

the pensions  
advisory service

Annual Report  
and Financial Statements  
31 March 2007

The Pensions Advisory Service Limited  
(Company Limited By Guarantee)  
Company Number: 2459671

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# About The Pensions Advisory Service

The Pensions Advisory Service is an independent voluntary organisation. It is a company limited by guarantee and registered in England and Wales. Company number 2459671. We are a public body and as such have been classified as an Executive Non-Departmental Public Body (NDPB). We are funded by means of a grant in aid from the Department of Work and Pensions (DWP). This is recoverable from a levy imposed on occupational and personal pension providers.

We provide a one stop pensions advice service through:

- resolving specific problems an individual may be experiencing with a private pension provider;
- giving general information and advice (other than investment advice) on all pension matters;
- bringing to the attention of government departments, the public and the pensions industry areas of concern arising out of our experiences.

It is a free service. As an independent body, we are uniquely placed to provide both advice and, because we are at the sharp end, an insight into the areas that are causing concern.

We are a progressive organisation committed to providing the best possible service to the public. We:

- are an equal opportunities employer;
- introduce where possible practices to sustain the environment;
- have policies in place to ensure a good work-life balance;
- make full use, where possible of IT, to support our service;
- put the customer first;
- fully support the development of our staff and volunteers.

We provide our service through a mix of paid staff based in London and a nationwide network of volunteer pension professionals. This advice can be provided in response to either written correspondence or via our national telephone helpline. Our volunteers, supported where necessary by paid staff, handle the specific problems that we receive. Cases are sent to the volunteers who deal with them either from home or at their place of work. General information and advice is provided either in writing, in response to queries received, or via our telephone helpline, by a mix of volunteers and paid staff. The helpline is open Monday to Friday 9-00am to 5-00pm. Further details of the help we give can be found on our website [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk). This gives free access to all our recent reports and press releases. It also provides a comprehensive source of information on a wide variety of pension issues.

# Chairman's Review

**Introduction** It is an honour and pleasure to be able to present our Annual Report and Accounts for the year ended 31 March 2007. We are a unique organisation providing a valuable service to members of the public in need of advice (other than investment advice) on all aspects of pensions. This is aptly encapsulated in our mission statement:

'The Pensions Advisory Service seeks to provide, in a cost effective way, high quality advice free of charge, to members of the public who have either a general or specific query or complaint on a pensions matter and to publicise areas of concern arising out of our experiences.'

## **Review of the Year** a) Workload

This has been another demanding year for both our volunteers and staff. It has been especially unsettling for the staff and London Office advisers as they had to decamp to temporary accommodation, while the Belgrave Road accommodation was refurbished and a new IT system installed.

We divide our work between enquiries and complaints. During the year we have seen a substantial increase in the number of written complaints received from people unhappy with their pension provider, up 15% over the previous year. While the number of calls to our helpline has reduced slightly over the previous year (hardly surprising given that last year we experienced a huge upsurge in calls in the last three months of the year as A-day approached), the number of written enquiries, particularly by email has risen. Overall we dealt with 61,644 enquiries as opposed to 61,530 in the year before. I am pleased that the staff and volunteers managed to meet the increased workload and were still able to meet our performance targets. We have also seen a huge upsurge in the number of visitors to our two websites, with the two sites recording in excess of 430,000 visitors. The main site [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk), has been extensively developed during the year to provide comprehensive information and advice on all aspects of pensions.

## **b) Volunteers**

We are indebted to the army of pension professionals who help us provide our service. The number of volunteers now stands at 452. This represents a net loss of 19 over the previous year. This is a little disappointing, but we appreciate the increasing pressures on the pensions industry. The year before had also seen a decline in the number of advisers and we had hoped to arrest this decline over the last 12 months. Unfortunately we have not succeeded in this. We shall be actively recruiting over the next 12 months and have put in place a detailed plan of action aimed at increasing the number of advisers. For those who have volunteered, it is truly remarkable given the demands on these professionals and the changes in

legislation that they need to come to terms with, that time can still be found to help others. I never cease to be amazed at the sheer professionalism and dedication of our volunteers. It is the volunteers that make us unique, providing, at no cost to the enquirers, advice from experienced pension professionals. Companies are becoming increasingly socially aware and some actively encourage their employees to volunteer, for which we applaud them.

In our desire to recruit more volunteers, we will not relax the high standards of professionalism that we demand of the volunteers. The public deserve a first rate service and because we provide this largely through volunteers this does not mean an inferior service. We have set benchmarks that the volunteers must follow. Further details are on page 11. All volunteers receive a full induction before they start. Training is provided and ready support from our small paid staff is always at hand. Volunteers who do not meet the standards required are invited not to continue to assist.

Due to the sterling work of our volunteers, our unit cost per enquiry remains low, at some £141 for written casework and £9 per helpline call, enabling us to continue to provide exceptional value for money. The open market cost of the services undertaken by our volunteers is estimated to be in excess of £10 million annually.

### **c) Accountability**

Our funding for the year has been provided by the DWP to whom we are accountable for our expenditure. Prior to April 2005 our funding was provided by the Occupational Pensions Regulatory Authority (Opra). Following the replacement of Opra by The Pensions Regulator, the DWP assumed direct responsibility for our funding. A Financial Memorandum and Management statement has been agreed between ourselves and the DWP, outlining the nature of the relationship, a copy of which can be found on our website. To reflect our change in status to an NDPB the Memorandum has been amended and a new and revised version has been in place since May 2007. We are pleased that the new document reinforces our independence and enables us to continue to raise areas of concern arising from our experiences. Each year we produce a three-year corporate plan outlining our objectives and plans for the next three years. Included in this are our delivery targets and we report quarterly to the DWP on our success in meeting these - see Report on Our Business Objectives 2006/07 on page 12.

