



The FTSE 100 and their pension disclosures
A Quarterly Report from Pension Capital Strategies
January 2008

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Securities



PENSION CAPITAL STRATEGIES
Innovative Alternatives

Executive Summary

- The total deficit in FTSE 100 pension schemes at 31 December 2007 is estimated to be £8bn. This is an improvement of £27bn on the position 12 months ago. We believe that FTSE 100 companies are underestimating future life expectancy possibly by between one and three years. We therefore estimate that the total pension deficit could be understated by as much as £40 billion.
- New IAS19 guidance (IFRIC14) could dramatically impact pension surpluses or deficits published in 2008 accounts. Compass Group is the first FTSE 100 company to adjust its accounts for IFRIC14, resulting in a £92 million increase in its overall pension deficit. As well as impacting disclosed deficits / surpluses, we expect IFRIC14 to have a significant 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.
- In its "purple book", published last month, the Pension Regulator estimated that full buy-out solvency liabilities are nearly 40% higher than the IAS19 liabilities recorded in company accounts. Applying a similar adjustment to the FTSE 100 pension liabilities would suggest that the total buy-out solvency deficit in FTSE 100 pension schemes currently amounts to approximately £170 billion.
- There is significant evidence emerging of moves in the last year to reduce the mismatching of pension assets to liabilities. Lonmin are the latest company to move to a 100% bonds investment strategy and 20 FTSE 100 companies now have more than 50% of pension assets in bonds.
- 22 companies disclosed a pension surplus in their most recent annual report and accounts; 70 companies disclosed pension deficits. However we estimate that about 30 companies would disclose a surplus if they had a year-end of 31 December 2007.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have fallen from £408 billion to £382 billion. 13 companies have pension liabilities of more than £10 billion, the largest of which is BT with pension liabilities of £39 billion. 17 companies have pension liabilities of less than £100 million, of which 8 companies have no defined benefit pension liabilities.
- As pension funding positions have improved so the financial significance of pension scheme deficits has reduced. But British Airways has reported pension deficits of almost 40% of their equity market value. British Airways, BT and Royal & Sun Alliance all have total pension liabilities greater than their equity market value.
- In total, the amount contributed to FTSE 100 company pension schemes in their last financial year was £14.0 billion – up from £11.9 billion in the previous year. This is more than the £7.7 billion cost of benefits provided to employees during the year. It therefore represents £6.3 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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It has taken an active interest in the future of defined benefit pension schemes including raising £500m for Paternoster Limited, the bulk buy-out insurer.

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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
Lonmin	1	78	66	12	118%
Associated British Foods	2	2,474	2,164	310	114%
British Land	3	79	70	9	113%
Royal Dutch Shell	4	34,444	30,758	3,686	112%
Enterprise Inns	5	19	17	2	112%
Experian	6	545	492	53	111%
Old Mutual	7	836	758	78	110%
Smiths Group	8	3,319	3,071	248	108%
AMEC	9	1,243	1,151	93	108%
Resolution	10	1,117	1,037	80	108%

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
Taylor Wimpey	91	1,420	1,793	-373	79%
Hammerson	92	43	55	-12	78%
SABMiller	93	564	726	-162	78%
WPP	94	470	657	-187	72%
Persimmon	95	257	361	-104	71%
BG	96	482	727	-245	66%
TUI Travel	97	937	1,664	-727	56%
Thomas Cook	98	8	14	-7	54%
Vedanta Resources	99	9	27	-18	32%
Shire	100	0	2	-2	0%

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 31 December 2007 was £8bn. This is an estimated improvement of £27bn on the position 12 months ago. However, the pension disclosures on mortality assumptions would suggest that FTSE 100 companies are still underestimating the impact of future improvements in longevity. We believe that FTSE 100 companies are underestimating future life expectancy possibly by between one and three years. We therefore estimate that the total pension deficit could be understated by as much as £40 billion.

