021.

Scope of work on statement about contributions

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

Respective responsibilities of the Trustee and auditor

As explained more fully in the statement of Trustee's responsibilities, the Fund's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Fund by the Society in accordance with the Schedule of Contributions.

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

Mazars LLP
Mazars LLP (Jun 21, 2023 13:38 GMT+1)

Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF

Jun 21, 2023

NATIONAL DEPOSIT FRIENDLY SOCIETY
STAFF SUPERANNUATION FUND

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR ENDED 31st DECEMBER 2022

During the year contributions of £1,060,000 were payable to the Fund in addition to the PPF levies as agreed by the Employer and the Trustee.

S D Jeffrey-Gray
S D Jeffrey-Gray (Jun 21, 2023 13:31 GMT+1)

Trustee Director

Sarah Jeffrey-Gray for Temple Trustees Limited

Date: June 2023

INDEPENDENT AUDITOR’S REPORT TO THE TRUSTEE OF NATIONAL DEPOSIT FRIENDLY SOCIETY STAFF SUPERANNUATION FUND

Opinion

We have audited the financial statements of National Deposit Friendly Society Staff Superannuation Fund (the ‘scheme’) for the year ended 31st December 2022 which comprise the Fund Account, Statement of Net Assets (available for benefits) 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 FRS 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:

- give a true and fair view of the state of the scheme’s affairs as at 31st December 2022 and of the amount and disposition at that date of its assets and liabilities, other than the 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 scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 Statement of the Trustee's Responsibilities set out on page 9, 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 the trustee 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 scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the scheme or have 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 the 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. Based on our understanding of the National Deposit Friendly Society Staff Superannuation Fund, we identified that the principal risks of non-compliance with laws and regulations related to the non-receipt of contributions from the sponsoring employer in accordance with the Schedule of Contributions and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Pensions Act 1995.

We evaluated the Trustee's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the trustee and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the scheme which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Trustee and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
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 the audit report
This report is made solely to the scheme'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 scheme's Trustee those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's Trustee as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP
Mazars LLP (Jun 21, 2023 13:38 GMT+1)

Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF

Jun 21, 2023

FUND ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2022

	Note	2022		2021	
		£	£	£	£
CONTRIBUTIONS AND BENEFITS					
Contributions receivable:					
Employer	4	1,061,706		949,579	
Total contributions			1,061,706		949,579
Benefits payable	5	961,478		982,826	
Administrative expenses	6	119,898		110,435	
			1,081,376		1,093,261
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS			**(19,670)**		**(143,682)**
RETURNS ON INVESTMENTS					
Investment income	7	8,042		14	
Change in market value of investments	8	(4,630,605)		(210,533)	
Investment management expenses	8	(41,997)		(51,982)	
NET RETURNS ON INVESTMENTS			**(4,664,560)**		**(262,501)**
NET (DECREASE)/INCREASE IN THE FUND DURING THE YEAR			**(4,684,230)**		**(406,183)**
NET ASSETS OF THE FUND					
AT 1st JANUARY			20,321,175		20,727,358
AT 31st DECEMBER			**15,636,945**		**20,321,175**

NET ASSETS STATEMENT (AVAILABLE FOR BENEFITS) AS AT 31st DECEMBER 2022

		Note	2022	2021
			£	£
INVESTMENTS ASSETS				
Pooled Investment Vehicles	Fixed Interest Backed		12,137,910	16,100,280
	Property Fund		-	4,210,997
	Cash Fund		3,412,533	-
		8	15,550,443	20,311,277
CURRENT ASSETS		12	141,334	46,523
LESS: CURRENT LIABILITIES		13	(54,832)	(36,625)
NET CURRENT ASSETS			86,502	9,898
NET ASSETS AT 31st DECEMBER 2022			**15,636,945**	**20,321,175**

The financial statements summarise the transactions of the Fund 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 accounting year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 5 and these financial statements should be read in conjunction with them.

These financial statements were approved by the Trustee on June 2023.

Signed on behalf of the Trustee:

Trustee Director

S D Jeffrey-Gray
S D Jeffrey-Gray (Jun 21, 2023 13:47 GMT+1)

S D Jeffrey-Gray
Director for Temple Trustees Limited

NOTES TO THE FINANCIAL STATEMENTS – 31st DECEMBER 2022

1. BASIS OF PREPARATION

These accounts have been prepared on a going concern basis. The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (Revised June 2018).

