

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**  
(A company limited by guarantee)

**REPORT AND GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2010**

Company Number 1130269

TUESDAY



\*L73JHULA\*

LD6

31/05/2011

29

COMPANIES HOUSE

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**  
**REPORT AND GROUP FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

---

<b>CONTENTS</b>	<b>Page</b>
Directors' report	1 - 2
Independent auditors' report	3
Group income and expenditure account	4
Group statement of total recognised gains and losses	5
Group balance sheet	6
Company balance sheet	7
Group cash flow statement	8
Notes to financial statements	9 - 18

# **THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2010**

---

The directors present their report together with the audited group financial statements for the year ended 31 December 2010

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The continuing principal activity of the company is to encourage and promote fair and decent retirement provision, especially through the work place

### **RESULTS AND DIVIDENDS**

The results for the year show a surplus on ordinary activities before taxation of £188,526 compared with a deficit of £191,776 in the previous year

### **INVESTMENT PORTFOLIO**

Merrill Lynch Portfolio Managers Limited and Ruffer LLP administer the investment portfolio on behalf of the company  
At 31 December 2010 the portfolio had a market value of £7,369,834 (2009 £6,974,449)

### **TAXATION**

The Association's tax position is set out in the notes to the accounts

### **DIRECTORS**

The directors who served during the year were as follows

L P Tomlinson	(Chairman)
J Segars	(Chief Executive)
R J Goldman	
C J Hitchen	
K Hollender	
M Hyde Harrison	
A Kitts	
S W Kober	
R J Martin	
J Moore	
N Peaple	(Resigned 17 July 2010)
D Philp	(Appointed 9 December 2010)
R A M Smith	

# THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED

## DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2010

---

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors 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 directors are required to,

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

The directors 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 2006. 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.

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### AUDITORS

The auditors, Haysmacintyre, will be proposed for re-appointment in accordance with s485 of the Companies Act 2006

### BY ORDER OF THE BOARD



L P Tomlinson  
Chairman

Registered Office:

Cheapside House  
138 Cheapside  
London  
EC2V 6AE

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

---

We have audited the financial statements of The National Association of Pension Funds Limited for the year ended 31 December 2010 which comprise the Group Income and Expenditure Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and company's affairs as at 31 December 2010 and of its surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Bernie Watson (Senior statutory auditor)**  
for and on behalf of haysmacintyre, Statutory Auditor

**Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY**

*S. April 2011*

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**GROUP INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 DECEMBER 2010**

		<b>2010</b>		<b>2009</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>INCOME</b>					
Subscriptions		1,908,815		1,804,843	
Conferences and courses		2,838,133		2,293,823	
Publications		277,615		100,629	
Other income	10	161,357		166,256	
			5,185,920		4,365,551
<b>EXPENDITURE</b>					
Administration expenses	11	3,435,528		3,286,879	
Conferences and courses		1,354,164		1,235,598	
European Federation for Retirement Provision		82,095		80,247	
Publications		169,963		87,727	
			(5,041,750)		(4,690,451)
<b>OPERATING SURPLUS/(DEFICIT)</b>			144,170		(324,900)
<b>OTHER INCOME</b>					
Government Stocks		22,727		54,690	
Interest	12	63,336		66,025	
Other finance (cost)/income	13	(29,000)		26,000	
Investment manager's fees		(12,707)		(13,591)	
			44,356		133,124
<b>GROUP SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAX</b>			188,526		(191,776)
<b>TAXATION</b>	14		(14,665)		87,747
<b>SURPLUS/(DEFICIT) ON GROUP ORDINARY ACTIVITIES AFTER TAXATION</b>			£173,861		£(104,029)

