



The FTSE 100 and their pension disclosures
A Quarterly Report from Pension Capital Strategies
January 2009

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Securities



PENSION CAPITAL STRATEGIES
Innovative Alternatives

Executive Summary

- The total surplus in FTSE 100 pension schemes at 31 December 2008 is estimated to be £12 billion. This is an improvement of £20 billion on the position 12 months ago. However, although reported pension funding positions have improved, this is largely due to a quirk in the accounting rules, as significant asset losses in pension schemes have been matched by reductions in the accounting value of pension liabilities.
- There has been a noticeable growth in the number of FTSE 100 companies where the pension scheme now represents a material risk to the business. 13 FTSE 100 companies have total pension liabilities greater than their equity market value. For British Airways, Invensys, BT, Lloyds TSB and HBOS (now the Lloyds Banking Group), total pension liabilities are more than double their equity market value. Since 31 December, both Royal Bank of Scotland and Barclays have also seen the significance of the relative size of their pension liabilities grow considerably. The importance of this was highlighted by a recent warning from Moody's on the impact of pension liabilities on credit ratings.
- There is significant evidence emerging of moves in the last year to reduce the mismatching of assets to liabilities. 12 FTSE 100 companies increased their bond allocations by more than 10%, with Rolls-Royce alone switching more than £3 billion into bonds.
- Companies continued to offload pension liabilities over 2008. Cable & Wireless broke the £1 billion barrier in a deal which saw all of its pensioner liabilities transferred to Prudential. Smiths Group, sponsor to the TI Group Pension Scheme, has offloaded £500 million of pensioner liabilities evenly between L&G and Paternoster. Friends Provident also completed a £350 million deal with Norwich Union to cover its current pensioners. The PCS publication – *2008 Survey of Analysts' Views on Pensions* – showed that 72% of analysts in the survey were neutral to such moves (despite the apparent cost). Further research by PCS in its publication – *Do Buyouts Damage Your Share Price?* – suggests that buyouts may offer good value to shareholders.
- 34 companies disclosed a pension surplus in their most recent annual report and accounts; 56 companies disclosed pension deficits. However, we estimate that about 50 companies would disclose a surplus if they had a year-end of 31 December 2008.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen slightly from £382 billion to £383 billion. 13 companies have pension liabilities of more than £10 billion, the largest of which is BT with pension liabilities of £35 billion. 19 companies have pension liabilities of less than £100 million, of which 9 companies have no defined benefit pension liabilities.
- In total, the amount contributed to FTSE 100 company pension schemes in their last financial year was £12.6 billion, down from £14.0 billion in the previous year. This is still more than the £7.9 billion cost of benefits accrued during the year. It therefore represents £4.7 billion of funding towards reducing pension scheme deficits.

The appendix at the end of this report contains a full list of all the FTSE 100 companies analysed and their relevant pension disclosures.



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Funding Position

The overall funding position of pension schemes of FTSE 100 companies has improved slightly over the year covered by their latest annual report and accounts.

Including all pension arrangements, both UK and overseas, whether funded or unfunded, the FTSE 100 companies with the best-funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus/(Deficit) £m	Funding Level
Old Mutual	1	855	675	180	127%
Royal Dutch Shell	2	38,168	31,318	6,850	122%
AMEC	3	1,328	1,091	237	122%
Cable & Wireless	4	2,342	1,951	391	120%
Experian	5	525	451	74	116%
Home Retail Group	6	647	563	84	115%
Sainsbury	7	4,171	3,676	495	113%
Land Securities	8	139	124	15	112%
Marks & Spencer	9	5,046	4,544	502	111%
Carnival	10	145	133	13	110%

The FTSE 100 companies with the worst funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus/(Deficit) £m	Funding Level
Inmarsat	91	26	33	(7)	79%
WPP	92	504	638	(134)	79%
SABMiller	93	670	854	(184)	78%
TUI Travel	94	924	1,178	(254)	78%
Thomas Cook	95	636	812	(176)	78%
BG	96	591	792	(201)	75%
Wolseley	97	672	908	(236)	74%
Vedanta Resources	98	13	35	(21)	39%
Eurasian Natural Resources	99	0	52	(52)	0%
Shire	99	0	2	(2)	0%

