

*2011 Annual Report to the
Trustees of the
Foremost Training Directors Pension Plan*

Prepared by:

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1. Introduction

Pension Practitioner .Com provides administration services to the Trustees and our responsibility is to ensure that the tax exempt privileges of the pension scheme are maintained. In addition, we also provide the following functions to you.

- Ensure that all pension scheme returns are submitted to HMRC
- Provide events reports, tax returns and notices to HMRC and the Regulator as may be required from time to time.
- Provide the trustees with guidance on pension scheme rules

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

- Provision of pension scheme return
- Review of pension legislation that will have an effect on your pension scheme
- Provision of inflation report
- A review of the scheme benefits and recommendations to maintain & increase (where available) the tax exempt privileges of the scheme
- Provision of member benefits statements

2. Tax and unauthorised transactions

HMRC have recently strengthened their compliance and scheme investigations team; whilst HMRC have been satisfied with our reporting as scheme Practitioner it is worth highlighting areas that are likely to be investigated. No schemes that we administer have been subject to an authorised tax charge and we wish to ensure that you remain compliant.

Pension scheme borrowings and loans – this often applies where the pension scheme has a loan or borrowings in place with a connected party, such as the Principal Employer. If the terms of the loan agreement are not drafted in accordance with their requirements, or where the loan payments are not consistent with the agreement a tax penalty will arise. HMRC has highlighted examples of significant tax penalties on cases and trustees are reminded of the importance of notifying us in advance of any proposed loans or borrowings, or where the borrower may be experiencing financial difficulties. The tax payment does not necessarily arise on the borrower, it can be applied against the trustees personally if there are compelling reasons to do so.

Any use of scheme funds by the trustees in the form of unauthorised expenses or for investment in plant/machinery or any other form of wasting asset will be taxed. A firm of financial advisors have advised that web-domains can be owned by pension schemes; web domains tend to be renewable licenses and as such are unlikely to be regarded as suitable holdings by trustees.

Pension Practitioner is not a co-signatory of investments and as trustees you are investing and managing money for you as beneficiary(s). All trustees have been provided with a simple fact sheet to adhere to on transactions that will be either taxed or are subject to restrictions under the money laundering regulations; it is important that those principles are adhered to.

3. Pension Scheme Return

The pension scheme return provided to HMRC must end after 6th April 2010 and before 5th April 2011.

Pension Practitioner .Com has submitted the following disclosures:

Details

Pension Scheme Tax Reference	00366044RF
Pension Scheme Name	FOREMOST TRAINING DIRECTORS PENSION PLAN
Is the scheme an Occupational scheme?	Yes
Tax Year ended	05 Apr 2011
Date submitted	02 Feb 2012
Submitted by	Pension Practitioner.Com Ltd
Scheme Administrator	Foremost IT Limited
Amended Return	No
Accounting Period	06 Apr 2010 - 05 Apr 2011
During this period, was the aggregate of payments to and from the scheme greater than £100,000?	No
Specify the aggregate of payments to and from the scheme	£0
At the end of this period, did the scheme have assets with a total value before pension liabilities greater than £400,000?	No
Total value of assets before pension liabilities at the end of the period	£174881
Connected Parties	
At any time during the period from 06/04/2010 to 05/04/2011 did the scheme either directly or indirectly own assets that it had acquired from either: a. a sponsoring employer or any person connected with that employer? or b. a person who was a director of or a person connected to a director of a close company that was also a sponsoring employer? or	No

c. a person who was either a sole owner or partner or a person connected with the sole owner or partner of a business which was a sponsoring employer?

or

d. a member or person connected with a member?

4. Contribution limits and disguised remuneration

New rules came into effect from 6th April this year regarding how much you can contribute into a pension scheme.

If you will not be paying to pension schemes more than £50,000 in the 2011/12 tax year then this will not affect you. If you think you will be then you should bear in mind the following items:-

The maximum that you and your business pays into pension schemes cannot in total exceed £50,000. There is a caveat to this and that is the ability to carry forward “unused” relief from previous tax years but you must meet two conditions:

- You must have been a member of a pension scheme in respect of the period that you are using. Therefore, if you are setting up a pension scheme now but were not a member of one from last year, you cannot use the unused allowance for last year if you were seeking to pay more than £50,000 in the current year.
- If you were a member of a pension scheme, then the unused annual allowance from previous tax years is deemed to be £50,000; you may recall that it was in reality a lot higher than this. Therefore if you paid in say £80,000 in respect of the 09/10 tax year you cannot carry forward as the allowance was “deemed” £50,000. One other fly in the ointment is that the excess of £30,000 in this example is offset against previous allowances (to be confirmed in the new regulations).

