

2009-2010
Annual Report to the Trustees
of

WOODS BUILDING SUPPLIES PENSION FUND

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1. Introduction

Pension Practitioner .Com provides administration services to the Trustees, and our responsibility is to ensure that the tax exempt privileges of the pension scheme are maintained.

This report has been prepared to provide you with the following information:

- Disclosures to HMRC and the Pensions Regulator
- A review of the scheme rules in light of legislation in 2011
- An assessment of the scheme yield against inflation for the tax period.
- Provision of member benefits statements
- To draw to the attention of the Trustees any specific matters regarding the scheme's investments and governance.

2. Tax Return and other disclosures to HMRC & The Regulator

The pension scheme return provided to HMRC must end after 6th April 2009 and before 5th April 2010. The accounts therefore relevant for the period are to the year ending 31st July 2009. The trustees can have the accounts tie in with the tax year should they choose.

Pension Practitioner .Com has submitted the following disclosures:

The value of the assets at 31 July 2009 amounted to £1,777,420.

The Trustees hold freehold land of £287,753; which has not produced a scheme income. In addition, the Trustees hold the balance of assets as cash at bank and pension scheme loans.

The cash at bank as at 31 July 2009 amounted to £1,055,491; of which bank interest received amounted to £24,648.

Pension scheme loans to the Principal Employer amounted to £66,115; which arises in respect of an existing pension scheme loan agreement between the Trustees and Employer.

No arrears arise at the date of the report.

The Trustees have loans with an unconnected party under which the contractual terms fall outside the regulations in respect of employer related investments. This consists of a loan to Morgan Properties Limited for £370,000.

No loan arrears arose in respect of the transaction. Cumulative loan interest for the period amounted to £102,688.

Scheme expenses were less than .5% of the value of the fund - £6,198.

No enquiries at the date of this report have been raised by HMRC or the Regulator.

There were no reportable event reports at the date of the return to HMRC

There were no reportable events to the Pensions Regulator at the date of the return

3. HMRC and Regulatory Requirements

HM Revenue & Customs have responsibility for the administration of pension scheme tax reliefs and payments. The Pensions Regulator is concerned with ensuring that member pension benefits are preserved in accordance with the rules of the scheme and that Trustees undertake good scheme governance.

The pension scheme's operation is not regulated by the Financial Services Authority. The reason for this is because the trustees hold and invest money for themselves as beneficiaries of the pension scheme. This does not mean that investments made by the trustees are not covered by the Investors Compensation Scheme. Where funds are lodged with a firm that is regulated by the FSA (or via a passport EEA country) any institutional failure that arises will qualify for a claim through the investors compensation scheme.

Our role is to act as agent of the trustees and to ensure that the scheme meets its reporting and compliance obligations to the respective regulatory agencies. To ensure that all investments made do not give rise to a tax charge, the trustees must notify us in advance of certain transactions. These can be summarised as:

- Purchase of any unquoted shares
- Property purchase/disposal
- Purchase of goods and materials, such as plant and machinery and other tangibles
- New loans and borrowings, failure to meet current pension loan repayments
- Drawings from the scheme as expenses or otherwise
- Transferring money to other pensions

By giving us advance notice, we will help ensure that taxable transactions are minimised. It should be noted that where the scheme cannot meet a liability for a tax charge, the trustees could be personally liable. Please therefore ensure that we are notified in advance of any activities that fall into the above categories.

4. Pension changes in 2011.

In 2010, a number of changes were proposed for pension schemes, which will come into effect in 2011 and 2012. This part of the report looks at those changes and how you might be affected.

Annual Allowance

Each person has an annual allowance which limits the scope of pension contributions that can be made for tax relief deduction. Unlike the previous proposals, you or your business will qualify for tax relief at the marginal rate.

If you do not expect to pay more than £50,000 for 2011/12 onwards, then you will not be affected by the change. If you expect to pay more than this, then you could incur a tax liability on the payment above £50,000.

To ensure that there is not a surge in pension contributions prior to the new contribution limits, anti-forestalling rules have been introduced by HMRC. Not everyone is affected by the anti-forestalling rules and we will take this into consideration in our guidance.

We will give you (or where you have a financial advisor/accountant appointed to the scheme, joint) specialist guidance. Please therefore get in touch with us as soon as possible, if you think you might be affected. The closer it gets to 5th April 2011 the more limited we will be on the assistance we can give you.

