

**MERCHANT NAVY OFFICERS
PENSION FUND**

Annual Report

For the year ended

31 March 2009

MERCHANT NAVY OFFICERS PENSION FUND

ANNUAL REPORT

For the year ended 31 March 2009

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Pension Scheme Registry Number: 10005645

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Surrey KT22 7ET

Website - www.mnopf.co.uk

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE BOARD AND EXECUTIVE

TRUSTEE BOARD DIRECTORS		MC	IC	AC
P G McEwen (Chairman)* Nautilus International	Officer Director	Chairman	✓	
W D Everard CBE (Vice Chairman)	Employer Director	✓	Chairman	
E J N Brookes* The Chamber of Shipping	Employer Director	✓		✓
G Craven Shell International Limited	Employer Director		✓	
A M Dickinson Nautilus International	Officer Director	✓		✓
A Graveson Nautilus International	Officer Director		✓	✓
K Howarth P&O Ferries Ltd	Employer Director			Chairman
D E Jones Carnival UK	Employer Director	✓		
P Keenan Nautilus International	Officer Director			
J McGurk The Maersk Line (UK) Limited	Employer Director		✓	
P L Moloney Nautilus International	Officer Director	✓	✓	
L D Stracey Stena Line Limited	Employer Director			
Capt R Stuart Nautilus International	Officer Director			
Vacancy	Officer Director			

EXECUTIVE

At 26 June 2009

A G Waring*

Chief Executive

P Greenwood

Deputy Chief Executive

SECRETARY

MNPA Limited

MC - Management Committee
 IC - Investment Committee
 AC - Audit Committee

* Director of MNPA Limited

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ADVISERS AND MANAGERS

Actuary

C P Burbidge

Actuarial adviser

Watson Wyatt Limited

Additional voluntary contributions providers

Equitable Life Assurance Society

Administration manager

MNPA Limited

Bankers and custodians

National Westminster Bank PLC

BNYMellon (Asset Servicing BV)

Independent auditors

Deloitte LLP

Investment managers (securities)

Aberdeen Asset Management Limited

Alliance Bernstein Limited

Ashmore Investment Management Limited

Barclays Global Investors Limited

Bridgewater Associates Incorporated

Edinburgh Partnership Limited

Goldman Sachs Asset Management Limited

Henderson Global Investors Limited

Invesco Asset Management Limited

Marathon Asset Management Limited

Southeastern Asset Management

Western Asset Management Company Limited

Investment manager (property)

Wilky Fund Management Limited

Investment advisers

J S Black (Property)

Watson Wyatt Limited

Solicitors

Baker & McKenzie LLP (General)

DLA Piper (Property – Scotland) – up to October 2008

Lindsays (Property – Scotland) – from October 2008

Hill Dickinson (Property – England & Wales)

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT

For the year ended 31 March 2009

This is the 71st Annual Report submitted by MNOFF Trustees Limited (the "Trustee") to the members of the Merchant Navy Officers Pension Fund (the "Fund") and relates to the Fund's financial year ended 31 March 2009.

The Fund consists of two sections referred to in this report as the Pre-1978 Section, or Old Section and the Post-1978 Section, or New Section.

MANAGEMENT OF THE FUND

The Fund is managed by the Trustee. There is provision on the board of the Trustee for fourteen Directors. Employers and members are equally represented, by Employer Directors and Officer Directors respectively. A list of Directors is shown on page 3. Mr A J Davies resigned as an Employer Director on 4 November 2008 and Mr G Craven was appointed as an Employer Director on the same date. Mr B D Orrell OBE resigned as an Officer Director on 14 May 2009 on ceasing to be General Secretary of Nautilus UK. Mr Orrell has been a Director of the Trustee since 1985 and the senior Officer Director since 1993. The Directors express their gratitude to Mr Orrell for his services to the MNOFF.

The appointment, re-appointment and removal of Directors is the responsibility of the Joint Officers' Pensions Committee formed by the Employers' and Officers' organisations. The Employer Directors of the Trustee Board are considered for appointment by the Employers' representatives on this Committee and the Officer Directors are considered by the Officers' representatives. A Director may appoint an Alternate Director to attend meetings in his place.

During the year the Trustee Board met six times.

Committees

The Trustee Board has appointed a number of committees to undertake various tasks relating to the Fund's management. All such committees consist of an equal number of Employer Directors and Officer Directors and operate under terms of reference agreed by the Trustee Board.

The Management Committee consists of six members supported by the Actuary, legal advisers and Executive. It is responsible for considering strategy relating to the management and future structure of the Fund, considering preliminary actuarial reports, monitoring legal and administration issues and making recommendations to the Trustee Board as appropriate. During the year there were thirty-one meetings of the Management Committee, including seven meetings of a Sub-Committee formed to monitor the collection of deficit contributions and fourteen meetings of a Sub-Committee established to conduct a Strategic Review of the Fund, further details of which may be found later in this report.

The Investment Committee, which consists of six members supported by investment advisers and the Executive, met nine times during the year.

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

The Investment Committee is responsible for the implementation of the Trustee's Statement of Investment Principles and for dealing with such matters as strategic asset allocation, exercising investment powers, the appointment and removal of investment managers, investment performance reviews, implementation of investment strategies and setting specific investment performance objectives.

The Audit Committee, consisting of four members supported by the Executive, met four times during the year. The matters covered included meeting with the external and internal auditors, reviewing the financial statements and appropriateness of the accounting policies adopted and reviewing the Fund's risk management processes.

The Executive

The Trustee Board has established an Executive together with a small number of staff to implement the Trustee Board's decisions and supervise the day-to-day affairs of the Fund. The Trustee Board has delegated certain authorities to the Executive.

Directors' Protocol

All the Directors have agreed to be bound by a protocol which broadly requires each Director to report interests which could give rise to a conflict of interest, to abstain from voting on such interests and to maintain appropriate confidentiality.

ADMINISTRATION OF THE FUND

Member administration and financial accounting services to the Fund are provided under contract for a fee by MNPA Ltd ("MNPA"), a wholly-owned trading subsidiary company.

MNPA also provides pensions administration services to a number of external clients ("third party administration").

The Trustee Board continues to support the expansion of the third party administration activities of MNPA. The Management Committee reviews the strategic objectives for MNPA from a shareholder's perspective on a regular basis and monitors progress towards meeting them.

Pension Increases - New Section

Guaranteed Minimum Pensions in payment earned from 6 April 1988 and pensions in payment for service from 1 April 1997 were increased in April 2008 as required by law by 3.0% and 3.9% respectively. Increases to deferred pensions are made in accordance with the Rules and depend on the date of leaving. During the year, New Section deferred pensions for members who left service prior to 1 January 1986 were increased by 3% as required by the Rules and, for those leaving after that date, by application of the statutory revaluation percentage to the whole deferred pension.

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

Any other increases to New Section pensions either in payment or deferment are granted only at the discretion of the Trustee after considering the advice of the Actuary. The Trustee was unable to grant any discretionary increases during the year because of the actuarial deficit in the New Section. The Trustee reviews the question of discretionary increases to pensions in payment each year in accordance with the Rules.

Pension Increases - Old Section

There are no guaranteed increases to Old Section pensions whether in payment or in deferment and any increases are granted at the discretion of the Trustee after considering the advice of the Actuary.

The Trustee's policy is to consider the discretionary increase that can be granted for the triennium following each actuarial valuation. A discretionary increase of 4% was granted on Old Section deferred pensions and pensions in payment in April 2007 following the actuarial valuation as at 31 March 2006. No discretionary increases have been granted since then. The Trustee reviews the question of discretionary increases to pensions in payment each year in accordance with the Rules.

Contributions

Normal contributions are received in respect of active members from the members themselves and also from their employers. The Trustee is also collecting deficit contributions from employers as explained later in this report.

The Statement of Recommended Practice ("SORP") governing financial reports of pension schemes was revised in May 2007 and the accounting treatment of deficit contributions has been revised to comply with these new requirements.