New guidance on IAS19 – IFRIC14 – has recently been published by the International Financial Reporting Committee. IFRIC14 could have significant implications for companies – pension surpluses could be reduced or deficits increased*. Whilst IFRIC14 is effective only for years commencing on or after 1 January 2008, many auditors are requiring early disclosure of the impact of IFRIC14. One FTSE 100 company, Compass Group, has already adjusted its accounts, increasing its overall pension deficit by £92 million.

Despite the improvement in pension scheme funding levels, many companies continue to face increases in Pension Protection Fund (PPF) levy premiums. The total levy which the PPF Board estimates for 2007-8 is £675 million. This compares with a 2006-7 levy of £271 million. For 2008-9, the PPF is again estimating that it needs to collect £675 million, but the funding level at which schemes will pay no risk-based levy is being raised from 125% to 140%. This will therefore bring more companies within the scope of the levy.

In its "purple book", published last month, the Pension Regulator has estimated that full buy-out solvency liabilities are nearly 40% higher than the IAS19 liabilities recorded in company accounts. Applying a similar adjustment to the FTSE 100 pension liabilities would suggest that the total buy-out solvency deficit in FTSE 100 pension schemes currently amounts to approximately £170 billion.

* For more information on IFRIC14 see PCS publication - IAS19: A Quarterly Guide for Finance Directors, at 31 December 2007.

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 £m
Lonmin	1	78	100%
London Stock Exchange	2	225	82%
Resolution	3	1,117	82%
Rentokil Initial	4	921	80%
Thomas Cook	5	8	77%
ICAP	6	6	73%
Compass	7	1,442	69%
Standard Chartered	8	1,195	67%
HSBC	9	14,101	62%
Taylor Wimpey	10	1,420	61%

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

Name	Rank	Assets £m	% of Assets in Bonds £m
Royal Dutch Shell	91	34,444	22%
Tesco	92	4,007	21%
BAE Systems	93	14,289	21%
Smith & Nephew	94	455	20%
FirstGroup	95	2,507	20%
Centrica	96	2,988	19%
BP	97	20,369	18%
Morrison Supermarkets	98	1,774	17%
BG	99	482	16%
International Power	100	226	14%

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
Rentokil Initial	1	80%	38%	41%
Lonmin	2	100%	75%	25%
Prudential	3	57%	36%	21%
Diageo	4	32%	14%	18%
HSBC	5	62%	47%	15%
Standard Life	6	27%	12%	15%
London Stock Exchange	7	82%	69%	14%
HBOS	8	25%	14%	12%
Cadbury Schweppes	9	40%	29%	12%
Sainsbury	10	44%	34%	10%

Commentary

There is significant evidence emerging of moves in the last year to reduce the mismatching of pension assets to liabilities. Lonmin are the latest company to report a big switch, increasing from 75% of assets in bonds to 100%. 20 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 slightly to 35%, from 33% in the previous year's accounts.

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. However, recent problems in the credit markets have seen spreads on corporate bonds widen. This has meant that the values placed on pension liabilities in companies' accounts have reduced slightly over the last few months. Indeed this is the main reason for the improvement in the overall funding position of the FTSE 100 pension schemes since 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	38,779	22,026
Royal Dutch Shell	2	30,758	134,376
Royal Bank of Scotland	3	20,951	44,741
BP	4	19,985	116,723
Barclays	5	18,150	32,976
BAE Systems	6	17,456	17,468
Lloyds TSB	7	17,378	26,575
HSBC	8	16,414	99,574
National Grid	9	16,127	21,690
British Airways	10	14,610	3,562
Unilever	11	13,040	61,681
GlaxoSmithKline	12	10,345	71,305
Aviva	13	10,196	17,464

* as at 31 December 2007

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	84	70	4,888
Lonmin	85	66	4,789
Hammerson	86	55	2,977
Liberty International	87	47	3,907
Vedanta Resources	88	27	5,852
Enterprise Inns	89	17	2,513
Thomas Cook	90	14	2,759
ICAP	91	7	4,677
Shire	92	2	6,327
Admiral	93	0	2,873
Antofagasta	93	0	7,069
BSkyB	93	0	10,850
Cairn Energy	93	0	4,010
Carphone Warehouse	93	0	3,093
Kazakhmys	93	0	6,307
Sage Group	93	0	2,977
Tullow Oil	93	0	4,671

* as at 31 December 2007

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have fallen from £408 billion to £382 billion. 13 companies have pension liabilities of more than £10 billion, whilst 17 companies have pension liabilities of less than £100 million.

