



**NATIONAL DEPOSIT**

# Annual Report & Accounts 2006

**integrity, self-help, value for money**

## CONTENTS

01	SOCIETY INFORMATION
02	FINANCIAL HIGHLIGHTS
03 - 05	CHAIRMAN'S REPORT
06 - 08	CORPORATE GOVERNANCE
09	CORPORATE STRUCTURE/MANAGING BOARD
10	MANAGING BOARD
11 - 12	REPORT OF THE MANAGING BOARD
13 - 14	DIRECTORS' REMUNERATION REPORT
15	DELEGATE BOARD
16	REPORT OF THE DELEGATE BOARD
17	AUDITORS' REPORT
18	MARKETING COMMUNICATIONS
19	INCOME AND EXPENDITURE ACCOUNT
20	BALANCE SHEET
21	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND NOTES TO THE ACCOUNTS
22 - 31	NOTES TO THE ACCOUNTS

---

# Society Information

## Managing Board

Mr. D. C. Burgess I.Eng.  
Chairman

Mr. D. C. Azubike PhD., MIOSH., JP.

Mr. C. D. Bielckus BSc., FCA.

Mr. A. H. Gledhill  
Sales and Marketing Director

Mr. G. R. Higham FCCA.  
Finance Director

Mr. E. P. Malden JP.

Mr. P. McIlwraith FCA.

Mr. T. W. Trinder FCCA.  
Chief Executive

Mr. G. F. Hicks  
Company Secretary

## Advisors

### • Actuaries

BWCI Limited, Albert House,  
South Esplanade, St Peter Port,  
Guernsey, GY1 1AW

### • Auditors

PricewaterhouseCoopers LLP,  
31 Great George Street,  
Bristol BS1 5QD

### • Architects

Ansell & Bailey,  
24 - 32 Stephenson Way,  
London NW1 2HD

### • Bankers

National Westminster,  
The Mall, Clifton,  
Bristol BS99 5AJ

### • Custodians

Northern Trust,  
50 Bank Street, Canary Wharf,  
London E14 5NT

### • Internal Auditors

Mazars LLP,  
Clifton Down House,  
Beaufort Buildings,  
Clifton,  
Bristol BS8 4AN

### • Investment Managers

Main Fund,  
Fidelity Investments,  
25 Cannon Street,  
London EC4M 5TA

Unit Linked Fund,  
Church House Investments,  
3 Goldcroft,  
Yeovil,  
Somerset BA21 4DQ

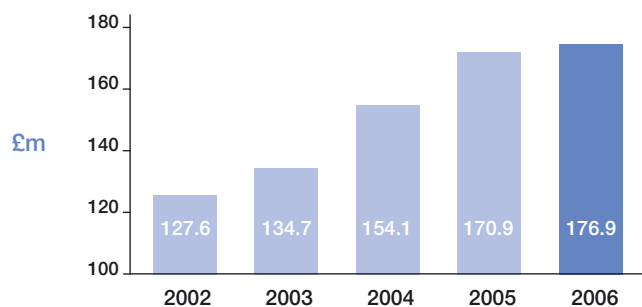
### • Surveyors

Mellersh & Harding,  
6 Duke Street,  
St James's,  
London SW1Y 6BN

Registered Office: National Deposit Friendly Society Limited  
4-5 Worcester Road, Clifton, Bristol BS8 3JL, United Kingdom.  
Telephone: 0117 973 9003 Fax: 0117 980 9358  
e-mail: enquiries@nationaldeposit.co.uk www.nationaldeposit.co.uk

# Financial Highlights - 2006

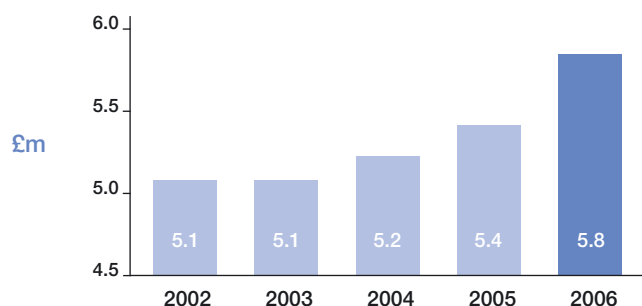
## TOTAL ASSETS



ANOTHER YEAR OF POSITIVE INVESTMENT RETURNS HAS SEEN THE SOCIETY INCREASE TOTAL ASSETS TO £176.9M, ANOTHER RECORD HIGH.

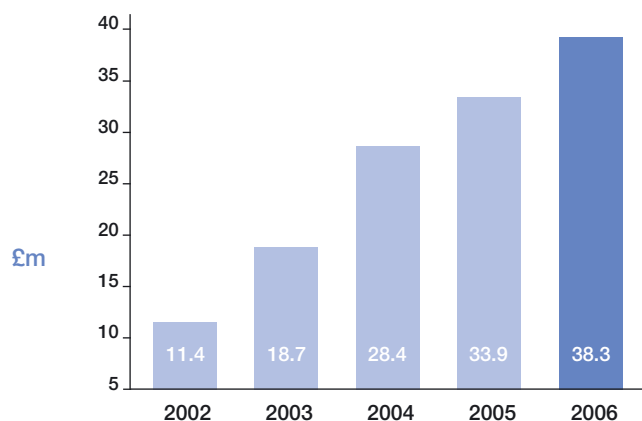
## ANNUAL PREMIUMS EARNED AND PAYMENTS TO DEPOSIT

(Calculated using 10% of Single Premium Business)



AN EXCELLENT YEAR OF NEW BUSINESS GROWTH HAS SEEN ANNUAL PREMIUM INCOME INCREASE BY OVER 7%.

## FUND FOR FUTURE APPROPRIATIONS



ANOTHER YEAR OF GROWTH HAS INCREASED THE FREE RESERVES OF THE SOCIETY TO £38.3M.

# Chairman's Report

FOR THE YEAR ENDED 31 DECEMBER 2006

## STRATEGY

This year marked the implementation of our new strategy following the review which was conducted during 2005. I am pleased to report that, so far, results have exceeded expectation and all of the milestones we established have been met or beaten.

Our product development team have refreshed the existing National Deposit product range and developed new offerings including our new Healthcare package. This product goes back to our heritage with a deposit based healthcare facility which has been modernised to suit today's market place. We hope that it will become a major influence in the growing healthcare market in the years to come. We have developed a whole of life policy for the over 50s which was launched in February 2007 and this will be followed by a With-Profit ISA before the end of the first quarter. I am pleased to note that our With-Profit Bond is performing well in the industry's comparative performance tables. Whilst the market for With-Profit investments is under some pressure we feel that in the right circumstances it is a valuable investment opportunity for policyholders.

We have organised our distribution over four channels each led by a specialist channel manager so that we can provide the level of expertise to each channel to better meet the needs and aspirations of our potential market.

We were particularly pleased with the Intermediary Channel as this is the Society's first foray into the sector and from a standing start produced very satisfactory results.

Direct Offer changed its focus during the year to concentrate on carefully targeted media in our chosen market segments. Results have been exceptional and we have not only increased volumes but reduced significantly the cost of acquisition.

Recognising the needs of our members and unlike many organisations we have maintained a small but focussed group of Consultants providing face to face advice to those members who wish to retain this more personal level of support. We will continue this initiative and are anticipating growing business volumes particularly with our new distribution partners.

Our Worksite team has travelled the country providing much needed contact in all the workplace outlets which have been developed following the Scheme of Transfer with the Customs Fund in 2004.

The combined results of these initiatives have enabled us to increase new business by a factor of three when compared to 2005 and whilst this is still relatively modest we have managed all of the increased volume at virtually the same processing cost as in 2005.

At the corporate level we have created two new subsidiaries, ND Member Services Limited and ND Partner Services Limited. Appropriate "permissions" have been granted by the Financial Services Authority and we are now able to distribute third party products to our members which previously we were unable to supply. By the end of the year we had completed four distribution agreements which will enable us to offer level and decreasing term assurance, critical illness, household, motor insurance and mortgage advice.

## SPECIAL GENERAL MEETING

The Society convened a Special General Meeting which took place in London on 31 October 2006. The purpose of the meeting was to consider the Society's Rule Book and I am delighted to say that after a detailed review, debate and some amendment the new Rule Book was approved unanimously.

The changes which have been made relate primarily to corporate governance and will enable us to more easily comply with the recommendations from the Myners Review. We were particularly pleased that representatives attending the Special General Meeting voted in favour of the proposal to move to a universal franchise. In future all policyholders will be entitled to attend and vote at our Annual General Meetings or, if necessary, vote by post or appoint a proxy to vote on their behalf. This will provide a greater opportunity for all members to engage with the Society and plans are in place to develop our communications strategy so that we can enhance members' awareness of and involvement in the Society through our Divisional Committees and Delegate Board.

## CORPORATE GOVERNANCE

The Society will be completing the Questionnaire issued by The Association of Friendly Societies and The Association of Mutual Insurers to monitor compliance with the recommendations from the Myners Review. It remains our intention to comply with these recommendations in all material respects at our very earliest opportunity. As part of that process and having trialled the process during the previous year we have carried out a robust appraisal of each member of the Managing Board and an assessment of the effectiveness of the Managing Board and its various sub-committees. Following the appraisal process which took place in 2005 we have increased the number of Managing Board meetings and provided training for our Non-Executive Directors where appropriate. We will be developing a new Nominations Committee early in 2007 which will be charged with the responsibility of securing appropriately experienced and qualified Board members to serve the best interests of policyholders. All Managing Board directors will henceforth be required to retire by rotation and present themselves to the membership at the Annual General Meeting for re-election.