All turnover and surplus/(deficit) are derived from continuing operations

The notes on pages 9 to 18 form part of these accounts

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**  
**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR</b>		173,861	(104,029)
Unrealised surplus on current asset investments		370,278	237,202
Actuarial gains/(losses) on net pension costs	13	1,172,356	(1,355,000)
Movement on deferred tax relating to pension asset		(353,360)	405,160
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>		<u>£1,363,135</u>	<u>£(816,667)</u>
<b>NOTE OF HISTORICAL COST PROFITS AND LOSSES</b>			
Reported surplus/(deficit) on ordinary activities before taxation		188,526	(191,776)
Realisation of investment revaluation gains of previous years		-	104,227
<b>Historical cost surplus/(deficit) on ordinary activities before taxation</b>		<u>£188,526</u>	<u>£(87,549)</u>

The notes on pages 9 to 18 form part of these accounts

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
<b>FIXED ASSETS</b>					
Tangible assets	2		525,805		569,716
<b>CURRENT ASSETS</b>					
Debtors (falling due in more than one year £231,912 (2009 £328,216))	4	2,203,093		2,039,000	
Investments	5	7,369,834		6,974,449	
Cash at bank and in hand		1,669,895		1,354,324	
			11,242,822		10,367,773
<b>CREDITORS: amounts falling due within one year</b>	6	(3,577,514)		(3,331,672)	
<b>NET CURRENT ASSETS</b>			7,665,308		7,036,101
<b>CREDITORS: amounts falling due after one year</b>	7		(201,578)		(70,777)
<b>Net assets excluding pension asset/(liability)</b>			7,989,535		7,535,040
Pension asset/(liability)	13		857,520		(51,120)
<b>NET ASSETS</b>			<u>£8,847,055</u>		<u>£7,483,920</u>
<b>RESERVES</b>					
Reserves fund including pension reserve	9		8,278,520		7,285,663
Revaluation reserve	9		568,535		198,257
			<u>£8,847,055</u>		<u>£7,483,920</u>

As the group's parent is a company limited by guarantee, a statement of shareholders' funds is not applicable

The financial statements were approved and authorised for issue by the Board on 5 April 2011 and were signed below on its behalf by



L P Tomlinson  
Chairman

The notes on pages 9 to 18 form part of these accounts



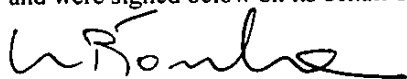
## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
<b>FIXED ASSETS</b>			
Tangible assets	2	525,805	569,716
Investment	3	1	1
		<u>525,806</u>	<u>569,717</u>
<b>CURRENT ASSETS</b>			
Debtors (falling due in more than one year £231,912 (2009 £328,216))	4	2,219,308	2,082,171
Investments	5	7,369,834	6,974,449
Cash at bank and in hand		1,668,810	1,353,691
		<u>11,257,952</u>	<u>10,410,311</u>
<b>CREDITORS: amounts falling due within one year</b>	6	<u>(3,577,750)</u>	<u>(3,332,707)</u>
<b>NET CURRENT ASSETS</b>		7,680,202	7,077,604
<b>CREDITORS: amounts falling due after one year</b>	7	<u>(201,578)</u>	<u>(70,777)</u>
<b>Net assets excluding pension asset</b>		8,004,430	7,576,544
Pension asset/(liability)	13	857,520	(51,120)
<b>NET ASSETS</b>		<u>£8,861,950</u>	<u>£7,525,424</u>
<b>RESERVES</b>			
Reserves fund including pension reserve	9	8,293,415	7,327,167
Revaluation reserve	9	568,535	198,257
		<u>£8,861,950</u>	<u>£7,525,424</u>

As a company limited by guarantee, a statement of shareholders' funds is not applicable

The financial statements were approved and authorised for issue by the Board on 5 April 2011  
and were signed below on its behalf by