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	Deficit as a % of Equity Market Value	Liabilities as a % of Equity Market Value
British Airways	1	3,562	36%	410%
BT	2	22,026	2%	176%
Royal & Sun Alliance	3	4,774	-1%	101%
BAE Systems	4	17,468	18%	100%
Rexam	5	2,686	12%	98%
Taylor Wimpey	6	2,180	17%	82%
ITV	7	3,321	9%	80%
National Grid	8	21,690	3%	74%
FirstGroup	9	3,543	-1%	70%
Rolls-Royce	10	10,469	9%	66%
Lloyds TSB	11	26,575	8%	65%
Whitbread	12	2,483	8%	63%
Sainsbury	13	7,386	1%	60%
Aviva	14	17,464	6%	58%
Marks & Spencer	15	9,514	3%	58%

* as at 31 December 2007

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

Name	Rank	Equity Market Value* £m	Deficit as a % of Equity Market Value	Liabilities as a % of Equity Market Value
Vodafone	86	98,838	0%	1%
Liberty International	87	3,907	0%	1%
Enterprise Inns	88	2,513	0%	1%
Thomas Cook	89	2,759	0%	1%
Vedanta Resources	90	5,852	0%	0%
ICAP	91	4,677	0%	0%
Shire	92	6,327	0%	0%
Admiral	93	2,873	0%	0%
Antofagasta	93	7,069	0%	0%
BSkyB	93	10,850	0%	0%
Cairn Energy	93	4,010	0%	0%
Carphone Warehouse	93	3,093	0%	0%
Kazakhmys	93	6,307	0%	0%
Sage Group	93	2,977	0%	0%
Tullow Oil	93	4,671	0%	0%

* as at 31 December 2007

Commentary

Whilst there are eight FTSE 100 companies with no defined benefit pension liabilities, three FTSE 100 companies have pension scheme liabilities that are bigger than the total equity value of the company. Two FTSE 100 companies have pension deficits bigger than 20% of the equity value of the company. A further three companies have deficits greater than 10% of their equity value.

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 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
BAE Systems	1	17,468	1,285	7%
Royal & Sun Alliance	2	4,774	320	7%
Rexam	3	2,686	180	7%
BT	4	22,026	1,412	6%
Rolls-Royce	5	10,469	640	6%
Barclays	6	32,976	1,978	6%
TUI Travel	7	3,284	170	5%
Royal Bank of Scotland	8	44,741	1,943	4%
Centrica	9	13,166	477	4%
Lloyds TSB	10	26,575	877	3%

* as at 31 December 2007

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
Thomas Cook	91	2,759	-1	0%
Resolution	92	4,912	-4	0%
Xstrata	93	34,494	-81	0%
Scottish & Newcastle	94	6,944	-17	0%
Friends Provident	95	3,772	-10	0%
Home Retail Group	96	2,872	-18	-1%
Johnson Matthey	97	4,080	-31	-1%
G4S	98	3,127	-32	-1%
Persimmon	99	2,417	-36	-2%
British Airways	100	3,562	-445	-13%

* as at 31 December 2007

Commentary

Over the year covered by their latest report and accounts, 77 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 13 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

Contributions Paid Into Pension Schemes

This analysis compares the pension scheme contributions actually paid by companies, with the cost of pension benefits provided by companies to their employees 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).