In previous years, full allowance was made for all contributions already invoiced, even though the date for payment of some of those contributions is in future years. This arises because some employers were permitted to meet their deficit contributions by annual instalments over the period to 2014. The revised SORP requires that only those contributions due to date are taken into account. As the basis of accounting for contributions has changed, then for the purposes of comparison with last year, it has been necessary to re-state the previous year's accounts. This has no impact on the recognition in the accounts of normal contributions.

Late Contributions

Members' normal contributions totalling £114,283, employers' normal contributions totalling £186,298 and deficit instalment contributions totalling £2.9m were not received by the dates deemed payable under the schedule of contributions. Employers have been made fully aware of the legal time limits for paying contributions. Net of provisions, statutory debts of £1.2m under Section 75 of the Pensions Act 1995 and, net of provisions debts of £7.2m calculated on a buy-out basis under Rule 5.2A of the Trust Deed and Rules remain outstanding (see below).

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

The employers listed below made late payments of normal contributions on two or more occasions during the year:

Bibby International (Cayman Islands) Limited
C-Mar Services Ltd (also listed in 2005, 2006, 2007 and 2008)
Celtic Marine (Hong Kong) Limited
Columbia Shipmanagement Limited (also listed in 2008)
Gardline Shipping Limited
GWF Management Services Limited
Heyn Engineering (NI) Limited
Orkney Towage Company Limited
Southampton Isle of Wight and South of England Royal Mail Steam Packet
Company Limited

The Trustee is also collecting deficit contributions from employers and under its deficit contribution collection policy, interest is included in the balance of deficit contributions not paid.

During the year, deficit contributions in relation to the actuarial valuations in 2003 and 2006 ("ongoing deficit contributions") of £41.7m were due, of which £2.7m remained outstanding at the year end although subsequently all but £114k has been received. The total deficit contributions invoiced and due to date (excluding those in respect of employers who have incurred Section 75 debts or buy-out debts mentioned below) is £271m, of which £32.6m is outstanding. Provision of £20.2m has been made in respect of debts unlikely to be recovered.

The following debts have also arisen on employers during the year.

1. Statutory Debts under Section 75 of the Pensions Act 1995. The net amount due in total, after provision for amounts considered unrecoverable, is £1.8m of which £0.6m has been paid.
2. Debts calculated on a "buy-out" basis under Rule 5.2A of the Trust Deed and Rules by the Trustee or on the occurrence of an Insolvency Event. The net amount due in total, after provision for amounts considered unrecoverable, is £7.2m of which £57k has been paid.

Additional Voluntary Contributions ("AVCs") Scheme

The AVC policy with Equitable Life continues in operation. Members can also invest AVCs in a range of funds under the Equitable Life policy managed by Clerical Medical Investment Group Limited.

Since 6 April 2006, there has been no requirement for occupational pension schemes to offer members an AVC arrangement. The tax regime operating from that date allows members to invest in personal pension arrangements in conjunction with occupational pension scheme membership. Given the flexibility now available, AVCs are only accepted from members who either were paying AVCs at 6 April 2006 or had previously paid AVCs whilst a member of the Fund.

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

Personal Financial Planning

A personal financial planning service is available to members through a specialist independent financial adviser, Pensions and Wealth Planning Limited.

Any member of the MNOF requiring independent financial advice should contact MNPA Ltd for further information.

Transfers

The Rules of the Fund permit transfers both to and from other occupational pension schemes and personal pension plans. The Trustee receives a statutory discharge from any further liability once a transfer has been effected.

The Trustee confirms that all transfer values are calculated and verified as required under the Pension Schemes Act 1993. There is no allowance for discretionary benefits in transfer values.

ACTUARIAL VALUATION

The last valuation was carried out as at 31 March 2006 separately for the Old Section and the New Section and was reported in full in the Annual Report for the year ended 31 March 2007.

The results disclosed were as follows:

	Old Section	New Section
	£m	£m
Amount required to cover past service liabilities for:		
Current contributors	-	445
Pensioners and dependants	878	990
Deferred pensions and AVCs	473	612
Expenses	25	35
Value of past service liabilities	<u>1,376</u>	<u>2,082</u>
Market value of assets	<u>1,473</u>	<u>1,931</u>
Surplus / (deficit)	<u>97</u>	<u>(151)</u>
Cover of assets over liabilities	107%	93%

The above figures were calculated on financial assumptions agreed between the Actuary and the Trustee and on the basis that the Fund was ongoing. No allowance was made for any discretionary benefits. The assumptions are different for the New Section and the Old Section, reflecting the different natures and investment policies of the two Sections.

Copies of the valuation reports are available on request to the Chief Executive or can be seen on the MNOF website (see page 2).

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

The next full actuarial valuations are due as at 31 March 2009 and the results will be communicated to Members and Employers. However, an annual financial update was carried out as at 31 March 2008, the results of which are shown below.

Summary Funding Statement

As required by Regulations, a Summary Funding Statement has to be issued to members annually to report on the latest actuarial valuation or annual financial update as appropriate. The Summary Funding Statement as at 31 March 2008 was issued in December 2008.

The annual financial update as at 31 March 2008 disclosed the following results:

Ongoing Basis	Old Section	New Section
	£m	£m
Value of past service liabilities	1,300	2,082
Market value of assets	<u>1,295</u>	<u>1,999</u>
Surplus/(deficit)	<u>(5)</u>	<u>(83)</u>
Cover of assets over liabilities	100%	96%

It should be noted that the figures give a snapshot of the Fund's financial position as at a given date and can change significantly due to market movements. The deficit shown in the New Section assumes that future instalments relating to the previously disclosed deficits referred to below will be received.

NEW SECTION DEFICIT

As previously reported, the Trustee has used its powers under Rule 5.2A to require deficit contributions from participating employers as follows:

- 1) In relation to the deficit disclosed by the 31 March 2003 actuarial valuation, deficit contributions of £234.2m as at 30 September 2005.
- 2) In relation to the deficit disclosed by the 31 March 2006 actuarial valuation, further deficit contributions of £164.6m as at 30 September 2007.

The Trustee Board has taken, and continues to take, all reasonable action to recover contributions not received by the due date. This has included using the services of accounting firms to investigate corporate finances and initiating legal action where appropriate.

Despite the Trustee's best endeavours to obtain payment of the deficit contributions invoiced, some employers are not able to fulfil their obligations, either on account of being in insolvent liquidation or having insufficient assets with no means of obtaining further financial resources. The Trustee previously estimated that some £28m of the £234.2m originally invoiced would not be recoverable and, using its powers under Rule 5.2A, the Trustee reallocated this shortfall amongst the remaining New Section employers.

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

In a number of cases, debts are outstanding from employers who are part of a corporate group or which are manning agencies who supplied Officers to ship-owners. Legal advice has been obtained which confirmed that the Trustee has the power to make the original participating employer and, according to the circumstances, either another participating employer within the same corporate group or a ship-owner who is also a participating employer, jointly and severally liable for the debt. The Trustee has put in place a policy for pursuing payment of such debts on a joint and several basis where the connection between the employers concerned is considered sufficiently strong.

It is estimated that approximately £9m of the £164.6m will not be recovered. It is not intended to specifically re-allocate this amount and it will be taken into account in the next actuarial valuation.

Credit Support Arrangements

Where an employer's deficit contributions are in excess of £100,000 in respect of any given deficit, that employer has been allowed to pay those particular deficit contributions by annual instalments until 2014, provided the employer is considered sufficiently creditworthy. In some cases, there are several participating employers in a single corporate group where the group is sufficiently creditworthy, but some of the individual participating employers are not. In these cases, the Trustee will continue to allow payment by instalments but only on the condition that a bank guarantee or corporate guarantee is provided. Where such security is not forthcoming, full payment will be required.

Credit Support Arrangements are in place in respect of seven companies covering £7.9m of deficit contributions.

STRATEGIC REVIEW

As reported last year, the Trustee decided to undertake a strategic review of the options available for the funding and securing of members' benefits.

Old Section

The Trustee has been investigating the possibility of securing Old Section benefits with insurance companies using policies in the name of the Trustee. Whilst securing members' benefits in this way remains the Trustee's longer-term objective, economic circumstances and the fall in investment values have meant that progress towards this goal will inevitably take longer than originally anticipated.