### **d) Performance Targets**

Like most modern organisations, our paid staff are subject to performance targets. We have these for all aspects of our work, which include clearance times for written casework and response times in answering calls to our helpline. We consider the standards we have set to be exacting ones. These are reappraised on an annual basis to ensure that they are still relevant. I am pleased to report that in most areas we either met or exceeded our targets. This is an excellent achievement for the staff considering the upheaval of having to temporarily move out of Belgrave Road and then having to come to terms with a new IT system. The staff moved back at the end of August while the IT system is still in the final stages of development. Further details of our performance targets can be found on page 10.

### **e) Our Strategic Objectives**

The Board of Directors oversees our strategies and work priorities with the Chief Executive, Malcolm McLean and his senior staff responsible for the day to day running of the organisation. Last year we reported that we would be paying a small fee to appointed members of the Board for attending board meetings. Details of the amounts paid are shown on page 19. During the year I am pleased to report that the Board has been greatly enhanced by the appointment of Colin Hartridge-Price. I would like to thank all the Board members for their professionalism, vision and commitment to ensuring we meet the needs of the public. Details of the Board and its committees can be found on page 8.

### **f) Our Achievements**

We can look back with a genuine sense of pride over the past 12 months. During this period we successfully:

- continued to work with the Association of Pension Lawyers in providing a mediation service to further assist resolution of disputes;
- handled an increase in workload while maintaining our targets;
- implemented changes to the way the Board operates ensuring the Board provides the leadership and strategic direction required to take the organisation forward;
- improved our satisfaction rating as shown by the satisfaction questionnaires issued to obtain feedback on our service;
- further improved our website resulting in excess of 400,000 visitors to our main site.

### **The Year Ahead**

I expect the forthcoming and subsequent years to provide yet further challenges. We expect to be fully involved both in the Thoresen review on Generic Financial Advice and discussions on the Government's National Pensions Saving Scheme. At the moment we are considering the impact that both these initiatives will have on us and the service we provide. During the year ahead we have set a number of objectives designed to ensure we continue to provide a first class service, details of which can be found on page 13. We are also looking to implement, largely through our volunteers, a number of employee presentations in the workplace on planning for retirement. This is a new development and one which we are very excited about. I look forward to the staff and volunteers working together to meet the challenges facing us over the coming years.



**Margaret Snowdon**

Chairman

15 October 2007

# Our Board

The Board met four times in the year to consider the strategy and direction of The Pensions Advisory Service. It focussed much of its energies in 2006/07 on ensuring that the organisation had in place robust policies, designed to meet the challenges faced by the ever changing pensions landscape. The Board was conscious of the fact that, while highly respected, the organisation did not have a high enough profile within some parts of government and the pensions industry. Steps have been taken to remedy this including the hosting, by Sir John Butterfill MP and Baroness Hollis of Heigham, of a parliamentary reception, attended by among others, MPs, peers, the then Minister for Pensions, James Purnell, and the leading players within the pensions industry.

The Board currently consists of a mix of non-executive directors - up to six elected directors, up to six appointed directors and up to three executive directors. The number of non-executive directors is due to be reduced to a maximum of five elected and four appointed during 2007. There is currently one vacancy among the appointed members. Following the 2006 election there was a vacancy to the elected members. The Board filled this with the appointment of Colin Hartridge-Price. The elected directors are directors elected by the Members of The Pensions Advisory Service. The Members are those volunteers, who having served for a minimum period are then invited to become Members. All directors are Members. As at 31 March 2007, the number of Members stood at 323.

The directors at 1 April 2007 were:

## **Non-Executive Directors**

Graham Wright (Chairman)\* - now deceased  
Ian Ferguson\*  
Colin Hartridge-Price\*  
Tony Hodgkiss  
Baroness Hollis of Heigham  
Mike Anthony  
Karen Aveyard\*  
Margaret Snowdon\*  
Baroness Turner of Camden  
Keith Wallace  
David Millington

\*elected, the remainder are appointed.

## **Executive Directors**

Malcolm McLean - Chief Executive  
Des Hamilton - Technical Director  
Barry Wilkins - Director of Administration

## Board Committees

The Board has established two committees, an Executive Committee and an Audit and Risk Management Committee. The Executive Committee met four times during the year. Its remit is to monitor the implementation of agreed strategies and policies. It consists of three non-executive directors and the three executive directors.

As at 1 April 2007, the members of the committee were:

Graham Wright (Chairman) *Deceased*

Tony Hodgkiss

Margaret Snowdon

Malcolm McLean

Des Hamilton

Barry Wilkins

The Audit and Risk Management Committee met once during the year. Its remit is to identify and monitor all areas of potential risk, ensuring these are properly managed and to ensure there are robust financial controls in place. It consists of three non executive directors. As at 1 April 2007, the members of the committee were:

Keith Wallace (Chairman)

Ian Ferguson

David Millington

## Corporate Governance

Over the last two years the Board has undertaken a full review of its corporate governance responsibilities. As a result of this, we review each Board meeting to ensure the Board is acting effectively. To further enhance the expertise available to the Board the Company Articles were amended to allow the Chief Executive, the Technical Director and Director of Administration to be admitted as full members of the Board. We are continuing to review our corporate governance responsibilities and are currently looking at whether there are any further changes we can instigate to make the Board more effective.

# Performance Measurement

We aim to provide a first rate service to the public. To help us we have in place a number of performance targets for staff and benchmarks for our volunteer workforce. It is important to us that those contacting us have a high regard for the service they receive. To ensure this is the case we issue a satisfaction survey to a sample of those using the service.

**Productivity Targets** To monitor work plan outputs, we have established a series of productivity targets that staff must meet. As shown below for the sixth year running, we have, in most instances, either met or exceeded our targets. The targets we have set are shown below.

## Financial

Unless there is a dispute with the invoice, we aim to pay all invoices within 10 working days of receipt. During the year, we achieved a 100% success rate.