**L P Tomlinson**  
Chairman

The notes on pages 9 to 18 form part of these accounts

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**GROUP CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST DECEMBER 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Net cash inflow from operating activities</b>		275,147	132,284
Returns on investments and servicing of finance	16	42,429	70,647
Taxation		-	(66,042)
Capital expenditure	16	(98,724)	(559,457)
Management of liquid resources	16	-	(54,968)
Acquisitions and disposals	16	121,551	115,763
<b>Increase/(decrease) in cash</b>		<u>£340,403</u>	<u>£(361,773)</u>
<b>Reconciliation of net cash flow to movement in net cash</b>			
Increase/(decrease) in cash in year	17	340,403	(361,773)
Net funds at 1 January 2010		1,365,040	1,726,813
<b>Net funds at 31 December 2010</b>		<u>£1,705,443</u>	<u>£1,365,040</u>
<b>RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2010 £</b>	<b>2009 £</b>
Group operating surplus/(deficit)		144,170	(324,900)
Depreciation		142,635	125,946
Increase in creditors		361,602	160,195
(Increase)/decrease in debtors		(253,260)	53,043
Pension cost less contributions		(120,000)	118,000
<b>Net cash inflow from operating activities</b>		<u>£275,147</u>	<u>£132,284</u>

The notes on pages 9 to 18 form part of these accounts

# THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

---

### 1. ACCOUNTING POLICIES

#### Accounting basis

The financial statements have been prepared under the historical cost convention (as amended for current cost on current asset investments) and in accordance with applicable UK accounting standards (UK GAAP)

#### Consolidation

The accounts contain information about the company and its subsidiary undertaking. No income and expenditure account is prepared for the parent company in accordance with s408 of the Companies Act 2006. Subsidiary undertakings are consolidated using acquisition accounting.

#### Form and content of accounts

The format of the income and expenditure account is adapted and re-arranged from the prescribed formats in the Companies Act 2006 to provide a more meaningful presentation of the company's activities for the year. In all other respects the form and content of the accounts are in accordance with the requirements of the Act.

#### Depreciation

Depreciation is provided using the following rates and bases to write off the tangible assets over their estimated useful economic lives -

Leasehold improvements	Reducing balance over the remaining length of the lease
Computer equipment and software	33 33% straight line
Office equipment	20% straight line

#### Stock

Stock is valued at the lower of cost and estimated net realisable value.

#### Investment income

Investment income comprises dividends declared during the accounting period and interest receivable on listed and unlisted investments.

#### Investments

Fixed asset investments are valued at historic cost.

Listed marketable current asset investments are valued at market value. Unlisted non-marketable current investments are included at cost.

#### Deferred taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse.

#### Pension costs

In accordance with FRS 17, as amended in December 2006, the surplus on the defined benefit pension scheme is shown on the balance sheet to the extent that it is considered recoverable in the future. Current service costs, curtailments, settlement gains and losses and net financial returns are included in the income and expenditure account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to the defined contribution arrangement are accounted for when they fall due.

#### Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account as incurred.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

**2. TANGIBLE FIXED ASSETS**

<b>Group and Company</b>	<b>Improvements to property £</b>	<b>Computer equipment and software £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2010	289,862	166,067	231,471	687,400
Additions	5,510	83,795	9,419	98,724
Disposals	-	(72,240)	-	(72,240)
At 31 December 2010	<u>295,372</u>	<u>177,622</u>	<u>240,890</u>	<u>713,884</u>
<b>Depreciation</b>				
At 1 January 2010	10,116	92,974	14,594	117,684
Charge for the year	32,080	63,067	47,488	142,635
Eliminated on disposals	-	(72,240)	-	(72,240)
At 31 December 2010	<u>42,196</u>	<u>83,801</u>	<u>62,082</u>	<u>188,079</u>
<b>Net Book Value</b>				
At 31 December 2010	<u>£253,176</u>	<u>£93,821</u>	<u>£178,808</u>	<u>£525,805</u>
At 31 December 2009	<u>£279,746</u>	<u>£73,093</u>	<u>£216,877</u>	<u>£569,716</u>

**3. FIXED ASSET INVESTMENTS**

	<b>Company</b>	
	<b>2010 £</b>	<b>2009 £</b>
Shares in subsidiary undertaking	<u>£1</u>	<u>£1</u>

At the balance sheet date the company owned NAPF Resources Limited, a wholly owned subsidiary incorporated in England and Wales. The company's principal activity was to supply corporate governance services. The company ceased to trade in 2009 and was struck off the Company Register early in 2011.