2. ACCOUNTING POLICIES

The Trustee's accounting policies are as follows:

(a) General information

The Fund is an occupational pension scheme established under trust, governed by a definitive trust deed and rules dated 15th June 2006 (as subsequently amended) and domiciled in the United Kingdom. The registered office of its sole corporate trustee is 11-12 Queen Square, Bristol. BS1 4NT

(b) Investments

All investments held are unitised pooled investment vehicles. These are included at fair value which is valued at the latest available bid price or single price provided by the pooled investment manager. Investments held within Fidelity Open Ended Investment Company (pooled units) are stated at the official unit price provided by Fidelity. Prices of underlying investments are supplied by a number of vendors including Reuters, Bridge and NYSE.

(c) Investment Income

Income from cash deposits and property investments is accounted for on an accruals basis. Realised gains and losses on investments arise only in the event of a sale transaction. Unrealised gains and losses on investments are expressed as the difference between the book cost and the market value of the assets. These gains and losses are dealt with in the Fund Account in the year in which they arise. Income from pooled investment vehicles is reinvested in fund units.

(d) Foreign Currencies

Assets and liabilities in foreign currencies (including the effect of forward exchange contracts) are expressed in the base currency at the closing rate of exchange. Inflows and outflows arising on conversion or translation are accounted for as realised and unrealised investment gains and losses (see Investment Income). Other inflows and outflows are dealt with as other receipts or payments as appropriate. The functional and presentational currency of the Fund is the pound sterling.

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)

(e) Contributions

Contributions are accounted for on an accruals basis at rates agreed by the Trustee as recommended by the actuary.

There are no member contributions receivable following the closure of the Fund in 2009.

(f) Benefits Payable

Benefits payable represent all valid benefit claims in respect of the Fund year.

(g) Transfers To Other Schemes

Transfer values have been included in the accounts when paid.

3. INVESTMENT EXPENSES

Investment management fees are deducted from the Fund's pooled investment vehicles.

4. EMPLOYER'S CONTRIBUTIONS RECEIVED

The Society pays the balance required to fund the benefits and to meet fund administration and management costs as set out in the Schedule of Contributions, as revised from time to time. There have been no active members since 1st June 2009. Monthly contributions of £65,000 have been made in 2022 and will increase to £75,000 from January 2023, £85,000 from January 2024, £95,000 from January 2025, £105,000 from January 2026 and £115,000 from January 2027 until December 2027; in addition the Society has made contributions of £280,000 in January 2022. The Society also makes contributions to cover the PPF levies. The monthly contributions are in accordance with the recovery plan resulting from the past service benefits deficit arising.

		2022 £	2021 £
Employers	- Deficit	1,060,000	940,000
	- Other (PPF and TPR Levy Contributions, Trustee Fees)	1,706	9,579
		1,061,706	**949,579**

During the year there have been no refunds to the Society in respect of contributions made.

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)

5. BENEFITS PAID

	2022	2021
	£	£
On or during retirement:		
Pensions	909,729	884,589
Commutation and lump sum benefits	51,749	98,237
	961,478	**982,826**

6. ADMINISTRATIVE EXPENSES

	2022	2021
	£	£
Administration	63,572	48,274
Independent Trustee Director's Fees	22,890	16,731
Actuarial Fees	21,770	18,859
Audit Fees	9,960	8,400
Professional fees	-	13,200
Pension Protection Fund and The Pension Regulator Levies	1,706	4,971
	119,898	**110,435**

Some of the administration of the Fund, such as the payment of pensioners and supplier invoices, is undertaken by the staff of the Society and no charge has been made for this. The PPF and TPR levies are also contributed by the Society as part of the funding agreement between the Fund and Society.