New Section

New Section employers were, through the Chamber of Shipping, given the opportunity to participate in consultations with the Trustee. Following such consultations, the adverse market movements since the summer of 2008 have meant that some of the ways forward being investigated by the Trustee are no longer appropriate. The Trustee is continuing to keep matters under review.

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TRUSTEE'S REPORT (Continued) For the year ended 31 March 2009

FUND DOCUMENTATION

The Trustee amended the Trust Deed and Rules by Deed of Amendment dated 1 May 2008.

The Deed amended Rule 5.2A which now expressly allows the Trustee to calculate a debt on the buy-out basis where an event analogous to an insolvency event has occurred in any jurisdiction.

LEGISLATION

During the year, there have been the following developments within pensions which are relevant to the MNOFF.

1. The Pensions Regulator

The Regulator has issued guidance on a number of issues including:

- The Calculation of Transfer Values
Trustees are now responsible for deciding the basis on which transfer values are calculated. The Trustee has reviewed the transfer basis currently in force and confirmed that it is appropriate.
- Record-Keeping
This guidance is intended to help those responsible for record-keeping and administration to put in place good practices for checking that data exists and gives advice on assessing the risks of incomplete or inaccurate data. The Trustee has reviewed the records held in respect of the Old Section and a project to review New Section data is in progress.

2. The Pension Protection Fund ("PPF")

The PPF was set up in April 2005 to provide a degree of protection for members of defined benefit schemes should their employer become insolvent whilst the pension scheme is underfunded. It is financed by means of various levies, primarily a Scheme-based levy (based on the number of members in the scheme) and a Risk-based levy (based on the likelihood of the employers in the scheme becoming insolvent).

The PPF has issued a consultation paper on proposals to make the PPF levies paid by pension schemes more tailored to the individual risk posed by each scheme. As mentioned in previous reports, the MNOFF employers are jointly responsible for its liabilities and the PPF would only come into effect if the last remaining employer participating in the MNOFF became insolvent and the MNOFF at that time was underfunded.

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

3. The Pensions Act 2008

This Act covers the following key areas:

- Pension benefits accrued in defined benefit pension schemes in respect of service on or after 6 April 2009 will be revalued by the increase in the Retail Prices Index, capped at 2.5% per annum. For service prior to this date, the revaluation remains at the increase in the Retail Prices Index, capped at 5.0% per annum. This new statutory revaluation cap applies automatically to members of the MNOFF.

- The introduction of personal accounts from 2012 and the circumstances in which employers will be required to enrol their employees into such accounts. Members of the MNOFF who are contributing at that time will not need to be enrolled into personal accounts, but those employers with employees who are not active members of the MNOFF will need to enrol their employees into either a personal account or another qualifying scheme.

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued) For the year ended 31 March 2009

MEMBERSHIP

The movements in Fund membership during the year were as follows: -

	2008	2009
ACTIVES		
As previously stated	1,833	1,635
Adjustment	<u>(78)</u>	<u>(46)</u>
Restated	1,755	1,589
New Members	0	0
Pension Credit Members	0	10
Members retiring	(79)	(102)
Deaths in service	(2)	(9)
Other leavers	<u>(39)</u>	<u>(36)</u>
At the year end	<u>1,635</u>	<u>1,452</u>
PENSIONERS		
As previously stated	23,772	24,150
Adjustment	<u>(12)</u>	<u>77</u>
Restated	23,760	24,227
New pensioners (includes new dependants' pensions)	1,168	1,528
Pensions ceased	<u>(778)</u>	<u>(931)</u>
At the year end	<u>24,150</u>	<u>24,824</u>
DEFERREDS		
As previously stated	28,383	27,382
Adjustment	<u>(86)</u>	<u>(139)</u>
Restated	28,297	27,243
New leavers before pensionable age	49	37
Members ceasing to be deferred (transfers out, deaths, retirement, rejoiners)	(853)	(1,129)
Benefits forfeited	<u>(111)</u>	<u>(111)</u>
At the year end	<u>27,382</u>	<u>26,040</u>
TOTAL MEMBERSHIP at the year end	<u>53,167</u>	<u>52,316</u>

In respect of each Section, the membership as at 31 March 2009 was as follows:

	<u>New Section</u>	<u>Old Section</u>
Actives	1,452	-
Pensioners	14,182	22,274
Deferreds	<u>12,303</u>	<u>19,483</u>
	<u>27,937</u>	<u>41,757</u>

Notes to the Membership Statistics

1. Adjustments – These relate to members who retired or died in the previous accounting year but whose benefits were not settled until the current accounting year.
2. Pension Credit Members – These are benefits credited to ex-spouses of members who have been subject to pension sharing orders on divorce.

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

Members can have benefits in both Sections. Thus the total number of individual members in the Fund is less than the combined separate membership of the New Section and Old Section.

Forfeited Benefits

The Rules of the Fund permit the Trustee to treat benefits as forfeit in certain circumstances if a member's whereabouts is unknown, although the Rules also give the Trustee discretion to reinstate forfeited benefits if the member's whereabouts become known. The Trustee Board has established a policy on the forfeiture of benefits and has identified a further 111 members who are very unlikely to claim benefits now as during the year they have exceeded the upper age limit set under the forfeiture policy. The membership numbers have been reduced accordingly.

Overpaid Pensions

The Trustee has various mechanisms in place for establishing whether pensions are paid to the intended recipients.

During the year, the Trustee had reason to believe that there had been a small number of instances where pensions had continued to be paid for some time after the member had died. Further enquiries revealed that there appeared to have been two deliberate attempts to make false representations to the Trustee.

Pensions payable from the MNOFF cease on the death of the recipient or (in the case of dependant children), when they cease to meet the criteria for receiving dependant children's pensions.

All members and beneficiaries are asked to note that the Trustee will take action to recover benefits that have been overpaid as the result of false representation having been made. In almost all cases the Trustee will report the incident to the police which could lead to prosecution of individuals in fraudulent cases.

FUND ACCOUNT

The total value of the Fund at the end of the year was £2,659.2m (2008: £3,094.9m). This comprises New Section £1,546.6m (2008: £1,799.7m) and Old Section £1,112.6m (2008: £1,295.2m).

In the Old Section, benefits paid out plus expenses amounted to £98.8m (2008: £91m) and in the New Section £101.8m (2008: £115.1m).

Normal contributions, (calculated as a percentage of Pensionable Salary, from active members and employers) received in the New Section amounted to £12.2m (2008: £13.3m) reflecting the natural decline in contributing membership in a scheme closed to new entrants. Deficit contributions recognised in the year amounted to £50.1m (2008: £84.3m restated following the adoption of a new accounting policy).

Full details of the financial development of the Fund can be found in the audited financial statements, set out on pages 23 to 40 which have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

INVESTMENT REPORT

The Investment Committee supported by its professional advisers monitors and develops investment policy to target the Fund's main investment objectives, which remain:

- a) the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from members and employers, the cost of current and future benefits which the Fund provides; and
- b) to limit the risk of assets failing to meet the liabilities over the long term which includes the establishment of a Statement of Funding Principles for each Section of the Fund.

The Fund is required to establish a Statement of Funding Principles for each Section of the Fund and to include these in the Statement of Investment Principles, a copy of which may be found at www.mnopf.co.uk. The Statement of Investment Principles was reviewed in December 2008. The Investment Committee also reviews overall investment policy in light of changing circumstances to ensure compliance with the Pensions Act 1995 and 2004.

The Investment Portfolio

In October 2008 the Trustee appointed Watson Wyatt as Delegated Chief Investment Officer. It largely remains an investment advisory relationship, however, manager selection and de-selection decisions are delegated to Watson Wyatt. Specialist investment managers are appointed to be responsible for a proportion of the portfolio.

Most managers have full discretion over security selection, within the restrictions to holding investments in specific categories as referred to in Note 10 in the Notes to the Financial Statements.

Investment managers have been set targets and timeframes for monitoring purposes in relation to their investment portfolios. Investment managers are largely remunerated according to the market value of investments under their management.