**4. DEBTORS: amounts due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2010 £</b>	<b>2009 £</b>	<b>2010 £</b>	<b>2009 £</b>
Trade debtors	1,396,181	1,238,329	1,391,562	1,235,166
Other debtors	23,934	45,643	23,934	45,643
Due on sale of joint venture	351,191	441,815	351,191	441,815
Prepayments	350,676	232,102	350,676	232,102
Due from subsidiary undertaking	-	-	20,834	46,334
Corporation tax recoverable	81,111	81,111	81,111	81,111
	<u>£2,203,093</u>	<u>£2,039,000</u>	<u>£2,219,308</u>	<u>£2,082,171</u>

Included within amount due on sale of joint venture is £231,912 (2009 £328,216) due in more than one year.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

**5. CURRENT ASSETS INVESTMENTS**

**Other investments**

The NAPF portfolio is administered by Merrill Lynch Portfolio Managers Limited and Ruffer LLP

	<b>Government Securities £</b>	<b>Hedge Funds £</b>	<b>Money market Funds £</b>	<b>Diversified Growth Fund £</b>	<b>Total £</b>
The assets of the portfolio are stated at market value -					
At 1 January 2010	1,126,262	1,440,471	4,397,000	-	6,963,733
Change in market value	90,869	77,474	-	201,935	370,278
Additions	-	-	-	2,000,000	2,000,000
Disposals	-	-	(2,000,000)	-	(2,000,000)
Accrued income	275	-	-	-	275
At 31 December 2010	<u>£1,217,406</u>	<u>£1,517,945</u>	<u>£2,397,000</u>	<u>£2,201,935</u>	<u>£7,334,286</u>

	<b>2010 £</b>
<b>Total assets of the portfolio excluding cash</b>	7,334,286
<b>Cash deposits</b>	
At 1 January 2010	10,716
Net movement in year	24,832
At 31 December 2010	<u>35,548</u>
<b>Total portfolio at 31 December 2010</b>	<u>£7,369,834</u>

The historic cost of the portfolio at 31 December 2010 was as follows	<b>2010 £</b>	<b>2009 £</b>
Money Market Funds	2,397,000	4,397,000
Government securities	868,476	868,476
Hedge funds	1,500,000	1,500,000
Diversified Growth Fund	2,000,000	-
Cash	35,548	10,716
Historic cost	<u>£6,801,024</u>	<u>£6,776,192</u>

At the year end date there were open forward foreign exchange contracts to sell Japanese Yen against sterling to a value of £399,374 on 9 March 2011 and US\$ to a value of £40,252 on 14 March 2011

There was also an outstanding put option on the Morgan & Stanley S&P500 index dated 18 February 2011, which was not exercised

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

6. CREDITORS: amounts falling due within one year	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade creditors	141,067	140,234	141,067	140,234
Other taxes and social security	460,273	378,295	458,040	376,733
Other creditors	63,532	110,774	63,532	110,774
Corporation tax	14,665	-	14,577	-
Due to subsidiary undertaking	-	-	4,597	4,597
Accruals and deferred income	2,897,977	2,702,369	2,895,937	2,700,369
	<u>£3,577,514</u>	<u>£3,331,672</u>	<u>£3,577,750</u>	<u>£3,332,707</u>

7. CREDITORS: amounts falling due after one year	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Accruals and deferred income	<u>£201,578</u>	<u>£70,777</u>	<u>£201,578</u>	<u>£70,777</u>

**8 AMOUNTS HELD ON TRUST**

The company is holding £825,454 on trust on behalf of its members to finance the costs associated with taking a case to the VAT tribunal relating to the treatment of fund management charges, payable by defined benefit pension funds. As at the year end professional fees of £319,108 had been incurred relating to the case.

