



FREIGHT TRANSPORT ASSOCIATION



Incorporating the Annual Accounts
for 2012 and Notice of the
Annual General Meeting 2013

Safe, efficient and sustainable supply chains

Annual General Meeting 2013

Notice is hereby given that the Annual General Meeting of Freight Transport Association Limited will be held at the Hilton Hotel, Park Lane, London at 9.30am on Tuesday 23 April 2013 for the purpose of transacting the following business

- | | |
|---|---|
| 1 Directors' Report
To receive the Report of the Directors for the year 2012 | 3 Auditors
To appoint Auditors and to fix their remuneration |
| 2 Annual Accounts
To receive the Income and Expenditure Account for the year ended 31 December 2012, the Balance Sheet as at that date and the Auditors' Report | 4 Other Business
To deal with any other business admitted by the Chairman |



By order of the FTA Board
David Wells – Company Secretary

1 March 2013

Hermes House, St John's Road, Tunbridge Wells, Kent TN4 9UZ

The Report of the Directors for the year ended 31 December 2012

Your Directors have pleasure in submitting their Annual Report and Accounts for the year ended 31 December 2012

For the purposes of the Companies Act 2006, Members of the FTA Board are Directors. The names of those persons who were members of the Board during 2012 appear on page 3 of the Accounts.

The Association acts as a trade association for its members who operate or manage supply chains and use freight transport in connection with their business. During the year it continued to provide a range of services to the membership and pursued a vigorous and responsible representational role.

The Association performed satisfactorily during a year when business confidence in the strength of the UK economy ebbed and flowed. Income was broadly the same as 2011 at £23.5m and is derived from a combination of membership fees and services. Services include Vehicle Inspection, Tachograph Analysis, Training, Consultancy and Shopfta. Despite these difficult trading conditions the Association's trading performance improved throughout the second half of the year as the organisation's initiatives bore fruit. Membership numbers rose two per cent to 14,105 at the year end. Vehicle inspections remain the largest of our business streams. This service continues to expand into the heavy van sector within the framework of the Association's Van Excellence Scheme. The Tachograph Analysis Service has also contributed strongly in 2012 and further investment in this area is planned during 2013. Elsewhere there were solid performances in Training, Consultancy and the Association's online shop.

Throughout the year the Board has taken action to control costs and as a result year end head count had reduced to 404. The operating surplus for the year was boosted by the further recovery of £66k of bank deposits as explained in Note 4 of the financial statements. Market conditions for 2013 remain tough, though the Board believes the Association is well placed to succeed given the plans and actions that are in place.

Key performance indicators used within the business include membership numbers and renewal rates, contract numbers and productivity in vehicle inspections, productivity and turnaround times in Tacho and delegate numbers attending our training courses, seminars and Freight Councils.

FTA's mission is to help its members develop safer, more efficient and sustainable supply chains. The Association's future will be shaped by four factors:

- 1 Members' demands, needs and expectations arising from their membership and ownership of one of the country's biggest trade associations
- 2 Changing economic and market pressures – the environment in which members trade
- 3 New regulatory and policy pressures – members' compliance obligations
- 4 Innovation or acquisition of other services that maximise the safety, efficiency and sustainability of members' supply chains and grow the trading strength of FTA

FTA's strategic plan maps out the expected changes in these factors and builds a plan that responds to them and underpins growth consistent with its objectives.

Key risks facing the organisation are the need to maintain membership numbers, the need to invest in further development of its services to members and the requirement to meet its pension funding obligations. Management processes exist to monitor, report on and control all of these areas.

The balance sheet (excluding pension adjustments) at 31 December 2012 remains strong at £6.4m. However, even though FTA paid pension contributions of £2.062m to the Pension plan in the year, the pension fund deficit increased by £0.3m due to an actuarial loss of £2.12m arising from, in part, adverse changes in the assumptions in the year. As a result, the FRS17 pension deficit included in the balance sheet at 31 December 2012 amounted to £6.8m leaving net liabilities of £0.4m. The level of contributions payable to the pension plan under the current schedule of contributions for the year ended 31 December 2013 is £1.714m which the directors consider FTA can continue to pay. In December 2012 the Association reached an agreement with the International Road Transport Union and other parties,

at no cost to the Association, in relation to the contingent liabilities that existed at December 2011. As a result of this agreement the Association held £1.3m of cash at 31 December 2012 which was paid over to the International Road Transport Union in February 2013.

