

**REGISTRAR OF
COMPANIES**

**The Forces Pension Society
(formerly The Officers' Pensions Society)
(Limited by Guarantee)**

Report and Financial Statements

Year Ended

31 December 2001



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BDO Stoy Hayward
Chartered Accountants

THE FORCES PENSION SOCIETY

Annual report and financial statements for the year ended 31 December 2001

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Directors

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Directors

General Sir Brian Kenny GCB CBE
Commodore D R S Lewis CBE
General Sir Edward Jones KCB CVO CBE
Major General J F J Johnston CB 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 FIMgt
Colonel N J Flower
Air Chief Marshal Sir Roger Palin KCB OBE (Chairman)
Rear Admiral N J Wilkinson CB
Commandant A C Spencer CBE

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, 8 Baker Street, London, W1U 3LL.

THE FORCES PENSION SOCIETY

Report of the council for the year ended 31 December 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Change of name

The company changed its name from The Officers' Pensions Society (Limited by Guarantee) to The Forces Pension Society (Limited by Guarantee) on 4 July 2001.

Results

The revenue account is set out on page 4 and shows the surplus for the year.

Principal activities

The principal activities of the Society during the year were to procure, where equitable, improvements in the Armed Forces Pension Scheme for members of the Society, their widows, widowers and dependants, and in co-operation with other Service and Civilian Organisations to promote these interests for all past, present and future members of the Armed Forces. To assist and advise members of the Society on Service retired pay and Service pension problems.

The major focus of the Society's activities has been the co-ordination of an application, on behalf of eight members of the Society, to the European Court of Human Rights in an attempt to secure fair pensions for two categories of Service widows.

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

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

Air Chief Marshal Sir David Evans GCB CBE (resigned 21 June 2001)

Commodore D R S Lewis CBE

General Sir Edward Jones KCB CVO CBE

Major General J F J Johnston CB CBE

Mr J J Thomson CBE QGM (resigned 1 April 2001)

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 FIMgt

Colonel N J Flower

Air Chief Marshal Sir Roger Palin KCB OBE (Chairman from 21 June 2001)

Rear Admiral N J Wilkinson CB

Commandant A C Spencer CBE

The Council Members constitute directors of the company.

THE FORCES PENSION SOCIETY

Report of the council for the year ended 31 December 2001 (Continued)

Re-election of members

Air Chief Marshal Sir Roger Palin KCB OBE, General Sir Brian Kenny GCB CBE, Vice Admiral Sir Michael Moore KBE LVO and Commandant A C Spencer CBE retire in 2002, and being eligible, may 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.

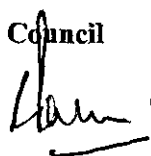
The Council Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding 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 have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Council

Sir Roger Palin



Chairman

20 March 2002

THE FORCES PENSION SOCIETY

Report of the independent auditors

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 2001 on pages 4 to 14 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 page 8.

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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group and the company as at 31 December 2001 and of the surplus of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

20 March 2002

THE FORCES PENSION SOCIETY

Consolidated revenue account for the year ended 31 December 2001

	Note	Continuing operations	
		2001	2000
		£	£
Income			
Annual subscriptions		333,733	306,454
Proportion of life members' subscriptions		14,319	15,644
Donations		8,417	6,796
Income from fixed asset investments	2	9,445	8,310
Interest receivable and other similar income	3	5,286	3,779
Royalties Income		16,569	13,879
Sundry receipts and advertisement revenue		32,502	32,778
		<hr/>	<hr/>
		420,271	387,640
		<hr/>	<hr/>
Administrative expenses			
Staff costs	4	197,047	185,629
Pension costs	4	21,297	18,113
Office rent, rates, electricity, repairs and maintenance		45,535	43,819
Insurance and maintenance contracts		6,171	6,672
Postage		4,350	7,370
Printing and stationery		5,455	5,409
The Pennant, including postage		65,544	63,329
Telephone		3,619	3,922
Council meeting expenses		7,648	7,226
Area meetings		3,814	4,509
Bank charges		2,760	2,416
Auditors' remuneration		5,698	5,992
Miscellaneous expenses		34,970	27,078
Depreciation		7,709	6,804
Hire of machinery		6,146	5,856
		<hr/>	<hr/>
		417,763	394,144
		<hr/>	<hr/>
		2,508	(6,504)
Other income – legacies		17,459	47,040
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	5	19,967	40,536
Taxation on surplus on ordinary activities	6	(201)	(233)
		<hr/>	<hr/>
Surplus for the financial year		19,766	40,303
Retained surplus brought forward		309,137	268,834
		<hr/>	<hr/>
Retained surplus carried forward	14	328,903	309,137
		<hr/>	<hr/>

The notes on pages 8 to 14 form part of these financial statements.