## Written Casework

These are divided into general enquiries/requests for information and complaints. By complaints, we mean that the person has a grievance with his/her pension provider. Some of these can be extremely complex and time consuming. During the year we received an overall increase in our workload. Compared to the previous year written enquiries rose by 64% to 7,965, complaints rose by 15% to 6,821, while helpline calls fell by 5% to 53,679.

|                       |                        | Target % | Achievement 2006/07 |
|-----------------------|------------------------|----------|---------------------|
| <b>Enquiries</b>      | Case cleared within:   |          |                     |
|                       | 15 working days        | 90       | 97                  |
|                       | 20 working days        | 95       | 98                  |
|                       | 25 working days        | 99       | 99                  |
| <b>Complaints</b>     | Case cleared within:   |          |                     |
|                       | 3 months               | 50       | 47                  |
|                       | 6 months               | 70       | 70                  |
|                       | 12 months              | 95       | 88                  |
|                       | 24 months              | 99       | 99                  |
| <b>Helpline Calls</b> | Calls answered within: |          |                     |
|                       | 20 seconds             | 90       | 98                  |
|                       | 30 seconds             | 95       | 99                  |
|                       | 60 seconds             | 99       | 100                 |

Calls abandoned to be less than 10% of all calls received. The actual calls abandoned were less than 1%.

**Adviser Benchmarks** The volunteer advisers deal solely with complaints, working either from home or their place of work. We recognise that it is difficult to insist on the advisers having the same productivity targets as paid staff. However, we have set benchmarks for the advisers, which are closely monitored. The targets set have on the whole been achieved. The benchmarks and the targets are:

|  | Target % | Achievement 2006/07 |
|--|----------|---------------------|
| <b>Benchmark</b>   |          |                     |
| <ul style="list-style-type: none"> <li>acknowledge receipt of a case and issue a form of authority to the enquirer seeking his/her agreement to contacting the scheme within two weeks of receiving the case;</li> </ul> | 90       | 89                  |
| <ul style="list-style-type: none"> <li>take positive action on the case within four weeks of receipt;</li> </ul>   | 90       | 91                  |
| <ul style="list-style-type: none"> <li>keep the enquirer informed of developments at regular intervals, normally not exceeding two months;</li> </ul>  | 85       | 84                  |
| <ul style="list-style-type: none"> <li>appropriate quality of advice given.</li> </ul>   | 95       | 97                  |

Our staff monitor the progress of the case and ask for regular updates. The fact that we rely on volunteers does not mean that we provide a second-class service. Far from it, we pride ourselves on the high quality of service provided. This is supported by the returns from the satisfaction surveys sent to enquirers.

**Satisfaction Surveys**

|  | Target % | Achievement 2006/07 |
|--|----------|---------------------|
| The targets set and the achievements for the year are: |          |                     |
| <i>Handling of Written Complaints against Schemes</i>  |          |                     |
| Users satisfied with the service                       | 85       | 92                  |
| <i>Handling of Written Enquiries</i>                   |          |                     |
| Users satisfied with the service                       | 90       | 96                  |
| <i>Handling of Helpline Calls</i>                      |          |                     |
| Users satisfied with the service                       | 95       | 99                  |

# A Report on our 2006/07 Objectives

To supplement our long term goals each year the Board sets a number of objectives. We report below on how far we achieved our objectives in 2006/07.

## **Run a specific helpline for the self-employed**

Following on from our success in 2005/06 in running a special helpline for women, we ran a special helpline this year for the self-employed. Despite receiving good publicity, the result was not encouraging with less than 1,000 calls to the helpline. However, we still believe there is a need for the self-employed to receive advice on planning for retirement.

## **Improve awareness of our service**

We held a successful parliamentary reception which has improved our profile within parliament and the pensions industry. We have increased our local radio links thereby ensuring wider publicity of our service.

## **Investigate new ways of providing our service through collaboration with others**

We are pleased that the arrangements with the Association of Pension Lawyers to provide a free mediation service continues to be a success. We are disappointed that NACAB has not taken up our offer to hold pension surgeries at local Citizen Advice Bureaux. However, our initiative of providing retirement planning advice to employees in the workplace is now beginning to bear fruit. We are expecting to make a number of presentations in conjunction with B&CE to employees. B&CE are a not for profit making company providing a stakeholder pension to the building and engineering industry.

## **Increase the number of volunteers by 2.5%**

Unfortunately we have been unable to achieve this objective. Despite our best efforts the number of advisers reduced by 4% to 452. While we still have a large number of advisers it is disappointing that we have not achieved our objective. This is probably a reflection of the increasing pressure the industry is finding itself under. However, we shall be making renewed efforts over the coming 12 months.

## **Maximise the use of volunteers to deal with enquiries**

While the advisers are still the main resource for dealing with our complaint work they will also be playing a leading role in our workplace initiative. A group of advisers have agreed to take part in the presentations.

## **Increase the skill base for both volunteers and staff**

We continue to provide workshops for advisers increasing their knowledge and ability to handle casework. We have encouraged staff to train for relevant professional qualifications both within pensions, HR and payroll, thereby increasing the skills at our disposal. All staff have taken the opportunity, where possible, to increase their expertise through attendance at relevant training courses, thereby further improving the service we provide to the public.

# Our Future Plans

As part of our three year corporate plan for 2007-2010 we have set a number of key goals. These are to:

- complement the government's aim of getting more people to save for their future through providing an accessible, friendly, independent and expert organisation to provide information and advice to members of the public, whether they have a pension or not, on all aspects of pensions, while at the same time considering the wider role we can play in the giving of generic financial advice;
- be recognised by the DWP as the best organisation to supply information and advice in support of the introduction of Personal Accounts (National Savings Pension Scheme). We have the infrastructure in place and given the independent nature of our organisation we are ideally placed to provide this support;
- improve the service standards within the industry resulting in a reduction in the number of dispute cases received;
- be the first port of call for people who are experiencing a dispute with their pension provider;
- increase awareness of our service;
- maintain the voluntary nature of our service. This is fundamental. This is the best way to produce a high quality free service providing value for the grant we receive.

Supporting these key objectives are, for the first year of the plan, a number of specific action plans. These are reproduced below. They are not set in stone and will be regularly reviewed and, as appropriate, modified as the situation demands.