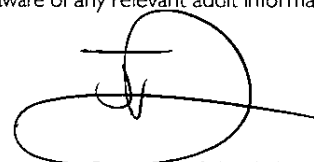
Formal arrangements exist for the management team to discuss and contribute to the financial, economic and social objectives of the Association and regularly to brief all staff on the activities in which the Association is engaged. During the year FTA maintained its policy of giving full and fair consideration to applications for employment made by disabled people. The Association is committed to continuing employment and training of employees who become disabled and to the training, career development and promotion of all employees.

During 2012 the Remuneration Committee – chaired by the President – and the Audit Committee – chaired by the Honorary Treasurer – met to consider matters appropriate to their remit and subsequently update the FTA Board of directors.

Auditors

A resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



By order of the FTA Board
Jon Moxon – Honorary Treasurer

1 March 2013

FTA Board 2012

President and Chairman

S Oades

Vice Presidents

A P Burleton (resigned 30 May 2012)

R J Jenkins

I Veitch

Other Members of the Board

K A Appleton (appointed 21 June 2012)

R J Ashworth (appointed 20 September 2012)

V J Brickley (appointed 21 June 2012)

A Ciaburro

T H J de Pencier

J E Entwistle (resigned 20 September 2012)

A J Haines

I Jones (resigned 21 June 2012)

Honorary Treasurer

J Coghlan (resigned 22 November 2012)

J D Moxon (appointed 22 November 2012)

D Morton (resigned 21 June 2012)

A J Parker

G Roberts

G Scott (resigned 3 February 2012)

I Stansfield (appointed 20 September 2012)

P Watts

J H Williams

C M Woodhead (appointed 15 January 2013)

Freight Transport Association Limited Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Freight Transport Association Limited

We have audited the financial statements of Freight Transport Association Limited for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

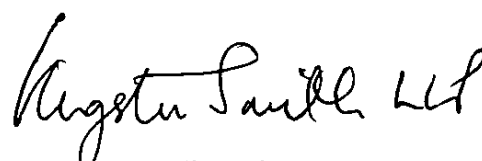
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Devonshire House, 60 Goswell Road
London EC1M 7AD

4 March 2013



Janice Riches (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Balance Sheet 31 December 2012

		2012		2011	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	7		3,506		2,951
Current Assets					
Stock	1(iv)	220		241	
Debtors	8	5,758		4,796	
Cash at bank and in hand		<u>3,000</u>		<u>3,026</u>	
		8,978		8,063	
Creditors					
Amounts falling due within one year	9	<u>6,068</u>		<u>4,025</u>	
Net Current Assets			<u>2,910</u>		<u>4,038</u>
Total Assets less Current Liabilities			6,416		6,989
Creditors amounts falling due after more than one year	10		<u>39</u>		<u>—</u>
Net Assets Excluding Pension Liability			6,377		6,989
Less Pension Scheme Liability	11		<u>6,792</u>		<u>6,529</u>
			<u>(415)</u>		<u>460</u>
Reserves					
Accumulated Reserves	12(i) to (v)				
General reserve			6,377		6,989
Pension reserve			<u>(6,792)</u>		<u>(6,529)</u>
			<u>(415)</u>		<u>460</u>