Last year, new guidance on irrecoverable surpluses was issued in a statement – IFRIC14*. 19 FTSE 100 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £2.3 billion. For British Airways, the irrecoverable pension surplus is equivalent to 56% of the market value of the company. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable surplus £m
British Airways	1	1,159
Cable & Wireless	2	405
Scottish & Southern Energy	3	211
Thomson Reuters	4	119
Rolls-Royce	5	114
Anglo American	6	68
BHP Billiton	7	50
British American Tobacco	8	44
Associated British Foods	9	35
FirstGroup	10	31

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension surplus in the FTSE 100 as at 31 December 2008 was £12 billion. This is an estimated improvement of £20 billion on the position 12 months ago. However this apparent improvement is entirely due to deficiencies in the accounting rules.

Through a quirk in accounting rules, pension liabilities are linked to the value of AA bonds. The economic crisis has crippled values of AA bonds but it doesn't logically follow that that pension liabilities are also correspondingly lower. Either a change in the accounting standards or a correction in AA bond markets could see the impact of this 'quirk' reversed. If pension liabilities had been valued on more 'normal' levels of credit spreads, with AA bond discount rates at 80 to 100bps above gilt yields, then on average companies would see a 30% increase in their pension liabilities. For the FTSE 100 this could translate to additional liabilities of £100 billion.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 31 December 2008.

Investment Mismatching

Recent legislation has clarified that pension liabilities are a form of corporate debt. Despite the fact that there is an increasing weight of opinion from academics and analysts that mismatched investment strategies in pension schemes reduce shareholder value, many companies are still running very large mismatched equity positions in their pension schemes. This has the impact of creating balance sheet volatility, which some academic evidence might suggest flows through to share price volatility. Inevitably, analysis of mismatching is limited to the information disclosed in the annual report and accounts. Given the bond-like nature of pension liabilities, the allocation of pension assets to bonds gives an indication of the level of investment mismatching that exists.

The FTSE 100 companies with the highest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Sage Group	1	16	84%
London Stock Exchange	2	233	82%
ICAP	3	6	76%
Rolls-Royce	4	6,903	74%
RSA	5	5,244	71%
HSBC	6	15,175	67%
Compass	7	1,419	66%
Standard Chartered	8	1,252	66%
Invensys	9	4,722	65%
BHP Billiton	10	884	65%

The FTSE 100 companies with the lowest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Capita	91	488	26%
Tesco	92	4,089	25%
Unilever	93	12,654	25%
Thomas Cook	94	636	24%
Centrica	95	3,327	24%
BP	96	21,427	22%
BG	97	591	15%
International Power	98	264	14%
Inmarsat	99	26	11%
Hammerson	100	47	1%

The FTSE 100 companies with the greatest change in equity-to-bonds allocation were:

Name	Rank	Current bond allocation	Previous bond allocation	Switch to bonds
Rolls-Royce	1	74%	32%	+42%
Morrison Supermarkets	2	41%	17%	+24%
AMEC	3	58%	36%	+22%
RSA	4	71%	50%	+21%
Sercos	5	49%	36%	+13%
FirstGroup	6	31%	20%	+12%
Smith & Nephew	7	31%	20%	+12%
Scottish & Southern Energy	8	40%	28%	+11%
Pearson	9	37%	26%	+11%
Royal Dutch Shell	10	33%	22%	+11%

Commentary

There is significant evidence emerging of moves in the last year to reduce the mismatching of pension assets to liabilities. Morrison is the latest company to report a big switch, increasing from 17% of assets in bonds to 41%. 23 FTSE 100 companies now have more than 50% of assets in bonds. However, company disclosures reveal little of the extensive activity there has been by a number of companies to reduce mismatching risk by LDI (liability-driven investment) strategies, which frequently make use of derivatives and other financial instruments. Overall, the average pension scheme asset allocation to bonds has increased to 40%, from 35% in the previous year's accounts. This represents the largest 12-month shift in investment strategy for 20 years.

We can also expect IFRIC14 to impact on pension scheme investment strategies. If shareholders see none of the upside of pension scheme investment in equities and all of the downside, there will inevitably be further pressure on company management to encourage moves towards lower risk investments in pension schemes.

