

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)
(A company limited by guarantee)**

REPORT AND GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

Company Number 01130269

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**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

REPORT AND GROUP FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the audited group financial statements for the year ended 31 December 2015.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is to help everyone achieve a better income in retirement.

RESULTS AND DIVIDENDS

The results of the group show a deficit on ordinary activities before taxation of £4,976,109 after an exceptional item of £4,992,283, compared with a surplus of £1,200,841 in the previous year. The 2014 surplus has been re-stated following conversion to Financial Reporting Standard 102 ("FRS 102"). A surplus of £1,067,831 was previously reported. The 2014 surplus included a profit on ordinary activities of £805,338 for Pensions Infrastructure Platform Limited. The infrastructure fund was launched in 2013 and the setup expenditure incurred in that year was not reimbursed to PIP Ltd and shown as turnover until 2014.

On 8 January 2015 the defined benefit scheme was closed to further accrual. On 21 April 2015 the trustees of the defined benefit pension scheme, with the approval of the company, entered into a contract with Pension Insurance Corporation plc (PIC) to secure the benefits under the scheme. The company made an additional contribution to the scheme of £4,717,314 on 30 April 2015, and the trustees paid this sum together with the proceeds of disposing of all of the investment assets of the scheme to PIC on the same day. Further costs include £249,113 paid in December 2015. The company has undertaken to pay any further sums due under the contract. No further significant costs are expected as the assets held at the year end represent annuities which are matched by corresponding liabilities. Any residual costs are expected to be ascertained during 2016 during verification of the remaining GMP liabilities of the scheme.

INVESTMENT PORTFOLIO

Ruffer LLP administer the investment portfolio on behalf of the company. At 31 December 2015 the portfolio had a market value of £2,602,046 (2014: £5,854,317). The reduction in investments related to the liquidation of investments in preparation for the pension scheme transaction outlined above.

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 Williams	(Chair)
J Segars	(Chief Executive)
R Brown	
R Butcher	
M Cooke	
J Dembitz	
M Fawcett (resigned 16/10/2015)	
J Fiveash (appointed 10/12/2015)	
M Hyde Harrison (resigned 16/10/2015)	
C F Johnson	
J Mund	
M O'Brien (resigned 16/10/2015)	
J Peel (appointed 10/12/2015)	
R A M Smith	
G Vidler	
C Young (appointed 10/12/2015)	

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2015

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.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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 Williams
Chair

Registered Office:

6th Floor
Cheapside House
138 Cheapside
London
EC2V 6AE

10th June 2016.....2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

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 2015 which comprise the Consolidated Income Statement, the Group Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statements of Changes in Equity, 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 group's and 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 auditor

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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of accounts is provided on the FRC's website at: www.frc.org.uk/auditscopeukprivate

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 2015 and of the group's deficit 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.

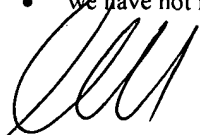
Opinion on other matter prescribed by the Companies Act 2006

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.


George Crowther (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

10 June

2016

THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2015

		2015		2014	
	Note	£	£	£	£
INCOME					
Subscriptions		3,283,907		2,874,373	
Conferences and courses		4,198,416		3,671,143	
Publications		251,610		246,144	
Other income	7	274,795		198,434	
Reimbursement of PIP Ltd set up costs		882,176		1,204,843	
			8,890,904		8,194,937
EXPENDITURE					
Administration expenses	8	6,151,804		5,001,587	
Set up costs for PIP Ltd		925,072		400,295	
Conferences and courses		1,644,520		1,616,417	
Pensions Europe		91,171		92,392	
Publications		181,873		223,547	
Exceptional costs – Pension Scheme buy-in costs	10	4,992,283		-	
			(13,986,723)		(7,334,238)
OPERATING (DEFICIT)/ SURPLUS					
Before exceptional costs		(103,536)		860,699	
Exceptional costs – Pension Scheme buy-in costs	10	(4,992,283)		-	
TOTAL OPERATING (DEFICIT)/SURPLUS			(5,095,819)		860,699
OTHER INCOME					
Government Stocks		14,294		30,640	
Interest	9	21,027		17,804	
Other finance income	10	17,000		68,000	
Investment managers' fees		-		(9,112)	
Gain on revaluation of investments		67,389		232,810	
			119,710		340,142
GROUP (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX					
			(4,976,109)		1,200,841
TAXATION	11		181,490		(26,952)
GROUP (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION					
			<u>£(4,794,619)</u>		<u>£1,173,889</u>

All turnover and surplus items are derived from continuing operations.

