

**REGISTRAR OF  
COMPANIES**

**The Forces Pension Society  
(Limited by Guarantee)**

Report and Financial Statements

Year Ended

31 December 2004



**BDO**

**BDO Stoy Hayward**  
Chartered Accountants

# **The Forces Pension Society**

## **Annual report and financial statements for the year ended 31 December 2004**

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### **Directors**

Air Chief Marshal Sir Roger Palin KCB OBE (Chairman)  
General Sir Brian Kenny GCB CBE  
Commodore D R S Lewis CBE  
Mrs J M Green OBE  
Air Vice-Marshal M D Smart BA FIPD  
Vice Admiral Sir Michael Moore KBE LVO  
Air Commodore M S Witherow FCMI  
Colonel N J Flower  
Rear Admiral N J Wilkinson CB  
Brigadier D A Cranston CBE  
Air Commodore C R Fowler  
Major General A P N Currie CB  
Air Marshal Sir Christopher Coville KCB

### **Secretary and registered office**

Major General J C M Gordon CBE, 68 South Lambeth Road, Vauxhall, London, SW8 1RL.

### **Company number**

418311

### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

## **The Forces Pension Society**

### **Report of the council for the year ended 31 December 2004**

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The directors present their report together with the audited financial statements for the year ended 31 December 2004.

#### **Results**

The revenue account is set out on page 5 and shows the surplus for the year.

#### **Principal activities, review of business and future developments**

The principal activities of the Society during the year were to secure equitable and justified conditions in the Armed Forces Pension Scheme for all ranks of all three Services, both serving and retired, and for their widows, widowers and dependants, which recognise the unique commitment which they make and have made to their Country and which are in line with modern good practice; and to advise and assist members of the Society on pension problems and related issues. The Society promotes these aims, in co-operation with other Service and civilian organisations, and lobbies Government, Parliament, the MoD and the Armed Forces leadership responsibly and by all reasonable means to secure improvements. Members are kept informed of the Society's activities through its journal Pennant, and AGM and area meetings.

The major focus of the Society's activities has been in influencing the development of the new Armed Forces Pension Scheme, currently scheduled to be introduced in 2005/6, and continuing to seek equitable solutions to the long running legacy issues.

The Society has had a satisfactory year and expects that the next year will produce a small surplus on its routine activities.

There have been no events since the balance sheet date which materially affect the position of the company.

#### **Political and charitable contributions**

The company made no charitable donations or political contributions during the year.

#### **Members of Council**

The persons who were Council Members during the financial year were:

General Sir Brian Kenny GCB CBE  
Commodore D R S Lewis CBE  
General Sir Edward Jones KCB CVO CBE (retired 17 June 2004)  
Mrs J M Green OBE  
Air Vice-Marshal M D Smart BA FIPD  
Vice Admiral Sir Michael Moore KBE LVO  
Air Commodore M S Witherow FCMI  
Colonel N J Flower  
Air Chief Marshal Sir Roger Palin KCB OBE (Chairman)  
Rear Admiral N J Wilkinson CB  
Brigadier D A Cranston CBE  
Air Commodore C R Fowler  
Major General A P N Currie CB  
Air Marshal Sir Christopher Coville KCB

The Council Members constitute directors of the company.

## **The Forces Pension Society**

### **Report of the council for the year ended 31 December 2004 (Continued)**

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#### **Re-election of members**

Brigadier D A Cranston CBE, Air Commodore C R Fowler, General Sir Brian Kenny GCB CBE, Vice Admiral Sir Michael Moore KBE LVO and Air Chief Marshal Sir Roger Palin KCB OBE all retire in 2005 and, being eligible will, with the exception of General Sir Brian Kenny, offer themselves for re-election.

#### **Council members responsibilities**

Company law requires the Council Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Council Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

BDO Stoy Hayward LLP indicated that they do not wish to continue in office following completion of this year's audit and will not seek reappointment at the annual general meeting.