## **Action Plans 2007/08** During the year we aim to:

- review our role in the giving of generic financial advice and consider whether we should be extending our service, while at the same time fully contribute to the Thoresen review on the giving of generic financial advice;
- make representations to the DWP for ourselves to play a major part in the development and introduction of Personal Accounts;
- successfully implement our Saving for Retirement workplace initiative;
- continue to produce our annual casework report highlighting areas of concern;
- continue to advertise our service sensibly thereby increasing the number of users of our service by 5%;
- instigate an action plan designed to increase the number of volunteers by 2.5% to 463.

# Statutory Directors' Report:

## Foreword to the Accounts

The Members of the Board, as directors of the company limited by guarantee, present their report and the audited financial statements for the year ended 31 March 2007.

### **Statement of the Chairman's and Directors' Responsibilities**

Company law and the terms of the Financial Memorandum and Management Statement agreed between ourselves and the DWP, require the chairman and 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 year. In preparing those financial statements, the chairman and directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The chairman and 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 1985 and any directions given by the DWP. The chairman and directors 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. With effect from 1 April 2005, the chief executive has been appointed as the company's Accounting Officer. Previously this was the responsibility of the chairman. The role of Accounting Officer carries with it certain responsibilities. These include responsibility for the propriety and regularity of the public finances and for keeping proper records, as set out in 'Government Accounting'.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware;
- 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.

### **Historical and Statutory Background**

The Pensions Advisory Service Ltd is an independent voluntary body. It is a company limited by guarantee, registered in England and Wales. During the year it has also been classified as a Non-Departmental Public Body (NDPB). The guarantee of Members is limited to a contribution of £1 in the event of the company being wound up. The governing instruments are its Memorandum and Articles of Association and

so far as it does not conflict with these, the Financial Memorandum between the company and the DWP. The forerunner of The Pensions Advisory Service Ltd, the Occupational Pensions Advisory Service, was formed in April 1983 with the intention of providing advice and assistance on all matters relating to occupational pension schemes to both individual elderly members of the public and those considered deserving of such advice and assistance by reason of their financial circumstances. Charitable status was conferred in May 1984. Requests for advice increased to such an extent that due to restrictions under which it operated, the charity was unable to provide the service required. In December 1990, OPAS Ltd was incorporated to solve this problem. In December 2004, OPAS changed its name to The Pensions Advisory Service Ltd. Funding is primarily by means of a grant in aid, which was originally administered by the Occupational Pensions Board (OPB). Following the closure of the OPB, from April 1997 the grant was administered by the Occupational Pensions Regulatory Authority (Opra) under Schedule 5, section 73 of the Pensions Act 1995. Following the replacement of Opra with the Pensions Regulator, from 1 April 2005, the grant has been administered directly by the DWP.

**Preparation of Accounts** The Accounts have been prepared in accordance with an accounts direction given by the DWP. The accounts direction is reproduced as an appendix to the Accounts on page 34.

**Review of the Business** The company's principal activity is the provision of an independent source of advice to the general public regardless of their circumstances, on all matters concerning pension schemes, including occupational pensions, personal pensions and stakeholder pensions. In the case of the State Pension scheme generic advice only is given. We are not authorised under financial services legislation to give financial advice. The provision of advice is mainly through a nationwide network of advisers who provide their time and expertise free of charge. The company maintains a small team of staff which co-ordinates the provision of this service both financially and technically. Additionally, the company operates a national telephone helpline based at Belgrave Road, London. It is serviced by a mix of volunteers and paid staff.

**Financing of Activities** The Company's income is comprised almost entirely of a grant in aid from the Government. Our ability to meet contractual obligations is dependent upon the continued receipt of these funds. There is an unusual amount of cash available (£295,290). This exceeds the normal carry forward amount provided under the terms of the Financial Memorandum. However, as the cash is earmarked for projects approved but not yet completed, permission was given by the DWP for the whole amount to be carried forward.

**Results** The company does not trade with a view to profit and it is proposed that the surplus of income in excess of expenditure for 2006/07 (£85,199) is transferred to reserves.

**Changes in  
Fixed Assets**

The movements in fixed assets during the year are set out in note 8 to the Financial Statements.

**Directors Serving  
in the Year**

The Directors serving during this period were:

**Non-Executive**

Graham Wright (Chairman - deceased)

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Mike Anthony               | Karen Aveyard    | Vivien Cockerill |
| Colin Hartridge-Price      | Ian Ferguson     | Tony Hodgkiss    |
| Baroness Hollis of Heigham | David Millington | Margaret Snowdon |
| Baroness Turner of Camden  | Keith Wallace    |                  |

**Executive**

|                |              |               |
|----------------|--------------|---------------|
| Malcolm McLean | Des Hamilton | Barry Wilkins |
|----------------|--------------|---------------|

On 24 April 2006, Malcolm McLean, Des Hamilton and Barry Wilkins were appointed to the Board. On the same date Tony Hodgkiss was re-appointed to the Board. On 16 October 2006, Vivien Cockerill retired from the Board. On 12 December 2006, Colin Hartridge-Price was appointed to the Board to fill a vacancy within the elected membership.

Since 4 October 1999, there have been elective resolutions in force dispensing with the laying of accounts and reports before the company in general meeting and the holding of annual general meetings.

**Auditors**

At an EGM held on 29 April 2000 an elective resolution dispensing with the annual appointment of auditors was passed. This is still in force. MacIntyre Hudson LLP are deemed to be appointed as auditors for the forthcoming year.



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**B J Wilkins**

Secretary

By Order of the Board

11 Belgrave Road  
London SW1V 1RB

15 October 2007

# Statement on the System of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements, policies and objectives of The Pensions Advisory Service, whilst safeguarding the public funds for which I am responsible, in accordance with the responsibilities assigned to me under the Non-Departmental Public Bodies Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting. I also have a responsibility to ensure that the Board complies with the terms of the Management Statement and Financial Memorandum between the DWP and ourselves.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

During the year ended 31 March 2007, the Board met four times to consider the plans and overall strategic direction of the service. The Executive Committee meets four times a year to monitor the implementation of agreed strategies. An Audit and Risk Management Committee meets at least once a year and is responsible for identifying and evaluating risks and for ensuring that policies and procedures are in place to manage the risks. A Risk Register identifying all major risks has been established to help monitor the risks. This is kept under review. The Audit Committee reports back to the Board on its findings.