Approved by the board and authorised for issue on 1 March 2013


S Oades, President


J D Moxon, Honorary Treasurer
Company registration no 00391957

Income and Expenditure Account for the year ended 31 December 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
Income	1 (vi) and 2		23,478		23,655
Direct Expenses			<u>12,459</u>		<u>12,777</u>
Gross Surplus			11,019		10,878
National Operating Expenses	3		<u>9,630</u>		<u>9,741</u>
Trading Surplus			1,389		1,137
Exceptional item – recovery of cash deposit	4(ii)		<u>66</u>		<u>51</u>
Operating Surplus	4(i)		1,455		1,188
Income from deposits		7		2	
Surplus on sale of Stirling office		–		252	
Interest payable and similar charges	5	(5)		–	
Other Finance Expenditure	15	<u>(205)</u>		<u>(322)</u>	
			<u>(203)</u>		<u>(68)</u>
Surplus before taxation			1,252		1,120
Taxation	6		<u>7</u>		<u>–</u>
Surplus for the year			<u>1,245</u>		<u>1,120</u>

Continuing Operations

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during the above two financial years. The income and operating result derive entirely from continuing operations.

Cash Flow Statement for the year ended 31 December 2012

		2012	2011
	Note	£'000	£'000
Net cashflow inflow from operating activities	13(i)	875	478
Return on investments and servicing of finance	13(ii)	2	2
Capital expenditure and financial investment	13(iii)	<u>(868)</u>	<u>(312)</u>
Net cash inflow before use of liquid resources and financing		(9)	168
Financing			
Capital element of finance lease rental payment		<u>(35)</u>	<u>—</u>
(Decrease)/increase in cash in the year	14	<u>(26)</u>	<u>168</u>
Reconciliation of net cash flow to movements in net funds (note 14)			
(Decrease)/increase in cash in the year		(26)	168
Cash outflow from finance lease payments		<u>35</u>	<u>—</u>
Change in net debt resulting from cash flows		9	168
New finance leases		(110)	—
Net funds at 1 January 2012		<u>3,026</u>	<u>2,858</u>
Net funds at 31 December 2012	14	<u>2,925</u>	<u>3,026</u>

Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

		2012	2011
	Note	£'000	£'000
Surplus before transfer to Reserves		1,245	1,120
Actuarial (loss) on pension scheme	15	<u>(2,120)</u>	<u>(922)</u>
Total recognised (losses)/gains relating to the year		<u>(875)</u>	<u>198</u>

Notes to the Accounts 31 December 2012

I Accounting policies

(i) Accounting Convention

These Accounts have been prepared under the historical cost convention

(ii) Compliance with Accounting Standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

(iii) Depreciation

Depreciation is provided on an annual instalments basis over the expected useful lives of assets as follows

Freehold Buildings	50 years	Furniture and Equipment	4 to 10 years
Motor Vehicles	4 years	Computers	3 to 5 years

(iv) Stock

Stock is valued at the lower of cost and net realisable value and is comprised of finished goods and goods for resale

(v) Taxation

Taxation is provided on non-member income and capital gains only

(vi) Income

Membership income is recognised in the month of renewal. All other income is recognised at the time the goods or services are provided.

All turnover excludes value added tax

(vii) Pensions

For the defined benefit pension scheme, Operating Surplus is charged with the cost of providing pension benefits earned by employees in the year. The expected return on pension scheme assets less the interest on pension scheme liabilities is shown as other finance expenditure within the Income and Expenditure Account.

Actuarial gains and losses arising in the year from the difference between actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in financial assumptions are included in the Statement of Total Recognised Gains and Losses.

For the defined contribution scheme, the amount charged to the Income and Expenditure account in respect of pension cost is the contributions payable in the year.

(viii) Operating Leases

Costs in respect of operating leases are charged to the Income and Expenditure account on a straight line basis over the term of the lease.

(ix) Finance Leases

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in creditors. The interest element of the finance cost is charged to the Income and Expenditure account over the lease period so as to produce a constant periodic rate of interest for each period. Equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(x) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the Income and Expenditure account.