The notes on pages 10 to 22 form part of these accounts.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

GROUP STATEMENT OF COMPREHENSIVE INCOME			
	Note	2015 £	2014 £
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(4,794,619)	1,173,889
Actuarial loss on net pension costs	10	(176,000)	(204,000)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>£(4,970,619)</u>	<u>£969,889</u>
 COMPANY STATEMENT OF COMPREHENSIVE INCOME			
	Note	2015 £	2014 £
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(4,688,600)	299,447
Actuarial loss on net pension costs	10	(176,000)	(204,000)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>£(4,864,600)</u>	<u>£95,447</u>

The notes on pages 10 to 22 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	2	495,234	602,031
CURRENT ASSETS			
Debtors	3	2,054,093	1,410,357
Investments	4	2,697,604	5,854,317
Cash at bank and in hand		2,687,642	6,034,536
		<u>7,439,339</u>	<u>13,299,210</u>
CREDITORS: amounts falling due within one year	5	<u>(3,976,196)</u>	<u>(4,806,948)</u>
NET CURRENT ASSETS		3,463,143	8,492,262
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	11	-	(165,295)
NET ASSETS		<u>£3,958,377</u>	<u>£8,928,998</u>
RESERVES			
Income and expenditure reserve		<u>£3,958,377</u>	<u>£8,928,998</u>

The financial statements were approved and authorised for issue by the Board on 10th June 2016 and were signed below on its behalf by:

L Williams

L Williams
Chair

The notes on pages 10 to 22 form part of these accounts.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	2	495,234	602,031
CURRENT ASSETS			
Debtors	3	1,977,920	1,371,485
Investments	4	2,697,604	5,854,317
Cash at bank and in hand		1,455,128	4,892,454
		<u>6,130,652</u>	<u>12,118,256</u>
CREDITORS: amounts falling due within one year	5	<u>(2,653,135)</u>	<u>(3,717,641)</u>
NET CURRENT ASSETS		3,477,517	8,400,615
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	11	-	(165,295)
NET ASSETS		<u>£3,972,751</u>	<u>£8,837,351</u>
RESERVES			
Income and expenditure reserve		<u>£3,972,751</u>	<u>£8,837,351</u>

The financial statements were approved and authorised for issue by the Board on 10th June 2016 and were signed below on its behalf by:

L Williams

L Williams
Chair

The notes on pages 10 to 22 form part of these accounts.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

CONSOLIDATED AND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2015

	2015	2014
	£	£
Cash flows from operating activities		
Group operating (deficit)/surplus	(5,095,819)	860,699
Adjustments for:		
Depreciation	164,296	125,505
Taxation	(24,583)	(40,439)
(Decrease) in creditors	(826,447)	(95,794)
(Increase) in debtors	(612,376)	(31,121)
Pension cost less contributions	(153,889)	(134,800)
Net cash (used in)/generated from operating activities	(6,548,818)	684,050
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(57,499)	(446,210)
Proceeds from sale of investments	3,224,102	2,437,000
Interest received	35,321	39,331
Net cash from investing activities	3,201,924	2,030,121
Net (decrease)/increase in cash and cash equivalents	£(3,346,894)	£2,714,171
Cash and cash equivalents at the beginning of the year	6,034,536	3,320,365
Cash and cash equivalents at the end of the year	£2,687,642	£6,034,536

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Note	Group Income & expenditure reserve £	Company Income & expenditure reserve £
At 1 January 2014 (as restated)	14	7,959,109	8,741,904
Surplus for the year		1,173,889	299,447
Actuarial losses on pension scheme		(204,000)	(204,000)
At 31 December 2014		<u>8,928,998</u>	<u>8,837,351</u>
Deficit for the year		(4,794,619)	(4,688,600)
Actuarial losses on pension scheme		(176,000)	(176,000)
At 31 December 2015		<u><u>£3,958,377</u></u>	<u><u>£3,972,751</u></u>

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

Statutory information

The National Association of Pension Funds Limited is a company incorporated in England and Wales, registration number 1130269. The registered office is 6th Floor, Cheapside House, 138 Cheapside, London, EC2V 6AE.

Accounting basis

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ('FRS 102') and with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 14 for an explanation of the transition.

