

VISIT THE WEBSITE

Whether you are a contributing member, a pensioner or have a deferred pension, you can use the website to find more information about the Fund.

www.mnopf.co.uk

On the website you can find details of and download all our recent publications and documents, including:

- a full copy of the Annual Report and Accounts for 31 March 2010
- the latest formal Actuarial Valuation report
- the Fund's Statement of Investment Principles
- the latest version of the Trust Deed and Rules
- an Expression of Wish form.

We hope that you will take the opportunity to visit the site – we always welcome your comments and ideas.



Summary Annual Report
2010



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Your Trustee Board

P G McEwen MBE (Chairman) Nautilus International	MCI
W D Everard CBE (Vice Chairman) Employer Representative	ICM
E J N Brookes Employer Representative	AM
G Craven Shell International Ltd	I
A M Dickinson Nautilus International	M
A Graveson Nautilus International	IA
K Howarth P&O Ferries Limited	AC
D E Jones Carnival (UK)	M
P Keenan Nautilus International	
J McGurk The Maersk Line (UK) Limited	I
P L Moloney Nautilus International	MIA
L D Stracey Stena Line Limited	
Capt R Stuart Nautilus International	
Vacancy Nautilus International	

M	member of the Management Committee
I	member of the Investment Committee
A	member of the Audit Committee
C	Committee chairman

WELCOME FROM THE CHAIRMAN



As a member of the MNOPF you can find out general information about the Fund by visiting our website at www.mnopf.co.uk.

However, the Board also produces this report for you each year, to update you on

the recent performance of the Fund and the efforts of the Trustee and the MNOPF Executive to ensure that the Fund is well managed.

One of our key concerns over the last few years has been to find more efficient ways to manage the Fund. You can find out more about these plans and ideas, and how they are starting to produce positive results, in the Key events section on pages 4 to 9.

You may also be pleased to read that our efforts are receiving recognition. Your Trustee Board was recently highly commended at the 2010 Engaged Investor Awards and was shortlisted for three awards at the 2010 UK Pension Scheme of the Year Awards.

Once again the last year has been challenging for the global economy, although be assured that your pension benefits are not directly affected by short-term movements in investment markets. However, the Trustee is very mindful of the impact of global economic events on the Fund's overall performance. It is, therefore, encouraging to note that there has been some improvement in the financial position of the Fund since 2009, as investment markets begin to recover from a very difficult 2008. We include key information from the latest Report and Accounts, as well as the annual Summary Funding Statement, in this report.

Finally, as part of our aim to continually improve communications with you, you may notice that this year's review has a new look and feel. If you have any comments or questions about this report, please contact us. Our contact details are on page 19.

Peter McEwen MBE
Chairman, MNOPF Trustees Ltd

Welcome to your
MNOPF Summary Annual
Report **2010**

KEY EVENTS IN THE LAST YEAR

2009 Actuarial valuation

Every three years the Trustee is required to conduct a formal valuation of the Fund. This is really a check on the Fund's ability over the long term to pay the benefits due to you, the members. It helps the Trustee to:

- assess the value of the Fund's **assets** and **liabilities**
- make sure the Fund will have sufficient assets to pay the members' benefits as they become due
- review the level of contributions required in the future and revise them if necessary, including requiring extra contributions from the employers where there is a **shortfall** – that is where there are insufficient funds to meet the promised benefits.

The Fund's most recent formal valuation showed the position at 31 March 2009. The results are now published and are available on our website, www.mnopf.co.uk, under publications.

The next full valuation will show the position at 31 March 2012.

As you may know, the Fund is divided into two sections, the Old Section and the New Section, and the Actuary provides a valuation for each Section. There are two parts to the valuation.

In the first part the actuary puts a value on each section's liabilities – ie the benefits due to be paid – and on the assets.

The second part, is where the Trustee determines a 'Recovery Plan'. The Recovery Plan, if required, sets out the steps to be taken to meet any shortfall of the assets compared with the liabilities.

We also consult with the employers about various matters in relation to the valuation, including the Recovery Plan.

At the date of the valuation, the Old Section showed a shortfall of £131 million. We consulted directly with the relevant employers and, by the time the report was signed off in November 2009, the investment markets were starting to recover and the value of the Fund's assets had grown enough to remove the shortfall. The Trustee therefore decided no additional contributions were needed.

The MNOFP Employers Group, a body of employer representatives, agreed to co-ordinate the consultation with all employers of the New Section, on behalf of the Chamber of Shipping. This included employers who are not members of the Chamber.