7. INVESTMENT INCOME

	2022	2021
	£	£
Interest on cash deposits	8,042	14
	8,042	**14**

8. INVESTMENTS

	Fixed Interest Backed Funds	Property Fund	Cash Fund	Total
	£	£	£	£
Market Value at 1st January 2022	16,100,280	4,210,997	-	20,311,277
Purchases at cost	10,256,609	-	3,408,553	13,665,162
Sales	(9,193,252)	(4,560,142)	-	(13,753,394)
Change in market value of investments	(5,007,696)	373,006	4,085	(4,630,605)
Investment management fees	(18,031)	(23,861)	(105)	(41,997)
Market value at 31st December 2022	**12,137,910**	**-**	**3,412,533**	**15,550,443**

Within the Bond Funds there were no overseas investments (2021: £1,300,301).

The companies operating the pooled investment vehicles are registered in the United Kingdom.

In addition to the transaction costs, which are included in the investment management fees above, indirect costs are incurred through the bid-offer spread on investments within two of the pooled investment vehicles. Investment managers were unable to provide detailed breakdown of transaction costs.

Concentration of investments

The following investments, having a market value of at least 5% of the Fund's net assets as at 31st December 2022, represented a concentration of investment as defined in The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 as at that date:-

Investment	**Market Value £**	**% of Net Assets**
Fidelity Cash Fund	3,412,533	21.94%
Fidelity Index Linked Bond Fund	6,857,438	44.10%
Fidelity UK Corporate Bond Fund	5,279,412	33.95%

The equivalent information as at 31st December 2021 was:-

Investment	**Market Value £**	**% of Net Assets**
Aquila Life 5-15 year UK Gilt IX S1	1,858,608	9.15%
Aquila Life Over 15 year UK Gilt Index S1	9,938,464	48.93%
Fidelity Index Linked Bond Fund	2,123,229	10.45%
SLI Absolute Return Global Bond Strategies Fund	1,406,535	6.92%
Legal & General Property Fund C	4,210,997	20.73%

The Fund sold its investments in Standard Life and Legal and General on 28 June 2022 and 6 July 2022 respectively.

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)

9. FAIR VALUE DETERMINATION

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

Level 1	Valued using unadjusted quoted price in active markets for identical financial instruments.
Level 2	Valued using techniques based significantly on observed market data.
Level 3	Valued using techniques incorporating information other than observable market data.

The Fund's investments have been fair valued using the above hierarchy. The Fund's cash investments are categorised as Level 1. The Fund's remaining investments are held in pooled investment vehicles which are actively traded, but are not quoted on an active market. They are all therefore categorised as Level 2.

10. FINANCIAL INSTRUMENT RISK DISCLOSURE

a) Investment risk

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

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

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

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

The Fund has exposure to these risks because of the investments it makes in following the investment strategy set out below. The objective of the Trustee is to manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored, by the Trustee, by regular reviews of the investment portfolio.

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

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)
10. FINANCIAL INSTRUMENT RISK DISCLOSURE (continued)

b) Fund risks

i. Investment Strategy

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

The Trustee sets the investment strategy for the Fund taking into account considerations such as the strength of the Society's covenant, the long term liabilities of the Fund and the funding agreed with the Society. The investment strategy is set out in its Statement of Investment Principles (SIP).
The strategy prior to the change in investments in 2020 and 2021, was to hold:
70% in Gilt Funds;
20% in Property Funds;
10% in Credit Funds.

Following the disinvestment in December 2020, the investment strategy is currently being reviewed to consider a suitable longer term strategy.
The Trustee monitors the actual asset allocation of the Fund. If the asset allocation moves by more than 5% above or below the benchmark allocation, the Trustee will decide whether to amend the asset allocation.

ii. Credit Risk

The Fund invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicle and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

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

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

	2022		2021	
A summary of pooled investment vehicles by type of arrangement is as follows:	£	%	£	%
Fixed Interest Backed	12,137,910	78.06%	16,100,280	79.27%
Cash fund	3,412,553	21.94%	-	0.00%
Property Fund	-	0.00%	4,210,997	20.73%
	15,550,443	**100.0%**	**20,311,277**	**100.0%**

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles. This risk is mitigated by requiring pooled investment managers to invest in at least investment grade credit rated investments.

iii. Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets via pooled investment vehicles. The currency risk is mitigated by derivatives held within the fund and managed by the Fund managers to mitigate this risk. The residual risk to the Fund is minimal as all the

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)

10. FINANCIAL INSTRUMENT RISK DISCLOSURE (continued)

holdings are valued in Sterling.

iv. Interest rate risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in bonds through pooled vehicles, and cash. The Trustee has set a benchmark for total investment in bond funds of 30% of the total investment portfolio as part of their investment strategy. These Funds match the pensions not yet in payment at the last actuarial valuation at 31st December 2019. Under this strategy if interest rates fall the value of the matched investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the matched investments will fall in value as will the actuarial liabilities because of an increase in the discount rate.

v. Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio are the investments held in growth funds.