# Chairman's Report

FOR THE YEAR ENDED 31 DECEMBER 2006

## REGULATION

The Society has invested heavily in embedding the concept of "Treating Customers Fairly" into the Society.

Whilst we, along with many others in our sector, have always felt this was an integral part of the business, our analysis revealed areas where improvements could be made and a comprehensive Action Plan has been established to remedy the gaps identified. Similarly we are placing a greater focus on Risk Management and organisational changes have been made to help us better address this issue. Much remains to be done and this will be a focus of our attention during 2007.

The Society underwent an ARROW II and an ICAS review from the Financial Services Authority in December 2006 the results of which are awaited.

Our consumer friendly "Principles and Practices of Financial Management" was completed in the Spring and is now published in full on the Society's website. This document sets out in "plain English" the Board's approach to its management of the With-Profit Fund.

## OPERATIONAL REVIEW

We have completed the second year of our computer development project and are now administering some of the Society's policies on the new system. 2007 is a major year for this development programme and by the end of the year we are planning to have migrated the bulk of our assurance policies to the new platform. This is essential for our plans to improve productivity over the medium to long term and to ensure that the Society is able to deliver the level of policyholder service which is essential in today's competitive market place.

We have enhanced our telephony capabilities and introduced robust service level standards. A new accounting system has been introduced and this enables us to create a wider platform of management information than hitherto.

Our management team has undergone a rigorous development programme during the year which continues on into 2007.

## INVESTMENTS

We review the Society's Investment Policy at least twice yearly to ensure that it provides the most appropriate asset allocation and complies with the controls set out in the Principles and Practices of Financial Management. During the year our Head of Actuarial Function was commissioned to produce additional actuarial reports to better monitor and evaluate our various internal funds. This will enable the Society to monitor more accurately and react more quickly to changes in the mix of our liabilities which may emerge during a period of rapid growth and the most appropriate asset allocations to support them.

Asset categories as at 31 December 2006 were as follows:

	2006		2005	
	£'m	%	£'m	%
Fixed Interest	67.9	39	66.1	40
Equities	52.0	30	51.1	30
Property	44.1	25	42.0	25
Cash	6.0	4	5.2	3
Other	4.6	2	4.7	2
<b>Total*</b>	<b>174.6</b>	<b>100</b>	<b>169.1</b>	<b>100</b>

\*Excludes assets held to cover linked liabilities

The Equity portfolio has again remained strong but at a lower level than in recent years whereas increases in Bank Base Rate during the year have impacted on the Fixed Interest portfolio. We continue to make good gains from our Property Portfolio and during the year have disposed of six properties with an aggregate value of more than £7.2m the bulk of which has been re-invested in new properties.

## FINANCIAL RESULTS

The buoyant levels of new business have increased earned annual premiums by nearly 14% but investment income is down modestly on the previous year.

The movement in unrealised investments in the year has been affected adversely by the base rate increases and this impacted on the Fixed Interest portfolio as noted above.

Claims are up but total administration expenses have been held at broadly the same level as in 2005 whilst investment management expenses have been reduced.

Acquisition costs have increased significantly in line with the new development plans but, with the exception of intermediary commissions in respect of Healthcare, all acquisition costs are expensed as incurred and the resultant new business strain which this creates is in line with our expectations.

After allowing for a reduction in the transfer to the Long Term Business Provision and charging for the Bonus provision the surplus transferred to the Fund for Future Appropriations has increased the reserves to £38.3M, the highest in the Society's history.

# Chairman's Report

FOR THE YEAR ENDED 31 DECEMBER 2006

## THE FUTURE

2007 is the second year of our strategic development and the Board has established clear milestones to monitor results. It is our intention to continue to develop the sales and marketing activity so that we can halt the decline in our total policy count which has persisted for so many years. The Board continue to believe in the need for the Society to be bigger so that the critical mass of a larger organisation is better able to support the much higher level of fixed costs needed to operate successfully in our increasingly regulated market. The Society will continue to seek potential partners for schemes of transfer where it is in the best interest of policyholders to merge.

## PEOPLE

The Board believes that the future success of the Society will depend very largely upon the competence and motivation of its workforce. It has designed training and development programmes and rewards both individual and collective performance. We will continue to monitor market conditions so that the Society will be able to attract and retain staff of an appropriate calibre in the future.

May I express my thanks and those of the Managing Board to all of our staff for the way in which they have dealt with another year of change and challenge within our organisation.

We look forward to working with you to achieve continuing progress in the years to come.

D C Burgess  
Chairman  
Date: 13 March 2007

# Corporate Governance

The Managing Board supports the general principles of corporate governance and is committed to maintaining a high standard.

The Society held a Special General Meeting on 31 October 2006 in order to consider and approve a new rule book. The meeting approved the new rule book which was registered with the FSA from 1 December 2006 and will enable the Society to more readily comply with the Myners Report.

The Managing Board, which comprises the Chairman plus four non-executive and three executive directors, met on six occasions during the year. Biographies of all the directors and Company Secretary appear on pages 9 and 10 together with details of their experience and qualifications. The Managing Board is satisfied that this range of expertise and experience is appropriate for the current needs of the Society but this will be reviewed again in 2007. In addition, informal meetings of the Non-Executive Directors took place without any other Directors in attendance.

The roles of Chairman and Chief Executive remained separate during 2006 with their respective responsibilities being agreed by the Managing Board.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the board as a whole.

The Board determines, reviews and approves the Society's:

- values, standards and ethics.
- strategy and objectives and approves the annual business plan and monitors the performance in achieving the plan.
- individual capital assessment report.
- pension and remuneration policies.
- most significant risks affecting the Society and the action being taken to manage/mitigate them.
- annual report and accounts.
- Principles and Practices of Financial Management.
- investment policy.

The independence of the Non-Executive Directors has been reviewed and, with the exception of the Senior Independent Non-Executive Director, it was noted that the remaining Non-Executive Directors held policies with the Society. These policies, which are issued on standard Society terms, are not considered significant and are therefore not relevant to their independence.

The Managing Board has established Committees, where appropriate, of Board members (with a majority of non – executives) as follows:

## AUDIT COMMITTEE

C D Bielckus BSc., FCA (Chairman).  
D C Burgess I.Eng.  
P Mcllwraith FCA.

The Audit Committee meets at least four times a year and assists the Managing Board in meeting its responsibilities in respect of the systems and controls and external financial reporting. At least one member of the Committee has recent and relevant financial experience. It considers the appointment of and fees for external auditors, ensures that their objectivity and independence is safeguarded in respect of any non audit services and takes an independent view of the appropriateness of the Group's accounting policies and practices.

It also considers the effectiveness of Internal Audit, who have unrestricted access to the Managing Board. A review of the Internal Audit function was undertaken following which Mazars were appointed Internal Auditors in February 2007.

Terms of Reference are available on request and will be put on the Society website in due course.

## REMUNERATION COMMITTEE

D C Burgess I.Eng (Chairman).  
D C Azubike PhD.,MIOSH.,JP.  
C D Bielckus BSc.,FCA.  
E P Malden JP.  
P Mcllwraith FCA.

The Remuneration Committee meets at least once a year to review the remuneration policy and determines the remuneration packages of the executive directors and senior managers. There is a performance related element within the remuneration, which is linked to the achievement of objectives.

The remuneration of Non-Executive Directors is based upon a survey of similar organisations carried out and recommended by the Executive Committee and approved by the Managing Board.

The Directors' Remuneration Report is on pages 13 and 14.

Terms of Reference are available on request and will be put on the Society website in due course.

# Corporate Governance

## INVESTMENTS COMMITTEE

D C Burgess I.Eng., (Chairman).  
D C Azubike PhD.,MIOSH.,JP.  
C D Bielckus BSc.,FCA.  
A H Gledhill.  
G F Hicks (Company Secretary).  
G R Higham FCCA.  
E P Malden JP.  
P McIlwraith FCA.  
T W Trinder FCCA.

This is covered by the Managing Board in order to meet their responsibilities in complying with Principles and Practices of Financial Management. The Investment Policy is formally reviewed every six months.

The Managing Board has responsibility for :

- appointing/terminating the Society Fund Managers.
- determining the asset allocation and performance benchmarks.
- monitoring the performance of the Funds.

## NOMINATIONS COMMITTEE

M A Frost.  
V Goulding.  
D A Jones.  
F E Rogers.

The Nominations Committee comprises at least four Delegate Board members who meet as required to consider and approve nominations to be submitted to the Delegate Board and Annual General Meeting for the office of Non-Executive Director.

It has not been considered necessary to use the services of an external Research Consultancy or use open advertising.

The Managing Board is aware that the current composition of this Committee is an exception to the Myners Report. The Nominations Committee shall in future comprise Non-Executive Directors and persons recommended for appointment by the Delegate Board (who shall not exceed 50% of the membership of the Nominations Committee) with the Chairman of the Nominations Committee being a Non-Executive Director. The Nominations Committee will make recommendations to the Managing Board and members on the appointment, re-appointment or removal of Directors.

Terms of Reference are available on request and will be put on the Society website in due course.