Our Chairman, and the Chief Executive of MNOFP, also presented to the employers. The initial valuation result for the New Section revealed a shortfall of £740 million, which reduced to £557 million once outstanding contributions to make up for shortfalls, identified in previous valuations, had been allowed for. Then, once market improvements since the valuation date had been taken into account, the Trustee decided that the shortfall to be collected under the Recovery Plan was £402 million, over a period of about ten years.

The Trustee also received advice from the Actuary on the level of the future service contribution rate for active members of the Fund. After consultation with employers and employers consulting with their MNOFP members, from 1 October 2010 the joint contribution rate going forward is set at 25% of the salaries of active members, with 9.5% coming from the member and 15.5% from the member's employer.

Active members' contributions		9.5%
Employers with active contributing members	+	15.5%
Contribution rate from 1 October 2010	=	25%



KEY EVENTS IN THE LAST YEAR

Continued

Our plans are beginning to make a real difference.

Protection of Members' Benefits

Our principal duty, as Trustee, is to protect your benefits, and the efficient management of the Fund is a key factor in this. As noted in the introduction, we have put in motion long-term plans to continue managing the Fund effectively and, over the last year, some of these plans are beginning to make a real difference.

Collecting contributions

Dealing with over 350 separate employers, it is crucial that we have efficient processes both to collect contributions and to ensure each employer meets their share of the Fund's liability and any deficit.

Over the last few months we have, therefore, created and developed a sophisticated and robust process to manage the collection of these extra contributions, which ensures that we review each employer's financial strength and apply a fair method of collecting their share of the shortfall. To oversee this process we have created a specialist team, supported by dedicated software.

We are, of course, continuing to monitor the collection of the remaining instalments of the 2003 and 2006 deficit contributions, and continue to take all reasonable action to recover overdue contributions. On occasions we have needed to use the services of accounting firms to investigate, and we also initiate legal action, where appropriate.

Preservation of the Trustee's powers in respect of payments from the Fund

Under the MNOPF Rules, were the Fund to wind up we have the power to make a surplus payment to those employers participating in the Fund at the time of the wind-up. While we have no intention of either winding up the MNOPF or of making any surplus payment to the employers in the foreseeable future, we believe that this power is useful to keep.

However, by law we must pass a resolution before 5 April 2011 to preserve this power, and so the Trustee has decided to exercise its power under Section 251(3) of the Pensions Act 2004 to pass a resolution confirming that the Trustee's existing power under Rule 31.1 of the MNOPF Rules remains exercisable on the future winding up of the MNOPF (or either section). The Trustee's proposed exercise of this power will take effect on 16 March 2011.

It is worth remembering that were the MNOPF to be wound-up, the Trustee has the ability to use any surplus to increase the benefits of members before making any payment to Participating Employers.

Reducing risk

Reducing risk and preparing plans to settle liabilities are today quite common among pension funds, but when in 2008 your Trustee carried out a strategic review and developed such plans, the MNOPF was among the first to do so.

Despite the extremely difficult market conditions, we have been successful in securing £600 million of the Old Section's liabilities (£500 million in the year ended 31 March 2009 and an additional £100 million in May 2010) with Lucida plc, a UK insurance company. By making sure that the Fund's assets were managed to protect the funding position of the MNOPF, we were able to buy the insurance policy when market conditions improved and, by securing these liabilities with Lucida at an agreed price, we have managed to remove the continuing volatility in investment markets in this part of the Fund's assets and to provide significant protection against any unanticipated increases in pensioners' longevity.

We have also been able to negotiate terms for future settlement opportunities, whilst we continue to actively monitor progress against our plans.

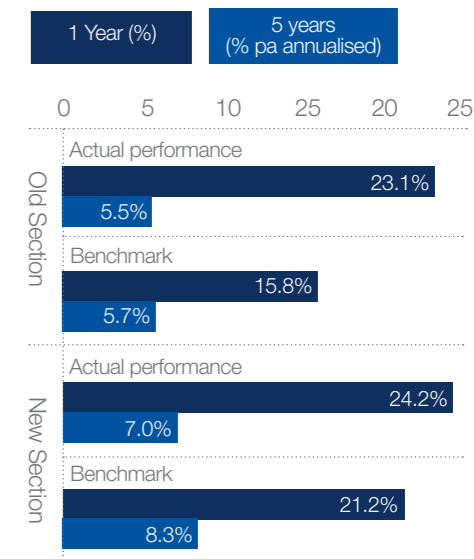
By securing these liabilities with Lucida, we have been able to deliver greater security for your benefits and greater certainty for employers during these difficult economic conditions. This does not affect the way the members' benefits are paid by MNPA Ltd.