You can carry forward any annual allowance that you have not used from the previous three tax years to the current tax year. The amount of unused annual allowance can then be added to this year's annual allowance. This will give you a higher amount for the current year.

The approach will be that the Company makes a contribution in the current year of up to £50,000 per member; the excess will be allocated to a general account within the pension scheme. The excess is then set off against future annual allowances.

New legislation was introduced in the Finance Bill 2011 which sought to avoid or defer the payment of income tax or national insurance contributions due on employment income or to avoid the restrictions on allowances for tax-privileged pension saving for registered schemes. In order to ensure that large contribution does not fall into the hidden earnings and disguised remuneration regime we have agreed a criteria by which large contributions must meet. If you therefore wish to pay more than £50,000 your scheme consultant will talk through these key items.

5. Scheme Rules

The new tax regime was introduced from 6th April 2006, which is now commonly known as "A-day". Major changes to that tax regime have effect from 6th April 2011 (which we will call "B-day").

The earliest draft of the Finance Bill circulated by HMRC includes a clause that directly authorises scheme trustees to pay the new forms of benefit available from B-day, but the rules of the pension scheme must reflect that set out in the Finance Bill, which will receive Royal Assent shortly.

The purpose of scheme rules is to set out clearly and precisely the right framework for benefits: exactly what choices a member has, when he can exercise them, what death benefits are payable and when, and to give adequate safeguards for trustees. For example:

- carefully drafted scheme rules will give trustees certainty as to how to deal with a member's fund on death where potentially both a guarantee on the member's pension and separate lump sum death benefits / dependants' pensions are payable; that are tax benefits associated with pension guarantees, which are not subject to a 55% tax charge.
- carefully drafted scheme rules will ensure trustees can impose appropriate conditions on a member seeking flexible drawdown, e.g. ensuring any outstanding scheme expenses have been met if the arrangement is being completely "emptied", ensuring appropriate evidence is shown that the minimum income requirement is met.

The trustees derive most of their powers, and the protections they need in the exercise of those powers from the trust deed. They should not agree to do something which is not permitted by the trust deed. There are many reasons for this, for example:

- it is likely to be a breach of trust.
- any third parties involved in the scheme, e.g. banks lending in connection with property purchase, will need to be satisfied that the trustees have the power to do what they want to do.

As examples, the new rules will reflect the following changes to the tax regime from B-day:

- defer taking any lump sum or pension indefinitely, not just until 75;

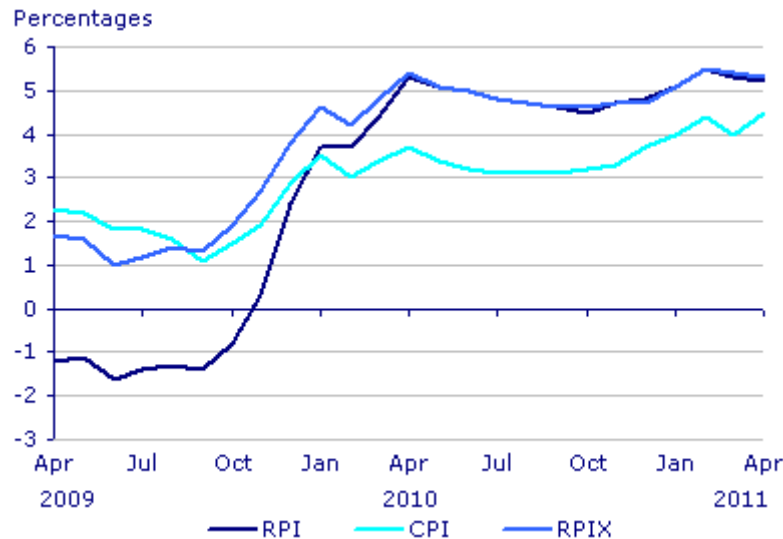
- pay out the member's whole fund as an "authorised" lump sum on death at any age, not just before 75;
- draw unlimited amounts as "flexible drawdown" where the minimum income requirement is met;
- protection against accidental triggering of penal tax charges once flexible drawdown taken;
- changes to the overall language of the tax legislation, e.g. "unsecured pension" and "alternatively secured pension" become simply "drawdown";
- ability to make tax-free payments to charity on death at any age.