## RISK MANAGEMENT COMMITTEE

G F Hicks (Chairman).  
S J Ainsworth M.A., F.I.A. (Head of Actuarial Function).  
C D Bielckus BSc.,FCA.  
E P Goodfellow (HR Manager).  
G R Higham FCCA.  
M R Love (Business Services Manager).  
F Randall (Compliance Manager).  
T W Trinder FCCA.

The Risk Management Committee shall meet at least four times a year and will review or enhance risk management systems, ensure key risks are properly managed and that consideration of potential risk forms a part of the decision making processes throughout the Society.

Terms of Reference are available on request and will be put on the Society website in due course.

## EXECUTIVE COMMITTEE

T W Trinder FCCA. (Chairman).  
A H Gledhill.  
G F Hicks.  
G R Higham FCCA.  
N J Killick.  
J J Long ACA.  
A R Thomas.

The Executive Committee meets as necessary, but at least monthly, to manage the business of the Society on a day to day basis and take operating decisions that are within the terms of authority delegated by the Managing Board from time to time.

The Society's Customer Services Manager, Mr A R Thomas was appointed to the Committee during the year as was the Finance Director Designate Mr J J Long.

Terms of Reference are available on request and will be put on the Society website in due course.

## CHAIRMAN'S COMMITMENTS

The Chairman reported to the Managing Board that he had no other significant commitments.

## LIABILITY INSURANCE

The Society maintained liability insurance for all officers throughout the year.

# Corporate Governance

## ATTENDANCE AT 2006 MANAGING BOARD AND COMMITTEE MEETINGS

Director	Managing Board		Audit Committee		Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
D C Burgess	6	6	4	4	4	4
D C Azubike	6	6	-	-	4	4
C D Bielckus	6	6	4	4	4	4
A H Gledhill	6	6	-	-	-	-
G F Hicks	6	6	-	-	-	-
G R Higham	6	6	-	-	-	-
E P Malden	6	6	-	-	4	4
P Mcllwraith	6	6	4	4	4	4
T W Trinder	6	6	-	-	-	-

## ANNUAL MEETING OF THE SOCIETY

In accordance with the rules of the Society which prevailed until the Special General Meeting held on 31 October 2006 and which were replaced by the registration of the new rules with the FSA on 1 December 2006, members that were entitled to attend and vote at the Society's Annual General Meeting were elected at their Divisional Annual Meeting.

All elected members were entitled to vote and each proposal was decided by a simple majority unless the Rules of the Society specified otherwise.

The Managing Board was aware that this procedure did not follow the guidelines within the Myners Report. Following the registration of a new rule book effective from 1 December 2006 every member aged 18 or over is entitled to vote in accordance with the rules. Every eligible member will be encouraged to attend and vote at the Annual General Meeting, however, those unable to do so will have the facility to vote by post or appoint a proxy to vote on their behalf.

G F Hicks  
Company Secretary  
Date: 13 March 2007

# Corporate Structure



## Managing Board

### Executive Directors and Company Secretary



**Terry Trinder**  
FCCA.  
Chief Executive  
(Age 58)

Terry Trinder has worked in financial services for more than 30 years including Board appointments at Liverpool Victoria and the Frizzell Group before joining the Society in 2002, and is a Director of the following Companies:-

ND Member Services Limited  
ND Partner Services Limited  
Association of Friendly Societies Limited  
NDFS Pension Trust Limited  
Woodlands Court (Bournemouth) Limited  
Woodlands Court (Freehold) Limited



**Alan Gledhill**  
Sales & Marketing  
Director  
(Age 48)

Alan Gledhill has over 23 years experience working in the financial services industry having held various positions with Companies including AMP-Pearl Group, Sun Life Financial of Canada, and Zurich before joining the Society in 1998, and is a Director of the following Companies:-

ND Member Services Limited  
ND Partner Services Limited



**Gary Hicks**  
Company  
Secretary  
(Age 53)

Gary Hicks has been employed in financial services most of his working life. He joined the Society in 1974 and progressed through various departments to his current position, and is a Director of the following Companies:-

ND Member Services Limited  
ND Partner Services Limited



**Geoff Higham**  
FCCA.  
Finance Director  
(Age 59)

Geoff Higham has spent all of his working life within the accountancy sector having worked within clothing manufacture and retail, glass manufacture, financial services and a number of professional offices before joining the Society in 1994, and is a Director of the following Companies:-

ND Member Services Limited  
ND Partner Services Limited

# Managing Board

## Non-Executive Directors



**Don Burgess**  
I.Eng.  
**Chairman**  
(Age 68)

Don Burgess was, prior to his retirement, a self-employed Design Consultant.  
He was elected for a period of three years at the Society's Annual General Meeting in 2004.



**Peter McIlwraith**  
FCA.  
**Senior Independent  
Non-Executive  
Director**  
(Age 59)

Peter McIlwraith is a Chartered Accountant. He was a partner with PricewaterhouseCoopers (and prior to that with Price Waterhouse) and was the Regional Chairman for the West and Wales and the Senior Partner in Bristol from 1991 to 2001. He is a Non-Executive Director of the following Companies:-  
Bristol Water plc  
Wells Cathedral School Limited  
He is also the Chairman of At Bristol Limited.



**Dozie Azubike**  
PhD., MIOSH., JP.  
(Age 44)

Dozie Azubike is an Inspector of Health and Safety and a Board Member of a Housing Association.  
He was elected for a period of three years at the Society's Annual General Meeting in 2006, and is a Director of the following Companies:-  
Thames Valley Housing Association Limited  
Thames Valley Charitable Housing Association Limited  
NDFS Pension Trust Limited



**Colin Bielckus**  
BSc., FCA.  
(Age 50)

Colin Bielckus is a Chartered Accountant and Business Adviser.  
He was elected for a period of three years at the Society's Annual General Meeting in 2005, and is a Director of the following Companies:-  
Avenue Business Services Limited  
Wonderful People Limited  
Davis World Travel Limited



**Ed Malden**  
JP.  
(Age 42)

Ed Malden is the Managing Director of a transport company.  
He was elected for a period of three years at the Society's Annual General Meeting in 2006, and is a Director of the following Company:-  
Point 2 Point (Andover) Limited

In accordance with the rules of the Society, which prevailed until the Special General Meeting held on 31 October 2006 and which were replaced by the registration of the new rules with the FSA on 1 December 2006, the Senior Independent Non-Executive Director and the Executive Directors were appointed by the Delegate Board. The other Non-Executive Directors were elected at the Society's Annual General Meeting.

Following the registration of the new rules, all Managing Board Directors will, in future, be required to retire by rotation and present themselves to the membership at the Annual General Meeting for re-election.

# Report of the Managing Board

FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors present their Annual Report, together with the Financial Statements and Auditor's Report for the year ended 31 December 2006.

## BOARD OF DIRECTORS

A list of Directors of the Managing Board who held office during the year, appears within the "Society's Information" on page 1.

## CORPORATE GOVERNANCE

The Managing Board were aware that under the old rule book the Society did not comply with all the recommendations within the Myners Report. During the year the Society held a Special General Meeting which considered and approved a new rule book the adoption of which enabled the Society to comply more fully with the recommendations of the Myners Report.

The number of Managing Board meetings increased during the year and appropriate training for all non-executive directors took place. A new Nominations Committee was created in early 2007. They will be responsible for leading the appraisal process for appointment to the Managing Board. It will also be necessary for all Directors to retire by rotation and seek re-election at Annual General Meeting. In addition the Managing Board approved the creation of a Risk Management Committee in order to ensure adequate risk management systems are in place.

During the year Mr Jonathan Long joined the Society as Finance Director Designate in order to succeed Mr Geoff Higham, Finance Director, who will be retiring from the Society during 2007 upon reaching the age of 60 after thirteen years service.

The organisational structure of the Society is detailed on page 9 and is clearly defined with its objectives and strategy determined by the Managing Board.

Authority for the day to day business operations is delegated to the Chief Executive and Executive Committee.

## BUSINESS OBJECTIVES AND ACTIVITIES

The Society's objective is to promote the financial well being of its members through the provision of life assurance, savings and protection schemes. During the year two subsidiary companies were formed for which appropriate permissions were sought and received from the FSA. The creation of these two subsidiary companies will enable third party products to be distributed to its members. The Society also seeks to maximise the returns to its members through improving investment performance and by cost control.

The financial performance of the Society is reviewed by the Chairman on page 4.

## STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS

The Managing Board of Directors is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the results for that year. In preparing these financial statements the Managing Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the statements on a going concern basis, unless it is inappropriate to assume that the Society will continue in business.
- Prepare the accounts in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and in accordance with the applicable accounting standards in the United Kingdom.

The Directors confirm that the accounts comply with the above.

The Directors are responsible for keeping appropriate accounting records which disclose with reasonable accuracy, at any time, the financial position of the Society and to enable it to ensure that the financial statements comply with the Friendly Societies Act 1992. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT OF SOLVENCY

As at 31 December 2006 the Society's margin of solvency for each class of relevant business exceeded the minimum requirement prescribed by the Financial Services Authority's "Integrated Prudential Source Book for Insurers".

## MEMBERSHIP

Membership of the Society as at 31 December 2006 amounted to 55,297 (2005: 55,101).

# Report of the Managing Board

FOR THE YEAR ENDED 31 DECEMBER 2006

## EMPLOYEES

The average number of Directors and staff employed by the Society totalled 77 (2005: 78).

The aggregate remuneration paid to Directors and staff employed by the Society during the year amounted to £2.4M (2005: £2.1M).