Notes to the Accounts 31 December 2012

2 Income

	2012	2011
	£'000	£'000
Membership fees	3,844	3,787
Commercial activities	19,634	19,868
	<u>23,478</u>	<u>23,655</u>
Geographical analysis		
United Kingdom	23,110	23,314
Ireland	310	242
Rest of world	58	99
	<u>23,478</u>	<u>23,655</u>

3 National Operating Expenses

The heading 'Administration expenses' which is specified in the Companies Act 2006 has been altered in favour of the heading 'National Operating Expenses'. The Directors consider that this heading more accurately describes the nature and substance of the expenses than that prescribed by the Companies Act 2006.

4 Operating Surplus

(i) The surplus for the year is derived after charging/(crediting)

	2012	2011
	£'000	£'000
Auditors' remuneration in respect of		
Statutory audit services	36	36
Other non-audit services	14	12
Depreciation		
Owned assets	393	407
Assets held under finance leases	37	–
Profit on disposal of fixed assets	(7)	–
Loss/(Gain) on foreign exchange transactions	5	(4)
Operating lease payments		
Land and buildings	108	80
Other operating leases	<u>885</u>	<u>950</u>

(ii) Exceptional item – Recovery of cash deposit

At 31 December 2008, the company had £500,000 in a deposit account with the Icelandic bank, Kaupthing, Singer and Friedlander (KSF). On 8 October 2008, Kaupthing, Singer and Friedlander went into administration whereupon all deposits were frozen and no withdrawals were permitted. The company ranks as a non-preferential creditor against KSF and is being dealt with in accordance with the Insolvency Act 1986. In the absence of any reliable information to substantiate how much of the deposit was likely to be recoverable, a provision of £500,000 was made at 31 December 2008 for the non-recovery of the entire deposit. During 2012, the company received £66,000 (2011 £51,000) from the administrators thus reducing the overall loss to £114,000 as at 31 December 2012.

Notes to the Accounts 31 December 2012

5 Employment Costs

	2012	2011
	£'000	£'000
(i) Employee costs during the year amounted to		
Salaries and bonuses	12,301	12,364
Social Security costs	1,252	1,247
Defined Contribution pension costs	669	629
	<u>14,222</u>	<u>14,240</u>
	2012	2011
(ii) The average number of employees during the year was		
Operations	256	283
National Operating Expenses	157	160
Software development	6	4
	<u>419</u>	<u>447</u>
	2012	2011
(iii) Director Emoluments	£'000	£'000
Emoluments for qualifying services	213	98
Company pension contributions to defined contribution schemes	24	8
	<u>237</u>	<u>106</u>

Contribution schemes

The number of directors for whom retirement benefits are accruing under defined contribution schemes amount to 1 (2011-1)
Emoluments disclosed above include the following amounts paid to the highest paid director

	2012	2011
	£'000	£'000
Emoluments for qualifying services	190	67
Company pension contributions to defined contribution schemes	24	8
	<u>214</u>	<u>75</u>

6 Taxation

	2012	2011
	£'000	£'000
UK Corporation tax at 20% (2011 20.25%)	7	—
Current tax charge	<u>7</u>	<u>—</u>

Factors affecting the tax charge of the year

The Association is liable for taxation on investment income and capital gains. In 2012 this amounted to £73,485 (2011 £53,342)

	2012	2011
	£'000	£'000
Taxable income multiplied by standard rate of UK corporation tax of 20% (2011 20.25%)	15	11
Effects of		
Tax losses utilised in year	(8)	(11)
Current tax charge	<u>7</u>	<u>—</u>

Notes to the Accounts 31 December 2012

7 Tangible Assets

	Freehold Property £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
Balance at 1 January 2012	1,921	42	2,089	2,848	6,900
Additions	—	—	—	985	985
Disposals	—	(18)	—	—	(18)
Balance at 31 December 2012	<u>1,921</u>	<u>24</u>	<u>2,089</u>	<u>3,833</u>	<u>7,867</u>
Depreciation					
Balance at 1 January 2012	870	42	983	2,054	3,949
Charge for the year	37	—	168	225	430
Disposals	—	(18)	—	—	(18)
Balance at 31 December 2012	<u>907</u>	<u>24</u>	<u>1,151</u>	<u>2,279</u>	<u>4,361</u>
Net Book Value 31 December 2012	<u>1,014</u>	<u>—</u>	<u>938</u>	<u>1,554</u>	<u>3,506</u>
Net Book Value 31 December 2011	<u>1,051</u>	<u>—</u>	<u>1,106</u>	<u>794</u>	<u>2,951</u>

A charge created over the Association's head office, Hermes House, St John's Road, Tunbridge Wells, on 28 June 2002 in favour of the Trustees of the FTA Occupational Pension Plan was released on 19 December 2012.