Improving Investment Performance

In 2008, the Trustee delegated our day to day investment decisions to a Delegated Chief Investment Officer. This has worked well to date, and has resulted in a stronger investment decision-making process.

The investment performance is measured independently by The WM Company (WM). The Delegated Chief Investment Officer and the MNOPF Investment Committee monitor the performance of each specialist investment manager on a regular basis. The Fund has shown a strong overall performance since April 2009.

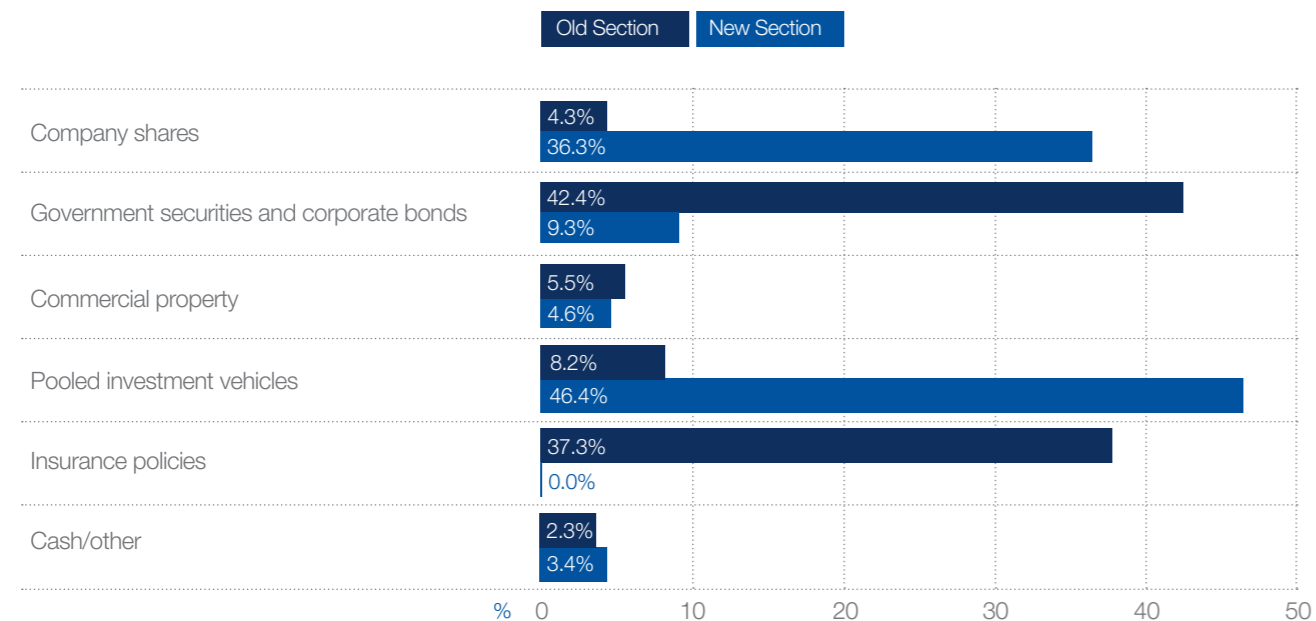
Each section of the MNOPF has a different mix of assets, reflecting their different liabilities, so the performance of each section is different. The table below shows the actual performance for the last year and over five years.



KEY EVENTS IN THE LAST YEAR

Continued

MNOPF's policy is to invest in a wide range of assets. You can see below how the assets were invested, at 31 March 2010.



The Old Section, where the liabilities are more mature, is substantially invested in fixed income securities and liability matching investments, including the insurance policy with Lucida plc.

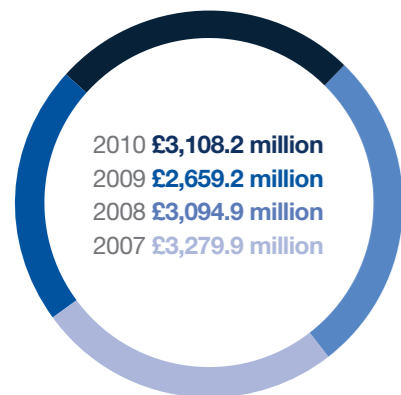
The New Section invests significant funds in shares, including pooled investment vehicles. Like the Old Section, it performed well in the year to 31 March 2010. While it benefited to a lesser extent from the recovery in bond values, it gained from the equity market recovery.