Pension scheme contributions continue to increase with the amount contributed in the most recent accounting year being over £2 billion greater than the amount contributed the previous year. Of those companies with defined benefit pension schemes, only two FTSE 100 companies (Enterprise Inns and Resolution) made no pension scheme contributions in their last financial 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
BAE Systems	1	1,097	196	901
HBOS	2	857	227	630
British Airways	3	543	-63	606
Marks & Spencer	4	611	114	497
Unilever	5	744	252	492
Aviva	6	554	199	355
Sainsbury	7	362	15	347
BT	8	926	600	326
GlaxoSmithKline	9	606	288	318
ITV	10	225	23	202

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
BG	91	39	48	-9
Friends Provident	91	18	27	-9
Home Retail Group	93	13	23	-10
Rio Tinto	94	92	110	-18
Vodafone	95	55	74	-19
Barclays	96	383	407	-24
United Utilities	97	8	50	-42
Reed Elsevier	98	61	105	-44
HSBC	99	235	413	-178
Royal Bank of Scotland	100	380	668	-288

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £14.0 billion, up from £11.9 billion in the previous accounting year. This is more than the £7.7 billion cost of benefits provided to employees during the year. It therefore represents £6.3 billion of funding towards reducing pension scheme deficits.

Whilst this is a significant level of additional funding, it is perhaps surprising that FTSE 100 companies have not contributed more to their pension schemes. With the tax advantages of gross roll-up of interest in a UK pension scheme as well as the opportunity to reduce PPF premiums, it should make financial sense for FTSE 100 companies to borrow money in the capital markets rather than run a deficit in the pension scheme – given that their net borrowing costs, after corporation tax relief, are likely to be less than the gross interest they could earn in the pension scheme. However it is clear that companies are investigating ways to make large contributions of non-cash assets. For instance, Marks & Spencer contributed £500 million in the form of an interest in the company's property portfolio.