Over the 5 years since A-day, other improvements to scheme rules have been devised and these will be included at the same time, e.g:

- clearer scope for reallocating funds tax-free within the scheme to "unconnected" beneficiaries (including "common law" partners) on a member's death (this becomes potentially attractive in drawdown at any age, as the 35% tax on lump sum payments out of schemes is rising to 55%);
- potential for a member to allocate funds for dependant's pensions, where that would be a tax-efficient way of keeping within the lifetime allowance;
- strengthened wording re investment powers;
- new wording to ensure that any members who transfer out aren't able to prevent themselves being removed as a trustee;
- measures to protect against accidental loss of enhanced protection (and, in the future, "fixed" protection of a £1.8m lifetime allowance) where further contributions are made.

For schemes established prior to 5th April 2010, we will recommend adoption of the new rules. There will be a small charge to cover the cost for provision of the B-day rules for schemes established prior to 5th April 2010

6. Inflation Statement



CPI is the consumer prices index. It is the prime measure adopted by the Government for the inflation target. The required target of inflation is 2%. The CPI is used for the price indexation of benefits and tax credits from April 2011. RPI is the retail prices index - the uses of the RPI include indexation of index-linked gilts. Historically the RPI has also been used for indexation of pensions and state benefits.

In the year to April, RPI was 5.2 per cent. The UK CPI rate was 4.0 per cent. The average yield on income arising from the FTSE100 which is the UK's 100 largest companies listed on the London Stock Exchange is 3.15%.

Whilst the CPI rate continues to set a high benchmark for UK pension funds, it should be noted that equity and fixed income returns were positive for all the key investments sectors, the strongest returns coming from Pacific ex-Japan equities hitting 23.4% and emerging markets equities with a 22% return. Canada posted a strong equity return of 22%, and the return for UK equities was 14.5%. UK bonds posted 7%, international bonds posted a 10% return for the year with estimated UK property return for the year was 6-7%.

This information has been kindly provided by the National Statistics Office, NAPF, Debt Management Office and LSE.

7. Benefits Statement

Retirement Benefits Statement for Dr Jon Ross Malone

In the event of your death before taking benefits from the scheme, as at 5 April 2011 your beneficiaries will be entitled to receive £87,440 tax free from the assets of the scheme.

In the event that you elected to take benefits from the scheme as at age 65, you could draw a tax free lump sum of £45,920.

The balance of the fund must be used to provide you with a pension which is taxed as earned income. The pension amount you may draw could be £8,200 p.a.

Tax free lump sum and pension income values are based on a future retirement fund of £183,680.

Notes:

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

1. It has been assumed that:

Investments increase by 5% p.a. until retirement

Expenses before retirement are 1% of the value of the scheme

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

2. The figures are stated in today's terms, this means that inflation is compounded annually at 2.5%. The income has been discounted back allowing for this inflation rate
3. Values have been calculated based on the fund splits provided to us on the pension scheme questionnaire, otherwise we have assumed an equal entitlement to funds for all members of the pension scheme
4. 10% of your remuneration as provided to us on the pension scheme questionnaire is contributed to the pension scheme each year until retirement. If remuneration has not been stated we have assumed a value of £50,000, and contributions will continue at 10% of this per year.

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

Retirement Benefits Statement for Mr Stephen Thomas McInnes

In the event of your death before taking benefits from the scheme, as at 5 April 2011 your beneficiaries will be entitled to receive £87,440 tax free from the assets of the scheme.

In the event that you elected to take benefits from the scheme as at age 65, you could draw a tax free lump sum of £64,638.

The balance of the fund must be used to provide you with a pension which is taxed as earned income. The pension amount you may draw could be £11,542 p.a.

Tax free lump sum and pension income values are based on a future retirement fund of £258,554.

Notes:

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1. It has been assumed that:

Investments increase by 5% p.a. until retirement

Expenses before retirement are 1% of the value of the scheme

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

2. The figures are stated in today's terms, this means that inflation is compounded annually at 2.5%. The income has been discounted back allowing for this inflation rate
3. Values have been calculated based on the fund splits provided to us on the pension scheme questionnaire, otherwise we have assumed an equal entitlement to funds for all members of the pension scheme
4. 10% of your remuneration as provided to us on the pension scheme questionnaire is contributed to the pension scheme each year until retirement. If remuneration has not been stated we have assumed a value of £50,000, and contributions will continue at 10% of this per year.

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