Barclays Global Investors was appointed to manage a passive global equity mandate for the Old Section during October 2008.

Investment Performance

The investment performance of the Old and New Section is measured independently and externally by The WM company ("WM"). The Delegated Chief Investment Officer and Investment Committee monitor the performance of each specialist investment manager on a regular basis with reference to the appropriate time frames of each mandate.

WM compares the investment performance results of each Section against a specific benchmark, which reflects the asset allocation of each Section.

The Strategic Asset Allocations of Old Section and New Section are different reflecting the different liability profiles. Accordingly, the investment performance of the two Sections differed over the year.

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

In the year to March 2009, the Old Section, which is substantially invested in fixed income securities, had an investment return of -6.6%. The investment return of the New Section, which has a greater equity content, was -12.8%.

The annualised performance over the one and five year periods ended 31 March 2009 was below the benchmarks, as set out in the table below.

To 31 March 2009	1 Year (%)	5 years (% p.a. annualised)
Old Section		
Actual performance	-6.6	2.8
Benchmark	-1.3	4.2
New Section		
Actual performance	-12.8	4.5
Benchmark	-5.6	6.2

Over the year to 31 March 2009, the world economy was extremely strained, and global markets suffered severe declines. Liquidity and solvency issues led to a series of bailouts and defaults, and national governments and central banks intervened repeatedly in efforts to improve market liquidity. The impact of the financial crisis has been felt on a global scale, across developing and developed countries. Both equity and credit markets were severely impacted.

A result of the extreme volatility seen over 2008 was significantly wider deviation from benchmark performance for many investment managers than would be expected in more normal conditions. A proportion of the Fund is measured against inflation based or absolute return benchmarks and in periods when markets decline, the dispersion from benchmark returns can become very pronounced.

The Investment Committee took the decision to suspend its regular rebalancing programme, which protected the Fund somewhat by not mechanically buying equities in falling markets.

The Investment Year

There were considerable changes in equity markets over the year to 31 March 2009 due to the impact of the US sub-prime crisis on the economy. This led to significant pressure on the financial system and, combined with expectations of a global economic decline, caused a significant fall in equity prices. The World's financial markets suffered a sharp fall in value in September and October and extreme levels of volatility continued throughout the period. Over the 12 month period to 31 March 2009, global equities returned -20.4%, to a Sterling investor with the UK equity market returning -29.3% over the same period.

In credit markets, the perception of increased risk of default, lack of liquidity and the associated 'flight to quality' meant corporate credit spreads widened significantly. As a result, UK government bond valuations rose while corporate bond valuations fell. Index-

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TRUSTEE'S REPORT (Continued)

For the year ended 31 March 2009

linked gilt values fell in response to expectations of lower rates of inflation. The FTSE All Stocks Gilt Index, the Merrill Lynch Sterling Non-Gilts Index and FTSE Index-Linked Gilts Index generated returns of 10.3%, -5.9% and -1.3% respectively over the 12 month period.

Central banks continued to cut interest rates throughout the year to 31 March 2009 and provide liquidity to fight the economic slowdown. In the UK, interest rates were maintained at higher levels (relative to the US) early in the period in the face of inflationary pressures. However, the Bank of England lowered interest rates to historically low levels in an attempt to ease the pressure from the credit crunch on the financial system. Interest rates were lowered to 0.5% as at March 2009. The US base interest rate was 0.25%.

Property returns in the UK displayed record declines, with the IPD Monthly Property Index returning -25.5% over the year.

Private equity returns were weak over the year to 31 March 2009. Returns were hampered by significantly reduced availability of and more expensive leverage, a more challenging exit environment and a disappearance of recapitalisation as a liquidity tool.

Cash, Investment Administration and Custody

The management of cash and safe-keeping of documents and other evidence of title are separated from the investment management functions. With the exception of property deeds retained by the solicitors acting for Wilky Fund Management for legal purposes and documents of title for unquoted illiquid investments, documents and other evidence of ownership are held by the custodian under contract with the Fund. The responsibility of the specialist investment managers is therefore limited to the selection of securities.

A treasury management function is performed by the Executive consolidating and investing available cash resources on a daily basis for the benefit of the Fund.

Employer-related Investment

As a result of investment decisions made by the investment managers, the Fund holds investments in a number of organisations that are, or related to, participating employers in the Fund. Details of these investments are shown in Note 14 to the accounts.

As an industry-wide scheme, the Fund is restricted (on the basis of Regulations made under Section 40 of the Pensions Act 1995) to a limit of 20% of the Fund value in employer-related investments, with a limit of 5% in relation to any single employer. During the year, the Fund did not exceed those limits.

MERCHANT NAVY OFFICERS PENSION FUND

TRUSTEE'S REPORT (Continued) **For the year ended 31 March 2009**

STAFF

The Trustee is supported by a small, directly employed team, led by Chief Executive Andrew Waring, which gives a dedicated high level of assistance to the Trustee in dealing with the many challenges facing pension funds in general and the MNOF in particular. The period covered by this report again required much work relating to the continuing collection of employer deficit contributions, changes to investment management arrangements, dealing with many alterations of laws and regulations and the continuation of the Strategic Review of the Fund. The team continues to provide assistance to the Trustee in ensuring that the MNOF continues to operate in the best interests of all involved. The pensions administration work of the Fund is undertaken by MNPA Limited and continues to be of a high standard.

The Trustee takes this opportunity to thank both the MNOF Team and MNPA for the work undertaken for the Fund.

For and on behalf of the Board

P G McEwen
Chairman

Date: 26 June 2009

MERCHANT NAVY OFFICERS PENSION FUND

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised May 2007).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Fund in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable to the Fund by or on behalf of the employers and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for monitoring whether contributions are made to the Fund by the employers in accordance with the schedule of contributions, the Fund rules and recommendations of the Actuary. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to the Trustee to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

MERCHANT NAVY OFFICERS PENSION FUND

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF MERCHANT NAVY OFFICERS PENSION FUND

We have audited the financial statements of Merchant Navy Officers' Pension Fund for the year ended 31 March 2009 which comprise the Fund account, net assets statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustee, as a body, in accordance with regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

The Trustee's responsibilities for obtaining audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

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 show a true and fair view in accordance with the relevant financial reporting framework and contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the other information presented with the financial statements and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

MERCHANT NAVY OFFICERS PENSION FUND

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF
MERCHANT NAVY OFFICERS PENSION FUND (Continued)**

Basis of audit opinion (continued)

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 the information in the financial statements.

Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Fund during the year ended 31 March 2009 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the Fund year end; and
- the financial statements contain the information specified in regulation 3 and the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

Date:

MERCHANT NAVY OFFICERS PENSION FUND

FUND ACCOUNT

For the year ended 31 March 2009

	Note	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	Restated (Note 15) 2008 Total £m
Contributions and benefits					
Contributions receivable	4	-	62.5	62.5	97.9
Transfers in	5	-	0.2	0.2	0.2
		<hr/>	<hr/>	<hr/>	<hr/>
		-	62.7	62.7	98.1
		<hr/>	<hr/>	<hr/>	<hr/>
Benefits payable	6	94.0	97.8	191.8	171.1
Payments in respect of leavers	7	0.7	1.5	2.2	4.7
Administrative and other expenses	8	4.1	2.5	6.6	30.3
		<hr/>	<hr/>	<hr/>	<hr/>
		98.8	101.8	200.6	206.1
		<hr/>	<hr/>	<hr/>	<hr/>
Net withdrawals from dealings with members		(98.8)	(39.1)	(137.9)	(108.0)
Returns on investments					
Investment income	9	53.8	42.8	96.6	107.2
Change in market value of investments	10	(134.6)	(246.9)	(381.5)	(161.6)
Investment management expenses		(3.0)	(9.9)	(12.9)	(16.6)
		<hr/>	<hr/>	<hr/>	<hr/>
Net returns on investments		(83.8)	(214.0)	(297.8)	(71.0)
		<hr/>	<hr/>	<hr/>	<hr/>
Net decrease in the Fund during the year		(182.6)	(253.1)	(435.7)	(179.0)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets of the Fund at beginning of the year		1,295.2	1,799.7	3,094.9	3,273.9
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets of the Fund at end of the year		1,112.6	1,546.6	2,659.2	3,094.9
		<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 25 to 40 form an integral part of these financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

NET ASSETS STATEMENT

As at 31 March 2009

	Note	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	Restated (Note 15) 2008 Total £m
Investment assets	10	1,132.1	1,561.5	2,693.6	3,117.4
Investment liabilities	10	(10.4)	(32.9)	(43.3)	(24.0)
		<hr/>	<hr/>	<hr/>	<hr/>
		1,121.7	1,528.6	2,650.3	3,093.4
Current assets	11	1.3	32.8	34.1	24.4
Current liabilities	12	(10.4)	(14.8)	(25.2)	(22.9)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets of the Fund at end of year		1,112.6	1,546.6	2,659.2	3,094.9
		<hr/>	<hr/>	<hr/>	<hr/>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statements by the Actuary on pages 44 and 48 of the annual report and these financial statements should be read in conjunction with it.