Appendix

Name	Year End	Equity	Pension	Pension	Surplus /	Funding	%	Deficit	Liabilities	Unexpected	Balance Sheet	Current	Previous	Surplus
		Market Value	Assets	Liabilities	(Deficit)	Level	Bonds	as % of Market Value	as % of Market Value	Balance Impact	Impact as % of Market Value	Funding	Funding	Funding
		£m	£m	£m	£m			Value	Value	£m	£m	£m	£m	£m
3i	31-Mar-2007	3,908	479	480	(1)	100%	44%	0%	12%	14	0%	10	31	(2)
Admiral	31-Dec-2006	2,873	-	-	(1)	-	-	-	-	-	-	-	-	-
Alliance & Leicester	31-Dec-2006	2,781	1,311	1,337	(26)	98%	48%	1%	48%	47	2%	26	17	3
AMEC	31-Dec-2006	2,815	1,243	1,151	93	108%	36%	(3%)	41%	55	2%	31	23	(0)
Anglo American	31-Dec-2006	40,826	2,122	2,171	(49)	98%	49%	0%	5%	67	0%	167	48	130
Antofagasta	31-Dec-2006	7,069	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	15-Sep-2007	7,124	2,474	2,164	310	114%	57%	(4%)	30%	109	2%	61	48	13
AstraZeneca	31-Dec-2006	32,017	4,235	5,159	(924)	82%	35%	3%	16%	14	0%	180	97	12
Aviva	31-Dec-2006	17,464	9,223	10,196	(973)	90%	35%	6%	58%	106	1%	554	383	355
BAE Systems	31-Dec-2006	17,468	14,289	17,456	(3,167)	82%	21%	18%	100%	1,285	7%	1,097	323	901
Barclays	31-Dec-2006	32,976	17,506	18,150	(644)	96%	43%	2%	55%	1,978	6%	383	369	(24)
BG	31-Dec-2006	38,664	482	727	(245)	66%	16%	1%	2%	13	0%	39	18	(9)
BHP Billiton	30-Jun-2007	35,131	878	894	(16)	98%	58%	0%	3%	75	0%	36	81	3
BP	31-Dec-2006	116,723	20,369	19,985	384	102%	18%	(0%)	17%	1,337	1%	605	607	135
British Airways	31-Mar-2007	3,562	13,316	14,610	(1,294)	91%	43%	36%	410%	(445)	(12%)	543	286	606
British American Tobacco	31-Dec-2006	40,265	3,938	4,296	(358)	92%	39%	1%	11%	237	1%	144	146	45
British Energy	31-Mar-2007	5,763	2,671	2,736	(65)	93%	36%	1%	47%	69	1%	125	124	48
British Land	31-Mar-2007	4,888	79	70	9	113%	38%	(0%)	1%	10	0%	10	6	10
BSkyB	30-Jun-2007	10,850	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2007	22,026	38,390	38,779	(389)	99%	33%	2%	176%	1,412	6%	926	452	326
Cable & Wireless	31-Mar-2007	4,603	2,289	2,238	51	102%	39%	(1%)	49%	113	2%	18	115	4
Cadbury Schweppes	31-Dec-2006	13,052	2,537	2,708	(171)	94%	40%	1%	21%	72	1%	133	89	63
Cairn Energy	31-Dec-2006	4,010	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2006	4,201	444	471	(27)	94%	25%	1%	11%	13	0%	19	17	(1)