The risk is managed by the fund managers who ensure that the fund contains a diverse portfolio of investments across various markets.

11. TAXATION

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

12. CURRENT ASSETS	2022	2021
	£	£
Prepayments	3,237	2,909
Cash balances	138,097	43,614
	141,334	**46,523**

13. CURRENT LIABILITIES	2022	2021
	£	£
Accrued expenses	39,630	22,100
Other creditors	15,202	14,525
	54,832	**36,625**

Other creditors consist of amounts owed to HMRC in respect of income tax.

NOTES TO FINANCIAL STATEMENTS – 31st DECEMBER 2022 (continued)

14. RELATED PARTIES AND KEY MANAGEMENT COMPENSATION

Key management consists of the Directors of the trustee company.

One director of the trustee company, Martyn Love, was a member of the Fund during the year and he did not receive any benefits during the year. Fees of £22,890 (2021: £16,731) were paid to Temple Trustees Limited for its services as a Director of the trustee company. The amount owed to Temple Trustees Limited at 31st December 2022 was £1,150 (2021: £2,081).

Some of the administration of the Fund, such as the payment of pensioners and supplier invoices, is undertaken by the staff of the Society and no charge is made to the Fund. The PPF and TPR levies are also contributed by the Society as part of the funding agreement between the Fund and Society.

COMPLIANCE STATEMENT

The purpose of this compliance statement is to disclose some additional information required by law but which is not considered to be of such significance to Fund members that it requires the more prominent disclosure afforded by inclusion in the Trustee's report.

Fund investments

The investment managers appointed on behalf of the Trustee to manage funds under Section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services Marketing Act 2002 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

Fund advisors

There are written agreements in place between the Trustee and each of the Fund advisors listed on page 2 and 3 of this report and also with the Society.

MEMBERS' INFORMATION

Members can obtain information about their own pension benefits or further information about the Fund from Ms. T White of XPS Pensions (Trigon) Limited, whose address appears on page 3 of this report. Copies of the Fund's documentation are available for reference at the same address (or for retention at a small charge).

The Pensions Tracing Service

The aim of this service is to provide a tracing service for members (and their dependents) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be made to:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.thepensionservice.gov.uk

The Pensions Ombudsman

Any concern connected with the Fund should be referred to Ms. T White, Pensions Administrator, who will try to resolve the problem as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the trustees can consult with The Pensions Ombudsman at the following address:

Pension Ombudsman
10 South Colonnade
Canary Wharf,
London
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

The Regulator may intervene in the running of pension schemes if employers, trustees or advisors have failed in their duties.

The Pension Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0870 606 3636
Email: customersupport@thepensionsregulator.gov.uk
Website: www.pensionsregulator.gov.uk

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service.

MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London
EC1N 2TD

Telephone: 0800 011 3797
Email: contact@maps.org.uk
Website: www.moneyhelper.org.uk

The National Deposit Friendly Society Staff Superannuation Fund Implementation Statement for the year ended 31st December 2022

Purpose
This Implementation Statement provides information on how, and the extent to which, the Trustee of the National Deposit Friendly Society Staff Superannuation Fund ("the Fund") has followed their policy in relation to the exercising of rights (including voting rights) attached to the Fund's investments, and engagement activities during the year ended 31st December 2022 ("the reporting year").

Background
The Trustee has updated their policy in relation to ESG and voting issues which, previously, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustee's new policy was documented in the updated Statement of Investment Principles (SIP) dated 20th September 2020 and forms part of their latest SIP dated 20th September 2021.

The Trustee's updated policy
The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund's investment managers. The Trustee requires the Fund's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Fund's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises
One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance
The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believes that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles
During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including any voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Fund does not currently have exposure to any holdings that have voting rights.