Approved by the Trustee on

Signed on behalf of the Trustee:

P G McEwen
Chairman

W D Everard
Vice Chairman

The notes on pages 25 to 40 form an integral part of these financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, 'Financial Reports of Pension Schemes' (revised May 2007) (the new SORP).

2. Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include investments at market value. The principal accounting policies, all of which have been applied consistently throughout the year and the restated preceding year comparatives to reflect the changes in accounting policies following the new SORP adoption, are as follows:

(a) Contributions

Members' and employers' normal contributions are recognised on an accruals basis. Deficit contributions are recognised based on when the amounts fall due. Previously, deficit contributions were recognised when determined by the actuary and notified to the Employers by the Trustee; notwithstanding, certain of the contributions were then payable on an instalments basis. Deficit contributions paid by instalments are now recognised as they fall due. The impact of this policy change is shown in note 15. This represents a change in accounting policy to comply with the requirements of the new SORP. Specific provision is made for amounts falling due but unpaid if amounts are assessed as irrecoverable.

(b) Benefits payable

Benefits payable, with the exception of transfers to other schemes, are taken into account in respect of valid claims notified before the year end. Transfers to other schemes are accounted for on a cash basis.

(c) Investment income

Investment income is recognised as follows:

Dividend income from equity shares is recognised when the Fund becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Income from fixed interest securities and cash deposits is recognised on an accruals basis.

Net rents receivable are accrued to the year end and are shown net of property outgoings, other than management fees.

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

(d) Unrealised Profits and Losses

Realised and unrealised gains and losses on investments, and income receivable, are dealt with in the accounts in the year in which they arise.

(e) Taxation

The Fund is registered under the Finance Act 2004. The Fund is exempt from certain forms of UK Income and Capital Gains tax.

(f) Investments

Quoted equity and fixed income securities, certificates of deposit and financial options for which there are active secondary markets have been recorded at bid market prices or last traded prices (depending upon market convention) at the year end date as advised by pricing vendors who are independent of the appointed fund managers.

For the purpose of presentation, quoted securities include those listed or traded on a recognised investment exchange and, in respect of fixed income, also include those securities where there is a secondary over-the-counter ("OTC") market where prices are readily available from a dealer, industry group, pricing service or regulatory agency.

The properties have been valued by an independent surveyor, CB Richard Ellis, as at 31 March 2009 on an open market basis in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

The valuation of AVC investments is provided by Equitable Life Assurance Society. These are valued on a bid price basis.

Exchange traded financial future and option contracts are included at their fair market value which is the unrealised profit or loss at the current bid or offer market quoted price of the contract as determined by the closing exchange prices as at year end. OTC swap contracts which include interest rate and credit default swaps are included at the Trustee's estimate of fair value based upon pricing models and market data input where available.

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

Unitised pooled fund investments such as unit linked insurance policies and unit trust holdings are valued at the respective managers' bid or single price. Other unquoted securities, including other pooled investment vehicles and investments in hedge funds, are included at prices provided by the third party pricing vendors where there is a traded market and at the Trustee's estimate of market value where there is not a traded market, based on the valuation provided by the fund managers.

Investments in private equity reflect the valuations provided by the respective fund managers at the year end date and have been accepted by the Trustee as a fair estimate of market value as traded prices are not available. Managers normally carry unquoted holdings at cost for at least one year, unless written down based upon evidence of impairment. For subsequent periods they are valued at a level which reflects the last transaction based on adjusted earnings multiples for comparable quoted companies.

The impact on prior year reported valuations of moving from mid to bid prices in order to comply with the new SORP is not considered material in the context of the financial statements as a whole, and so prior year comparatives have not been restated for this change in policy. Prior year comparatives have however been restated to reflect the grossing up of investment assets and liabilities reported in the Net Assets statement and to provide further disclosure in respect of derivatives.

(g) Foreign currency

Foreign currency transactions are translated into sterling at the rate prevailing on the date of the transaction.

The market value of investments and other assets held in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising on the translation of investments are included in changes in market value.

Forward currency contracts, open at the year end, are valued at that date at the relevant forward rates and any unrealised gains or losses are recognised in the accounts. Such contracts are entered into by the investment managers in the normal course of their investment activities.

Gains and losses on foreign currency contracts taken out specifically to hedge certain overseas investment holdings are included in 'change in market value of investments' in the Fund account.

3. The Sections of the Fund

The Fund is made up of two sections. The pre-1978 section or "Old Section" covers periods of service up to 5 April 1978. The post-1978 section or "New Section" was established following the Social Security Pensions Act 1975 to qualify for contracting out of the second tier of the State Scheme; it commenced on 6 April 1978 for periods of service from that date.

Dealings with members are accounted for and disclosed separately between the pre-1978 and post-1978 sections in the financial statements.

Separate accounts are maintained for investments between the pre-1978 and post-1978 sections and the investments of the Fund are disclosed separately between the two sections in the financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

4. Contributions receivable

During the year 47 (2008: 82) payments (out of a total of approximately 1,445 payments in the year) of normal contributions totalling £114,283 (2008: £248,925) for employees and £186,298 (2008: £403,931) for employers were paid later than the due date set out in the Schedule of Contributions (in nearly all cases, no more than a few days late). As stated in the Trustee's Report these late contributions are received from only a small number of employers.

The deficit in the New Section as at 30 September 2005 relating to the 31 March 2003 actuarial valuation by reference to which deficit contributions were calculated was £234.2m. The deficit as at 30 September 2007 relating to the 31 March 2006 actuarial valuation by reference to which deficit contributions were calculated was £164.6m. Some New Section participating employers were requested to pay their share of the deficit contributions as a lump sum amount on 30 September 2005 and 30 September 2007 respectively. Other employers were offered the option of paying by annual instalments over a period to 2014. For these employers, interest is also included in the balance of instalment contributions.

As noted above, the accounting policy adopted to comply with the new SORP has been changed such that deficit contributions payable by instalments are now recognised when they fall due. Of the instalments falling due in the year, £2.9m were not paid by the due date although most of this was paid within a few days of the due date. At the year end, £2.7m remained outstanding of which all but £114k has subsequently been paid.

Debts on employers have also arisen in the following circumstances:

- (a) Where an employer has suffered an insolvency event the Trustee has power under Rule 5.2A of the Trust Deed & Rules to claim a debt calculated on the deficiency in the Scheme determined with reference to the cost of purchasing annuities or deferred annuities. Amounts due in respect of such claims are recognised to the extent deemed recoverable on the due date for payment specified in the demand for payment.
- (b) Where an employer has incurred a statutory debt under Section 75 of the Pensions Act 1995, such amounts are recognised when determined, which is when they have been calculated and certified by the actuary and the actuarial certificate served on the employer. Amounts due in respect of such debts are recognised to the extent deemed recoverable. Four employers have incurred a Section 75 debt but the debt has not yet been certified. In five cases the debt has been certified (totalling £9.9m) but not yet claimed in full from the employer pending discussions on withdrawal arrangements.

Rule 5.2A and Section 75 debts, net of provisions, of £8.4m are outstanding at year end.