Both sections benefited from the performance of their fund managers, who actively invest the assets to achieve strong returns.



FUND FINANCES AT A GLANCE

Value of the Fund's assets at 31 March 2010



Here you can see a summary of the Fund's finances over the year to 31 March 2010, based on information in the Fund's Annual Report and Accounts.

You can see the full document at www.mnopf.co.uk under 'Annual Report'.

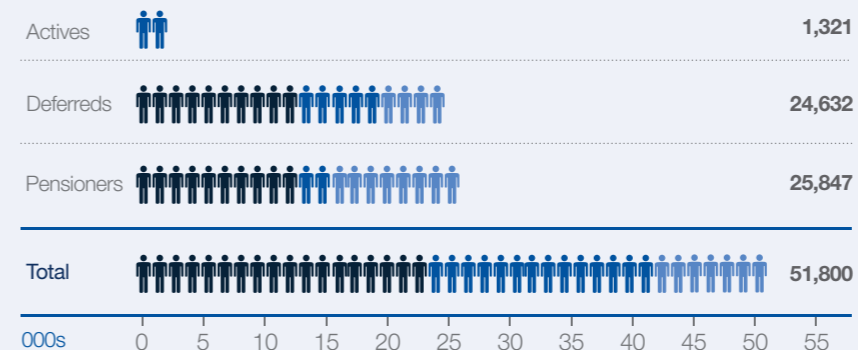
	Old Section (million)	New Section (million)	Total (million)
Opening Balance at 31 March 2009	£1,112.6	£1,546.6	£2,659.2
Income during the year	£65.9	£92.0	£157.9
Less —			
Expenditure during the year	£98.7	£123.7	£222.4
Plus +			
Increase in the Market Value of the assets	£186.1	£327.4	£513.5
Equals =			
Closing Balance of the Fund at 31 March 2010	£1265.9	£1842.3	£3,108.2

The Fund's accounts are audited each year by independent auditors Deloitte LLP, who have confirmed that:

- the Fund's accounts show a true and fair view of the financial transactions during the 12 months to 31 March 2010
- contributions were paid to the Fund in accordance with the schedules of contributions in force during the year.

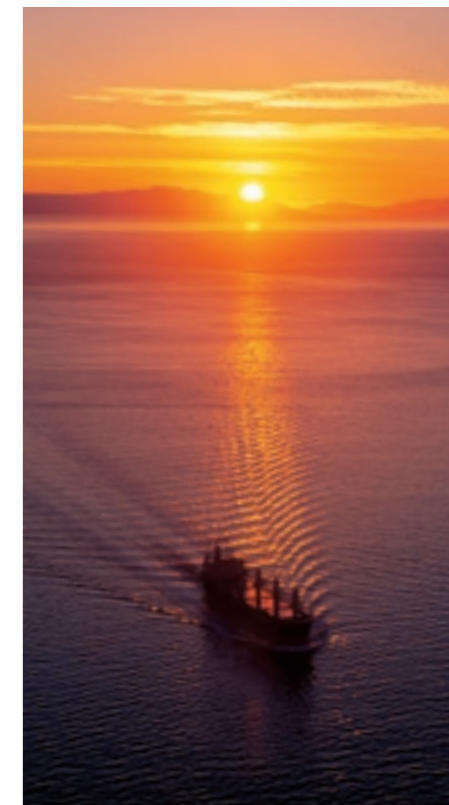
Membership Statistics at 31 March 2010

Old Section New Section Both Sections



Total number of Scheme members

Some members have both Old and New Section membership so the combined membership is different to the sum of the Separate Old and New Section figures.



SUMMARY FUNDING STATEMENT

The next few pages represent the Summary Funding Statement for 2010, which we as the Trustee are required to provide annually to all members. The statement provides you with a snapshot of the Funding position at 31 March 2010.

A copy of the full funding update is available on our website, www.mnopf.co.uk, under publications.

A reminder of how the Fund works

The MNOFP is a Defined Benefit pension scheme. Set up to provide pension benefits on retirement or death, the benefits are based on a combination of earnings and length of membership.

Therefore, they represent a very long-term obligation by the employers and it is not possible to know, with certainty, what contributions to the Fund are needed to make sure that there will be sufficient money available to pay the benefits in the future.