The purpose of risk management is to enable the mitigation and monitoring of the risks that have been identified and to capture the key risks to the achievement of our strategic objectives.

Risk is controlled through:

- using clearly documented financial and management procedures;
- monitoring by the Audit and Risk Management Committee;
- employing outside bodies to undertake an internal audit;
- comprehensive budgeting systems and financial reporting which indicates financial performance against the budget and forecast. Quarterly reports are made to the Executive Committee and as appropriate to the Board.

The most significant risks that we monitor are:

- loss of volunteers and key staff;
- litigation arising from advice given;
- reliance on the DWP for funding;
- operating effectiveness (including financial);
- reduction in workload.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness is informed by the Director of Administration, who has day to day responsibility for the development and maintenance of the internal control framework, the Audit and Risk Management Committee, internal audit reports and comments made by the external auditors in their management letters and other reports. Plans are put in place to rectify any weaknesses identified. No such weaknesses have been identified over the past 12 months.



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**Malcolm McLean**

Accounting Officer

15 October 2007

# Remuneration Report

- Non Executive Board Members** To ensure that we can attract the quality of member required and to enable us to compete with other organisations, the Board approved the payment of a small allowance for appointed members for attending Board and Committee meetings (up to £500 for Board meetings and up to £250 for Committee meetings, increased each January by RPI). Other than out of pocket expenses non executive board members do not receive any other remuneration. The total allowance paid to non executive board members in the year, excluding out of pocket expenses amounted to £11,236.
- Executive Board Members** The remuneration of the whole staff including the executive Board members are determined by the non executive members of the Executive Committee. We have in place a staff remuneration package agreed with the DWP and the Treasury. Increases to staff remuneration are governed by Treasury and departmental guidance. Increases to salary are determined by the Executive Committee within the overall pay limits agreed. Staff can receive a bonus payment based on performance providing the total bonuses do not exceed a fixed percentage (currently 3.25%) of the total pay bill.
- The following section provides details of the remuneration, pension interests and notice periods of the executive board members.
- Notice Periods** All three executive members have a three month notice period.
- Remuneration and Pension** 'Salary' includes gross salary including performance bonus. From 1 January 2007, employees were provided with access to the Civil Service pension scheme. Prior to this, employees were provided with access to either the Pensions Trust money purchase scheme or the Merrill Lynch stakeholder scheme. Contributions were set by reference to age. Des Hamilton and Barry Wilkins opted to join the Civil Service pension scheme, while Malcolm McLean decided to remain with the Pensions Trust scheme.
- Upon joining the Civil Service pension scheme, employees can choose between joining the premium final salary scheme or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account). The final salary scheme is unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the premium scheme are increased annually in line with changes in the Retail Prices Index. Further details of the pension schemes provided during the year can be found on page 28.

Detailed in the table on the following page are the salaries of the Executive Board Members along with the value of the pension (Cash Equivalent Transfer Value) for those two members in the Civil Service pension scheme.

**Cash Equivalent  
Transfer Values  
(CETV)**

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme which the individual has transferred to the Civil Service pension arrangements and for which the CS vote has received a transfer value commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Actuarial Profession.

**Real increase  
in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

|                               | Salary<br>(in bands<br>of £5,000)<br>£,000 | Real<br>increase<br>in pension<br>To nearest<br>£ | Pension<br>at<br>31 March<br>2007 | CETV<br>at Start<br>Date<br>1 January<br>2007<br>To nearest<br>£,000 | CETV<br>at End<br>Date<br>31 March<br>2007<br>To nearest<br>£,000 | Employee<br>contributions<br>and<br>transfers in<br>To nearest<br>£ | Real<br>increase<br>in CETV<br>funded by<br>employer<br>To nearest<br>£,000 |
|-------------------------------|--|---|-----------------------------------|--|---|---|---|
| <b>Malcolm McLean</b>         |  |   |                                   |  |   |   |   |
| Chief Executive               | 105-110                                    | N/A   | N/A                               | N/A  | N/A   | N/A   | N/A   |
| <b>Des Hamilton</b>           |  |   |                                   |  |   |   |   |
| Technical Director            | 80-85                                      | 0-2.5   | 0-5                               | 0  | 7   | 691   | 7   |
| <b>Barry Wilkins</b>          |  |   |                                   |  |   |   |   |
| Director<br>of Administration | 80-85                                      | 15-17.5   | 30-35                             | 295  | 576   | 1448  | 285   |



**Margaret Snowden**

Chairman

15 October 2007



**Malcolm McLean**

Chief Executive

15 October 2007

# Independent Auditors' Report to the Members of The Pensions Advisory Service Limited

For The Year Ended 31 March 2007

We have audited the financial statements of The Pensions Advisory Service Limited for the year ended 31 March 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information beyond that referred to in this paragraph.

**Basis of audit opinion** We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2007 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- are consistent with the information given in the Directors' Report.