THE FORCES PENSION SOCIETY

Statement of total recognised gains and losses for the year ended 31 December 2001

	2001 £	2000 £
Surplus for the financial year after taxation	19,766	40,303
Unrealised deficit on valuation of investments	(114,582)	(12,079)
Credit on release of deferred taxation	40,927	5,798
Total recognised gains/(losses) for the year	(53,889)	34,022

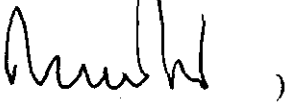

The notes on pages 8 to 14 form part of these financial statements.

THE FORCES PENSION SOCIETY

Group balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	7		47,165		27,137
Other investments	9		580,014		693,967
			<u>627,179</u>		<u>721,104</u>
Current assets					
Debtors	10	26,320		26,690	
Cash at bank and in hand		102,489		81,933	
		<u>128,809</u>		<u>108,623</u>	
Creditors: amounts falling due within one year	11	188,333		168,925	
		<u></u>		<u></u>	
Net current liabilities			(59,524)		(60,302)
			<u></u>		<u></u>
Total assets less current liabilities			567,655		660,802
Creditors: amounts falling due after more than one year	12	69,314		67,645	
Provision for liabilities and charges	13	-		40,927	
		<u></u>	(69,314)	<u></u>	(108,572)
			<u></u>		<u></u>
Net assets			498,341		552,230
			<u></u>		<u></u>
Reserves	14		498,341		552,230
			<u></u>		<u></u>

The financial statements were approved by the Council Members on 20 March 2002



 } Directors

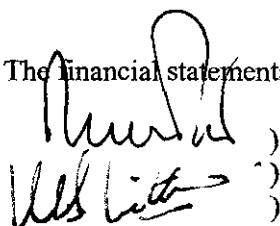
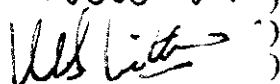
The notes on pages 8 to 14 form part of these financial statements.

THE FORCES PENSION SOCIETY

Company balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	7		37,268		12,983
Shares in subsidiary undertaking at cost	8		100		100
Other investments	9		-		-
			<hr/>		<hr/>
			37,368		13,083
Current assets					
Debtors	10	428,372		416,050	
Cash at bank and in hand		15,650		10,277	
		<hr/>		<hr/>	
			444,022		426,327
Creditors: amounts falling due within one year	11	181,459		159,853	
		<hr/>		<hr/>	
Net current assets			262,563		266,474
			<hr/>		<hr/>
Total assets less current liabilities			299,931		279,557
Creditors: amounts falling due after more than one year	12	(69,314)		(67,645)	
Provision for liabilities and charges					
Deferred taxation	13	-		-	
		<hr/>	(69,314)	<hr/>	(67,645)
Net assets			<hr/>	<hr/>	<hr/>
			230,617		211,912
Reserves	14		<hr/>		<hr/>
			230,617		211,912

The financial statements were approved by the Council Members on 20 March 2002



 } Directors

The notes on pages 8 to 14 form part of these financial statements.

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001

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 policies.

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 2001 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.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	- 15% pa reducing balance basis
Computer equipment	- over 6 or 10 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 taxation is provided on the liability method to the extent that it is probable a liability or asset will crystallise. Details of movements in the provision for deferred taxation are set out in note 13.

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.

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

2 Income from fixed asset investments

	2001 £	2000 £
Dividends – Unit trusts	9,445	8,310

3 Interest receivable

	2001 £	2000 £
Bank interest	5,286	3,779

4 Employees

	2001 £	2000 £
Staff costs consist of:		
Wages and salaries	179,389	168,560
Social security costs	17,658	17,069
Other pension costs	21,297	18,113
	218,344	203,742

The average number of employees, excluding Council Members, during the year was 7 (2000 - 7).