#### **On behalf of the Council**

Sir Roger Palin

**Chairman**



**Date**

16.3.05

## **The Forces Pension Society**

### **Report of the independent auditors**

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#### **To the members of The Forces Pension Society**

We have audited the financial statements of The Forces Pension Society for the year ended 31 December 2004 on pages 5 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

#### *Respective responsibilities of the council and auditors*

As described above, the Society's Council Members are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**The Forces Pension Society**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

16 March 2005

# The Forces Pension Society

## Consolidated revenue account for the year ended 31 December 2004

	Note	Continuing operations	
		2004 £	2003 £
<b>Income</b>			
Annual subscriptions		338,490	346,162
Proportion of life members' subscriptions		13,240	13,991
Donations		9,824	6,648
Income from fixed asset investments	2	11,613	10,363
Interest receivable	3	3,061	5,628
Royalty income		12,702	17,623
Sundry receipts and advertisement revenue		36,121	37,500
Profit on disposal of investments		-	73,642
Rental income		<u>4,550</u>	<u>-</u>
		<b>429,601</b>	<b>511,557</b>
<b>Administrative expenses</b>			
Staff costs including pensions	4	231,202	233,306
Office costs and maintenance (including dilapidations £Nil, 2003 - £10,734)		40,885	82,439
Pennant (including postage)		55,451	56,401
Council meetings		1,885	2,463
Annual General Meeting		1,674	1,551
Parliamentary lunch		3,357	3,623
Area meetings		3,378	3,330
Bank charges		3,060	3,386
Audit fees		5,875	5,875
Other professional fees		9,378	10,086
Depreciation		17,439	8,959
Hire of machinery including maintenance contracts		6,215	5,892
Donations		100	120
Subscriptions, publications and newspapers		1,727	1,612
Recruiting costs		3,839	649
Travel		1,251	1,256
Entertainment		200	260
Miscellaneous expenses		1,388	668
Mortgage interest		20,332	4,048
Letting costs		<u>670</u>	<u>-</u>
		<b>409,306</b>	<b>425,924</b>
		<b>20,295</b>	<b>85,633</b>
Other income – legacies		<u>1,406</u>	<u>1,000</u>
<b>Surplus on ordinary activities before taxation</b>	5	<b>21,701</b>	<b>86,633</b>
Taxation on surplus on ordinary activities		<u>-</u>	<u>(108)</u>
<b>Surplus for the financial year</b>		<b>21,701</b>	<b>86,525</b>
Retained surplus brought forward		<u>427,242</u>	<u>340,717</u>
<b>Retained surplus carried forward</b>	13	<b>448,943</b>	<b>427,242</b>

The notes on pages 9 to 16 form part of these financial statements.

**The Forces Pension Society**

**Statement of total recognised gains and losses for the year ended 31 December 2004**

	<b>Note</b>	<b>2004 £</b>	<b>2003 £</b>
Surplus for the financial year after taxation		<b>21,701</b>	86,525
Profit realised on sale of investments transferred from revaluation reserve	13	-	(54,397)
Unrealised surplus on valuation of investments	9,13	<b>29,648</b>	13,427
<b>Total recognised profits for the year</b>		<b>51,349</b>	<b>45,555</b>

The notes on pages 9 to 16 form part of these financial statements.

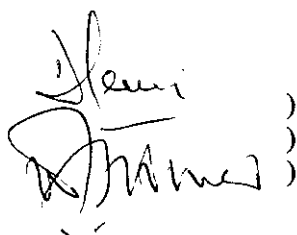


**The Forces Pension Society**

**Group balance sheet at 31 December 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Tangible assets	7		585,868		578,126
Other investments	9		369,437		339,789
			<u>955,305</u>		<u>917,915</u>
<b>Current assets</b>					
Debtors	10	21,908		16,805	
Cash at bank and in hand		121,913		102,422	
		<u>143,821</u>		<u>119,227</u>	
<b>Creditors: amounts falling due within one year</b>	11	232,184		209,709	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			(88,363)		(90,482)
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			866,942		827,433
<b>Creditors: amounts falling due after more than one year</b>	12		380,592		392,432
			<u></u>		<u></u>
<b>Net assets</b>			<u>486,350</u>		<u>435,001</u>
			<u></u>		<u></u>
<b>Reserves</b>	13		486,350		435,001
			<u></u>		<u></u>

The financial statements were approved by the Council Members on **16 MAR 2005**


**Council Members**

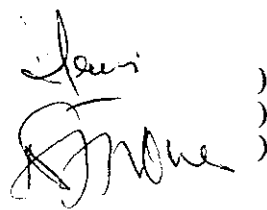
The notes on pages 9 to 16 form part of these financial statements.