Carnival	30-Nov-2006	4,690	113	132	(19)	86%	57%	0%	3%	17	0%	6	6	2
Carphone Warehouse	31-Mar-2007	3,093	-	-	-	-	-	-	-	-	-	-	-	-
Centrica	31-Dec-2006	13,166	2,988	3,284	(296)	91%	19%	2%	25%	477	4%	164	155	21
Compass	30-Sep-2007	5,978	1,442	1,512	(70)	95%	69%	1%	25%	131	2%	110	329	83
Diageo	30-Jun-2007	28,327	5,019	5,269	(250)	95%	32%	0%	19%	337	1%	95	108	(7)
Enterprise Inns	30-Sep-2007	2,513	19	17	2	112%	32%	(0%)	1%	2	0%	0	0	0
Experian	31-Mar-2007	4,051	545	492	53	111%	31%	(1%)	12%	37	1%	20	12	(5)
FirstGroup	31-Mar-2007	3,543	2,507	2,476	31	101%	20%	(1%)	70%	90	3%	95	68	33
Friends Provident	31-Dec-2006	3,772	1,045	1,122	(77)	93%	40%	2%	30%	(10)	(0%)	18	16	(9)
G4S	31-Dec-2006	3,127	1,164	1,414	(251)	82%	30%	8%	45%	(32)	(1%)	36	29	22
GlaxoSmithKline	31-Dec-2006	71,305	9,248	10,345	(1,097)	89%	33%	2%	15%	291	0%	606	673	318
Hammerston	31-Dec-2006	2,977	43	55	(12)	78%	45%	0%	2%	0	0%	7	5	5
HBOS	31-Dec-2006	27,543	6,644	7,501	(857)	89%	25%	3%	27%	239	1%	857	366	630
Home Retail Group	03-Mar-2007	2,872	637	628	9	101%	29%	(0%)	22%	(18)	(1%)	13	115	(10)
HSBC	31-Dec-2006	99,574	14,101	16,414	(2,313)	86%	62%	2%	16%	60	0%	235	1,339	(178)
ICAP	31-Mar-2007	4,677	6	7	(1)	81%	73%	0%	0%	0	0%	1	1	1
Imperial Tobacco	30-Sep-2007	18,382	3,238	3,033	205	107%	30%	(1%)	17%	182	1%	46	42	6
Intercontinental Hotels	31-Dec-2006	2,644	325	367	(62)	84%	45%	2%	15%	4	0%	5	47	0
International Power	31-Dec-2006	6,737	226	241	(15)	94%	14%	0%	4%	13	0%	12	9	1
ITV	31-Dec-2006	3,321	2,372	2,657	(285)	89%	39%	9%	80%	27	1%	225	142	202
Johnson Matthey	31-Mar-2007	4,080	952	922	30	103%	41%	(1%)	23%	(31)	(1%)	28	24	(5)
Kazakhmys	31-Dec-2006	6,307	-	-	-	-	-	-	-	-	-	-	-	-
Kelda	31-Mar-2007	3,753	865	878	(13)	99%	31%	0%	23%	27	1%	59	34	39
Kingfisher	03-Feb-2007	3,410	1,377	1,432	(55)	96%	40%	2%	42%	96	3%	122	172	83
Land Securities	31-Mar-2007	7,078	144	150	(6)	96%	51%	0%	2%	(1)	(0%)	4	5	1
Legal & General	31-Dec-2006	8,405	1,170	1,346	(176)	87%	55%	2%	16%	31	0%	41	33	22
Liberty International	31-Dec-2006	3,907	47	47	0	101%	40%	(0%)	1%	1	0%	2	2	1
Lloyds TSB	31-Dec-2006	26,575	15,279	17,378	(2,099)	88%	28%	8%	65%	877	3%	550	419	193