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

4. Contributions receivable (continued)

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	Restated (Note 15) 2008 Total £m
Employers - normal	-	7.6	7.6	8.3
Employers deficit contributions	-	50.1	50.1	84.3
Members - normal	-	4.6	4.6	5.0
- additional voluntary contributions	-	0.2	0.2	0.3
	-	62.5	62.5	97.9

In accordance with the new SORP deficit contributions are recognised when they fall due. The impact of this change in accounting policy is disclosed in note 15. Deficit contributions of £50.1m recognised in the year to 31 March 2009 include £1.2m for statutory debts under Section 75 of the Pensions Act 1995 and £7.2m in respect of debt calculated on a buy-out basis under Rule 5.2A of the Trust Deed and Rules.

5. Transfers in

Individual transfers in from other schemes	-	0.2	0.2	0.2
	-	0.2	0.2	0.2

6. Benefits payable

Pensions	76.1	82.8	158.9	153.9
Lump sum retirement benefits	15.4	13.0	28.4	16.2
Lump sum death benefits	2.5	2.0	4.5	1.0
	94.0	97.8	191.8	171.1

7. Payments in respect of leavers

Individual transfers to other schemes	0.7	1.5	2.2	4.7
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MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	2008 Total £m
8. Administrative and other expenses				
Administration and processing	1.8	2.0	3.8	3.6
Actuarial fees	0.2	0.3	0.5	0.3
Legal, other professional fees and Strategic Review	1.9	1.9	3.8	1.7
Other expenses	0.2	(1.7)	(1.5)	24.7
	4.1	2.5	6.6	30.3
	4.1	2.5	6.6	30.3

Other expenses include a net release of £3.4m (2008: - net charge of £22.5m) in respect of provisioning against deficit contributions receivable.

9. Investment income

Income from fixed interest securities	42.7	11.0	53.7	62.8
Dividends from equities	3.5	22.5	26.0	24.1
Income from pooled investment vehicles	-	0.5	0.5	-
Net rents from properties	7.3	8.8	16.1	16.2
Stocklending fees and Interest on cash deposits	0.8	1.5	2.3	5.9
Income from derivatives	(0.2)	-	(0.2)	-
	54.1	44.3	98.4	109.0
Irrecoverable taxation	(0.3)	(1.5)	(1.8)	(1.8)
	53.8	42.8	96.6	107.2
	53.8	42.8	96.6	107.2

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2009

10. Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

In 2008, derivative contracts were included within the year end valuations for fixed interest securities, equities and pooled investment vehicles. Under the revised SORP, it is a requirement for derivative contracts to be disclosed separately. In doing so, the opening valuations for fixed interest securities, equities and pooled investment vehicles have been restated by the value of derivative contracts included within their valuation last year.

Reconciliation of total investments held at the beginning and the end of the year:

	Restated Value at 31/03/08 (Note 15) £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31/03/09 £m
Fixed interest securities	885.9	186.0	(194.1)	(111.3)	766.5
Equities	893.3	444.2	(511.3)	(222.6)	603.6
Index-linked securities	1.8	-	(1.6)	(0.2)	-
Pooled investment vehicles	973.9	184.6	(231.0)	126.8	1,054.3
Derivatives					
- Swaps	(1.0)	3.5	(6.0)	3.6	0.1
- Futures	(0.3)	5.3	(6.9)	2.8	0.9
- Options	0.1	14.6	(17.0)	2.3	-
- Forward foreign exchange	(13.5)	103.0	(2.9)	(118.1)	(31.5)
Properties	255.2	0.2	(4.1)	(65.3)	186.0
AVC investments	3.2	0.2	(0.4)	(0.3)	2.7
	2,998.6	941.6	(975.3)	(382.3)	2,582.6
Cash deposits and outstanding dividend and interest entitlements	94.8			0.8	67.7
	<u>3,093.4</u>			<u>(381.5)</u>	<u>2,650.3</u>

The table above includes the total valuation of investments attributable to both the pre-1978 and post-1978 Sections. The total valuations have been split between these two Sections within Notes 10.1 and 10.2 below:

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2009

10.1 Pre-1978 Section

	Restated Value at 31/03/08 (Note 15) £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31/03/09 £m
Fixed interest securities	707.4	160.3	(158.3)	(81.8)	627.6
Equities	141.8	74.9	(128.0)	(30.5)	58.2
Index-linked securities	1.8	-	(1.6)	(0.2)	-
Pooled investment vehicles	300.7	41.6	(37.5)	16.0	320.8
Derivatives					
- Swaps	(0.8)	2.9	(5.3)	3.3	0.1
- Futures	(0.3)	4.5	(5.6)	2.1	0.7
- Options	0.1	11.3	(13.1)	1.7	0.0
- Forward Foreign Exchange	(3.1)	16.6	(0.5)	(16.3)	(3.3)
Properties	114.9	0.1	(1.9)	(29.4)	83.7
	1,262.5	312.2	(351.8)	(135.1)	1,087.8
Cash deposits and outstanding dividend and interest entitlements	38.5			0.5	33.9
	1,301.0			134.6	1,121.7

10.2 Post-1978 Section

	Restated 31/03/08 (Note 15) £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31/03/09 £m
Fixed interest securities	178.5	25.7	(35.8)	(29.5)	138.9
Equities	751.5	369.3	(383.3)	(192.1)	545.4
Pooled investment vehicles	673.2	143.0	(193.5)	110.8	733.5
Derivatives					
- Swaps	(0.2)	0.6	(0.7)	0.3	0.0
- Futures	0.0	0.8	(1.3)	0.7	0.2
- Options	0.0	3.3	(3.9)	0.6	0.0
- Forward Foreign Exchange	(10.4)	86.4	(2.4)	(101.8)	(28.2)
Properties	140.3	0.1	(2.2)	(35.9)	102.3
AVC investments	3.2	0.2	(0.4)	(0.3)	2.7
	1,736.1	629.4	(623.5)	(247.2)	1,494.8
Cash deposits and outstanding dividend and interest entitlements	56.3			0.3	33.8
	1,792.4			(246.9)	1,528.6

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

Included within the above purchases and sales figures are transaction costs of £294,745. (Old Section £45,491; New Section £249,254). Costs are also borne by the Fund in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Details of investments held at year end:

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	Restated (Note 15) 2008 Total £m
10.3 Fixed interest securities				
UK quoted	604.0	136.4	740.4	853.7
UK unquoted	0.3	0.3	0.6	-
Overseas quoted	23.3	2.2	25.5	32.2
	<u>627.6</u>	<u>138.9</u>	<u>766.5</u>	<u>885.9</u>
10.4 Equities				
UK quoted	14.7	122.2	136.9	199.9
UK unquoted	2.4	2.4	4.8	4.8
Overseas quoted	41.1	420.8	461.9	688.6
	<u>58.2</u>	<u>545.4</u>	<u>603.6</u>	<u>893.3</u>
10.5 Index-linked securities				
UK quoted	-	-	-	1.8
10.6 Pooled Investment Vehicles				
UK Managed Funds	223.3	433.5	656.8	582.2
Overseas Managed Funds	97.5	300.0	397.5	391.7
	<u>320.8</u>	<u>733.5</u>	<u>1,054.3</u>	<u>973.9</u>
The following holdings exceed 5% of the net assets of the Fund: Goldman Sachs Fixed Income Fund £144.7m BGI – LDI – 2010 – 2014 Fund £143.4m				
10.7 Derivative Assets				
Swaps	3.2	-	3.2	0.5
Futures	0.8	0.2	1.0	0.6
Options	-	-	-	0.6
Forward foreign exchange	3.9	4.7	8.6	7.6
	<u>7.9</u>	<u>4.9</u>	<u>12.8</u>	<u>9.3</u>

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

10.8 Property

The Fund was invested in the following types of property:

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	2008 Total £m
Office	31.4	38.3	69.7	100.6
Retail	28.9	35.4	64.3	81.9
Industrial	23.4	28.6	52.0	72.7
	<u>83.7</u>	<u>102.3</u>	<u>186.0</u>	<u>255.2</u>

In the valuation report, the valuer noted that the current volatility in the global financial system has created a significant degree of turbulence on commercial real estate movements across the world. Furthermore, the lack of liquidity in capital markets means that it may be difficult to achieve a sale of property assets in the short term. Accordingly, the valuer recommended that the situation and the valuations be kept under regular review.