Your contributions, and those from your employers, are paid into the MNOFP. The Trustee then invests that money, with the aim of increasing its value so that there is enough to provide your benefits as they become due.

The Trustee monitors the available funds, and asks the Actuary to carry out regular valuations. The Actuary recommends the contribution rates required to provide benefits, based on reasonable assumptions as to the future. If the Actuary thinks there is more money in the Fund than is necessary, the Fund is said to have excess assets – a surplus. If, on the other hand, the Actuary thinks there is less money in the Fund than is necessary, the Fund is said to have a shortfall – a deficit.

The objective is to have enough money in each section to pay pensions and other benefits now and in the future, but this relies on the employers continuing to support the Fund as:

- they will be paying towards the future running expenses of the Fund
- the funding level can fluctuate and when there is a shortfall they will usually need to put in more money.



SUMMARY FUNDING STATEMENT

Continued

* including allowance for insured Lucida benefits

† including value of outstanding 2003 and 2006 valuation deficit contributions, which are due to continue to be paid annually by the Participating Employers until 2014 (in the vast majority of cases).

What did the 2010 funding figures show?

MNOPF Old Section

	31 March 2009	31 March 2010
Estimated amount needed to provide benefits	£1,244m	£1,246m*
Assets	£1,113m	£1,266m*
(Shortfall) / excess	(£131m)	£20m
Estimated funding level	89%	102%

As part of the 31 March 2009 valuation, the Actuary determined that no additional contributions were required to meet the shortfall. This was because the investment returns between the valuation date and the date the valuation results were finalised in November 2009, which had already eliminated the shortfall, were higher than expected. Indeed, over the year to 31 March 2010, the funding position improved to give an excess of £20 million.

MNOPF New Section

	31 March 2009	31 March 2010
Estimated amount needed to provide benefits	£2,287m	£2,356m
Assets†	£1,730m	£1,995m
(Shortfall) / excess	(£557m)	(£361m)
Estimated funding level	76%	85%

Investment conditions at 31 March 2009 represented what now seems to have been a market low. The values of equities and corporate bonds have recovered significantly since that date. In determining the level of deficit contributions required from Employers, the Trustee allowed for the improvement in the funding position over the remainder of 2009. In order to eliminate the remaining deficit we determined that additional deficit contributions with a value of £402 million as at 30 September 2010 would be paid by the Participating Employers over the period to 30 September 2022.

Over the year to 31 March 2010, the funding position improved to give a reduced shortfall of £361 million, mainly due to higher than expected asset returns over the year and the deficit contributions paid by employers. The value of the 2009 deficit contributions at 31 March 2010 was slightly greater than the shortfall. At 31 March 2010 the deficit contributions were expected to eliminate the shortfall shortly before 30 September 2022.

Will the funding improve further by 2011?

The Trustee continues to actively monitor and analyse the progress of the financial position of the Fund against its agreed plans. As mentioned earlier in the report, in 2009 and 2010 the Trustee reduced some of the Fund's risk by securing £600 million of Old Section liabilities with an insurance contract (£500 million in September 2009 and a further £100 million in May 2010).

Also, as mentioned earlier, we have put in place robust processes to collect contributions from employers.

What other valuations of the benefits are carried out?

While we have no intention of winding up the Fund in the foreseeable future, under Regulations the Trustee must tell you how well the MNOPF is funded, if it were to wind-up.

The Actuary estimated that, at 31 March 2010,

- if the Fund had been discontinued and
- no further financial support was available from the Employers and
- the assets were invested in very low risk investments such as government bonds,

the assets of the Old Section would have been sufficient to cover about 98% of the Section's liabilities (with no future discretionary bonuses).

This is an improvement from 31 March 2009 when the Actuary estimated that the assets would have covered about 83% of the Section's liabilities on discontinuance. This improvement is mainly due to higher than expected investment returns and an increase in anticipated future asset returns.

For the New Section, the Actuary estimated the assets would have covered about 63% of the Section's liabilities at 31 March 2010, compared to around 53% at 31 March 2009. This improvement is mainly due to higher than expected asset returns over the year.



SUMMARY FUNDING STATEMENT

Continued



What would happen if the MNOPF did wind up?

As we have stated, the Trustee has no intention of winding up the Fund in the foreseeable future. However, we do have to tell you what would happen if the Fund did wind up.

In this event, you might not get the full amount of pension you have built up, even if the MNOPF were to be fully funded under our funding plan.