**The Forces Pension Society**

**Company balance sheet at 31 December 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Tangible assets	7		29,214		27,906
Shares in subsidiary undertaking at cost	8		100		100
			<hr/>		<hr/>
			29,314		28,006
<b>Current assets</b>					
Debtors	10	498,719		469,498	
Cash at bank and in hand		33,318		30,795	
		<hr/>		<hr/>	
		532,037		500,293	
<b>Creditors: amounts falling due within one year</b>	11	189,024		184,549	
		<hr/>		<hr/>	
<b>Net current assets</b>			343,013		315,744
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			372,327		343,750
<b>Creditors: amounts falling due after more than one year</b>	12		62,564		65,604
			<hr/>		<hr/>
<b>Net assets</b>			309,763		278,146
			<hr/>		<hr/>
<b>Reserves</b>	13		309,763		278,146
			<hr/>		<hr/>

The financial statements were approved by the Council Members on **16 MAR 2005**



)  
) **Council Members**  
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The notes on pages 9 to 16 form part of these financial statements.

## The Forces Pension Society

### Notes forming part of the financial statements for the year ended 31 December 2004

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#### 1 Accounting policies

##### *Basis of accounting*

The financial statements are prepared under the historical cost convention modified by the revaluation of investments and in accordance with applicable accounting standards.

##### *Format of revenue account*

In view of the nature of the company's activities, the Council Members consider the format adopted for the revenue account to be more appropriate in some respects than that prescribed by the Companies Act 1985.

##### *Basis of consolidation*

The consolidated financial statements incorporate the results of The Forces Pension Society and all of its subsidiary and associated undertakings as at 31 December 2004 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

##### *Land and buildings*

Under FRS 15, land and buildings are stated at cost.

##### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values evenly over their expected useful lives, of all fixed assets. Where residual value exceeds cost, or where the charge arising is not material then no charge is made. Depreciation is calculated at the following rates:

Fixtures, fittings and equipment	-	15% pa reducing balance basis
Computer equipment	-	over 6 or 10 years
Long leasehold buildings	-	over 50 years

##### *Investments*

Investments are shown at market price on the last day of the accounting period. Unrealised gains or losses are adjusted in the revaluation reserve.

##### *Deferred income*

Annual and life members subscriptions are recognised as income over the periods to which they relate. Lifetime subscriptions are spread over 10, 15 or 20 years depending on the subscriber's status.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

# The Forces Pension Society

## Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

### 1 Accounting policies (Continued)

#### *Pension costs*

The costs of the company's defined contribution schemes are charged to the profit and loss account evenly over the period for which they fall due.

#### *Lease commitments*

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### 2 Income from fixed asset investments

	2004 £	2003 £
Dividends – Unit trusts	11,613	10,363

### 3 Interest receivable

	2004 £	2003 £
Bank interest	3,061	5,628

### 4 Employees

	2004 £	2003 £
Staff costs consist of:		
Wages and salaries	182,823	185,962
Social security costs	19,366	19,116
Other pension costs	29,013	28,228
	231,202	233,306

The average number of employees, excluding Council Members, during the year was 7 (2003 - 7).

**The Forces Pension Society**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**5 Surplus on ordinary activities before taxation**

	2004 £	2003 £
<i>This has been arrived at after charging:</i>		
Operating lease rentals - Land and buildings	-	26,526
Auditors remuneration - Group	5,875	5,875
Depreciation	17,439	8,959
	<u>          </u>	<u>          </u>

**6 Directors**

No director of the company received any emoluments during the year.

**7 Tangible assets**

Group	Long leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
<i>Cost and valuation</i>			
At 1 January 2004	548,676	126,711	675,387
Additions	18,000	7,181	25,181
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2004	566,676	133,892	700,568
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Depreciation</i>			
At 1 January 2004	-	97,261	97,261
Charge for the year	11,334	6,105	17,439
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2004	11,334	103,366	114,700
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>			
At 31 December 2004	555,342	30,526	585,868
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2003	548,676	29,450	578,126
	<u>          </u>	<u>          </u>	<u>          </u>

**The Forces Pension Society**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**7 Tangible assets (Continued)**

<b>Company</b>	<b>Fixtures, fittings and equipment £</b>
<i>Cost</i>	
At 1 January 2004	71,686
Additions	7,181
	<hr/>
At 31 December 2004	<b>78,867</b>
	<hr/>
<i>Depreciation</i>	
At 1 January 2004	43,780
Charge for the year	5,873
	<hr/>
At 31 December 2004	<b>49,653</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2004	<b>29,214</b>
	<hr/>
At 31 December 2003	<b>27,906</b>
	<hr/>

**8 Shares in subsidiary undertakings**

	<b>2004 £</b>	<b>2003 £</b>
<b>Company</b>		
At cost		
100 shares of £1 each	<b>100</b>	<b>100</b>
	<hr/>	<hr/>

The Forces Pension Society Investment Company Limited is a wholly owned subsidiary of this company, the company is registered in England & Wales. The principal activity of the subsidiary is the holding of property and investments.