9. RESERVES	Reserve Fund £	Revaluation Reserve £
Group		
At 1 January 2010	7,285,663	198,257
Net group surplus for the year	173,861	-
Actuarial gains on pension scheme	1,172,356	-
Movement on deferred tax relating to pension asset	(353,360)	-
Change in market value of investments	-	370,278
Transfers between reserves	-	-
At 31 December 2010	<u>£8,278,520</u>	<u>£568,535</u>
Company		
At 1 January 2010	7,327,167	198,257
Net company surplus for the year	147,252	-
Actuarial gains on pension scheme	1,172,356	-
Movement on deferred tax relating to pension asset	(353,360)	-
Change in market value of investments	-	370,278
Transfers between reserves	-	-
At 31 December 2010	<u>£8,293,415</u>	<u>£568,535</u>

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

<b>10 OTHER INCOME</b>	<b>2010 £</b>	<b>2009 £</b>
Supply of corporate governance services	42,572	41,451
Other income	60,996	92,644
RREV Royalty	11,199	17,090
Pension Quality Mark Limited	46,590	15,071
	<u>£161,357</u>	<u>£166,256</u>
<b>11. ADMINISTRATION EXPENSES</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Staff costs</b>		
Salaries	1,813,728	1,793,622
Social security costs	188,946	169,037
Net cost of pension schemes	268,397	176,800
Other staff costs	132,686	84,499
	<u>2,403,757</u>	<u>2,223,958</u>
Accommodation costs	418,124	377,204
Printing, telephone, postage and stationery	54,861	51,111
General administration costs	329,756	439,035
Audit fee	12,295	12,325
Bad debts	2,331	(5,141)
Other professional fees	71,769	62,441
Depreciation	142,635	107,176
Loss on disposal of fixed assets	-	18,770
	<u>£3,435,528</u>	<u>£3,286,879</u>
<b>Directors' remuneration (included in staff costs)</b>		
Emoluments	500,505	514,119
Pension contributions	91,418	108,330
	<u>£591,923</u>	<u>£622,449</u>

The salary of the Chief Executive, who is also the highest paid director, is determined by the Remuneration Committee. Total emoluments of the highest paid director were £203,457 (2009 £182,090)

The monthly average number of employees during the year was made up as follows

	<b>Number</b>	<b>Number</b>
Office and administration	<u>33</u>	<u>32</u>

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

**12. INTEREST RECEIVABLE**

	<b>2010 £</b>	<b>2009 £</b>
Interest on deferred sale	30,927	36,477
Investment interest	17,759	21,933
Bank interest	14,650	7,615
	<u>£63,336</u>	<u>£66,025</u>

**13. PENSION COSTS**

**a) Defined Benefits Scheme**

The company operates a defined benefit pension scheme and an actuarial valuation is carried out every three years

The scheme is funded and the assets are held separately from those of the group

Until 30 June 2010 contributions in respect of future accrual of benefits were made to the pension scheme at a rate of 33.5% of pensionable earnings (2009 33.5%) of which 26.5% (2009 26.5%) was the employer's contribution

The scheme contracted back into the state second pension on 30 June 2010 and contributions reduced to 27.3% of pensionable earnings of which 21.3% was the employer's contribution

	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
<b>The amounts in the balance sheet are as follows:</b>					
Fair value of plan assets	6,974	5,646	5,239	5,594	4,817
Present value of funded obligations	(5,783)	(5,717)	(3,863)	(4,390)	(4,301)
Asset/(liability) recognised in the balance sheet	1,191	(71)	1,376	1,204	516
Related deferred tax liability	(333)	20	(385)	(337)	(155)
<b>Net asset/(liability) recognised in the balance sheet</b>	<u>£858</u>	<u>£(51)</u>	<u>£991</u>	<u>£867</u>	<u>£361</u>
<b>Experience adjustments on plan liabilities</b>	<u>£106</u>	<u>£10</u>	<u>£98</u>	<u>£34</u>	<u>£12</u>
<b>Experience adjustments on plan assets</b>	<u>£1,023</u>	<u>£229</u>	<u>£(642)</u>	<u>£180</u>	<u>£85</u>