The financial statements are presented in Sterling (£).

Consolidation

The accounts contain information about the company and its subsidiary undertakings. 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 group'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.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, and excludes Value Added Tax and trade discounts. Turnover comprises:

- Sale of membership subscriptions: the value of goods and services is recognised across the period of subscription.
- Sale of conferences and events: the value of goods and services is recognised in the period the event occurs.
- Publications and other income: this is generally recognised on a receivable basis where entitlement to the income and the amount can be measured with reasonable certainty. It is reported gross of related expenditure.

Tangible fixed assets and depreciation

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

Leasehold improvements	Straight line over the remaining length of the lease
Computer equipment and software	33.33% straight line
Office equipment	20% straight line
Website	33.33% straight line

Investments

Current asset investments are valued at fair value.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Taxation

Current tax is provided as amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Pension costs

In accordance with FRS 102, as amended, 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 other comprehensive income.

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.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

In the cash-flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future entitlement so accrued at the balance sheet date.

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no significant judgements. The following key areas of estimation and uncertainty have had the most significant effect on amounts recognised in the financial statements:

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the UK tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employed medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Further details are given in note 10.

2. TANGIBLE FIXED ASSETS

Group and Company	Improvements to property £	Computer equipment and software £	Office Equipment £	Website £	Total £
Cost					
At 1 January 2015	296,858	497,864	278,400	25,000	1,098,122
Additions	-	28,136	25,203	4,160	57,499
Disposals	-	(19,380)	(5,071)	-	(24,451)
At 31 December 2015	296,858	506,620	298,532	29,160	1,131,170
Depreciation					
At 1 January 2015	172,884	64,380	253,968	4,859	496,091
Charge for the year	32,738	110,547	11,677	8,304	163,266
Eliminated on disposals	-	(18,350)	(5,071)	-	(23,421)
At 31 December 2015	205,622	156,577	260,574	13,163	635,936
Net Book Value					
At 31 December 2015	91,236	350,043	37,958	15,997	£495,234
At 31 December 2014	£123,974	£433,484	£24,432	£20,141	£602,031

**THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)**

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

3. DEBTORS: amounts due within one year	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	1,471,952	946,425	950,523	753,248
Other debtors	122,402	4,668	122,402	4,668
Prepayments	412,008	442,893	412,008	442,894
Due from subsidiary undertakings	-	-	460,422	154,304
Corporation tax recoverable	47,731	16,371	32,565	16,371
	<u>£2,054,093</u>	<u>£1,410,357</u>	<u>£1,977,920</u>	<u>£1,371,485</u>

4. CURRENT ASSET INVESTMENTS

The portfolio held at the year end date is administered by Ruffer LLP.

	Government Securities £	Hedge Funds £	Diversified Growth Fund £	Total £
The assets of the portfolio are stated at market value:-				
At 1 January 2015	1,349,917	1,908,994	2,595,406	5,854,317
Change in market value	-	-	6,640	6,640
Disposal	(1,401,046)	(1,918,614)	-	(3,319,660)
Realised gain on disposals	51,129	9,620	-	60,749
At 31 December 2015	<u>£ -</u>	<u>£ -</u>	<u>£2,602,046</u>	<u>£2,602,046</u>
				2015 £
Total assets of the portfolio excluding cash				£2,602,046
Cash deposits				
At 1 January 2015				-
Movement in year				95,558
At 31 December 2015				<u>95,558</u>
Total portfolio at 31 December 2015				<u>£2,697,604</u>

THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

5. CREDITORS: amounts falling due within one year	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade creditors	323,589	402,897	313,629	392,507
Other taxes and social security	375,444	373,971	292,715	371,549
Other creditors	82,773	57,562	9,901	57,562
Accruals and deferred income	2,194,390	2,972,518	2,036,890	2,846,241
Due to subsidiary undertakings	-	-	-	49,782
Loans (PIP Ltd)	1,000,000	1,000,000	-	-
	<u>£3,976,196</u>	<u>£4,806,948</u>	<u>£2,653,135</u>	<u>£3,717,641</u>

6. AMOUNTS HELD ON TRUST

At 31 December 2015, the company held £445,381 (2014: £443,088) 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. A cumulative amount of £702,044 has been spent on professional fees after allowing for VAT recovered. The case was referred to the Court of Justice of the European Union and its judgement was issued on 7 March 2013. This judgement was unfavourable. It is estimated that any further costs to be incurred will be less than the funds still held on trust and the balance remaining will then be returned to the members who provided the finance.