Size of Pension Scheme

In recent years, pension schemes have grown significantly. Attempts by many companies to stem the growth of their pension liabilities by closing defined benefit pension schemes to new entrants have had little impact. Changes in economic conditions and increasing life expectancy have contributed to the spiralling growth in pension liabilities. More recently, persistent problems in the credit markets have maintained a high spread on corporate bonds. This has countered the effects of rising inflation and increasing life expectancy, stifling the growth in pension liabilities over the last year.

The FTSE 100 companies with the largest pension scheme liabilities (all those over £10 billion) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
BT	1	34,669	10,455
Royal Dutch Shell	2	31,318	110,923
Royal Bank of Scotland	3	27,322	19,538
BP	4	19,997	99,112
Barclays	5	17,476	12,840
BAE Systems	6	17,109	13,285
Lloyds TSB	7	16,795	7,452
National Grid	8	16,391	16,742
HSBC	9	16,128	79,471
British Airways	10	13,550	2,066
Unilever	11	12,879	49,250
GlaxoSmithKline	12	10,338	67,030
Aviva	13	10,017	10,362

* as at 31 December 2008

The FTSE 100 companies with the smallest pension liabilities (all those under £100 million) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
British Land	82	80	2,818
Liberty International	83	59	1,734
Hammerson	84	53	1,554
Eurasian Natural Resources	85	52	4,250
Vedanta Resources	86	35	1,742
Inmarsat	87	33	2,153
Sage Group	88	20	2,225
Alliance Trust	89	19	1,915
ICAP	90	7	1,851
Shire	91	2	5,661

In addition, Admiral, Amlin, Antofagasta, Autonomy Corporation, BSKyB, Cairn Energy, Kazakhmys, Randgold Resources and Tullow Oil all reported no defined benefit pension liabilities. * as at 31 December 2008

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen slightly from £382 billion to £383 billion. 13 companies have pension liabilities of more than £10 billion, whilst 19 companies have pension liabilities of less than £100 million.

Companies continued to offload pension liabilities over 2008, tailoring buyout solutions to fit their business plans and optimise value for money. Cable & Wireless broke the £1 billion barrier in a deal which saw all of its pensioner liabilities transferred to Prudential. Smiths Group, sponsor to the TI Group Pension Scheme, followed their March 2008 transfer of £250 million pensioner liabilities to Legal & General with a further £250 million tranche of pensioner liabilities secured with Paternoster in September 2008. Friends Provident also completed a £350 million deal with Norwich Union to cover its current pensioners. The PCS publication – *2008 Survey of Analysts' Views on Pensions* – showed that 72% of analysts in the survey were neutral to such moves (despite the apparent cost). Further research by PCS in its publication – *Do Buyouts Damage Your Share Price?* – suggests that buyouts may offer good value to shareholders.

Despite relatively stable aggregate pension liabilities and funding levels, many companies face in excess of a 50% increase in Pension Protection Fund (PPF) levy premium rates. The PPF's scaling factor for the 2008/9 risk-based levy has increased to 3.77 from 2.47; and the funding level at which schemes will pay no risk-based levy increased from 125% to 140%, subjecting more companies to the levy.

Significance of the Pension Scheme in the Board Room

The impact of the pension liabilities on corporate decision-making and its importance in the boardroom depends on the relative size of the pension scheme. In the analysis below, the pension scheme deficit and liabilities are expressed as a percentage of the equity market value of the company.

The FTSE 100 companies with the most significant pension scheme liabilities are as follows:

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of MV	Liabilities as a % of Equity Market Value
British Airways	1	2,066	35%	656%
Invensys	2	1,381	(14%)	356%
BT	3	10,455	27%	332%
Lloyds TSB	4	7,452	(9%)	225%
HBOS	5	3,716	(8%)	205%
Royal Bank of Scotland	6	19,538	2%	140%
Barclays	7	12,840	4%	136%
FirstGroup	8	2,090	6%	134%
Marks & Spencer	9	3,407	15%	133%
BAE Systems	10	13,285	(15%)	129%
Rolls-Royce	11	6,147	(0%)	112%
RSA	12	4,572	4%	111%
Rexam	13	2,253	(3%)	108%
National Grid	14	16,742	1%	98%
Aviva	15	10,362	(2%)	97%