Pension Income and Inheritance Tax Changes

In last year's emergency Budget on 22 June 2010 and published in the Finance Bill 2010, further changes were proposed to the treatment of inheritance tax. It affects any member who reaches the age of 75 on or after 22 June 2010.

It allows those persons who reach 75 to continue drawing their pension as unsecured income from the scheme up to age 77. This normally allows higher levels of income to be paid than would otherwise be the case where a member at 75 was required to adopt other forms of pension income.

If a member of the pension scheme dies after reaching the age of 77 any of the remaining fund not used to pay either pensions to dependants or a charitable donation, is subject to tax charges up to 70 per cent. We can give specific scheme tax guidance in this area if requested.

State Pensions

The method of calculating state pension increase will change. State pension was up-rated by the higher of price inflation or 2.5 per cent. CPI (Consumer Price Index) will be introduced

used as a third measure for pension increases from April 2011. The new changes will introduce CPI, and therefore where CPI (it is presently about 3.4%), is greater than earnings or 2.5% the basic state pension will increase by that higher amount. It will not be extended to the earnings related pension/state second pension.

From 6th April 2011, any member who crystallises his fund and elects for the crystallised benefits on death to be paid as a lump sum death benefit will incur a scheme tax charge of 50%. Members may therefore wish to consider a scheme life policy to meet the tax liabilities that could arise on the distribution of funds on death in the form of a lump sum; we will work in conjunction with your financial advisor on scheme tax guidance nearer to each member's retirement date.

5. Investment Yield

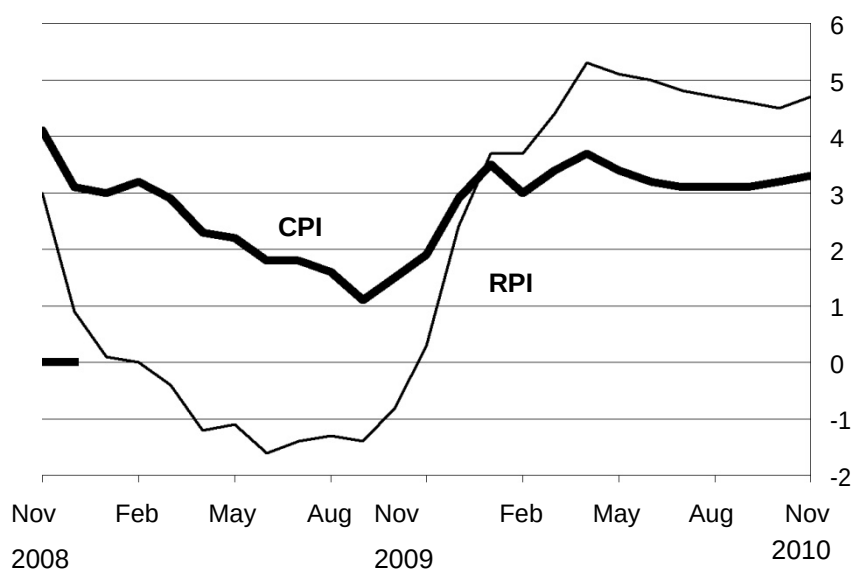
The objective of the scheme is to exceed inflation and sustain retirement income.

The Consumer Price Index (CPI) is now regarded as the preferred approach to the measurement of inflation, it does this by tracking the changing cost of a fixed basket of goods and services over time. RPI, which is also an inflation measurement index is presently adopted for the cost of indexed linked gilts and other market indices. RPI is therefore more relevant when measuring the cost of pensions in payment and CPI the present and historical measure of inflation.

CPI Inflation for the tax period of 2009/10 was averaged at 3.1%. RPI for the same tax period average at 4.4%.

A graph below illustrates the trend of both CPI and RPI.

Percentage changes



By way of a guide to the industry average, the yield achieved by the average of occupational pension funds for 2009/10 was 13.4% as a bench mark index. This yield is the first positive yield for some time, following a drop of -13.4% in 2008. Next year, we shall be giving a yield comparison against the cumulative average of return of other schemes under our administration.

6. Pension Schemes Online

Since 2008, we have been developing a secure online service for clients to help get the best benefit out of their pension scheme.

The secure online gateway will allow you and your professional advisors a number of innovative solutions that are not offered by any other pension administration company.