Included in freehold property is freehold land at cost of £29,085 (2011 £29,085) which is not depreciated.

The net book value of £3,506,000 includes an amount of £75,556 (2011 – nil) in respect of assets under finance leases.

8 Debtors

	2012 £'000	2011 £'000
Debtors for goods and services	4,843	3,456
Other debtors	405	459
Due from FTA pension plan	2	1
Prepayments and accrued income	<u>508</u>	<u>880</u>
	<u>5,758</u>	<u>4,796</u>

Debtors Amounts falling due after more than one year

Other debtors include an amount of £300,107 due from FTA Ireland. This comprises a loan of £160,000 which is subject to interest and has fixed repayment terms and a further amount of £140,107. The repayment of the loan is scheduled to commence in October 2013. Amounts falling due after more than one year are £280,107.

9 Creditors Amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	1,158	870
Other Creditors	1,300	—
Corporation Tax	7	—
Social Security and other taxes	991	1,035
Obligations under finance leases (note 16)	36	—
Accruals and deferred income		
Vehicle and Tachograph Inspection Services	1,029	1,132
Other member services	697	197
General	<u>850</u>	<u>791</u>
	<u>6,068</u>	<u>4,025</u>

Notes to the Accounts 31 December 2012

10 Creditors Amounts falling due after more than one year

	2012	2011
	£'000	£'000
Obligations under finance leases (note 16)	<u>39</u>	<u>—</u>

11 Pension Scheme Liability

Provision has been made for the pension scheme deficit in the Financial Statements

	2012	2011
	£'000	£'000
Deficit at start of year	6,529	6,997
Cash contributions paid in the year	(2,062)	(1,712)
Other Finance Expenditure	205	322
Actuarial loss	<u>2,120</u>	<u>922</u>
Deficit at end of year	<u>6,792</u>	<u>6,529</u>

12 Reserves

(i) General Reserve

The Association is limited by guarantee and does not have any share capital. Annual surpluses or deficits are transferred to the General Reserve.

(ii) Reconciliation of movements in shareholders' funds

Within the meaning of FRS3 the total of the Association's General Reserve and Pension Reserve constitute 'Shareholders' funds'. The movements in the reserves are detailed below.

(iii) General Reserve and Pension Reserve

	2012			2011
	General Reserve	Pension Reserve	Total	
	£'000	£'000	£'000	£'000
Balance at 1 January 2012	6,989	(6,529)	460	262
Surplus/(loss) for the year	(612)	1,857	1,245	1,120
Actuarial (loss)/gain	<u>—</u>	<u>(2,120)</u>	<u>(2,120)</u>	<u>(922)</u>
Balance at 31 December 2012	<u>6,377</u>	<u>(6,792)</u>	<u>(415)</u>	<u>460</u>

(iv) Campaign Fund

General reserves include income and expenditure on the Campaign Fund as follows:

	2012	2011
	£'000	£'000
Income	316	317
Expenditure	<u>(322)</u>	<u>(461)</u>
(Deficit) of expenditure over income	(6)	(144)
Balance at 1 January 2012	<u>1,005</u>	<u>1,149</u>
Balance at 31 December 2012	<u>999</u>	<u>1,005</u>

Assets representing this Fund are held in Current Assets.

Expenditure from this fund is specifically authorised by the FTA Board.

(v) As at 31 December 2012, FTA held £51,219 (2011: £51,219) of guarantee deposits for TIR carnets and other organisations. These funds are not in the beneficial ownership of FTA and do not form part of FTA's net assets.