7. OTHER INCOME	2015 £	2014 £
Supply of corporate governance services	-	14,652
Other income	76,769	41,126
RREV Royalty	-	6,530
Pension Quality Mark Limited	198,026	136,126
	<u>£274,795</u>	<u>£198,434</u>

THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED
(TRADING AS PENSIONS AND LIFETIME SAVINGS ASSOCIATION)

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

8. ADMINISTRATION EXPENSES	2015	2014
	£	£
Staff costs		
Salaries	2,886,046	2,520,020
Social security costs	332,165	279,929
Cost of pension schemes	237,613	130,455
Other staff costs	202,110	213,962
	<u>3,657,934</u>	<u>3,144,366</u>
Accommodation costs	712,919	647,394
Printing, telephone, postage and stationery	67,987	47,405
General administration costs	1,277,205	811,329
Audit fee	23,420	13,440
Bad debts	(3,264)	(6,493)
Other professional fees	252,337	218,641
Depreciation	163,266	125,505
	<u>£6,151,804</u>	<u>£5,001,587</u>
Directors' remuneration (included in staff costs)		
Emoluments	765,389	643,370
Pension contributions	86,423	72,854
	<u>£851,812</u>	<u>£716,224</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 £334,347 (2014: £278,117).

The monthly average number of employees during the year comprised:	Number	Number
Office and administration	<u>46</u>	<u>38</u>

9. INTEREST RECEIVABLE	2015	2014
	£	£
Investment interest	16,375	15,263
Bank interest	4,652	2,541
	<u>£21,027</u>	<u>£17,804</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

10. PENSION COSTS

a) Defined Benefits Scheme

The company operates a defined benefit pension scheme.

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

On 8 January 2015 the scheme was closed to future accrual.

Prior to closure, contributions in respect of future accrual of benefits were made to the pension scheme at a rate of 27.3% of pensionable earnings of which 21.9% was the employer's contribution.

On 21 April 2015 the trustees of the defined benefit pension scheme, with the approval of the company, entered into a contract with Pension Insurance Corporation plc (PIC) to secure the benefits under the scheme. The company made an additional contribution to the scheme of £4,717,314 on 30 April 2015, and £249,113 on December 2015. The charge of £4,992,283 includes further accruals and fees. The trustees paid these sums together with the proceeds of disposing of all of the non allotted investment assets of the scheme to PIC.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
The amounts in the balance sheet are as follows:					
Fair value of plan assets	3,005	9,579	8,813	7,666	7,282
Present value of funded obligations	(3,005)	(9,331)	(7,467)	(6,601)	(6,158)
Adjustment for non-recognition	-	(248)	(1,346)	-	-
Assets recognised in the balance sheet	£ -	£ -	£ -	£1,065	£1,124
Experience adjustments on scheme liabilities	£(894)	£252	£(394)	£234	£85
Experience adjustments on scheme assets	£ -	£1,346*	*£(718)	£598	£263

* includes experience loss relating to the non-recognition of surplus.

Analysis of amounts included in Group income and expenditure account:

	2015 £'000	2014 £'000
Curtailment cost	89	-
Settlement cost	7,051	-
Current service cost of defined benefit scheme	-	139
Expenses paid by scheme	-	19
Recognised in arriving at operating (deficit)/surplus	7,140	158
Net interest on defined benefit liability recognised in other finance income	£17	£68

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

10. PENSION COSTS (continued)	2015 £'000	2014 £'000
a) Defined Benefits Scheme (continued)		
Analysis of amounts included in other Statement of Comprehensive Income (OCI)		
Return on pension scheme assets	642	1,423
Experience gains and (losses) arising on the scheme liabilities	(894)	252
Changes in assumptions underlying the present value of the scheme liabilities	76	(1,879)
Actuarial loss recognised in OCI	£(176)	£(204)

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.