Communication with staff was subject to review and now includes a works council, team briefings, in-house magazine and informal meetings with the Chief Executive.

The Society is committed to the ongoing development of its staff and has been recognised as an "Investor in People" since 2005.

## MEMBER RELATIONS

The Managing Board is committed to maintaining good communications with members. The role of the Delegate Board and Divisional Committees in representing the views of members is an important platform in understanding their views and providing information throughout the year.

During the year the Society continued its strategy to attract additional members onto the Divisional Committees and a number of divisions invited members to attend 'Open Days'.

In addition the Delegate Board has been debating a 17 point action plan designed to enhance our member relations strategy.

The structure and activity of the Delegate Board is described in more detail on pages 15 and 16.

## COMPLAINTS POLICY

The Society aims to deliver the highest possible level of service to members. If any member believes that the Society has failed in this aim they have recourse to the Society's Complaints Procedure.

The Society has a documented procedure for the handling and recording of complaints. The Managing Board regularly review the number and type of complaint received in order to monitor that complaints are properly dealt with and corrective action has been taken to prevent recurrence.

During the year a two stage complaints process was introduced to promote greater opportunity for communication between the Society and the complainant.

This procedure will create a better potential for a speedier response and capture of non reportable complaints and give more opportunity for customers to resolve any concerns to their satisfaction before referral to the Financial Ombudsman Service.

These changes will allow greater use of customer feedback and provide a better service in line with TCF principles.

## CHARITABLE DONATIONS

During the year the Society's charitable donations totalled £1,000 to 4 organisations. There were no political donations.

## RE-APPOINTMENT OF AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the Managing Board  
G F Hicks  
Company Secretary  
Date: 13 March 2007

# Directors' Remuneration Report

## INTRODUCTION

This report sets out the remuneration policy for the Society in 2006.

The report has been prepared to comply with, as far as possible, the requirements of the Combined Code on Corporate Governance annotated for mutual insurers, the Directors' Remuneration Report regulations 2002 and the guidelines for corporate governance for mutual insurers issued by the Association of Friendly Societies. The composition and responsibilities of the Society's Remuneration Committee are set out on page 6.

The Remuneration Committee keeps itself informed of relevant developments and best practice and is authorised at its discretion to obtain advice from external advisers.

## POLICY

It is the Remuneration Committee's policy to enable the Society to attract, retain and motivate good quality staff.

Remuneration for Executive Directors is in two parts comprising a basic salary and a non-pensionable annual performance related award linked to each individual director's own contribution to the Society and designed to enhance overall business performance.

Remuneration for Non-Executive Directors comprises a basic fee plus where relevant a supplement for the Chairman of the Board and its Sub-Committees.

Pay and employment conditions in the financial services sector with particular reference to friendly societies is taken into account when determining annual salary increases. The Committee is authorised to seek advice from specialist advisers and generally to obtain specific comparator information.

## EXECUTIVE DIRECTORS

### Base Salaries

Base salaries are normally reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations. Salary amendments are normally effective from 1 January each year.

### Performance Related Pay

All Executive Directors have a part of their total emoluments linked to performance. The current performance related pay scheme represents up to a maximum of 20% of base salaries.

The performance related pay scheme comprises two elements. The first which is assessed on a collective basis has identified six major corporate objectives and all Executive Directors participate on the same basis. The maximum amount payable under this element is 10% of base salaries.

The second element is an individual performance related programme where each Executive Director is assessed against their personal goals and objectives. The individual performance related element of the scheme can award up to a maximum 10% of base salaries.

The Sales and Marketing Director participated in a one off performance programme which is linked to the achievement of various levels of new business, business mix and business quality which can provide up to £30,000.

### Outside Interests

One Executive Director held an external non-executive director position which ceased in September 2006. The impact on the Society was not material and these duties were not performed during Society time and is therefore not subject to separate reporting.

### Long Term Incentive Plan

The Society does not currently operate a Long Term Incentive Plan.

### Retirement and Related Benefits

Executive Directors are members of the National Deposit Staff Superannuation Fund. This is a defined benefit retirement plan with a pension paid on retirement based on salary and length of service. Additionally the scheme provides a lump sum death in service benefit of four times basic salary at the date of death.

Executive Directors participate in the Staff Superannuation Fund on terms and conditions which are identical to those of other staff members.

### Other Benefits

Executive Directors are entitled to private medical insurance and a company car or car allowance.

### Directors' Contract

All of the Executive Directors have service agreements which incorporate their terms and conditions of employment. Service agreements, for Executive Directors, are normally terminable by either party giving a notice period of twelve months.

# Directors' Remuneration Report

## NON-EXECUTIVE DIRECTORS

All Non-Executive Directors including the Chairman have letters of appointment which set out their duties and responsibilities. The appointment of Non-Executive Directors is generally for a period of three years and is subject to election and re-election at the Society's Annual General Meeting.

Fees are benchmarked against similar roles in comparable organisations particularly other friendly societies. Fees are calculated on an annual rather than a daily basis. It is assumed that to fulfil the basic role of a Non-Executive Director requires an average of two days per month for review work and attendance at regular Board meetings, the Society's Annual General Meeting, Special General Meetings where appropriate and other ad hoc meetings with regulators and advisers as may be required.

Non-Executive Directors remuneration is not performance related nor pensionable and Non-Executive Directors do not participate in any incentive plans. A formal annual appraisal process is undertaken where the views of all directors and

members of the Executive Committee are taken.

Fees for Non-Executive Directors are determined by the Executive Committee and subject to approval of the Board as a whole. They are designed to recognise the responsibilities of Non-Executive Directors and to attract individuals with the necessary skills and experience to contribute to the future growth of the Society. In addition to the basic annual fee additional fees are awarded for the chairmanship of any committees.

## Summary

This report, which appears for the first time, together with the disclosures below, is provided to give members a full explanation of the policy and application of director's remuneration. A resolution will be put to the Annual General Meeting inviting members to vote on the Directors' Remuneration Report. This vote is advisory and the Managing Board will consider what action is required.

## DIRECTORS' EMOLUMENTS

	Salaries & Fees	Performance Related Pay	Other Benefits**	Total 2006	Total 2005
<b>Chairman</b>					
Don Burgess	11,300	-	-	11,300	9,500
<b>Executive Directors</b>					
Terry W Trinder	107,000	14,980	10,809	132,789	124,703
Alan Gledhill	74,000	33,880*	8,891	116,771	41,881
Geoff Higham	68,150	5,793	9,457	83,400	80,090
<b>Non-Executive Directors</b>					
Dozie Azubike	10,800	-	-	10,800	9,500
Colin Bielckus	10,800	-	-	10,800	9,500
Edmund Malden	10,300	-	-	10,300	9,500
Peter McIlwraith (Senior Independent Director)	15,450	-	-	15,450	14,500

\*Includes £25,000 from the performance programme linked to new business levels.

\*\*Other benefits include pension scheme contributions, car allowances, medical and other benefits in kind or their equivalent monetary value.

## PENSION ENTITLEMENT

	Age at 31/12/2006	Years of Service	Pension accrued during 2006	Accrued pension as at 31/12/2006	Transfer value of accrued pension as at 31/12/2005	Transfer value of accrued pension as at 31/12/2006	Increase in transfer value during the year net of Director's contribution
<b>Executive Directors</b>							
Terry Trinder	58	5	1,826	7,876	73,042	102,891	24,509
Alan Gledhill	48	7	3,291	8,942	40,244	70,227	24,803
Geoff Higham	59	12	1,362	13,140	145,031	176,628	26,827

D C Burgess  
Chairman

Date: 13 March 2007

# Delegate Board

The Delegate Board comprises one member from each Divisional Committee who are elected each year at the Annual Meeting of their Division.

The primary purpose of the Delegate Board is to represent the views and aspirations of members to the Society's Management by receiving information from and giving its views and providing guidance to the Society and acting as a forum for the discussion of initiatives.

The Delegate Board regularly review the Management Information Packs and generally receive representations from the Executive across a wide spectrum of business activities.

The Chief Executive specifically provides a detailed report covering Managing Board meetings. Formal reports are distributed in those months when there is no meeting.

During the year the Delegate Board debated a 17 point action plan designed to enhance our member relations strategy.

During the year a total of 19 new members joined the various Divisional Committees.

## MEETINGS

The Delegate Board met on eight occasions during 2006 including a joint meeting with the Managing Board when the Society's Head of Actuarial Function presented his Annual Actuarial Valuation of the Society.

## OBSERVERS

The attendance of Observers at Delegate Board Meetings continued during 2006. Observers are nominated by Divisional Committees and may attend a Delegate Board Meeting in the event that the elected representatives cannot, for whatever reason, attend in person. Observers are encouraged to take part in all discussions and debate and from January 2007 to vote on the various issues. At the eight meetings of the Delegate Board held in 2006 a total of thirteen Observers attended which has greatly facilitated communication between Divisional Committees and the Delegate Board where otherwise no representation or contact would have been made.