While the Fund remains ongoing, even though funding may temporarily be below target, your benefits will continue to be paid in full. If the Fund were to start to wind up, the employers would be required to pay enough into the Fund to make sure that the members' benefits could be completely secured with an insurance company. It is possible that they would not be able to pay the full amount.

In the very unlikely situation where all the employers became insolvent, the Fund might be taken over by the Pension Protection Fund, who might pay all or part of the members' benefits. You can find further information and guidance on the Pension Protection Fund's website, www.pensionprotectionfund.org.uk, or you can write to:

The Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon Surrey CR0 6SR

What else you might need to know

Payments to Employers We have to tell you whether or not we have made any payment to any of the employers from the Fund in the period covered by this statement. We haven't made any such payment.

The Pensions Regulator We have not received any financial support directions or contribution notices relating to the Fund, from the Pensions Regulator, during the period covered by this statement.

Thinking of leaving the Fund? If you are thinking of leaving the Fund for any reason, we suggest that you consult a professional advisor, for example an independent financial advisor, before taking any action.

You can find an independent financial advisor by going to www.unbiased.co.uk.

Any questions?

If you have any questions about your benefits, please contact the Fund's administrators:

MNPA Limited
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Tel: 01372 200200

Email: mnopf@mnpa.co.uk

If you need to tell us that you have changed address or bank account, please write to MNPA Limited with the details.

The scheme documents, including the latest actuarial valuation, can be seen on our website, www.mnopf.co.uk. Alternatively you can write to us, to request a copy of any of the scheme documents, at:

MNOPF Trustees Limited
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

NEWS



Your scheme – award winning

We are pleased to report that the MNOFP Trustee Board has recently been highly commended at the Engaged Investor awards. Also, the Fund itself has been shortlisted for three awards in the Professional Pension Awards for UK Pension Schemes.

Andrew Waring, our Chief Executive Officer, noted that 'Award recognition reflects tremendously on the efforts of the Trustee Board and the Executive. It enhances the reputation of the MNOFP in the eyes of the pensions industry and confirms that the MNOFP continues to be managed extremely well.'

Comings and goings at the MNOFP Executive

In May 2010 Peter Greenwood, the Deputy Chief Executive of MNOFP Trustees Ltd, retired. We would like to record our thanks to Peter for his commitment and significant contribution to the Fund over the past 25 years, which have been a major factor in the successful management of the MNOFP. We wish him a long and happy retirement.

We are delighted to welcome the following new members to the MNOFP Executive:

- **Alex McGann** joins us as Chief Financial Officer. Alex was most recently a senior manager in the PriceWaterhouseCooper's pensions group.
- **John Cullen** joins us as Pensions Director.
- **Kathryn Foster** is our new Scheme Secretary. Most recently Kathryn was Head of Pensions and Reward (and Scheme Secretary) at the Bank of England.

Coming in 2011...

May

Annual payslips and P60s (for the 2010/2011 tax year) will be sent to those members with pensions in payment.

September/October

Benefit statements will be sent to contributing members and those who have left the Fund but have not yet retired.

Throughout the year

Nautilus International continues to hold regular pension forums on a wide range of subjects. Contact amcdonald@nautilusint.org if you are interested in attending one of these meetings.

The Nautilus Telegraph is published once a month, and contains news, features and special reports on a wide range of issues of interest to maritime professionals, including pensions matters. For the latest copy, go to www.nautilusint.org/Resources/Pages/Telegraph.aspx

CONTACTS

Questions about your benefits?

MNPA Limited looks after the day to day administration of your benefits. If you have any questions about your benefits or pension payroll issues, get in touch with them at:

MNPA Limited
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Tel: 01372 200 200

Email: mnopf@mnpa.co.uk

Who gets your benefits when you die?

Make sure we know your wishes

Under the Fund rules, lump sum death benefits are payable on the death of active and deferred members or in the first five years of a member receiving their pension.

These benefits are currently free of inheritance tax, when paid directly to the beneficiary at our discretion, so it is important that the Trustee knows your wishes. Therefore please make sure you complete an Expression of Wish form, and update it if your circumstances change, for example if you marry, enter a civil partnership, have children or divorce.

Although your wishes are not binding the Trustee will always take them into consideration, so making sure this form is up to date is important.

If you have a Will that sets out how you would like the Fund's benefits to be distributed, please indicate this on your Expression of Wish form, but bear in mind that if you wish us to consider making any payment to a charity, this must be specified on an Expression of Wish form.

You can obtain a form from the website www.mnopf.co.uk