**Analysis of amounts included in Group income and expenditure account:**

	<b>2010 £'000</b>	<b>2009 £'000</b>
Current service cost of defined benefit scheme	243	168
Expenses paid by scheme	6	9
<b>Total operating charge</b>	<u>£249</u>	<u>£177</u>
Expected return on pension scheme assets	309	288
Interest cost on pension scheme liabilities	(338)	(262)
<b>Net return included in other finance income</b>	<u>£(29)</u>	<u>£26</u>



THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2010

13. PENSION COSTS (continued)	2010 £'000	2009 £'000
a) Defined Benefits Scheme (continued)		
Analysis of amounts included in Statement of total recognised gains and losses (STRGL):		
Return on pension scheme assets	714	(59)
Experience gains and (losses) arising on the scheme liabilities	106	10
Changes in assumptions underlying the present value of the scheme liabilities	352	(1,306)
Actuarial gain/(loss) recognised in STRGL	<u>£1,172</u>	<u>£(1,355)</u>

The expected rate of return on assets has been estimated based on the long term expected investment return for each class of asset, following actuarial advice

Changes in present value of the defined benefits obligation are as follows:

	Defined benefit pension plan	
	2010 £'000	2009 £'000
Opening defined benefit obligation	5,717	3,863
Current accrual cost	319	243
Interest cost	338	262
(Gain)/loss on changes in assumptions	(352)	1,306
Experience (gain) on liabilities	(106)	(10)
Change in secured pensioner value	(123)	99
Benefits paid	(10)	(46)
Closing defined benefit obligation	<u>£5,783</u>	<u>£5,717</u>

Changes in fair value of scheme assets are as follows:

Opening bid value of employer assets	5,646	5,239
Expected return on assets	309	288
Gain/(loss) on asset return	714	(59)
Contributions by employees	94	93
Contributions by employer	368	59
Death in service insurance premiums paid	(18)	(18)
Expenses paid by scheme	(6)	(9)
Change in secured pensioner value	(123)	99
Benefits paid	(10)	(46)
Closing fair value of employer assets	<u>£6,974</u>	<u>£5,646</u>

The major categories of scheme assets are as follows

	% of Total plan 2010	Value at 2010 £'000	% of Total plan 2009	Value at 2009 £'000
Investment assets	81%	5,653	76%	4,306
Annuities	19%	1,321	24%	1,340
Total		<u>£6,974</u>		<u>£5,646</u>

THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2010

13. PENSION COSTS (continued)

	2010 £	2009 £
a) Defined Benefits Scheme (continued)		
Actual gain on scheme assets	<u>£1,023,000</u>	<u>£229,000</u>
Actuarial assumptions used:	Per annum 2010	Per annum 2009
Expected return on plan assets at 31 December	5.3%	5.4%
Salary increases	5.3%	5.6%
Rate of increase in pension in payment, where RPI 5% max	3.3%	3.6%
Rate of increase in pension, where RPI 2.5% max	2.3%	2.4%
Discount rate	5.4%	5.7%
Rate of return	5.25%	5.25%
Rate of return on annuities	5.7%	5.7%

**Mortality Assumptions**

Post-retirement mortality is based on the mortality table known as S1 NMA for males and S1 NFA for females with reference to members' years of birth. Allowance has been made for the improvement in mortality experienced in the recent past and currently expected in the future by using 100% of the 'medium cohort' improvement table, subject to a minimum improvement rate of 0.5% p.a. for all members.

Life expectancy was previously based on the mortality table known as PCMAOO for males and PCFAOO for females, with reference to members' years of birth.

Based on the updated assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	23.5 years
Future pensioners	22.1 years	24.6 years

Pre-retirement mortality is based on the mortality table known as AM92/AF92 using 70% of the mortality indicated by this table. This is consistent with the prior year.