Appendix (continued)

Name	Year End	Equity Market Value	Pension Assets	Pension Liabilities	Surplus / (Deficit)	Funding Level	% Bonds	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	Value	Value	£m	£m	£m	£m	£m
London Stock Exchange	31-Mar-2007	5,565	225	240	(15)	94%	82%	0%	4%	0	0%	6	4	5
Lonmin	30-Sep-2007	4,789	78	66	12	118%	100%	(0%)	1%	3	0%	2	1	2
Man Group	31-Mar-2007	9,750	182	208	(26)	88%	42%	0%	2%	14	0%	17	16	3
Marks & Spencer	31-Mar-2007	9,514	5,228	5,487	(260)	95%	48%	3%	58%	(3)	(0%)	611	130	497
Morrison Supermarkets	04-Feb-2007	8,642	1,774	1,972	(198)	90%	17%	2%	23%	170	2%	95	92	42
National Grid	31-Mar-2007	21,690	15,468	16,127	(659)	96%	53%	3%	74%	376	1%	276	191	161
Next	27-Jan-2007	3,378	380	427	(47)	89%	34%	1%	13%	37	1%	48	28	31
Old Mutual	31-Dec-2006	9,120	836	758	78	110%	57%	(1%)	8%	52	1%	14	7	6
Pearson	31-Dec-2006	5,889	1,633	1,810	(177)	90%	26%	3%	31%	(36)	2%	45	45	16
Persimmon	31-Dec-2006	2,417	257	361	(104)	71%	27%	4%	15%	(36)	(2%)	14	8	7
Prudential	31-Dec-2006	17,515	5,275	5,210	65	101%	57%	(0%)	30%	485	3%	152	29	83
Reckitt Benckiser	31-Dec-2006	20,853	850	959	(109)	89%	32%	1%	5%	34	0%	11	11	(4)
Reed Elsevier	31-Dec-2006	8,654	2,772	3,008	(236)	92%	28%	3%	35%	179	2%	61	47	(44)
Rentokil Initial	31-Dec-2006	2,188	921	1,040	(119)	89%	80%	5%	48%	45	2%	9	271	19
Resolution	31-Dec-2006	4,912	1,117	1,037	80	108%	82%	(2%)	21%	(4)	(0%)	0	0	(6)
Reuters	31-Dec-2006	7,979	1,298	1,408	(110)	92%	47%	1%	18%	12	0%	207	19	168
Rexam	31-Dec-2006	2,686	2,313	2,639	(326)	88%	52%	12%	98%	180	7%	41	22	19
Rio Tinto	31-Dec-2006	53,249	3,077	3,054	23	101%	29%	(0%)	6%	207	0%	92	99	(18)
Rolls-Royce	31-Dec-2006	10,469	5,906	6,899	(993)	86%	32%	9%	66%	640	6%	153	177	21
Royal & Sun Alliance	31-Dec-2006	4,774	4,870	4,814	56	101%	50%	(1%)	101%	320	7%	203	215	128
Royal Bank of Scotland	31-Dec-2006	44,741	18,959	20,951	(1,992)	90%	35%	4%	47%	1,943	4%	380	452	(288)
Royal Dutch Shell	31-Dec-2006	134,376	34,444	30,758	3,686	112%	22%	(3%)	23%	3,541	3%	704	702	12
SABMiller	31-Mar-2007	21,189	564	726	(162)	78%	32%	1%	3%	(8)	(0%)	14	8	(8)
Sage Group	30-Sep-2006	2,977	-	-	-	-	-	-	-	-	-	-	-	-
Sainsbury	24-Mar-2007	7,386	4,298	4,401	(103)	98%	44%	1%	60%	167	2%	362	188	347
Schroders	31-Dec-2006	3,727	518	501	17	103%	44%	(0%)	13%	6	0%	8	41	(5)
Scottish & Newcastle	31-Dec-2006	6,944	2,057	2,337	(280)	88%	43%	4%	34%	(17)	(0%)	64	58	40
Scottish & Southern Energy	31-Mar-2007	14,021	2,110	2,202	(92)	96%	28%	1%	16%	47	0%	62	56	32
Severn Trent	31-Mar-2007	3,556	1,365	1,500	(135)	91%	34%	4%	42%	17	0%	97	105	56
Shire	31-Dec-2006	6,327	0	2	(2)	0%	-	0%	0%	0	0%	0	0	0
Smith & Nephew	31-Dec-2006	5,277	455	518	(63)	88%	20%	1%	10%	25	0%	30	75	14
Smiths Group	31-Jul-2007	5,921	3,319	3,071	248	108%	39%	(4%)	52%	113	2%	103	110	62
Standard Chartered	31-Dec-2006	25,801	1,195	1,425	(230)	84%	67%	1%	6%	41	0%	44	39	(4)
Standard Life	31-Dec-2006	5,493	1,271	1,491	(220)	85%	27%	4%	27%	2	0%	107	46	53
Taylor Wimpey	31-Dec-2006	2,180	1,420	1,793	(373)	79%	61%	17%	82%	1	0%	48	30	40
Tesco	24-Feb-2007	37,548	4,007	4,957	(950)	81%	21%	3%	13%	114	0%	321	270	113
Thomas Cook	31-Oct-2006	2,759	8	14	(7)	54%	77%	0%	1%	(1)	(0%)	1	0	0
TUI Travel	31-Dec-2006	3,284	937	1,664	(727)	56%	40%	22%	51%	170	5%	51	41	17
Tullow Oil	31-Dec-2006	4,671	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2006	61,681	11,585	13,040	(1,455)	89%	23%	2%	21%	929	2%	744	572	492
United Utilities	31-Mar-2007	6,604	2,706	2,644	62	102%	35%	(1%)	40%	54	1%	8	4	(42)
Vedanta Resources	31-Mar-2007	5,852	9	27	(18)	32%	34%	0%	0%	5	0%	2	2	1
Vodafone	31-Mar-2007	98,838	1,251	1,292	(41)	97%	27%	0%	1%	67	0%	55	85	(19)
Whitbread	01-Mar-2007	2,483	1,366	1,562	(196)	87%	40%	8%	63%	39	2%	110	113	104
Wolseley	31-Jul-2007	4,876	711	818	(107)	87%	32%	2%	17%	63	1%	45	30	20
WPP	31-Dec-2006	7,895	470	657	(187)	72%	59%	2%	8%	22	0%	49	36	30
Xstrata	31-Dec-2006	34,494	1,222	1,291	(69)	95%	48%	0%	4%	(81)	(0%)	33	3	21
Yell	31-Mar-2007	3,107	302	330	(27)	92%	40%	1%	11%	16	1%	18	86	(4)

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).

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