	Defined benefit pension scheme	
	2015 £'000	2014 £'000
Changes in present value of the defined benefits obligation are as follows:		
Opening defined benefit obligation	9,331	7,467
Curtailment	(89)	-
Settlements	(7,051)	-
Current accrual cost	-	139
Interest cost	167	348
Gain on changes in assumptions	(76)	1,879
Experience gain/(loss) on liabilities	894	(252)
Benefits paid	(171)	(250)
Closing defined benefit obligation	£3,005	£9,331
Changes in fair value of scheme assets are as follows:		
Opening fair value of employer assets	9,331	7,467
Expected return on assets	184	416
Actuarial gain	642	1,423
Contributions by employer	4,981	300
Settlements	(11,962)	-
Death in service insurance premiums paid	(171)	(25)
Benefits paid	-	(250)
Closing fair value of employer assets	£3,005	£9,331

The major categories of scheme assets are as follows:

	% of Total scheme 2015	Value at 2015 £'000	% of Total scheme 2014	Value at 2014 £'000
Investment assets	0%	-	69%	6,584
Annuities	100%	3,005	31%	2,995
Total		£3,005		£9,579

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

10. PENSION COSTS (continued)

a) Defined Benefit Scheme (continued)

Actuarial assumptions used:

	Per annum 2015	Per annum 2014
Expected return on plan assets at 31 December	4.10%	3.80%
Salary increases	N/A	N/A
Rate of increase in pension in payment, where RPI 5% max	3.20%	3.10%
Rate of increase in pension, where RPI 2.5% max	N/A	2.40%
Discount rate	4.10%	3.80%
Rate of return	4.10%	3.80%
Rate of return on annuities	4.10%	3.80%

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	25.0 years	25.9 years
Future pensioners	26.5 years	27.4 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 company made no further contributions to the scheme after December 2015. Subject to any correction following GMP reconciliation, contributions paid to date are expected to be sufficient to ensure the scheme was fully funded in accordance with the actuary's recommendations.

b) Defined Contribution Scheme

The pension cost for the year was £337,514 (2014: £168,239). No contributions were due at the balance sheet date (2014: £0).

11. TAXATION

	2015		2014	
	Group £	Company £	Group £	Company £
i) Current tax				
Current year taxation	(15,166)	-	(16,370)	(32,564)
Adjustments in respect of previous period	(1,029)	(16,195)	-	-
	<u>(16,195)</u>	<u>(16,195)</u>	<u>(16,370)</u>	<u>(32,564)</u>
ii) Deferred tax				
Origination and reversal of timing differences	(165,295)	(165,295)	43,322	43,322
	<u>(165,295)</u>	<u>(165,295)</u>	<u>43,322</u>	<u>43,322</u>
Tax on (Deficit)/Surplus on Ordinary Activities (see note overleaf)	<u>£(181,490)</u>	<u>£(181,490)</u>	<u>£26,952</u>	<u>£10,758</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

11. TAXATION (continued)

ii) Factors affecting current tax charge:-

The tax assessed on the deficit (2014: surplus) for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	£	£
(Deficit)/Surplus on ordinary and investment activities before taxation	<u>£(4,976,109)</u>	<u>£1,200,841</u>
(Deficit)/Surplus by rate of tax (2015: 20.25%, 2014: 21.49%)	(1,007,492)	258,061
Non-taxable income/expenses	116,702	(60,686)
Chargeable (losses)/gains	(73,362)	37,843
Deferred tax not recognised	752,981	(172,668)
Loan relationships	(65,649)	(6,775)
Difference in tax rates	96,359	(28,045)
Adjustments to tax charge of previous period	(1,029)	(778)
Tax (credit)/charge for the year	<u><u>£(181,490)</u></u>	<u><u>£26,952</u></u>

iii) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

Deferred tax asset	56,643	51,425
Deferred tax liability	(56,643)	(216,720)
Deferred tax provision	<u>£ -</u>	<u>£(165,295)</u>
Accelerated capital allowances	56,643	78,004
Disallowable provisions	-	87
Tax losses carried forward	(56,643)	(51,425)
Unrealised investment gains	-	138,629
Provision for deferred tax at 18% (2014: 20%)	<u>£ -</u>	<u>£165,295</u>
At 1 January 2015	165,295	
Deferred tax credit in group income and expenditure account	<u>(165,295)</u>	
At 31 December 2015	<u><u>£ -</u></u>	

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

12. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

The amounts payable over the term of the operating leases are shown below, analysed according to the expiry date of the leases:

	2015 £	2014 £
Operating leases which expire:		
Less than one year	£415,000	£415,000
Between two and five years	£760,800	£1,175,800

The company has a lease on its office premises which expires in October 2018. There was a break clause included in the lease which was not exercised in 2014. New terms were agreed in 2015.

13. 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 movements in members' funds for the year are disclosed in the group and company statements of changes in equity on pages 9 and 10.