The Group expects to contribute £370,000 to its defined benefit pension plan in 2011, based on the current schedule of contributions and pensionable salaries at 1 January 2010.

b) Defined Contribution Scheme

During the course of the year a defined contribution scheme was set up for new employees. The pension cost for the year was £18,708. There were no outstanding or prepaid contributions at the balance sheet date.

14. TAXATION

	2010 Group £	Company	2009 Group and company £
Current tax			
Tax reclaim from prior years	-	-	(81,110)
Current year taxation	14,665	14,577	-
Adjustments in respect of previous period	-	-	(6,637)
<b>Tax on Surplus/(deficit) on Ordinary Activities (see note overleaf)</b>	<u>£14,665</u>	<u>£14,577</u>	<u>£(87,747)</u>

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

**14. TAXATION (continued)**

**Tax on recognised gains and losses not included in the Income & Expenditure Account:**

	2010 £	2009 £
Deferred tax movement relating to pension asset	<u>353,360</u>	<u>(405,160)</u>

**Factors affecting current tax charge:-**

The tax assessed on the surplus (2009 deficit) for the year is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £	2009 £
Surplus/(deficit) on ordinary and investment activities before taxation	<u>£188,526</u>	<u>£(191,776)</u>
Surplus by rate of tax	39,590	(53,697)
Expenses not deductible for tax purposes	(5,349)	(27,486)
Depreciation less than capital allowances	(10,940)	(16,465)
Losses carried back	-	88,242
Franked investment income not taxable	(6,207)	(2,949)
Utilisation of losses	(10,679)	12,355
Chargeable gains	4,817	-
Over provision in previous year	-	(6,637)
Other short term timing differences	3,345	-
<b>Tax charge for year</b>	<u>£14,577</u>	<u>£(6,637)</u>

**15. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES**

The amounts payable in the next year in respect of the operating leases are shown below, analysed according to the expiry date of the leases

	2010 £	2009 £
<b>Land and buildings</b>		
<b>Expiry date:</b>		
More than five years	<u>£6,000</u>	<u>£6,000</u>

In addition to the above, the company has a lease on its office premises which contains a break clause between two and five years. Due to a long rent-free period on inception no amounts are payable in the next financial year.

If the break clause is exercised in 2014, the company would incur a penalty of £260,000. In addition, the company is required, upon the expiry of the lease, to reinstate the premises to their original condition. The cost of reinstatement is expected to be in the region of £100,000 to £150,000.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2010**

16.	<b>GROSS CASH FLOWS</b>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>	
	Return on investments			
	Deposit interest	32,409	29,548	
	Index linked stocks	22,727	54,690	
	Investment manager's fees	(12,707)	(13,591)	
		<u>£42,429</u>	<u>£70,647</u>	
	Capital expenditure			
	Payments to acquire tangible fixed assets	<u>£98,724</u>	<u>£559,457</u>	
	Management of liquid resources			
	Receipts from sale of investments	2,000,000	4,643,730	
	Payments to acquire investments	(2,000,000)	(4,698,698)	
		<u>-</u>	<u>£(54,968)</u>	
	Acquisitions and disposals			
	Proceeds from sale of interest in joint venture	<u>£121,551</u>	<u>£115,763</u>	
17.	<b>ANALYSIS OF CHANGES IN NET FUNDS</b>	<b>At</b> <b>1 January</b> <b>2010</b> <b>£</b>	<b>Cash flow</b> <b>£</b>	<b>At</b> <b>31 December</b> <b>2010</b> <b>£</b>
	Cash in hand, at bank	1,354,324	315,571	1,669,895
	Cash included in current asset investments	10,716	24,832	35,548
		<u>£1,365,040</u>	<u>£340,403</u>	<u>£1,705,443</u>

**18. MEMBERS' FUNDS AND MEMORANDUM OF ASSOCIATION**

The company is limited by guarantee and has no issued share capital. Every member, in pursuance with Clause 6 of the Memorandum and Articles of Association, undertakes to contribute a sum not exceeding £1 in the event of the company being wound up whilst they are a member or within one year after they cease to be a member.

The movement in members' funds for the year is disclosed in note 9.