The FTSE 100 companies with the least significant pension scheme liabilities are as follows: * as at 31 December 2008

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of MV	Liabilities as a % of Equity Market Value
British Land	82	2,818	0%	3%
BG	83	32,243	(1%)	2%
Vedanta Resources	84	1,742	(1%)	2%
Vodafone	85	73,155	(0%)	2%
Inmarsat	86	2,153	(0%)	2%
Eurasian Natural Resources	87	4,250	(1%)	1%
Alliance Trust	88	1,915	0%	1%
Sage Group	89	2,225	(0%)	1%
ICAP	90	1,851	(0%)	0%
Shire	91	5,661	(0%)	0%

In addition, Admiral, Amlin, Antofagasta, Autonomy Corporation, BSKyB, Cairn Energy, Kazakhmys, Randgold Resources and Tullow Oil all reported no defined benefit pension liabilities.

* as at 31 December 2008

Commentary

A year ago, only British Airways, BT and Royal & Sun Alliance had pension liabilities greater than the total equity value of the company. An extra 10 FTSE 100 companies have joined this exclusive group, and five FTSE 100 companies now have pension liabilities valued at over twice the company equity value. Since the year end, the situation for the major banks has worsened, with Royal Bank of Scotland and Barclays also joining this list. In addition, BAE Systems, Invensys and Thomas Cook have pension deficits bigger than 10% of the equity value of the company.

We have highlighted on page 3 the 'quirk' in the accounting rules which has led to significant reductions in pension liabilities in 2008. There is a real risk that this quirk might reverse, either due to changing accounting standards or changing markets.

In a recent speech to the CBI, Mervyn King, the Governor of the Bank of England, has suggested that the Bank might intervene in the markets to buy bonds, targeting markets where distortions were caused by a lack of liquidity but the assets were fundamentally sound. If this were to happen, then indeed AA spreads would likely fall, and hence pension liabilities would rise. For the 13 FTSE 100 companies with pension liabilities greater than the total equity value of the company, this could have a material impact on how they are affected by their pension schemes. For British Airways, Invensys and BT, a 30% increase in their pension liabilities exceeds the equity market value of the company. The importance of the problem was highlighted recently by a warning from Moody's on how significant pension liabilities can have a material impact on credit ratings and hence on companies' ability to borrow.

Impact of the Pension Scheme on the Company's Share Price

As already mentioned, there is some evidence that balance sheet volatility caused by pension schemes flows through to share price volatility. Changes in the balance sheet position resulting from pensions can be separated into expected changes and unexpected changes. Expected balance sheet changes arise largely from the contributions paid by the company and the costs shown in the company's income statement. Unexpected balance sheet changes arise largely from actuarial gains and losses (due to stock market volatility) and changes to actuarial assumptions.

In the analysis below, the unexpected change in balance sheet position (net of change in irrecoverable surplus) is expressed as a percentage of the equity market value of the company. We are not suggesting that the balance sheet impact will translate into a £ for £ impact on a company's share price (not least because of the impact of deferred tax), but this analysis gives a good indication of those companies most positively (and negatively) affected by their pension schemes in their last financial year.

The FTSE 100 companies most positively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unexpected Balance Sheet Gain (£m)	Impact as a % of Equity Value
BT	1	10,455	2,616	25%
Marks & Spencer	2	3,407	699	21%
Invensys	3	1,381	221	16%
British Airways	4	2,066	329	16%
Lloyds TSB	5	7,452	1,128	15%
Royal Bank of Scotland	6	19,538	2,222	11%
HBOS	7	3,716	410	11%
Rexam	8	2,253	239	11%
Sainsbury	9	5,706	540	9%
Barclays	10	12,840	989	8%

* as at 31 December 2008

And the FTSE 100 companies most negatively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unexpected Balance Sheet Gain (£m)	Impact as a % of Equity Value
Severn Trent	91	2,822	-28	-1%
Imperial Tobacco	92	18,809	-357	-2%
Cable & Wireless	93	3,931	-95	-2%
British Energy	94	8,138	-198	-2%
United Utilities	95	4,229	-152	-4%
3i	96	1,041	-41	-4%
Associated British Foods	97	5,782	-255	-4%
Rio Tinto	98	14,922	-769	-5%
Wolseley	99	2,524	-135	-5%
Smiths Group	100	3,432	-286	-8%

* as at 31 December 2008

Commentary

Over the year covered by their latest report and accounts, 60 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 30 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

British Airways were ranked bottom in this analysis as at 31 December 2007, with an impact of -13% of equity value. The rise of British Airways to rank 4th in this analysis further emphasises the volatility caused by their pension.