14. TRANSITION TO FRS 102

The group and company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The Directors have considered the implications of the new reporting regime and have identified instances where the group's and company's comparative accounting figures require restatement. These are explained below:

	Group £	Company £
Reconciliation of equity at 1 January 2014		
Reserve funds at 1 January 2014 under previous UK GAAP	8,102,382	8,885,177
Holiday pay accrual	(21,300)	(21,300)
Deferred tax	(121,973)	(121,973)
Reserve funds at 1 January 2014 under FRS 102	£7,959,109	£8,741,904
 Equity Shareholders fund at 31 December 2014 under previous UK GAAP	 9,138,393	 9,042,046
Holiday pay accrual	(44,100)	(39,400)
Deferred tax	(165,295)	(165,295)
Reserve funds at 31 December 2014 under FRS 102	£8,928,998	£8,837,351

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NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2015

14. TRANSITION TO FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

Holiday pay accrual

Under previous UK GAAP, the group accrued for holiday pay where this was expected to be paid as a cash sum where the employee was entitled to carry forward holidays earned indefinitely. However, the Group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the Group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday pay accrued by £21,300 and £44,100 for the group and £21,300 and £39,400 for the Company at 1 January 2014 and 31 December 2014 respectively

Defined benefit pension scheme

There is a presentation charge under FRS 102 whereby net interest on the defined benefit pension liability is presented in the income and expenditure account using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on reserves on transition but affects the allocation of interest between the income and expenditure account and other comprehensive income. The 2014 pension cost has been increased by £77,000 to reflect this revised presentation.

Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value measurements.

Current asset investment revaluations

Under FRS 102, movements on the investment portfolio are required to be reported through the Consolidated Income Statement, where previously, the movement was reported as a change in value on the revaluation reserve. The effect of the Consolidated Income Statement is an increase in the surplus by £232,810 in 2014.

	Group £	Company £
Reconciliation of income and expenditure for the year ended 31 December 2014		
Surplus for the year ended 31 December 2014 under previous UK GAAP	1,084,201	205,059
Increase in holiday pay accrual	(22,800)	(18,100)
Deferred tax	(43,322)	(43,322)
Adjustment to pension scheme finance income	(77,000)	(77,000)
Gain on investment revaluation	232,810	232,810
	<u>£1,173,889</u>	<u>£299,447</u>

15. FINANCIAL RISK MANAGEMENT

The Group considers it faces three main areas of financial risk – stock market exposure, liquidity risk and customer credit exposure.

Stock Market Exposure

The group is exposed to significant movements in the stock market in both the short and long term in relation to investments held as an asset on the balance sheet, and prior to its buy-in, also to the defined benefit pension scheme liability.

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NOTES TO FINANCIAL STATEMENTS (continued)

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15. FINANCIAL RISK MANAGEMENT (continued)

The performance of investments in relation to the stock market is managed on a day to day basis by a corporate fund manager, with governance of that performance being overseen by the in-house finance team.

The performance of investments within the context of the defined benefit scheme is managed on a day to day basis by investment fund managers with governance of that performance being overseen by an independent board of trustees.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has the ability to draw down on its diversified growth fund investments or utilise bank related credit facilities. The group is however in a position to meet its commitments and obligations as they fall due.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by embedding strong customer relationship management through the group.

16. FINANCIAL ASSETS AND LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Financial assets measured at fair value through income or expenditure				
Investments	2,697	5,854	2,697	5,854
Financial assets measured at amortised cost				
Trade debtors	1,472	946	951	753
Other debtors	122	5	122	5
Amounts owed by subsidiaries	-	-	460	154
Financial liabilities measured at fair value through income or expenditure				
Amounts owed to subsidiaries	-	-	-	50
Trade creditors	324	403	314	393
Loans	1,000	1,000	-	-
Other creditors	84	58	10	58

17. SUBSIDIARY UNDERTAKINGS

At the year end the NAPF Limited owned 100% of the ordinary share capital of the following subsidiaries:

Pension Quality Mark Limited
Pensions Infrastructure Platform Limited

These entities were both incorporated in the UK. Their results are consolidated into these accounts.

Pension Quality Mark Limited is an entity promoting quality in defined contribution pension schemes.

Pension Infrastructure Platform Limited was set up in 2013 to administer the set up costs of a wider UK Pensions Infrastructure arrangement for investors.