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**MacIntyre Hudson LLP**

Chartered Accountants and Registered Auditors

New Bridge Street House  
30-34 New Bridge Street  
London EC4V 6 BJ

16 October 2007

# Income and Expenditure Account

For The Year Ended 31 March 2007

|  | Notes | 2007             |   | 2006             |   |
|--|-------|------------------|---|------------------|---|
|  |       | £                | £ | £                | £ |
| <b>Income</b>  |       |                  |   |                  |   |
| Government Grants  | 1.3   | 2,725,423        |   | 2,033,819        |   |
| Donations received                                       |       | 0                |   | 10               |   |
| Bank interest received                                   |       | 24,843           |   | 16,240           |   |
|  |       | <u>2,750,266</u> |   | <u>2,050,069</u> |   |
| <b>Expenditure</b>                                       |       |                  |   |                  |   |
| Staffing   |       |                  |   |                  |   |
| Employment costs   | 2     | 1,563,882        |   | 1,416,807        |   |
| Training   | 2     | 9,577            |   | 25,823           |   |
| Travel & Subsistence                                     | 2     | 34,806           |   | 35,989           |   |
| Conferences & Meetings                                   | 2     | 3,011            |   | 2,611            |   |
| Travel & Subsistence - Board                             |       | 1,995            |   | 68               |   |
| Board Allowance  | 3     | 11,236           |   | 0                |   |
| Promotional  | 4     | 83,741           |   | 60,016           |   |
| Telephone & Fax  |       | 37,331           |   | 30,616           |   |
| Print, Post, Stationery                                  |       | 79,316           |   | 63,261           |   |
| Library  |       | 23,475           |   | 18,271           |   |
| Insurance  | 5     | 18,983           |   | 28,701           |   |
| Legal & Professional                                     | 6     | 551              |   | 12,803           |   |
| Audit Fee  |       | 2,538            |   | 2,409            |   |
| IT Costs   | 7     | 171,863          |   | 35,886           |   |
| Repairs & other maintenance                              |       | 7,265            |   | 5,578            |   |
| Depreciation of fixed assets                             | 8     | 69,940           |   | 31,622           |   |
| Software acquisitions                                    | 9     | 185,599          |   | 40               |   |
| Minor furniture & equipment                              | 10    | 17,893           |   | 1,789            |   |
| Regional Expenses  |       | 42,428           |   | 54,784           |   |
| Miscellaneous  |       | 13,586           |   | 7,122            |   |
| Lease Hire   |       | 3,582            |   | 922              |   |
| Accommodation charges                                    |       | 261,676          |   | 255,043          |   |
| Donations to Charity                                     |       | 25               |   | 25               |   |
| Loss on disposal of Fixed Assets                         | 11    | 16,048           |   | 940              |   |
|  |       | <u>2,660,347</u> |   | <u>2,091,216</u> |   |
| Surplus/(Deficit) on ordinary activities before taxation |       | 89,919           |   | (41,147)         |   |
| Taxation   | 12    | 4,720            |   | 1,482            |   |
| Surplus/(Deficit) on ordinary activities after taxation  |       | 85,199           |   | (42,629)         |   |
| Retained surplus brought forward                         |       | 173,845          |   | 216,474          |   |
| Retained surplus carried forward                         |       | <u>259,044</u>   |   | <u>173,845</u>   |   |

The company made no recognised gains or losses in 2007 and 2006 other than the surplus/(deficit) for the year. All amounts relate to continuing operations. The notes on pages 27 to 33 form part of these financial statements.

# Balance Sheet

As at 31 March 2007

|  | Notes | 2007 |                | 2006 |                |
|--|-------|------|----------------|------|----------------|
|  |       | £    | £              | £    | £              |
| <b>Fixed Assets</b>                        |       |      |                |      |                |
| Tangible Assets                            | 8     |      | 357,293        |      | 55,425         |
| <b>Current Assets</b>                      |       |      |                |      |                |
| Debtors - Prepayments and accrued income   | 13    |      | 115,456        |      | 89,452         |
| Cash at bank and in hand                   |       |      | 295,290        |      | 95,381         |
|  |       |      | 410,746        |      | 184,833        |
| <b>Creditors:</b>                          |       |      |                |      |                |
| <b>Amounts falling due within one year</b> |       |      |                |      |                |
| Accruals                                   |       |      | (146,982)      |      | (9,506)        |
| Corporation Tax                            |       |      | (4,720)        |      | (1,482)        |
| Deferred grant income                      | 1.3   |      | (357,293)      |      | (55,425)       |
|  |       |      | (508,995)      |      | (66,413)       |
| <b>Net current liabilities</b>             |       |      | (98,249)       |      | 118,420        |
|  |       |      | 259,044        |      | 173,845        |
| <b>Reserves</b>                            |       |      |                |      |                |
| Income and expenditure account             |       |      | 259,044        |      | 173,845        |
|  |       |      | <b>259,044</b> |      | <b>173,845</b> |

The financial statements were approved by the Board on 15 October 2007 and signed on its behalf by:



**M Snowdon**  
Chairman



**M McLean**  
Chief Executive

# Cash Flow Statement

For The Year Ended 31 March 2007

|   | <b>2007</b>    | <b>2006</b>      |
|---|----------------|------------------|
|   | £              | £                |
| <b>Reconciliation of operating surplus to net cash inflow from operating activities</b> |                |                  |
| Operating surplus/(deficit)   | 89,919         | (41,147)         |
| Depreciation charges  | 69,940         | 31,622           |
| Loss on disposal of Fixed asset   | 16,048         | 940              |
| Interest received   | (24,843)       | (16,240)         |
| (Increase)/Decrease in debtors  | (26,004)       | 29,120           |
| Increase/(Decrease) in creditors  | 137,476        | 2,465            |
| Deferred grant withheld/(released) in year  | 301,868        | (554,119)        |
| Net cash inflow/(outflow) from operating activities                                     | <b>564,404</b> | <b>(547,359)</b> |
| <b>Cash Flow Statement</b>  |                |                  |
| Net cash flow from operating activities   | 564,404        | (547,359)        |
| Returns on investments and servicing of finance (note 14.1)                             | 24,843         | 16,240           |
| Taxation  | (1,482)        | (507)            |
| Capital expenditure   | (387,856)      | (29,743)         |
|   | <b>199,909</b> | <b>(561,369)</b> |
| Reconciliation of net cash flow to movement in net debt (note 14.2)                     |                |                  |
| Increase/(decrease) in cash in period   | 199,909        | (561,369)        |
| Change in net funds   | 199,909        | (561,369)        |
| Net funds at 1 April 2006   | 95,381         | 656,750          |
| Net funds at 1 April 2007   | <b>295,290</b> | <b>95,381</b>    |

# Notes to the Accounts

For The Year Ended 31 March 2007

## 1. Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and a Direction given by the Department for Work and Pensions (DWP). A summary of the more important policies is shown below: -

### 1.1 Basis of Accounting

The financial statements are prepared under the historical cost convention.