A table of attendees at the 2006 meetings is detailed below:-

Division	Name	ATTENDANCE		Observer	Meetings attended
		Meetings held	Meetings attended		
	Mrs H M Cripps (President to June 2006)	4	4		
Customs Fund	Mr E A W Edwards (To January 2006)	1	0	T K Morley	1
	Mr T K Morley (From February 2006)	7	5	G Newman	2
East Anglia	Mr J A Blackall	8	8		
Kent	Mr A G Harvey	8	8		
Lincolnshire	Mr A N Clifton	8	5	Mrs K Cromack	1
London & Croydon	Mrs M A Frost	8	6	G Grieggs	1
				P Sowerby	1
Mid Pennine Counties	Mrs R Martyn	8	8		
North Midlands	Mrs A J Gray	8	7	A Carter	1
Northants & Chilterns	Mrs J M Lamberts	8	7	G Thomas	1
Scotland & Northern Counties	Mr K Earl	8	8		
Severn Thames	Mr F E Rogers	8	7	M King	1
Sheffield	Mr K Bale (To June 2006)	4	2	Mrs M Footitt	2
	Mrs M Footitt (From July 2006)	4	4		
South & Mid Wales	Mr D A Jones	8	8		
South Midlands	Mrs E A Sleath	8	7	B Marlow	1
South West	Mr S E Brown (To June 2006)	4	4		
	Mr R Chambers (From July 2006)	4	4		
Southern Counties	Mrs L M Wallace	8	8		
Surrey & Sussex	Mr V Goulding	8	7	R Mythen	1

Delegate Board members are not remunerated but receive travel and subsistence allowances.

# Report of the Delegate Board

## REPRESENTATIVES

Mrs R Martyn was elected President and Mrs L M Wallace was elected Vice-President at the June 2006 Annual General Meeting.

Mr D A Jones was re-elected Chairman and Mr T K Morley was elected Vice-Chairman of the Delegate Board at the July 2006 Delegate Board Meeting.

The following resignations to the Delegate Board membership took place in 2006:-

- Mr S E Brown (To June 2006)
- Committee of Management/Delegate Board Member for the South West Division (1990 – 2006)
  - Trustee of the Staff Superannuation Fund (1999-2006)
- Mr K Bale (To June 2006)
- Delegate Board Member for the Sheffield Division (2005-2006)
- Mr E A W Edwards (To January 2006)
- Delegate Board Member for the Customs Fund Division (2004-2006)
  - Trustee of the Staff Superannuation Fund (2005-2006)

I should like to place on record our thanks and appreciation for all the support which the past members of Committee of Management/ Delegate Board have provided.

I should like to welcome the following new representatives onto the Delegate Board during 2006:-

- Mr R Chambers - South West  
 Mrs M Footitt - Sheffield  
 Mr T K Morley - Customs Fund



Members of the Delegate Board following the February 2007 meeting held at the Bonnington Hotel, London.

## DIVISIONAL COMMITTEES

During the year the Company Secretary attended several Divisional Committee Meetings to advise members on the Myners Report and seek their opinion and views ahead of the Special General Meeting. In addition several Executive and Non-Executive Directors attended Divisional Annual Meetings as Guest Speakers as noted below:-

## DIVISIONAL ANNUAL MEETINGS - GUEST SPEAKERS 2006

Division	Date	Name of Speaker	Position
Surrey & Sussex	8 April 2006	Mr G F Hicks	Company Secretary
Severn Thames	8 April 2006	None	
North Midlands	10 April 2006	Mr E P Malden	Non-Executive Director
Kent	12 April 2006	Mr G R Higham	Finance Director
South West	11 April 2006	Mr D C Azubike	Non-Executive Director
South & Mid Wales	10 April 2006	Mr T W Trinder	Chief Executive
London & Croydon	4 April 2006	Mr C D Bielckus	Non-Executive Director
Mid Pennine Counties	22 April 2006	None	
East Anglia	10 April 2006	Mr C D Bielckus	Non-Executive Director
South Midlands	11 April 2006	Mr T W Trinder	Chief Executive
Sheffield	21 April 2006	None	
Northants & Chilterns	22 April 2006	Mr D C Azubike	Non-Executive Director
Southern Counties	22 April 2006	Mr A H Gledhill	Sales and Marketing Director
Scotland & Northern Counties	8 April 2006	Mr C D Bielckus	Non-Executive Director
Lincolnshire	8 April 2006	None	
Customs Fund	19 April 2006	Mr T W Trinder	Chief Executive

D A Jones  
 Chairman  
 Date: 13 March 2007

# Auditors' Report

## Independent auditors' report to the members of National Deposit Friendly Society Limited

We have audited the financial statements of the National Deposit Friendly Society for the year ended 31 December 2006 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein. We are also required to report on the Report of the Managing Board for the year ended 31 December 2006.

### ● Respective responsibilities of Directors and Auditors

The Managing Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Responsibilities of the Directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Society's members as a body in accordance with the Friendly Societies Act 1992 and the Regulations made under it and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Friendly Societies Act 1992 and the Regulations made under it. In addition, we report to you if, in our opinion, the Society has not kept proper accounting records, or if we have not received all the information, explanations and access to documents that we require for our audit.

We also report to you our opinion as to whether the Report of the Managing Board has been prepared in accordance with the Friendly Societies Act 1992 and the Regulations made under it, and as to whether the information given therein is consistent with the accounting records and financial statements.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Highlights, the Chairman's Report, the Report of the Managing Board and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### ● 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 judgments made by the Managing Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

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 information in the financial statements.

### ● Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2006 and of its income and expenditure for the year then ended, and have been properly prepared in accordance with the Friendly Societies Act 1992 and the Regulations made under it.
- the Report of the Managing Board has been prepared in accordance with the Friendly Societies Act 1992 and the Regulations made under it, and the information given therein is consistent with the accounting records and the financial statements for the financial year.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol  
13 March 2007

The maintenance and integrity of the National Deposit Friendly Society Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

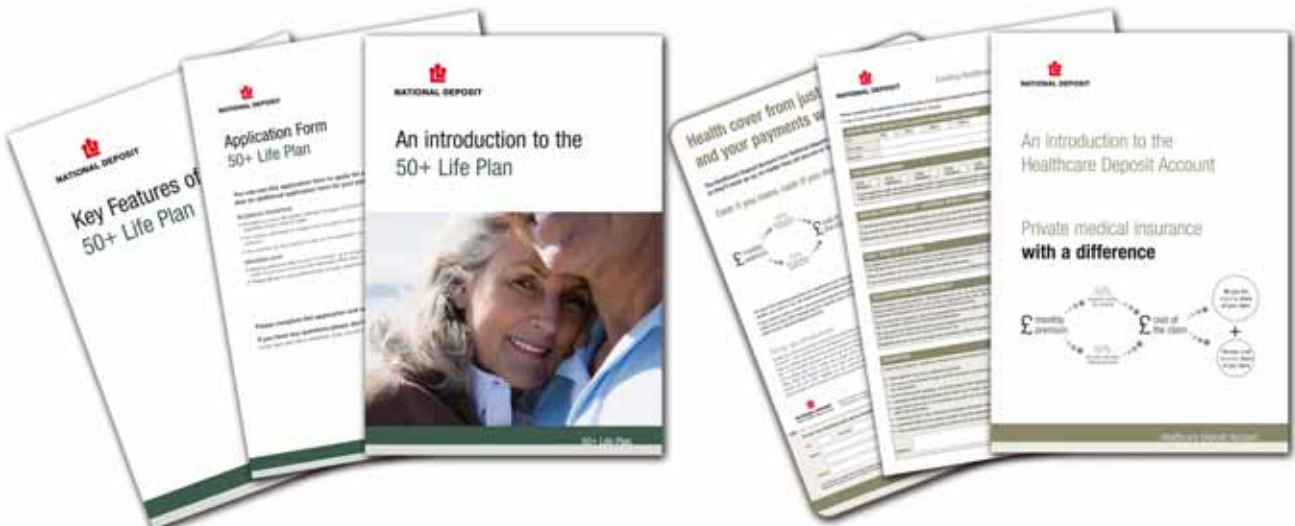
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Marketing Communications

## Savings & Investment Products



## Life & Health Cover Products



# Income and Expenditure Account

LONG TERM BUSINESS – TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

		2006		2005	
	Note	£	£	£	£
Earned Premiums and Payments to Deposit	2	7,668,335		6,728,130	
Less reinsurance premiums		(63,382)		(43,588)	
		<u>7,604,953</u>		<u>6,684,542</u>	
Investment Income	3		15,575,450		16,038,814
Unrealised (losses)/gains: investments	3		(2,168,718)		8,138,229
: assets held to cover linked liabilities			(128,032)		415,081
Other Technical Income	4		44,843		44,807
			<u><b>£20,928,496</b></u>		<u><b>£31,321,473</b></u>
Claims			9,121,934		8,012,375
<b>Change in Long Term Funds</b>					
Long Term Business Provision		(361,031)		8,970,295	
Loan Fund		(12,132)	(373,163)	(76,571)	8,893,724
Provision for linked liabilities			72,185		384,728
Bonuses and Rebates			1,647,833		1,661,576
<b>Net Operating Expenses</b>	6(a)				
Acquisition Costs		1,782,377		1,020,704	
Administrative Costs		3,345,283	5,127,660	3,322,832	4,343,536
Other Technical Charges - Project costs	(b)		931,432		902,521
- Other	(c)		38,601		71,053
Investment Management Expenses			595,668		746,856
Exceptional costs - Redundancy			6,527		62,277
Additional FRS17 Retirement Benefit Costs			11,286		58,425
Tax attributable to long term business	8		439,166		861,000
Transfer to Fund for Future Appropriations			3,309,367		5,323,402
			<u><b>£20,928,496</b></u>		<u><b>£31,321,473</b></u>

All operating activities relate to continuing operations conducted in the U.K.