10.9 Deposits and other investment balances

Cash	14.1	25.8	39.9	67.0
Outstanding dividends and interest	19.8	8.0	27.8	27.8
	<u>33.9</u>	<u>33.8</u>	<u>67.7</u>	<u>94.8</u>

Included within cash balances are £1,570k in respect of initial margins arising on open futures contracts at the year end.

10.10 Derivative Liabilities

Swaps	(3.1)	-	(3.1)	(1.5)
Futures	(0.1)	-	(0.1)	(0.9)
Options	-	-	-	(0.5)
Forward foreign exchange	<u>(7.2)</u>	<u>(32.9)</u>	<u>(40.1)</u>	<u>(21.1)</u>
	<u>(10.4)</u>	<u>(32.9)</u>	<u>(43.3)</u>	<u>(24.0)</u>

10.11 Derivative contracts

Objectives and policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Fund.

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

Within the fixed income investment managers' mandates derivative instruments are used for efficient portfolio management. The instruments, which include exchange traded options and futures and interest rate swaps, are used for duration and yield curve management with the benefit of reducing the need to disrupt the underlying portfolio of securities. Furthermore, foreign exchange forward contracts are used to manage currency exposure whilst credit default swaps are used to manage exposure to specific issuers in a more efficient manner than achievable through physical trading.

Please note that the following breakdown of individual contracts in note 10.11 are presented in £000's whereas all other amounts in these accounts are reported in £m.

Swaps - the Fund had swap contracts outstanding at the year end relating to its fixed interest investment portfolio. These swap contracts are traded over the counter. The details are:

Nature	Description	Nominal currency amount	Duration	Pre-1978 Section Asset £000s	Pre-1978 Section Liability £000s	Post-1978 Section Asset £000s	Post-1978 Section Liability £000s
Swaps UK	Fixed for	17,480,000	10 – 14 yrs	1,161	(73)	22	-
	Floating	12,630,000	15 – 19 yrs	1,230	(81)	-	-
	Interest Rate	1,370,000	20 yrs +	133	-	9	-
Swaps Euro	Fixed for	15,130,000	5 – 9 yrs	429	(1,092)	-	-
	Floating Interest Rate	1,840,000	10 – 14 yrs	66	(186)	-	-
Swaps Euro	Credit Default	3,310,000	3 – 15 mths	-	(203)	-	(62)
Swaps USA	Fixed for	10,240,000	5 – 9 yrs	99	(1,161)	-	-
	Floating Interest Rate	2,350,000	15 – 19 yrs	36	(238)	-	-
				3,154	(3,034)	31	(62)

Under the OTC interest rate swaps, the Fund had deposited £130k of cash collateral and the counterparties had deposited £154k of stock collateral at year end.

Futures - the Fund had exchange traded stock index futures outstanding at the year end relating to its Fixed Interest portfolios as follows:

Nature	Description	Nominal currency amount	Duration	Pre-1978 Section Asset £000s	Pre-1978 Section Liability £000s	Post-1978 Section Asset £000s	Post-1978 Section Liability £000s
Futures UK	UK Long Gilt Future (LIF)	40,902,400	3 months	771	-	203	-
Futures Euro	Euro-Bobl Future (EUX)	9,908,025	3 months	-	(10)	-	(3)
Futures USA	US 10 Yr Treas NTS Future	(4,094,577)	3 months	34	(108)	10	-
				805	(118)	213	(3)

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

Options - the Fund had exchange traded option contracts outstanding at the year end relating to its Fixed Interest portfolios as follows:

Nature	Description	Nominal currency amount	Duration	Pre-1978 Section Asset £000s	Pre-1978 Section Liability £000s	Post-1978 Section Asset £000s	Post-1978 Section Liability £000s
UK CALL	90 Day Sterling LIBOR FUT (LIF)	1,569,838	3 months	19	-	6	-
UK CALL	90 Day Sterling LIBOR FUT	3,182,813	6 months	10	-	3	-
Euro PUT	Euro-Bobl Future (EUX)	212,500	1 month	-	(2)	-	-
USA CALL	US 10 Yr Treas NTS Future	1,093,800	1 month	6	-	2	-
USA PUT	US 10 Yr Treas NTS (CBT)	900,096	1 month	5	-	1	-
				40	(2)	12	-

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

Forward foreign exchange (FX) – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments.

The Fund had open Forward FX contracts at the year end as follows:

Currency bought	Currency sold	Nominal currency bought	Notional currency sold	Pre-1978 Section Asset £000s	Pre-1978 Section Liability £000s	Post-1978 Section Asset £000s	Post-1978 Section Liability £000s
GBP	AUD	1,769	3,907	-	(1)	-	(114)
GBP	CAD	7,127	13,300	-	(32)	-	(225)
GBP	CHF	2,348	3,881	-	-	-	(36)
CHF	GBP	1,395	877	-	-	-	(20)
GBP	EUR	49,506	56,241	1	(837)	-	(1,747)
EUR	GBP	18,353	16,918	115	(27)	-	(8)
GBP	JPY	74,173	12,017,830	2,023	(1,676)	751	(11,914)
JPY	GBP	7,474,000	54,320	111	(1,726)	791	(678)
GBP	SEK	8,506	98,400	161	(4)	47	(1)
SEK	GBP	98,400	8,528	-	(174)	-	(52)
GBP	USD	332,526	501,922	930	(2,499)	1,777	(17,732)
USD	GBP	134,865	92,849	540	(239)	1,306	(381)
				3,881	(7,215)	4,672	(32,908)

10.12 AVC investments

The Trustee holds assets invested separately from the main Fund in the form of individual accounts securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to the year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments were as follows:

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	2008 Total £m
Equitable Life Assurance Society				
With profits fund	-	0.9	0.9	1.0
Unit linked fund	-	1.6	1.6	2.0
Building society fund	-	0.2	0.2	0.2
	-	2.7	2.7	3.2

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

10.13 Securities Lending

The Trustee operated a collateralised stock lending programme via its global custodian and received income after fees of £0.3m during the year. At year end an amount of £0.9m assets were out on loan comprising entirely of Overseas Equities. The Fund held approximately £0.9m in collateral.

	2009 Pre-1978 £m	2009 Post-1978 £m	2009 Total £m	Note 15 Restated 2008 Total £m
11. Current assets				
Normal Contributions due	-	0.9	0.9	0.6
Deficit Contributions due	-	20.8	20.8	10.5
Other debtors	0.6	0.1	0.7	0.7
Cash balances	0.7	11.0	11.7	12.6
	1.3	32.8	34.1	24.4

Deficit contributions due at 31 March 2009 are net of doubtful debts provisions of £20.2m.

Included in the normal contributions due above is £12,069 that was not received within the timeframe specified by the Schedule of Contributions.

Included in deficit contributions above are amounts totalling £12.4m after provisions that have not been received by the due date, of which £2.7m relates to instalment contributions due in the year and outstanding at year end. In addition Rule 5.2A and Section 75 net debtors arising during the year of £8.4m which also remain outstanding.

12. Current liabilities

Unpaid benefits	(6.7)	(6.1)	(12.8)	(8.0)
Other creditors	(3.7)	(8.7)	(12.4)	(14.9)
	(10.4)	(14.8)	(25.2)	(22.9)

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

13. Related party transactions

Under Financial Reporting Standard 8, Related Party Disclosures ("FRS 8"), the Trustee is deemed to be a related party of the Fund. Included in administrative expenses are payments of £61,992 (2008: £33,861) made to the Trustee for fees and expenses relating to the exercise of its duties during the year. Certain Board members have an interest as either a deferred, active or pensioner member of the Fund.