### 1.2 Depreciation

Depreciation is provided using the following rates and bases to write off by annual instalments the cost of the tangible assets over their estimated useful lives.

|  |                                 |
|--|---------------------------------|
| Computer equipment costing more than £100              | 33% straight line               |
| Software   | written off in year of purchase |
| Computer equipment costing less than £100              |                                 |
| Furniture, Fixtures & Equipment costing more than £100 | 20% straight line               |
| Furniture, Fixtures & Equipment costing less than £100 | written off in year of purchase |

### 1.3 Government Grants

Grants were received during the year from the DWP to fund our service. A general levy is set and payments collected from occupational pension schemes, personal pension schemes and public service schemes to recover our administrative costs. Grant income in respect of capital expenditure is credited to the Income and Expenditure account over the estimated useful life of the relevant fixed assets. Grants included in Accruals and Deferred Income represents the amount of Grants received in respect of Fixed Assets, less an annual release of grant (see Cash Flow Statement) to the Income and Expenditure Account of an amount equal to the depreciation of that asset. The total Grant Income received in respect of the year's activities was as follows:

- £3,027,291 (2006 - £1,479,700)

### 1.4 Form and Content of the Accounts

The format of the Income and Expenditure Account is adapted and re-arranged from the prescribed formats in the Companies Act 1985 to provide a more meaningful presentation of the company's financial situation in the year. In all other respects, the form and contents of the Accounts are in accordance with the requirements of the Act.

## 1.5 Pension Scheme

Since 1 March 1994 the company has been participating in the Pensions Trust's Growth Plan. Additionally it offered access to the Pension Trust's Unitised Ethical Plan managed by F&C Asset Management plc and the Merrill Lynch Stakeholder plan. However, since 1 January 2007, the company has been eligible to join the Civil Service pension scheme. As a result of this for new employees the company now provides access to only the Civil Service pension scheme and the Pensions Trust Growth Plan. Existing staff have the right to remain in any of the existing schemes. As at 31 March, 26 staff had joined the Civil Service scheme, four remained with Merrill Lynch (now closed to new staff), and three with the Pensions Trust Growth Plan. One member of staff has not joined any pension scheme.

The pension charge represents the contributions made by the company to all the plans (Pensions Trust, Merrill Lynch and Civil Service) and amounted to £168,806 (2006 - £136,849).

### **Pensions Trust Growth Plan**

The Growth Plan is a multi-employer pension plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The Plan is funded and is not contracted out of the state scheme. The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustees. The Trustees commission an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits. The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them. During the accounting period the company paid contributions at the following rates, depending upon the age of the employee:

| <b>Age</b> | <b>%</b> |
|------------|----------|
| Under 20   | 3        |
| 20-29      | 5        |
| 30-39      | 8        |
| 40-44      | 10       |
| 45-49      | 12       |
| 50-54      | 13       |
| 55-59      | 15       |
| 60+        | 17       |

As at the balance sheet date there were three active members of the Plan employed by the company. The company continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under Financial Reporting Standard (FRS) 17 represents the employer contribution payable. Under FRS17 it is also necessary to disclose any outstanding or prepaid contributions at the balance sheet date. The last formal valuation of the Plan was performed at 30 September 2006 by a professionally qualified actuary. The market value of the Plan's assets at the valuation date was £747.4 million. The financial assumptions underlying the valuation were as follows:

|                                      | <b>%pa</b> |
|--------------------------------------|------------|
| Rate of return on accumulated assets | 6.6        |
| Bonuses on accrued benefits          | 0.0        |
| Rate of price inflation              | 2.5        |

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustees of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. Therefore, the amount of the debt depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. The company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2006. As of this date the estimated employer debt for the company was £192,095 (2006:£161,000).

#### **Pensions Trust Ethical Plan**

The Plan is a contracted-in money purchase scheme with assets of the scheme being held separately from the company in a separately administered fund. As at the balance sheet date there were no active members, employed by the company.

#### **Merrill Lynch Stakeholder Plan**

Since September 2001, staff have also been provided with access to a stakeholder pension administered by Merrill Lynch, the assets of which are held separately from the company in a separately administered fund. As at the balance sheet date there were four active members employed by the company.

For permanent staff, the company makes contributions to the Ethical Plan and the Stakeholder Plan on the same basis as for the Growth Plan.

#### **Civil Service Pension Scheme**

The majority of the employees (24) are covered by the provisions of the Civil Service premium pension scheme (CSPS) which is a defined benefit scheme and is unfunded with the cost of benefits met by monies voted by Parliament each year. Employee contributions to the premium scheme are set at the rate of 3.5% of pensionable earnings. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service. There is no automatic lump sum but members can give up (commute) some of their pension to provide a lump sum. Employer contributions range from 17.1% to 25.5% depending on salary bands.

Employees can choose to open a partnership pension scheme. Two employees have opted to do so. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable pay to the CSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

| <b>2. Staff Costs</b> | <b>2007</b>      | <b>2006</b>      |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages & Salaries      | 1,260,991        | 1,150,957        |
| Social Security Costs | 128,179          | 122,962          |
| Recruitment Costs     | 6,406            | 6,039            |
| Pension Costs         | 168,306          | 136,849          |
|                       | <b>1,563,882</b> | <b>1,416,807</b> |
| Training              | 9,577            | 25,823           |
| Travel & Subsistence  | 34,806           | 35,989           |
| Conferences           | 3,011            | 2,611            |
|                       | <b>1,611,276</b> | <b>1,481,230</b> |

The average monthly number of employees

|                      |           |           |
|----------------------|-----------|-----------|
| During the year was: | <b>34</b> | <b>33</b> |
|----------------------|-----------|-----------|

Training costs will depend upon need. For 2005/06 there were a number of one off training courses for the whole office aimed at improving the way we communicate.

### **3. Directors Allowance**

A small allowance has been paid to appointed non executive board members (up to £500 per board meeting and up to £250 per committee meeting; increased to £520 and £260 in January 2007). The total paid in the year was £11,236 (2006:£nil)

### **4. Promotional**

We have advertised our service on a wider basis than in previous years including advertising the special helpline for the self-employed.