Contributions Paid Into Pension Schemes

This analysis compares the pension scheme contributions actually paid by companies with the cost of pension benefits accrued during the year. Surplus pension contributions paid in excess of the cost of benefits will reduce pension scheme deficits. But where the contributions paid are less than the cost of benefits, this will increase pension scheme deficits (or reduce pension scheme surpluses).

The increases in pension scheme contributions seen in recent years seem to have come to a halt, with the amount contributed in the most recent accounting year being £1.4 billion lower than the amount contributed the previous year.

Only contributions actually paid in the relevant accounting year are included in the analysis below.

The FTSE 100 companies who have made the largest surplus contributions to their pension schemes were as follows:

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
British Airways	1	944	199	745
Unilever	2	790	241	549
Rolls-Royce	3	707	258	449
National Grid	4	465	132	333
BAE Systems	5	487	175	312
GlaxoSmithKline	6	504	249	255
HSBC	7	635	404	231
BP	8	583	433	150
Morrison Supermarkets	9	193	44	149
BT	10	708	576	132

The FTSE 100 companies who made the lowest surplus contributions were as follows:

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
Johnson Matthey	91	26	31	-4
Eurasian Natural Resources	92	1	6	-5
Reckitt Benckiser	92	10	15	-5
Thomson Reuters	94	50	59	-9
Home Retail Group	95	14	27	-13
Diageo	96	84	97	-13
Rio Tinto	97	116	134	-18
United Utilities	98	16	56	-40
Royal Bank of Scotland	99	599	706	-107
Tesco	100	340	461	-121

Commentary

As funding levels improve, we are seeing evidence of a slowing down of additional funding. In total, the amount contributed to FTSE 100 company pension schemes was £12.6 billion, down from £14.0 billion in the previous accounting year. This is still more than the £7.9 billion cost of benefits accrued during the year. It therefore represents £4.7 billion of funding towards reducing pension scheme deficits.