**The Forces Pension Society**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**9 Other investments**

<b>Group</b>	<b>£</b>
Unit trusts:	
Valuation at 1 January 2004	339,789
Surplus on revaluation at year end	29,648
	<hr/>
Valuation at 31 December 2004	369,437
	<hr/>
Valuation at 31 December 2003	339,789
	<hr/>

The cost of these investments as at 31 December 2004 was £332,119 (2003 - £332,119).

**10 Debtors**

	<b>Group 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2004 £</b>	<b>Company 2003 £</b>
Trade debtors	4,525	4,997	4,525	4,997
Amounts owed by subsidiary undertaking	-	-	479,721	455,464
Other debtors	11,805	9,037	11,805	9,037
Prepayments and accrued income	5,578	2,771	2,668	-
	<hr/>	<hr/>	<hr/>	<hr/>
	21,908	16,805	498,719	469,498
	<hr/>	<hr/>	<hr/>	<hr/>

**11 Creditors: amounts falling due within one year**

	<b>Group 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2004 £</b>	<b>Company 2003 £</b>
Taxation and social security costs	5,995	5,901	5,995	5,901
Deferred income – unexpired subscriptions	158,655	161,698	158,655	161,698
Accruals	50,284	24,900	24,374	16,950
Bank loans (secured – see note 12)	17,250	17,210	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	232,184	209,709	189,024	184,549
	<hr/>	<hr/>	<hr/>	<hr/>

# The Forces Pension Society

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

## 12 Creditors: amounts falling due after more than one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Deferred income – unexpired subscriptions	62,564	65,604	62,564	65,604
Bank loans secured	318,028	326,828	-	-
	<u>380,592</u>	<u>392,432</u>	<u>62,564</u>	<u>65,604</u>

The first bank loan amounting to £100,000 is repayable in monthly instalments of £417. It is secured by a first legal charge over the leasehold property at Suite 6, 68 South Lambeth Road, London. The loan bears interest at 1.25% over the banks base rate.

The second loan amounts to £245,000 and is repayable in monthly instalments of £1,021. It is secured by a first legal charge over the leasehold property at Suite 6, 68 South Lambeth Road, London. The loan bears interest at 5.7% for 10 years. Following this, the loan will be subject to renewal. Both loans expire in 20 years.

	Bank loan 2004 £	Bank loan 2003 £
In more than one year but not more than two years	34,500	34,420
In more than two years but not more than five years	51,750	51,630
In five years or more	231,778	240,777
	<u>318,028</u>	<u>326,827</u>



## The Forces Pension Society

### Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

#### 13 Reserves

	Group £	Company £
<b>Revenue</b>		
At 1 January 2004	427,242	278,146
Retained surplus in year	21,701	31,617
	<hr/>	<hr/>
At 31 December 2004	<b>448,943</b>	<b>309,763</b>
	<hr/>	<hr/>
<b>Revaluation</b>		
At 1 January 2004	7,759	
Realised profit on sale of investments	-	
Unrealised profit on valuation of investments	29,648	
	<hr/>	
At 31 December 2004	<b>37,407</b>	
	<hr/>	
Total	<b>486,350</b>	
	<hr/>	

#### 14 Parent company revenue account

No revenue account is presented for the parent company as permitted by S230 of the Companies Act 1985. The surplus for the year dealt with in the financial statements of the company was £31,617 (2003 - £20,619).

#### 15 Cash flow statement

The group has used the exemption under Financial Reporting Standard 1 "Cash Flow Statements", not to prepare a cash flow statement as the directors believe the company is "small" under the Companies Act 1985.

#### 16 Reconciliation of movement in members' funds

The members are not entitled to any of the reserves of the company.

In the event of a surplus of funds on the company winding up the surplus shall be distributed to a similar organisation or to a charitable organisation.

**The Forces Pension Society**

**Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**

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**17 Capital commitments**

There were no capital commitments at 31 December 2004 (2003 – Nil).

**18 Pension Schemes**

The company makes contributions into money purchase group personal pension plan arrangements for the benefit of certain individual employees. The assets of the individual plans are held separately in independently administered funds with Scottish Mutual and Scottish Equitable. The charge for pension costs represents the contributions payable by the company to the funds and amounted to £27,658 (2003 - £28,228).