### **5. Insurance**

We have taken the opportunity to rationalise the dates when our insurances become due. This has meant only paying a part payment this year.

### **6. Legal and Professional**

The previous year we recruited an IT professional to advise on our IT refresh. This was not needed in 2006/07.

### **7. IT Costs**

The IT refresh has introduced a managed service with increased costs.

| <b>8. Tangible Fixed Assets</b> | <b>Computer<br/>Equipment</b> | <b>Furniture<br/>Fixtures &amp;<br/>Equipment</b> | <b>Total</b>   |
|---------------------------------|-------------------------------|---|----------------|
|                                 | £                             | £   | £              |
| <b>Cost</b>                     |                               |   |                |
| As at 1st April 2006            | 136,744                       | 214,943   | 351,687        |
| Additions in year               | 149,775                       | 238,081   | 387,856        |
| Disposals in year               | (125,742)                     | (163,595)   | (289,337)      |
| As at 31 March 2007             | <b>160,777</b>                | <b>289,429</b>                                    | <b>450,206</b> |
| <b>Depreciation</b>             |                               |   |                |
| As at 1st April 2006            | 131,049                       | 165,213   | 296,262        |
| Charge for the year             | 32,882                        | 37,058  | 69,940         |
| On disposals                    | (124,672)                     | (148,617)   | (273,289)      |
| As at 31 March 2007             | <b>39,259</b>                 | <b>53,654</b>                                     | <b>92,913</b>  |
| <b>Net Book Value</b>           |                               |   |                |
| As at 31 March 2007             | <b>121,518</b>                | <b>235,775</b>                                    | <b>357,293</b> |
| As at 31 March 2006             | <b>5,695</b>                  | <b>49,730</b>                                     | <b>55,425</b>  |

## 9. Software

The increase is a result of new software purchased as part of the IT refresh

## 10. Minor Furniture & Equipment

The increase was a direct result of items purchased as part of the accommodation refresh.

## 11. Loss on disposal

As part of the IT and accommodation refresh new IT equipment and furniture were purchased. The loss represents the loss on those items that were not fully depreciated when they were replaced.

## 12. Tax on Non-Grant Income

|  | 2007 | 2006 |
|--|------|------|
|  | £    | £    |

The taxation charge is based solely on bank interest and comprises:

UK corporation tax at 19% on £24,843

|  |       |       |
|--|-------|-------|
| (2006 0% on first £10,000, 23.75% on £6,240) | 4,720 | 1,482 |
|--|-------|-------|

## 13. Debtors

|  | 2007 | 2006 |
|--|------|------|
|  | £    | £    |

|                                |         |        |
|--------------------------------|---------|--------|
| Prepayments and accrued income | 115,456 | 89,452 |
|--------------------------------|---------|--------|

The main debtors are Mapeley Limited in respect of accommodation charges paid covering the period up to 23 June 2007 and Pendragon Limited in respect of a three year subscription for Perspective software.

## 14. Notes to the cash flow statement

| 14.1 Gross cash flows                                  | 2007<br>£ | 2006<br>£ |
|--|-----------|-----------|
| <b>Returns on investments and servicing of finance</b> |           |           |
| Interest received                                      | 24,843    | 16,240    |
| <b>Capital expenditure</b>                             |           |           |
| Payments to acquire tangible fixed assets              | 387,856   | 29,743    |
|  | 387,856   | 29,743    |

| 14.2 Analysis of changes in net funds | At 1 April<br>2006<br>£ | Cash<br>Flows<br>£ | At 31 March<br>2007<br>£ |
|---------------------------------------|-------------------------|--------------------|--------------------------|
| Cash in hand, at bank                 | 95,381                  | 199,909            | 295,290                  |

## 15. Members' funds and Memorandum of Association

The company is limited by guarantee and has no issued share capital. Every member, in pursuance of Clause 5 of the Memorandum of Association, undertakes to contribute a sum not exceeding £1 in the event of the company being wound up whilst he is a member.

Any surplus on winding up, in pursuance of Clause 4 of the Memorandum of Association, will be repaid to any body which has contributed grants or other funding to the company.

The retained surplus carried forward does not, therefore, represent funds attributable to members.

## 16. Operating Lease Commitments

At 31 March 2007, the company had annual commitments under non-cancellable operating leases set out below.

| Land and Building              | 2007<br>£ | 2006<br>£ |
|--------------------------------|-----------|-----------|
| Operating leases which expire: |           |           |
| Within one year                | NIL       | NIL       |
| Between two and five years     | 117,312   | 113,106   |
| After five years               | NIL       | NIL       |
| <b>Plant and Machinery</b>     |           |           |
| Operating leases which expire: |           |           |
| Within one year                | NIL       | NIL       |
| Between two and five years     | 3,688     | 3,687     |
| After five years               | NIL       | NIL       |

# Accounts Direction

Given by the Department of Work And Pensions

The Department of Work and Pensions has issued the following accounts direction

## **Application of The Companies Act's Requirements**

1. The disclosure exemptions permitted by the Companies Act in force for the financial period for which the statement of accounts is to be prepared, shall not apply to TPAS unless specifically approved by the Treasury.
2. The foreword shall contain the information required by the Companies Act, to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to TPAS.
3. In preparing its income and expenditure account and balance sheet, TPAS shall adopt respectively format 2 and format 1 prescribed in Schedule 4 of the Companies Act to the extent that such requirements are appropriate to TPAS.
4. The foreword and balance sheet shall be signed and dated.

## **Additional Disclosure Requirements**

1. The foreword shall state that the accounts have been prepared in accordance with a direction given by the Department.
2. The foreword shall include a brief history of TPAS and its statutory background.
3. The Accounts Direction shall be reproduced as an Appendix to the Accounts.



**The Pensions Advisory Service**

11 Belgrave Road  
London SW1V 1RB

Helpline 0845 601 2923

General Office 020 7630 2250

Fax 020 7592 7000

[enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)