5 Surplus on ordinary activities before taxation

	2001 £	2000 £
This has been arrived at after charging:		
Operating lease rentals - Land and buildings	35,368	35,368
- Other	5,331	5,093
Auditors remuneration	5,698	5,992
Depreciation	7,709	6,804

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

6 Taxation on profit from ordinary activities

	2001 £	2000 £
Taxation payable	(201)	(233)
Taxation recovered re prior year	-	-
	<u>(201)</u>	<u>(233)</u>

7 Tangible assets

Group	Fixtures, fittings and equipment £
<i>Cost</i>	
At 1 January 2001	98,254
Additions	27,737
	<u>125,991</u>
At 31 December 2001	
<i>Depreciation</i>	
At 1 January 2001	71,117
Charge for the year	7,709
	<u>78,826</u>
At 31 December 2001	
<i>Net book value</i>	
At 31 December 2001	<u>47,165</u>
At 31 December 2000	<u>27,137</u>

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

7 Tangible assets (*Continued*)

Company	Fixtures, fittings and equipment £
<i>Cost</i>	
At 1 January 2001	43,229
Additions	27,737
	<hr/>
At 31 December 2001	70,966
	<hr/>
<i>Depreciation</i>	
At 1 January 2001	30,246
Charge for the year	3,452
	<hr/>
At 31 December 2001	33,698
	<hr/>
<i>Net book value</i>	
At 31 December 2001	37,268
	<hr/>
At 31 December 2000	12,983
	<hr/>

8 Shares in subsidiary undertakings

	2001 £	2000 £
Company		
At cost		
100 shares of £1 each	100	100
	<hr/>	<hr/>

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

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

9 Other investments

Group	£
Unit trusts:	
Valuation/cost at 1 January 2001	693,967
(Deficit)/surplus on revaluation	(114,582)
Additions	629
	<hr/>
Valuation at 31 December 2001	580,014
	<hr/>
Valuation at 31 December 2000	693,967
	<hr/>

The cost of these investments at 31 December 2001 was £410,611 (2000 - £409,982).

10 Debtors

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Trade debtors	5,751	3,811	5,751	3,811
Amounts owed by subsidiary undertakings	-	-	405,644	392,952
Other debtors	6,843	5,470	6,843	5,470
Prepayments and accrued income	13,726	17,409	10,134	13,817
	<hr/>	<hr/>	<hr/>	<hr/>
	26,320	26,690	428,372	416,050
	<hr/>	<hr/>	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Taxation and social security costs	6,101	6,571	6,101	6,571
Deferred income – unexpired subscriptions	168,348	145,200	168,348	145,200
Accruals	13,884	17,154	7,010	8,082
	<hr/>	<hr/>	<hr/>	<hr/>
	188,333	168,925	181,459	159,853
	<hr/>	<hr/>	<hr/>	<hr/>

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

12 Creditors: amounts falling due after one year

	Group and company	
	2001	2000
	£	£
Deferred income – unexpired subscriptions	69,314	67,645

13 Deferred taxation

	At 1 January 2001 £	Transfer to revaluation reserve £	Group At 31 December 2001 £
The movements on the provision for deferred taxation during the year were as follows	40,927	(40,927)	-

Deferred tax is provided at 20% (2000 – 20%) analysed over the following timing differences.

	Fully provided 2001 £	Fully provided 2000 £
Surplus on revaluation of investments	-	40,927

14 Reserves

	Group £	Company £
Revenue		
At 1 January 2001	309,137	211,912
Retained surplus in year	19,766	18,705
At 31 December 2001	328,903	230,617
	£	
Revaluation		
At 1 January 2001	243,093	
Unrealised deficit on valuation of investments	(114,582)	
Credit on release of deferred taxation	40,927	
At 31 December 2001	169,438	
Total	498,341	

THE FORCES PENSION SOCIETY

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

15 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 £18,705 (2000 - £6,177).

16 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.

17 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.

18 Capital commitments

There were no capital commitments at 31 December 2001 (2000 - Nil).

19 Commitments under operating leases

As at 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001 Land and buildings £	2001 Other £	2000 Land and buildings £	2000 Other £
Operating leases which expire:				
In two to five years	-	5,331	-	5,093
Over five years	35,368	-	35,368	-
	<u>35,368</u>	<u>5,331</u>	<u>35,368</u>	<u>5,093</u>

20 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 £21,297 (2000 - £18,113).