- We have uprated the pension calculators which were formerly on the Pension Practitioner website to host the most current pension rates in the market and give a greater range of calculation options.
- You can view all of the best pension bank account and building society rates in the UK. You may select the best deals and download the application form direct from the provider. This service is not available through money supermarket or any other pension website.
- View all land and property auctions and download the most current listings
- Join our online directory which will allow you to showcase your services through your business to others firms. This will add internet traffic to your business and help you grow. By way of an example, our key domain words are searched 13.500 every month in the UK.

Please feel free to find out more by visiting www.pensionschemesonline.com We will be in touch with you shortly on registering for this service. This service is covered by your annual administration fee.

Retirement Benefits Statement for Mr D Wood

Male

Date of birth: 19/06/1961

Based on a share of fund of £710,968 below are the benefits that could be provided from the scheme.

In the event of your death before taking benefits from the scheme, as at 31 July 2009 your beneficiaries will be entitled to receive £710,968 tax free from the assets of the scheme.

In the event that you elected to take benefits from the scheme as at age 65, you could draw a tax-free lump sum of £323,048.

The balance of the fund must be used to provide you with a pension which is taxed as earned income. The pension amount you may draw could be £75,599 p.a.; this is based on a future retirement fund of £1,292,192.

Notes:

The pension income stated is based pension rates as at December 2010, which are not guaranteed to continue.

This benefit statement is for illustrative purposes only and is not guaranteed.

1. It has been assumed that:

Investments increase by 7% p.a. until retirement

Fund charges are 0.5% of the value of the scheme

The pension is on a single life basis, non increasing, payable monthly in advance

2. The figures are costed in today's terms, this means that inflation is compounded annually at 2.5%. The income has been discounted back allowing for this inflation rate
3. We have assumed that 40% of the contribution set out in the 2009 accounts is allocated to you.
4. No further contributions have been assumed to be paid to the scheme.

Should you require a more detailed calculation specific to your requirements, including a targeted benefits statement for retirement at a future date please contact Pension Practitioner .Com.

Retirement Benefits Statement for: Mrs J Wood

Female

Date of birth: 10/03/1956

Based on a share of fund of £710,968 below are the benefits that could be provided from the scheme.

In the event of your death before taking benefits from the scheme, as at 31 July 2009 your beneficiaries will be entitled to receive £710,968 tax free from the assets of the scheme.

In the event that you elected to take benefits from the scheme as at age 65, you could draw a tax-free lump sum of £268,028.

The balance of the fund must be used to provide you with a pension which is taxed as earned income. The pension amount you may draw could be £57,615 p.a. this is based on a future retirement fund of £1,072,113.

Notes:

The pension income stated is based pension rates as at December 2010, which are not guaranteed to continue.

This benefit statement is for illustrative purposes only and is not guaranteed.

1. It has been assumed that:

Investments increase by 7% p.a. until retirement

Fund charges are no more than 0.5% of the value of the scheme

The pension is on a single life basis, non increasing, payable monthly in advance

2. The figures are costed in today's terms; this means that inflation is compounded annually at 2.5%.

3. We have assumed that 40% of the share of fund set out in the 2009 accounts is allocated to you.

4. No further contributions have been assumed to be paid to the scheme.

Should you require a more detailed calculation specific to your requirements, including a targeted benefits statement for retirement at a future date please contact Pension Practitioner .Com.

Retirement Benefits Statement for Mrs K Tandon

Female

Date of birth: 09/05/1948

Based on a share of fund of £355,484 below are the benefits that could be provided from the scheme.

In the event of your death before taking benefits from the scheme, as at 31 July 2009 your beneficiaries will be entitled to receive £355,484 tax free from the assets of the scheme.

In the event that you elected to take benefits from the scheme as at age 65, you could draw a tax-free lump sum of £99,406.

The balance of the fund must be used to provide you with a pension which is taxed as earned income. The pension amount you may draw could be £20,464 p.a.; this is based on a future retirement fund of £397,623.

Notes:

The pension income stated is based pension rates as at December 2010, which are not guaranteed to continue.

This benefit statement is for illustrative purposes only and is not guaranteed.

1. It has been assumed that:

Investments increase by 7% p.a. until retirement

Fund charges are no more than 0.5% of the value of the scheme

The pension is on a single life basis, non increasing, payable monthly in advance

2. The figures are costed in today's terms; this means that inflation is compounded annually at 2.5%.

3. We have assumed that 20% of the share of fund set out in the 2009 accounts is allocated to you.

4. No further contributions have been assumed to be paid to the scheme.

Should you require a more detailed calculation specific to your requirements, including a targeted benefits statement for retirement at a future date please contact Pension Practitioner .Com.