Appendix

Name	Year End	Equity Market Value		Pension Assets		Pension Liabilities		Surplus / (Deficit)		Funding Level		Bonds		% Surplus / (Deficit) as % of Market Value		Liabilities as % of Market Value		Unexpected Balance Sheet Impact		Balance Sheet Impact as % of Market Value		Current Funding		Previous Funding		Surplus Funding	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	Level	Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
3i	31-Mar-2008	1,041		477	515	(38)	93%	45%	(4%)	49%	(41)	(4%)	9	10	(2)												
Admiral	31-Dec-2007	2,407																									
Alliance Trust	31-Jan-2008	1,915		21	19	2	108%	51%	0%	1%	1	0%	1	1	(0)												
AMEC	31-Dec-2007	1,634		1,328	1,091	237	122%	58%	14%	67%	113	7%	36	31	10												
AmIn	31-Dec-2007	1,673																									
Anglo American	31-Dec-2007	20,499		1,574	1,548	27	102%	57%	0%	8%	61	0%	35	167	6												
Antofagasta	31-Dec-2007	4,195																									
Associated British Foods	13-Sep-2008	5,782		2,424	2,328	96	104%	60%	2%	40%	(255)	(4%)	54	61	17												
AstraZeneca	31-Dec-2007	40,965		4,355	5,337	(982)	82%	39%	(2%)	13%	(73)	(0%)	157	180	(2)												
Autonomy Corporation	31-Dec-2007	2,048																									
Aviva	31-Dec-2007	10,362		9,839	10,017	(178)	98%	42%	(2%)	97%	636	6%	297	554	109												
BAE Systems	31-Dec-2007	13,285		15,110	17,109	(1,999)	88%	28%	(15%)	129%	764	6%	487	1,097	312												
Barclays	31-Dec-2007	12,840		18,027	17,476	551	103%	47%	4%	136%	989	8%	389	383	37												
BG	31-Dec-2007	32,243		591	792	(201)	75%	15%	(1%)	3%	35	0%	62	39	10												
BHP Billiton	30-Jun-2008	28,559		884	945	(61)	94%	65%	(0%)	2%	(55)	(0%)	47	36	9												
BP	31-Dec-2007	99,112		21,427	19,997	1,430	107%	22%	1%	20%	476	0%	583	605	150												
British Airways	31-Mar-2008	2,066		14,272	13,550	722	105%	49%	35%	656%	329	16%	944	543	745												
British American Tobacco	31-Dec-2007	36,291		4,209	4,359	(150)	97%	41%	(0%)	12%	121	0%	138	144	56												
British Energy	31-Mar-2008	8,138		2,710	2,926	(216)	93%	43%	(3%)	36%	(198)	(2%)	85	125	11												
British Land	31-Mar-2008	2,818		80	80	0	100%	43%	0%	3%	(10)	(0%)	3	10	0												
BSkyB	30-Jun-2008	8,414																									
BT	31-Mar-2008	10,455		37,448	34,669	2,779	108%	33%	27%	332%	2,616	25%	708	926	132												
Bunzl	31-Dec-2007	1,936		230	243	(14)	94%	34%	(1%)	13%	10	1%	17	13	12												
Cable & Wireless	31-Mar-2008	3,931		2,342	1,951	391	120%	49%	10%	50%	(95)	(2%)	35	18	19												
Cadbury	31-Dec-2007	8,145		2,742	2,625	117	104%	44%	1%	32%	215	3%	120	133	44												
Cairn Energy	31-Dec-2007	2,628																									