Notes to the Accounts 31 December 2012

13 Analysis of Cash Flows for headings netted in the Cash Flow Statement

	2012 £'000	2011 £'000
(i) Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities		
Operating surplus	1,455	1,188
Depreciation	430	407
Decrease/(increase) in stocks	21	(53)
(Increase)/decrease in Debtors	(962)	505
Increase in creditors	2,000	143
Pension contributions paid	(2,062)	(1,712)
Profit on disposal of fixed assets	(7)	—
	<u>875</u>	<u>478</u>
(ii) Return on investments		
Interest received	7	2
Interest paid	(5)	—
	<u>2</u>	<u>2</u>
(iii) Capital expenditure		
Purchase of tangible fixed assets	(875)	(614)
Sale of tangible fixed assets	7	302
Net cash (outflow) for capital expenditure	<u>(868)</u>	<u>(312)</u>

14 Analysis of changes in net funds

	At 1 Jan 2012 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	3,026	(26)	—	3,000
Finance leases	—	35	(110)	(75)
Net funds	<u>3,026</u>	<u>(9)</u>	<u>(110)</u>	<u>2,925</u>

Major non-cash transactions

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £110,000

15 Pensions

(i) Defined Benefit Scheme

The Association operates a contributory pension scheme, which is voluntary Entry was open to all members of staff who were over 20 and under 59 but the scheme was closed to new entrants on 1 January 2001 and to future accrual of benefits, other than required by law, on 30 June 2002

The scheme is of the funded defined benefit type, with its assets held in a separate trust The most recent actuarial valuation, upon which the amounts included in these accounts are based, was carried out at 31 March 2010 Using this as a basis, the valuation has been updated to 31 December 2012 by a qualified actuary As required by FRS17, the defined benefit liabilities have been measured using the projected unit method

Contributions during the year ended 31 December 2012 amounted to £2,062,000 (2011 £1,712,000) Payments for future years under the current schedule of contributions will be £1,713,960 for 2013 together with the expenses of the scheme, which will vary in amount from year to year

Notes to the Accounts 31 December 2012

15 Pensions (continued)

(ii) Changes in present value of scheme liabilities

	2012	2011
	£'000	£'000
Scheme liabilities at 1 January	53,807	51,239
Interest cost	2,547	2,753
Net benefits paid from scheme assets	(2,606)	(2,394)
Actuarial losses on scheme liabilities	<u>3,269</u>	<u>2,209</u>
Scheme liabilities at 31 December	<u>57,017</u>	<u>53,807</u>

	2012	2011
	£'000	£'000
The total actuarial loss of £3,269,000 on the liabilities is analysed as follows		
Experience loss/(gain) on scheme liabilities	1	(1)
Loss from change in other assumptions	<u>3,268</u>	<u>2,210</u>
Total loss on scheme liabilities	<u>3,269</u>	<u>2,209</u>

(iii) Changes in fair value of scheme assets

	2012	2011
	£'000	£'000
Fair value of scheme assets at 1 January	47,278	44,242
Expected return on assets	2,342	2,431
Employer contributions	2,062	1,712
Net benefits paid from scheme assets	(2,606)	(2,394)
Actuarial gains on assets	<u>1,149</u>	<u>1,287</u>
Fair value of scheme assets at 31 December	<u>50,225</u>	<u>47,278</u>

(iv) Income and expenditure account disclosure

	2012	2011
	£'000	£'000
The amounts recognised in the Income and Expenditure Account are as follows		
Expected return on assets	2,342	2,431
Interest cost	<u>(2,547)</u>	<u>(2,753)</u>
Charged to other finance expenditure	<u>(205)</u>	<u>(322)</u>

The actual return on scheme assets net of expenses for the year was a gain of £3,591,000 (2011 – £3,830,000)

(v) Statement of total recognised gains and losses (STRGL)