MNPA Limited is a wholly owned subsidiary of MNOPF Trustees Ltd. The value of the Fund's equity holding at 31 March 2009 is £4,817,600. The Fund also has a loan due from MNPA of £605,000. The transactions with MNPA Limited during the year were:

Fees paid to MNPA Limited for administration services	£2.4m
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The Fund has taken advantage of the exemption within FRS 2 from preparing consolidated accounts on the grounds of immateriality.

14. Employer-related investments

At the year end the market values of direct investments held by the Fund in companies known to be, or which have subsidiary interests which are known to be, participating employers were as follows:

	2009		2008	
	£m	%	£m	%
Alcatel Alsthom Cie Generale D'Electricite SA	0.2	- *	0.3	- *
Anglo American PLC	0.5	- *	1.0	- *
BP PLC	5.8	0.2	8.3	0.2
Cable & Wireless PLC	0.6	- *	0.5	- *
Carnival PLC	1.2	- *	0.4	- *
Cemex S.A.B de C.V.	3.7	0.1	7.0	0.2
Diageo PLC	0.6	- *	0.7	- *
Exxon Mobil Corporation	1.9	0.1	-	-
Fyffes PLC	-	- *	0.1	- *
TUI Travel PLC	-	-	0.5	- *
Macquarie Group Ltd	5.1	0.2	-	-
Saipem International BV	0.6	- *	-	-
Royal Dutch Shell PLC	3.5	0.1	4.3	0.1
Smiths Group PLC	0.4	- *	0.2	- *
Unilever PLC	4.1	0.2	-	-
	28.2	0.9	23.3	0.5

* less than 0.05%

MERCHANT NAVY OFFICERS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

15. Restated 2008 comparatives

The Fund has complied with the new SORP 2007 in relation to the accounting treatment of the deficit contributions and the valuation and disclosure of investments.

No adjustment has been made in respect of prior year comparatives to reflect the movement to bid pricing as the impact of this change is not material.

In previous years, full allowance was made for all contributions already invoiced, even though the date for payment of some of those contributions is in future years. This arises because a number of employers were permitted to meet their deficit contributions by annual instalments over the period to 2014. The revised SORP requires that only those contributions due to date are taken into account. As the basis of accounting for contributions has changed, then for the purposes of comparison with last year, it has been necessary to re-state the previous year's accounts. This has no impact on the recognition in the accounts of normal contributions.

The effect of this prior year restatement has been to reduce previously reported net assets at 1 April 2007 by £107.5m, reduce previously reported net assets at 31 March 2008 by £199.5m and reduce deficit contributions and related interest recognised in the year to 31 March 2008 by £92m.

MERCHANT NAVY OFFICERS PENSION FUND

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF MERCHANT NAVY OFFICERS PENSION FUND

We have examined the summary of contributions to the Merchant Navy Officers' Pension Fund for the year ended 31 March 2009 to which this statement is attached.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

As described in the statement of Trustee's responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those material breaches of the schedules of contributions which come to our attention in the course of our work.

MERCHANT NAVY OFFICERS PENSION FUND

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF MERCHANT NAVY OFFICERS PENSION FUND (Continued)

Qualified Statement about Contributions

As explained in note 4 to the financial statements, £300,581 of normal contribution payments and £11.3m of deficit contribution payments were not received by the due date required by the Trustee under the schedules of contributions certified by the Actuary on 12 June 2007.

Except for the late payments referred to above, in our opinion contributions for the Fund year ended 31 March 2009 as reported in the summary of contributions have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the actuary on 12 June 2007.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date:

MERCHANT NAVY OFFICERS PENSION FUND

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

During the year ended 31 March 2009 the contributions payable to the Fund by the employer were as follows:

	2009 £m
Employers' normal contributions	7.6
Members' normal contributions	4.6
Members' additional voluntary contributions	0.2
Employer Deficit Contributions	50.1
Total contributions payable under the schedules of contributions certified by the actuary on 12 June 2007 and included in the financial statements	<hr/> 62.5 <hr/>

During the year £114,283 of Members' normal contributions, £186,298 of Employers' normal contributions and £11.3m of employers deficit contributions were not received by the due date required by the Trustee under the schedules of contributions. See note 4 of the Financial Statements.

Approved by the Trustee on and signed on their behalf by:

.....

Trustee Director

MERCHANT NAVY OFFICERS PENSION FUND

Actuary's certification of schedule of contributions

Merchant Navy Officers Pension Fund – Old Section

1. Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

2. Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 27 March 2007.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature:

Date:

Name: C P Burbidge

Qualification: Fellow of the Institute of Actuaries

Watson Wyatt Limited
21 Tothill Street
London
SW1H 9LL

MERCHANT NAVY OFFICERS PENSION FUND

Schedule of contributions

Merchant Navy Officers Pension Fund – Old Section

Schedule of Contributions following the 2006 valuation

This schedule specifies rates and due dates of Employer and employee contributions to the Fund, for five years from the date this schedule is certified by the Scheme Actuary. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews.

1. Contributions payable:

	Contribution Rate
Employers	Nil
Active Members	Nil

2. Other Employer contributions

In addition to the contributions shown above, the Employers shall pay the following:

- a) Additional contributions as may be required under the Definitive Trust Deed and Rules in specific circumstances, for example to cover augmentations. The amounts of such contributions to be advised by the Scheme Actuary, and due dates to be agreed by the Trustee.
- b) Such other contributions as may be agreed by the Trustee and the Employers from time to time.

Date of schedule: 12 June 2007

Agreed on behalf of the Trustee

Name: Peter McEwen

Position: Chairman

MERCHANT NAVY OFFICERS PENSION FUND

Merchant Navy Officers Pension Fund – New Section

Schedule of Contributions following the 2006 valuation

This schedule specifies rates and due dates of Employer and employee contributions to the Fund, from the date this schedule is certified by the Scheme Actuary to 30 September 2014. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews.

1. Regular contributions from 1 April 2007 to 30 September 2014

	Contribution Rate
Employers	11.9% of post 2000 Pensionable Salaries
Active Members	7.3% of post 2000 Pensionable Salaries

Active members may make Additional Voluntary Contributions in addition to the above contributions.

The above contributions will be paid to the Fund no later than 19 days after the end of the calendar month to which the contributions relate.

In addition, the employers will pay deficiency contributions with a total present value of £164.6 million as at 30 September 2007, over the period to 30 September 2014.

2. Other Employer contributions

In addition to the contributions shown above, the Employers shall pay the following:

- a) Additional contributions as may be required under the Definitive Trust Deed and Rules in specific circumstances, for example to cover augmentations. The amounts of such contributions to be advised by the Scheme Actuary, and due dates to be agreed by the Trustee.
- d) Such other contributions as may be agreed by the Trustee and the Employers from time to time.

Date of schedule:

Agreed on behalf of the Trustee

Name

Signed

Position

Date

MERCHANT NAVY OFFICERS PENSION FUND

Actuary's certification of schedule of contributions

Merchant Navy Officers Pension Fund – New Section

1. Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met at the end of the period for which the schedule is to be in force.

2. Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 27 March 2007.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature:

Date:

Name: C P Burbidge

Qualification: Fellow of the Institute of Actuaries

Watson Wyatt Limited
21 Tothill Street
London
SW1H 9LL

Actuarial certification for the purposes of Regulation 7(4)(a) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005

**Name of Scheme: Merchant Navy Officers Pension Fund
Pre-1978 Section (Old Section)**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's Technical Provisions as at 31 March 2006 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Pension Fund and set out in the Statement of Funding Principles dated 27 March 2007.

**C P Burbidge
Fellow of the Institute of Actuaries
Watson Wyatt Limited**

**21 Tothill Street
London
SW1H 9LL**

June 2007

MERCHANT NAVY OFFICERS PENSION FUND

Actuarial certification for the purposes of Regulation 7(4)(a) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005

**Name of Scheme: Merchant Navy Officers Pension Fund
Post-1978 Section (New Section)**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's Technical Provisions as at 31 March 2006 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Pension Fund and set out in the Statement of Funding Principles dated 27 March 2007.

**C P Burbidge
Fellow of the Institute of Actuaries
Watson Wyatt Limited**

**21 Tothill Street
London
SW1A 9LL**

June 2007