Capita	31-Dec-2007	4,546		488	484	4	101%	26%	0%	11%	25	1%	21	19	(1)												
Carnival	30-Nov-2007	3,207		145	133	13	110%	62%	0%	4%	13	0%	19	6	16												
Centrica	31-Dec-2007	13,561		3,327	3,230	97	103%	24%	1%	24%	247	2%	218	164	91												
Cobham	31-Dec-2007	2,330		421	458	(37)	92%	39%	(2%)	20%	(18)	(1%)	11	9	5												
Compass	30-Sep-2008	6,401		1,419	1,552	(133)	91%	66%	(2%)	24%	(8)	(0%)	56	110	35												
Diageo	30-Jun-2008	24,154		5,165	5,401	(236)	96%	34%	(1%)	22%	(24)	(0%)	84	95	(13)												
Drax	31-Dec-2007	1,908		105	119	(14)	89%	35%	(1%)	6%	(3)	(0%)	5	27	1												
Eurasian Natural Resources	31-Dec-2007	4,250		0	52	(52)	0%	-	(1%)	1%	2	0%	1	1	(5)												
Experian	31-Mar-2008	4,408		525	451	74	116%	34%	2%	10%	10	0%	10	20	0												
FirstGroup	31-Mar-2008	2,090		2,911	2,792	120	104%	31%	6%	134%	14	1%	75	95	2												
Friends Provident	31-Dec-2007	2,000		1,126	1,148	(22)	98%	44%	(1%)	57%	44	2%	33	18	3												
G4S	31-Dec-2007	2,887		1,240	1,408	(167)	88%	33%	(6%)	49%	602	2%	38	36	22												
GlaxoSmithKline	31-Dec-2007	67,030		10,182	10,338	(156)	98%	33%	(0%)	15%	6	1%	504	606	255												
Hammerston	31-Dec-2007	1,554		47	53	(6)	88%	1%	(0%)	3%	6	0%	1	7	(1)												
HBO	31-Dec-2007	3,716		7,329	7,623	(294)	96%	36%	(8%)	205%	410	11%	292	857	64												
Home Retail Group	01-Mar-2008	1,856		647	563	84	115%	32%	5%	30%	74	4%	14	13	(13)												
HSC	31-Dec-2007	79,471		15,175	16,128	(953)	94%	67%	(1%)	20%	1,081	1%	635	235	231												
ICAP	31-Mar-2008	1,851		6	7	(1)	86%	76%	(0%)	0%	(0)	(0%)	1	1	1												
Imperial Tobacco	30-Sep-2008	18,809		2,769	2,874	(105)	96%	41%	(1%)	15%	(357)	(2%)	42	46	2												
Inmarsat	31-Dec-2007	2,153		26	33	(7)	79%	11%	(0%)	2%	3	(0%)	3	3	1												
InterContinental Hotels	31-Dec-2007	1,608		376	389	(13)	97%	55%	(1%)	24%	15	1%	37	5	32												
International Power	31-Dec-2007	3,607		264	269	(5)	98%	14%	(0%)	7%	6	0%	11	12	0												
Invensys	31-Mar-2008	1,381		4,722	4,913	(191)	96%	65%	(14%)	356%	221	16%	116	50	90												
Johnson Matthey	31-Mar-2008	2,351		915	869	46	105%	44%	2%	37%	8	0%	26	28	(4)												
Kazakhmys	31-Dec-2007	1,236																									
Kingfisher	02-Feb-2008	3,187		1,472	1,395	77	106%	42%	2%	44%	46	1%	103	122	74												
Land Securities	31-Mar-2008	4,284		139	124	15	112%	49%	0%	3%	4	0%	2	4	(0)												
Legal & General	31-Dec-2007	4,567		1,202	1,384	(182)	87%	63%	(4%)	30%	(12)	(0%)	39	41	22												
Liberty International	31-Dec-2007	1,734		59	59	(0)	100%	34%	(0%)	3%	(3)	(0%)	2	2	2												
Lloyds TSB	31-Dec-2007	7,452		16,112	16,795	(683)	96%	37%	(9%)	225%	1,128	15%	446	550	119												