# Balance Sheet

AS AT 31 DECEMBER 2006

		2006		2005	
	Note	£	£	£	£
<b>ASSETS</b>					
<b>Investments</b>					
Land and Buildings	9	44,111,750		42,044,900	
Other financial investments	10	120,683,989		118,544,355	
Investment in subsidiaries		30,001	164,825,740	-	160,589,255
Assets held to cover linked liabilities			2,336,507		2,104,797
<b>Debtors</b>					
Debtors arising from direct insurance operations		275,593		253,744	
Deferred acquisition costs		14,856	290,449	-	253,744
<b>Other Assets</b>					
Tangible Assets	13	828,539		953,693	
Stocks - Consumables		15,500		15,462	
Cash at Bank and in hand		6,026,526		5,155,490	
Net Pension Assets	15	1,506,899		409,173	
			8,377,464		6,533,818
<b>Prepayments and accrued income</b>					
Accrued Interest and Rent		1,007,385		1,299,588	
Other Prepayments and accrued income		85,392	1,092,777	200,567	1,500,155
			<b>£176,922,937</b>		<b>£170,981,769</b>
<b>LIABILITIES</b>					
<b>Fund for Future Appropriations</b>					
			38,334,872		33,940,674
<b>Technical Provisions</b>					
Long Term Business Provision		133,235,026		131,934,481	
Provision for Bonuses		1,647,833		1,661,576	
Loan Fund		-	134,882,859	12,132	133,608,189
Linked Liability Fund Provision			2,092,250		2,020,065
<b>Creditors</b>					
Arising out of direct insurance operations		120,469		121,068	
Other creditors including taxation and Social Security		894,354		769,316	
Accruals and Deferred Income		598,133	1,612,956	522,457	1,412,841
			<b>£176,922,937</b>		<b>£170,981,769</b>

These accounts were approved by the Managing Board on 13 March 2007.

D. C. BURGESS  
Chairman

T. W. TRINDER  
Chief Executive

# Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
Note	£	£
Surplus for the financial year	3,309,367	5,323,402
Actuarial gain/(loss) on pension scheme	1,154,186	159,108
Deferred tax liability on pension asset	(69,355)	(24,181)
<b>Total recognised gains and losses relating to the year</b>	<b>4,394,198</b>	<b>5,458,329</b>
Prior year adjustment on adoption of FRS 17	-	361,310
<b>Total gains and losses recognised since last annual report</b>	<b>4,394,198</b>	<b>5,819,639</b>

## Notes to the Accounts

### (1) Accounting Policies

#### Basis of Preparation

The accounts have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 and in accordance with applicable accounting standards in the United Kingdom.

#### Premiums

Premiums are accounted for when due for payment. Payments to Deposit are accounted for when received.

#### Claims

Maturity claims and annuities are charged against income when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision. Death claims and all other claims are accounted for when notified.

#### Deferred Acquisition Costs

The Society's products are in general designed to recover costs as incurred. However, the Society does review its costs on an annual basis with a view to identifying any such costs that may appropriately be deferred.

For the new Healthcare business written in 2006, a deferred acquisition cost has been recognised in the balance sheet. These costs related to commission costs on Healthcare business written through IFAs. Deferred acquisition costs are amortised over the period that profits on the related policies are expected to emerge and are deferred only to the extent that they are deemed recoverable from available future profit margins.

#### Investment Income

Income from rents and securities are taken into account on an accruals basis. Dividends are accounted for on the date the shares become quoted ex-dividend. UK dividends are shown excluding their irrecoverable associated tax credit.

#### Realised and unrealised gains and losses

Realised investment gains and losses represent the difference between the sale proceeds and original cost. Unrealised investment gains and losses represent the net movement in the market value of investments during the year after allowing for realised gains and losses recognised in the Technical Account.

#### Investments

Listed securities are shown in the accounts at mid market value. Properties are shown in the accounts at open market value. Mortgages and Loans are valued at the estimated net realisable value after provision for doubtful debts, if this is considered necessary.

# Notes to the Accounts

## Fund for Future Appropriations

The fund for future appropriations incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the Technical Account is transferred to or from the fund on an annual basis. Surpluses are allocated by the Directors to participating policyholders by way of bonuses. Any unallocated surplus is carried forward in the fund for future appropriations.

## Bonuses

Bonuses charged to the long term business technical account in a given year comprise:

- new reversionary bonuses declared in respect of that year which are provided within the calculation of the long term business provision.

- terminal bonuses paid out to policyholders on maturity and included within claims paid.

## Depreciation

Properties

Investment Properties - no depreciation has been provided in accordance with SSAP19.

Non-Investment Properties - no depreciation has been provided as the Society's policy is to maintain the properties in good condition. Accordingly the Managing Board consider that the lives of these assets and their residual values are such that their depreciation is insignificant and is thus not provided. The underlying assets are reviewed for impairment annually.

Tangible Assets

Depreciation has been provided at the following rates calculated to write off each asset over its estimated useful life -

Motor Vehicles and Computer Equipment - 25% per annum on a straight line basis.

Office Equipment - 15% per annum on a reducing balance basis.

## Project costs

Project costs comprise expenditure on Acquisitions and on Business Process Improvements which are intended to deliver future financial benefits to the Society through reducing operating costs.

## Long Term Business Provision

The long term business provision is determined by the Society's Managing Board and is calculated on a statutory solvency basis to comply with reporting requirements under the Integrated Prudential Sourcebook for Insurers. The calculation uses a net premium method for With-Profit policies and as such includes explicit provision for annual reversionary bonuses declared prior to the valuation date. Implicit provision is made for future bonuses by using a valuation rate of interest lower than the expected return on the assets.

For conventional non-profit business, a gross premium valuation method is used, which brings into account the full premiums receivable under contracts written by the Society, estimated renewal and maintenance costs and contractually guaranteed benefits.

Calculation of the long term business provision for unit linked policies is based on the fund valuation at the valuation date.

## Pension Costs

The Society operates a defined benefit pension scheme. The pension asset recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight-line basis over the period in which the increase in benefits vest.

Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period to the extent they are attributable to shareholders. The attributable deferred taxation is shown separately in the statement of total recognised gains and losses.

## Taxation

Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. It is calculated at rates expected to be applicable when the asset or liability crystallises on a non-discounted basis. Deferred tax assets are recognised only to the extent that there will be sufficient foreseeable future taxable profits from which the future reversal of timing differences can be deducted.

# Notes to the Accounts

## (2) Earned Premiums

	2006	2005
	£	£
Assurance	4,377,259	4,226,893
Endowment Bonds	597,980	871,370
Bonus Bonds	117,000	40,000
With-Profits Bonds and other Single Premiums	1,336,172	367,015
Sickness Premiums	367,515	402,108
Payments to Deposit	722,632	629,401
Unit Linked	149,777	191,343
	<b>£7,668,335</b>	<b>£6,728,130</b>

## (3) Investment Return

	2006	2005
	£	£
Income from:		
Fixed Interest Stocks	3,371,065	3,512,943
Ordinary Shares	1,429,262	1,376,692
<b>Listed investments</b>	<b>4,800,327</b>	<b>4,889,635</b>
Land and Buildings	2,542,295	2,509,488
Mortgages and Ground Rents	32,859	50,616
Realised gains	7,902,408	8,424,909
Bank Interest	297,561	164,166
<b>Investment income</b>	<b>15,575,450</b>	<b>16,038,814</b>
Movement in unrealised gains in the year	(2,168,718)	8,138,229
<b>Total Investment Return</b>	<b>£13,406,732</b>	<b>£24,177,043</b>

## (4) Other Technical Income

	2006	2005
	£	£
Insurance Commission	42,891	42,202
Interest on Policy Loans	1,952	2,605
	<b>£44,843</b>	<b>£44,807</b>

## (5) Capital Management

A summary of the statutory financial position is set out in the following table.

	Funding Position as at 31 December 2006 £M	Funding Position as at 31 December 2005 £M
Total Balance Sheet Assets	176.9	171.0
Inadmissible net pension scheme asset	(1.5)	(0.4)
Total Statutory Admissible assets	175.4	170.6
Total Statutory Reserves	137.0	135.6
Total Other Liabilities	1.6	1.5
Total Statutory Liabilities	138.6	137.1
Statutory Surplus (before Capital Requirement)	36.8	33.5
Total Capital Requirement	10.6	10.2
Excess over Capital Requirement	£26.2	£23.3

# Notes to the Accounts

## Changes in Capital

	£M
Statutory Reserves at 31 December 2005	135.6
Net new business	(4.0)
Adjustment to terminal bonus rates	2.8
Provision for bonuses/benefits	1.7
Adjustment to per policy expenses	1.3
Other adjustments	(0.4)
Statutory Reserves as at 31 December 2006	£137.0

The Society maintains a single long term business fund and the rights of members to participate in surplus relate to the combined funds of the Society.

The available capital for the fund is represented by the Fund for Future Appropriations which represents the difference between the assets and liabilities of the Society. For statutory purposes certain assets are deemed inadmissible for meeting the capital requirement. As at the date of these accounts the most significant item deemed inadmissible was the net pension asset.

The capital requirement for the Society is determined as the greater of the statutory requirement based on formulae and calculations specified by regulations and the capital requirement determined by reference to the Society's Individual Capital Assessment (ICA). The ICA is subject to guidance but is not prescriptive and involves a significant level of judgement to be exercised by the Board.