	2012	2011
	£'000	£'000
Actuarial (losses) arising during the year	<u>(2,120)</u>	<u>(922)</u>
Total amount recognised in the STRGL during the year	<u>(2,120)</u>	<u>(922)</u>
Cumulative actuarial (loss) recognised in the STRGL at the year end	<u>(6,191)</u>	<u>(4,071)</u>

Notes to the Accounts 31 December 2012

15 Pensions (continued)

(vi) Assumptions

The principal assumptions used by the actuary were	2011	2011
Discount rate for scheme liabilities	4.40%	4.85%
Rate of increase in salaries	N/A	N/A
Rate of increase on fixed pensions in payment	5.00%	5.00%
Rate of increase on LPI pensions in payment	2.80%	2.90%
Inflation (RPI)	2.80%	2.90%
Revaluation in deferment (RPI)	2.30%	2.00%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements

The actuary assumed that pre and post retirement mortality is in line with standard tables at 100% of SIPA year of use with CMI_2009 [1%] projections (2011 – 100% of SIPA year of use with CMI_2009 [1%] projections). Under this assumption the average life expectancy of males aged 65 is 22 years and of females aged 65 is 24 years. 100% of members are assumed to take their maximum tax free cash lump sum (2011 100%).

The overall expected rate of return on assets is determined as the average of the expected return of each major asset, weighted by the assets allocated to each class.

(vii) Development of net balance sheet position

	2012	2011
	£'000	£'000
Fair value of scheme assets	50,225	47,278
Present value of funded defined benefit obligations	(57,017)	(53,807)
Pension deficit recognised in the Balance Sheet	<u>(6,792)</u>	<u>(6,529)</u>
Scheme asset information		
	2012	2011
	£'000	£'000
Equities	20,090	19,384
Gilts	17,579	14,183
Bonds	12,054	13,711
Other	502	–
Fair value of assets	<u>50,225</u>	<u>47,278</u>

(viii) Five year history of assets, liabilities and deficit in the scheme

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on scheme assets	1,149	1,287	2,151	1,594	(4,765)
Experience gains/(losses) on scheme liabilities	(3,269)	(2,209)	(300)	(6,469)	5,064
Deficit					
Present value of defined benefit obligation	(57,017)	(53,807)	(51,239)	(50,423)	(43,573)
Fair value of scheme assets	<u>50,225</u>	<u>47,278</u>	<u>44,242</u>	<u>40,040</u>	<u>36,652</u>
(Deficit)	<u>(6,792)</u>	<u>(6,529)</u>	<u>(6,997)</u>	<u>(10,383)</u>	<u>(6,921)</u>

Notes to the Accounts 31 December 2012

15 Pensions (continued)

(ix) Defined Contribution Scheme

The Association also operates defined contribution schemes for employees. Pension costs for the defined contribution schemes are charged to the Income and Expenditure account in the year in which they become payable. The pension cost for the year in respect of the defined contribution schemes was £668,956 (2011 £625,820).

Included in the general accruals are pension contributions amounting to £81,000 (2011 £81,000).

16 Commitments

(i) Operating leases

At 31 December 2012 there were the following annual commitments under non-cancellable operating leases:

Operating leases that expire

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Within one year	20	20	50	92
In second to fifth years	85	76	677	422
	<u>105</u>	<u>96</u>	<u>727</u>	<u>514</u>

(ii) Finance Leases

At 31 December 2012 there were the following obligations under finance leases included in the financial statements as set out below:

	2012	2011
	£'000	£'000
Within one year	36	—
In second to fifth years	39	—
	<u>75</u>	<u>—</u>

(iii) Capital Commitments

As at 31 December 2012 there was a commitment to purchase equipment valued at £nil (2011 £155,000).

17 Contingent Liability

- (i) In 2010, the company set up an employee long-term incentive plan for the four executive 'directors'. The employees were due a payment under the plan if certain targets were met by 2012. During 2011, the long-term incentive plan was updated and extended to 2014. The directors consider that at 31 December 2012, the targets remain challenging and therefore do not feel it is appropriate to include a provision in the financial statements for payments that may fall due in 2015.

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