Appendix (continued)

Name	Year End	Equity Market Value £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level £m	Bonds %	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unexpected Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus Funding £m
London Stock Exchange	31-Mar-2008	1,389	233	221	12	105%	82%	1%	16%	22	2%	6	6	5
Man Group	31-Mar-2008	4,070	172	177	(5)	97%	46%	(0%)	4%	20	0%	3	17	(1)
Marks & Spencer	31-Mar-2008	3,886	5,046	4,544	502	111%	52%	15%	134%	699	21%	111	611	5
Morrison Supermarkets	03-Feb-2008	7,370	1,939	2,007	(68)	97%	41%	(1%)	27%	(36)	(0%)	193	94	149
National Grid	31-Mar-2008	16,742	16,531	16,391	145	101%	55%	1%	98%	369	2%	465	276	333
Next	26-Jan-2008	2,131	383	428	(46)	89%	36%	(2%)	20%	2	0%	9	48	(1)
Old Mutual	31-Dec-2007	2,925	855	675	180	127%	49%	6%	23%	80	3%	14	14	7
Pearson	31-Dec-2007	5,157	1,853	1,811	42	102%	37%	1%	35%	81	2%	157	45	126
Prudential	31-Dec-2007	10,368	5,462	5,015	447	109%	61%	4%	48%	295	3%	101	152	43
Randgold Resources	31-Dec-2007	3,373	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2007	18,417	873	933	(60)	94%	34%	(0%)	5%	43	0%	10	13	(5)
Reed Elsevier	31-Dec-2007	5,573	3,018	2,968	50	102%	37%	1%	53%	242	4%	83	61	5
Rexam	31-Dec-2007	2,253	2,361	2,424	(63)	97%	28%	(3%)	108%	239	11%	44	41	28
Rio Tinto	31-Dec-2007	14,922	8,234	8,963	(729)	92%	33%	(5%)	60%	(769)	(5%)	116	92	(18)
Rolls-Royce	31-Dec-2007	6,147	6,903	6,912	(9)	100%	74%	(0%)	112%	393	6%	707	153	449
Royal Bank of Scotland	31-Dec-2007	19,538	27,662	27,322	340	101%	39%	2%	140%	2,222	11%	599	536	(107)
Royal Dutch Shell	31-Dec-2007	110,923	38,168	31,318	6,850	122%	33%	6%	28%	2,241	2%	630	712	36
RSA	31-Dec-2007	4,572	5,244	5,060	184	104%	71%	4%	111%	(27)	(1%)	168	203	104
SABMiller	31-Mar-2008	17,403	670	854	(184)	78%	41%	(1%)	5%	(9)	(0%)	12	14	(4)
Sage Group	30-Sep-2008	2,225	16	20	(4)	81%	84%	(0%)	1%	2	0%	1	1	(0)
Sainsbury	22-Mar-2008	5,744	4,171	3,676	495	113%	51%	9%	64%	540	9%	82	362	4
Schroders	31-Dec-2007	2,352	555	513	43	108%	42%	2%	22%	7	0%	19	8	9
Scottish & Southern Energy	31-Mar-2008	10,595	2,081	1,920	162	108%	40%	2%	18%	(26)	(0%)	74	62	44
Serco	31-Dec-2007	2,180	1,343	1,501	(158)	89%	49%	(7%)	69%	60	3%	105	62	57
Severn Trent	31-Mar-2008	2,822	1,332	1,458	(126)	91%	37%	(4%)	52%	(28)	(1%)	56	97	24
Shire	31-Dec-2007	5,661	0	2	(2)	0%	-	(0%)	0%	0	0%	0	0	0
Smith & Nephew	31-Dec-2007	3,892	516	593	(77)	87%	31%	(2%)	15%	(23)	(1%)	19	30	5
Smiths Group	31-Jul-2008	3,432	2,960	2,911	49	102%	48%	1%	85%	(286)	(8%)	56	103	35
Standard Chartered	31-Dec-2007	16,524	1,252	1,404	(152)	89%	66%	(1%)	8%	122	1%	54	44	3
Standard Life	31-Dec-2007	4,390	1,384	1,587	(203)	87%	33%	(5%)	36%	(7)	(0%)	64	107	9
Tate & Lyle	31-Mar-2008	1,831	1,112	1,128	(16)	99%	27%	(1%)	62%	4	0%	38	40	24
Tesco	23-Feb-2008	28,305	4,089	4,927	(838)	83%	25%	(3%)	17%	186	1%	340	321	(121)
Thomas Cook	31-Oct-2007	1,662	636	812	(176)	78%	24%	(11%)	49%	94	6%	37	102	8
Thomson Reuters	31-Dec-2007	16,007	2,487	2,374	113	105%	50%	1%	15%	225	1%	50	229	(9)
TUI Travel	30-Sep-2008	2,611	924	1,178	(254)	78%	48%	(10%)	45%	4	0%	70	33	39
Tullow Oil	31-Dec-2007	4,729	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2007	49,250	12,654	12,879	(225)	98%	25%	(0%)	26%	573	1%	790	744	549
United Utilities	31-Mar-2008	4,229	1,863	1,964	(101)	95%	34%	(2%)	46%	(152)	(4%)	16	8	(40)
Vedanta Resources	31-Mar-2008	1,742	13	35	(21)	39%	40%	(1%)	2%	(1)	(0%)	2	2	(1)
Vodafone	31-Mar-2008	73,155	1,271	1,310	(39)	97%	31%	(0%)	2%	(51)	(0%)	86	55	33
Whitbread	28-Feb-2008	1,611	1,372	1,405	(33)	98%	36%	(2%)	87%	96	6%	56	110	60
Wolseley	31-Jul-2008	2,524	672	908	(236)	74%	37%	(9%)	36%	(135)	(5%)	34	45	7
WPP	31-Dec-2007	5,065	504	638	(134)	79%	62%	(3%)	33%	27	1%	47	49	32
Xstrata	31-Dec-2007	6,219	1,257	1,369	(112)	92%	49%	(2%)	22%	(55)	(1%)	58	33	37

Notes

- All of the analysis contained in this report is based on the IAS19 numbers disclosed in a company's most recently published annual report and accounts.
- No adjustment is made for the fact that companies have applied different interpretations of IAS19 and have used different actuarial assumptions (for example, different mortality assumptions can make a significant difference to a company's pension liabilities).
- No adjustment is made in the individual analysis for the fact that companies have different year-ends. Inevitably, different market conditions applying at different year-ends will affect the comparisons.
- The assets and liabilities shown are the total global pension assets and liabilities, not just the UK figures.
- The figures shown in this report are before adjustment for IFRIC14 (and before adjustment for any other unrecognised pension surpluses), except for Unanticipated Balance Sheet Impact, which is shown net of the change in irrecoverable surplus.
- Lloyds Banking Group plc (formerly Lloyds TSB Group plc) acquired HBOS plc on 19 January 2009.

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