The ICA determined in 2006 was less than the statutory requirement. The ICA requirement is subject to review by the FSA and an additional capital requirement known as an ICG may be imposed in future.

The available capital resources on the statutory basis have increased by £2.9M. The main items that have affected this are the investment return achieved in 2006, the changes to the assumptions made in calculating the long term business provision and the provision for bonuses and benefit improvements.

The statutory solvency position of the Society is continually monitored and sufficient liquid low risk assets are held at any one time to cover the required solvency level.

In line with FSA rules, the capital requirement for 2006 is yet to be finally determined. The Directors confirm that the capital requirement above represents a best estimate and is not expected to change materially.

## Capital Resource Sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities, it is also sensitive to assumptions and experience relating to mortality, expenses and persistency.

The most significant sensitivity arises from the market risk in relation to the with-profits business, which would arise if adverse changes in the value of the assets supporting this business could not be reflected in payments to policyholders because of the effect of guarantees and options. The capital position of this business would also deteriorate if increases to the market cost of derivatives resulted in an increase in the liability for guarantees and options.

## Analysis of Policyholder Liabilities

	2006 £M	2005 £M
With-profit liabilities		
Guarantees and Options	3.1	3.2
Other policyholder obligations	74.0	69.5
	77.1	72.7
Unit Linked	2.1	2.0
Deposit and other non-profit liabilities	57.8	60.9
	<b>£137.0</b>	<b>£135.6</b>

# Notes to the Accounts

<b>(6) Net Operating Expenses</b>	2006 £	2005 £
(a) Included in operating expenses are:-		
Fees payable to external auditors		
Auditing of accounts and other services pursuant to legislation	103,753	144,386
Services relating to taxation	38,540	48,294
Other services	30,842	-
Fees payable to internal auditors in respect of internal audit	48,216	39,207
Actuarial fees	506,577	479,128
Depreciation of tangible fixed assets	340,055	341,166
(b) Project costs include:-		
Computer enhancements and other projects	756,232	720,696
Costs re potential acquisitions	49,033	72,735
Process re-engineering	31,936	-
Outsourcing set up costs	49,805	-
Development of web and online Sales Application	-	15,789
Development of Sickness Administration computerisation	-	32,937
New memorandum and rule book	14,667	-
Strategy review and implementation	16,444	60,364
(c) Other charges include:-		
Mortgage review compensation	-	12,313
Costs re transfer of engagements	-	14,299
Pension Scheme Administration	23,973	34,705
Unit linked charges	10,393	9,736
<b>(7) Staff Costs</b>	2006	2005
Average Number of Employees:-		
Administration	54	61
Sales	18	12
	<b>72</b>	<b>73</b>
Includes part-time staff of 8 (2005:6) and excludes Non-Executive Directors of 5 (2005:5)		
	2006 £	2005 £
Wages and Salaries (inc. Commission)	2,065,146	1,819,459
Social Security Costs	208,185	189,273
Pension Costs	158,405	129,479
	<b>£2,431,736</b>	<b>£2,138,211</b>

## (8) Taxation

### a) Tax attributable to Long Term Business

Tax charged in the long term business technical account comprises:

	2006 £	2005 £
Current Tax:		
UK Corporation tax	177,171	186,000
Prior year adjustments	37,291	20,000
Total current tax	214,462	206,000
Deferred tax:		
Origination and reversal of timing differences	224,704	655,000
Total deferred tax	224,704	655,000
Total tax charged in the long term business technical account	<b>£439,166</b>	<b>£861,000</b>

# Notes to the Accounts

## b) Factors that may affect future tax charges

There are no deferred tax assets which have not been recognised.

## c) Balance sheet

The deferred tax balance, included within creditors comprises:

	2006 £	2005 £
Unrelieved expenses carried forward	172,363	176,000
Accelerated capital allowances	59,394	4,765
Other timing differences	-	-
Unrealised gains on investments	(852,681)	(839,474)
Realised losses	-	262,459
Undiscounted deferred tax liability balance	<b>£(620,924)</b>	<b>£(396,250)</b>

## INVESTMENTS

### (9) Land and Buildings

	2006		2005	
	Cost £	Valuation £	Cost £	Valuation £
Freehold Properties	20,118,160	28,026,750	20,263,379	26,499,900
Freehold Properties -				
fully occupied by Society	1,037,522	2,900,000	647,187	2,400,000
partly occupied by Society	1,491,003	2,730,000	1,813,951	3,060,000
Long Leasehold Properties	22,646,685	33,656,750	22,724,517	31,959,900
	9,821,263	10,455,000	8,915,358	10,085,000
	<b>£32,467,948</b>	<b>£44,111,750</b>	<b>£31,639,875</b>	<b>£42,044,900</b>

The Society's properties are included at open market values. Significant property holdings with market values totalling £33,763,500 as at 31 December 2006 were valued independently by Mellersh and Harding, Chartered Surveyors, on an open market value basis as a part of the triennial valuation the most recent valuation being at 31 December 2005. The remaining properties with a current market value of £10,348,250 were valued by the Society's Property Manager and the Chief Executive at the same date on an existing use basis. Property valuations are adjusted for the results of annual reviews carried out by the Chief Executive and the Society's Property Manager to reflect fluctuations in the market values arising between the triennial valuations.

### (10) Other Financial Investments

	2006		2005	
	Cost £	Valuation £	Cost £	Valuation £
UK listed fixed interest securities	69,727,143	67,940,215	64,422,308	66,071,022
UK listed shares	45,596,721	51,966,176	45,216,698	51,112,499
Mortgages	766,598	766,598	899,834	899,834
Freehold Ground Rents	8,500	11,000	13,500	461,000
	<b>£116,098,962</b>	<b>£120,683,989</b>	<b>£110,552,340</b>	<b>£118,544,355</b>

Of the UK listed fixed interest securities £136,076 (2005: £186,566) relates to overseas fixed interest securities.

# Notes to the Accounts

## (11) Long Term Business Provision

The long term business provision has been calculated on the basis of the following principal assumptions:

### Rates of Interest

<b>Deposit contracts</b>	3% per annum. Unchanged from the previous year.
<b>Other PHI contracts</b>	3.73% per annum. The previous valuation used a rate of 3.38% per annum.
<b>With profits life assurance policies and CABF with-profits reversionary annuities</b>	2.5% per annum for tax exempt policies and 2% per annum for taxable policies. Unchanged from the previous year.
<b>With-profits bonds</b>	Not applicable since the basic reserve is equal to current death benefits.
<b>With profits personal pensions and retirement annuities</b>	3% per annum before vesting and 2% per annum after vesting (for retirement annuities). Unchanged from the previous year.
<b>Other non profit business</b>	3.73% per annum for tax exempt policies and 2.98% for taxable policies. The previous valuation used a rate of 3.38% per annum for tax exempt policies and 2.70% for taxable policies.

### Rates of Mortality

<b>Deposit contracts</b>	100% of the AMN00 and AFN00 ultimate table for assured lives. The previous valuation used 90% of the AM92 and AF92 ultimate table for assured lives.
<b>PHI Deferred Sickness Claims in Payment</b>	Nil.
<b>Other PHI contracts</b>	100% of the AMN00 ultimate table for assured lives. The previous valuation used 90% of the AM92 ultimate table for assured lives.
<b>Critical Illness policies</b>	Specific data provided by reinsurer combining mortality and sickness rates.
<b>Other Life assurance policies</b>	100% of the AMN00 ultimate table for assured lives or 100% of the AMS00 ultimate table for smoker term assurance policies. The previous valuation used 100% of the AM92 ultimate table for assured lives, subject to an adjustment of 200% for smoker term assurance policies.
<b>Annuities in payment</b>	100% of the PNMA00 and PNFA00 mortality tables for pensioners with the medium cohort adjustment subject to a minimum improvement of 0.75% per annum. The previous valuation used 100% of the PMA92 (CY2020) and PFA92 (CY2020) mortality tables for pensioners, rated down by 2 years of age.
<b>Annuities in deferment (retirement annuity contracts)</b>	100% of the PNMA00 and PNFA00 mortality tables for pensioners with the medium cohort adjustment subject to a minimum improvement of 0.75% per annum. The previous valuation used 100% of the PMA92 (CY2020) and PFA92 (CY2020) mortality tables for pensioners, rated down by 4 years of age.
<b>Other contracts</b>	Nil.

Full details of the method and assumptions used in calculating the long term business provision are given in the Society's FSA Return.

## (12) Assets held to cover linked liabilities

Included within assets held to cover linked liabilities is £244,257 (2005: £84,732) representing units not yet purchased by policyholders.

# Notes to the Accounts

## (13) Tangible Assets

	Computer Equipment £	Office Equipment £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 January, 2006	3,430,086	787,219	358,206	4,575,511
Additions	129,573	21,878	65,096	216,547
Disposals	-	-	(40,187)	(40,187)
At 31 December, 2006	3,559,659	809,097	383,115	4,751,871
<b>Depreciation</b>				
At 1 January, 2006	3,009,507	496,708	115,603	3,621,818
Provided in year	207,640	44,810	87,606	340,055
Disposals	-	-	(38,542)	(38,542)
At 31 December, 2006	3,217,147	541,518	164,667	3,923,331
<b>Net Book Value</b>				
31 December, 2006	£342,512	£267,579	£218,448	£828,539
31 December, 2005	£420,579	£290,511	£242,603	£953,693

## (14) Capital Commitments

Amounts authorised and contracted for at 31 December, 2006 £6,000 (2005 £6,000).

## (15) Pensions

The Society provides two funded pension schemes providing benefits based on final pensionable earnings. The assets of the Schemes are held in separate trustee administered funds.

### National Deposit Staff Superannuation Fund

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation was at 31 December 2004 and showed that the market value of the Scheme's assets were £17,038,297 and that the actuarial value of assets represented 107% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. The contributions of the employees representing either 5% or 7% of their pensionable earnings and the contributions of the Society represent 10% of employees' pensionable earnings, being the rates recommended by the scheme actuary.

For the year commencing 1 January 2007 the employer's contribution will be 11% of employees' pensionable earnings.

A full actuarial valuation was carried out as at 31 December 2004 and updated at 31 December 2006 by a qualified independent actuary.

The major assumptions used by the Actuary for FRS17 were:-

	2006	2005	2004
Discount Rate	5.1%	4.7%	5.3%
Inflation	3.1%	2.9%	2.9%
Increases to deferred benefits during deferment	3.1%	2.9%	2.9%
Increases to pensions in payment (Pre 6 April 2005 service)	3.1%	2.8%	2.7%
Increase to pensions in payment (Post 5 April 2005 service)	2.3%	2.0%	1.8%
Increases to salaries	4.6%	4.4%	4.4%

# Notes to the Accounts

The assets of the Scheme and long term rates of expected return on assets:

	2006 £	% Return	2005 £	% Return	2004 £	% Return
Equities	7,131,376	8.5%	6,780,753	8.00%	6,223,072	7.50%
Bonds	9,555,031	4.55%	9,795,511	4.12%	8,835,774	5.00%
Property	2,820,000	7.5%	2,516,500	7.00%	1,515,000	6.50%
Cash	122,747	5%	128,655	4.50%	489,220	4.75%
Total Market Value of assets	19,629,154		19,221,419		17,063,066	
Present value of scheme liabilities	(18,013,900)		(18,509,065)		(16,699,395)	
Surplus in the scheme	1,615,254		712,354		363,671	
Related deferred tax liability	(71,071)		(39,749)		(26,039)	
Net pension asset	<b>£1,544,183</b>		<b>£672,605</b>		<b>£337,632</b>	

	2006 £	2005 £
<b>Analysis of the amount charged to operating profit</b>		
Current Service Cost	439,987	325,800
Past Service Cost	-	-
Total operating charge	439,987	325,800
<b>Analysis of the amount charged to other financial costs</b>		
Expected return on pension scheme assets	1,117,809	1,010,164
Interest on pension scheme liabilities	(852,513)	(868,267)
Net Return	265,296	141,897
<b>Analysis of amount recognised in the statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	(137,537)	1,629,444
Experience gains and losses arising on the scheme liabilities	686,696	667,305
Changes in assumptions underlying the present value of the scheme liabilities	370,027	(1,887,641)
Actuarial gain recognised in the statement of total recognised gains and losses	919,186	409,108
<b>Movement in surplus during the year</b>		
Surplus in scheme at beginning of year	712,354	363,671
Current Service Costs	(439,987)	(325,800)
Contributions	158,405	123,478
Past Service Costs	-	-
Other financial income	265,296	141,897
Actuarial gain in the statement of total recognised gains and losses	919,186	409,108
Surplus in scheme at end of year	1,615,254	712,354

# Notes to the Accounts

	2006	2005	2004	2003
<b>History of experience gains and losses</b>				
<b>Difference between the actual and expected return on scheme assets</b>				
Amount	(£137,537)	£1,629,444	£329,898	£595,941
Percentage of scheme assets	(1%)	8%	2%	4%
<b>Experience gains/(losses) on scheme liabilities</b>				
Amount	£686,697	£667,305	£(460,750)	£196,305
Percentage of the present value of the scheme liabilities	4%	4%	(3%)	1%
<b>Total amount recognised in statement of total recognised gains and losses</b>				
Amount	£919,186	£409,108	£(933,762)	£(97,709)
Percentage of the present value of the scheme liabilities	5%	2%	(6%)	(1%)

## Customs Annuity Benevolent Fund:-

A full actuarial valuation was carried out as at 5 April 2003 which has been updated to 31 December, 2006 by a qualified independent actuary.

The major assumptions used by the Actuary were:-

	2006	2005	2004
Discount Rate	5.1%	4.70%	5.16%
Inflation	3.1%	2.90%	2.82%
Increases to deferred benefits during deferment	3.1%	2.90%	2.82%
Increases to pensions in payment - LP1	3.1%	2.90%	2.82%
Increases to salaries	4.6%	4.40%	4.32%

The assets of the Scheme and long term rates of expected return on assets:

	2006	% Return	2005	% Return	2004	% Return
	£		£		£	
Equities	733,000	8.5%	497,000	8.0%	800,000	7.0%
Bonds	2,285,000	4.7%	2,504,000	4.2%	1,824,000	5.0%
Cash	47,000	5.0%	58,000	4.5%	269,000	2.5%
Total Market Value of assets	3,065,000		3,059,000		2,893,000	
Present value of scheme liabilities	(3,104,000)		(3,338,000)		(2,924,000)	
Deficit in the scheme	(39,000)		(279,000)		(31,000)	
Related deferred tax asset/(liability)	1,716		15,568		-	
Net pension liability	(37,284)		(263,432)		(31,000)	

## Analysis of the amount charged to operating profit

The amount charged to operating profit was £NIL (2005: £NIL)

# Notes to the Accounts

	2006 £	2005 £
<b>Analysis of the amount charged to other financial costs</b>		
Expected return on pension scheme assets	159,000	149,000
Interest on pension scheme liabilities	(154,000)	(147,000)
Net Return	5,000	2,000
<b>Analysis of amount recognised in the statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	1,000	167,000
Experience gains and losses arising on the scheme liabilities	(33,000)	(49,000)
Changes in assumptions underlying the present value of the scheme liabilities	267,000	(368,000)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	235,000	(250,000)
<b>Movement in (deficit)/surplus during the year</b>		
Deficit in scheme at beginning of year	(279,000)	(31,000)
Current Service Costs	-	-
Contributions	-	-
Past Service Costs	-	-
Other financial income	5,000	2,000
Actuarial gain/(loss) in the statement of total recognised gains and losses	235,000	(250,000)
Deficit in scheme at end of year	(39,000)	(279,000)

	2006	2005	2004	2003
<b>History of experience gains and losses</b>				
<b>Difference between the actual and expected return on scheme assets</b>				
Amount	£1,000	£167,000	£42,000	£(3,300)
Percentage of scheme assets	0%	5.50%	1.40%	(0.11%)
<b>Experience (losses)/gains on scheme liabilities</b>				
Amount	£(33,000)	£(49,000)	£165,000	£(36,000)
Percentage of the present value of the scheme liabilities	(1.1%)	(1.50%)	5.70%	(1.22%)
<b>Total amount recognised in statement of total recognised gains and losses</b>				
Amount	£(235,000)	£(250,000)	£149,000	£(325,300)
Percentage of the present value of the scheme liabilities	7.6%	(7.50%)	5.10%	(11.00%)

## (16) Assets attributable to the Long Term Business Fund

Other than assets of £2,336,507 (2005: £2,104,797) used to match linked liabilities all of the assets shown on page 20 are attributable to the long term business fund.

## (17) Segmental Reporting

The Society principally transacts long term assurance business throughout the United Kingdom. The assets of the Society are held in the United Kingdom.

## (18) Subsidiary Undertakings

On 22 December 2005, two wholly owned subsidiary companies ND Member Services Limited and ND Partner Services Limited were incorporated. The companies did not trade for the period ending 31 December 2006 and in accordance with Section 229(2) of the Companies Act 1989, the Society's financial statements have not been prepared on a consolidated basis as the inclusion of the subsidiary companies is not material for the purpose of giving a true and fair view at the balance sheet date when taken together.

# List of Society Offices

---

The Society operates offices in the following locations:

Head Office:

4-5 Worcester Road, Clifton, Bristol BS8 3JL.

Telephone 0117 973 9003

79 London Road, Leicester LE2 0PF.

Telephone 0116 255 1856

194 Norfolk Street, Sheffield S1 2JH.

Telephone 0114 272 5348

Dorset House, Stamford Street, London SE1 9PY.

Telephone: 020 8929 2900

---

## Nominations

Members of a Friendly Society have the right to nominate a person or persons to whom payment shall be made on death of a member.

The amount the member may dispose by way of nomination is now £5,000, but this only applies to nominations made on or after 11 May, 1984.

Nominations made prior to that date in the amount of £100, £200, £500 or £1500 will apply unless a fresh nomination is made.

Members are advised to nominate. Forms may be obtained from the Head Office or the Divisional Secretary.

---

Head Office: 4-5 Worcester Road, Clifton, Bristol BS8 3JL, United Kingdom.  
Telephone: 0117 973 9003 Fax: 0117 980 9358.  
E-mail: [enquiries@ndfs.co.uk](mailto:enquiries@ndfs.co.uk) [www.nationaldeposit.co.uk](http://www.nationaldeposit.co.uk)

Established 1868. Registered and Incorporated Friendly Society No. 369F.  
Chief Executive: Terry W. Trinder. Company Secretary: G. F. Hicks

**Member of the Association of Friendly Societies. Authorised and Regulated by the Financial Services Authority.**

---