

# ***Annual Report and Accounts 2003***



FREIGHT TRANSPORT ASSOCIATION



## Annual General Meeting 2004

Notice is hereby given that the Annual General Meeting of the Freight Transport Association Limited will be held at the London Hilton, Park Lane, London W1, at 9.30am on Tuesday 27 April 2004 for the purpose of transacting the following business:

### 1 Directors Report

To receive the Report of the Directors for the year 2003.

### 2 Annual Accounts

To receive the Income and Expenditure Account for the year ended 31 December 2003, the Balance Sheet as at that date and the Auditors' Report.

### 3 Auditors

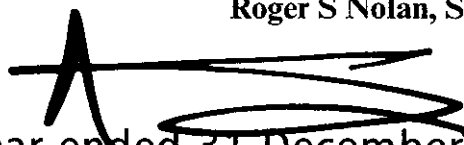
To appoint Auditors and to fix their remuneration.

### 4 Other Business

To deal with any other business admitted by the Chairman.

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

By order of the National Executive Board  
Roger S Nolan, Secretary



## The Report of the Directors for the year ended 31 December 2003

Your Directors have pleasure in submitting their Annual Report and Accounts for the year ended 31 December 2003. For the purposes of the Companies Act 1985 members of the National Executive Board are Directors. The names of those persons who were members of the Board at any time in 2003 appear on page 3.

The Association acts as a trade association for trade and industry in so far as the organisations in membership operate or use freight transport for or in connection with their business. During the year it continued its policy of providing a range of advisory and practical services to the membership and of pursuing a vigorous and responsible representational role. The total membership of the Association at 31 December 2003 was 10,163 and the state of the Association's affairs is set out in the Accounts shown on the following pages.

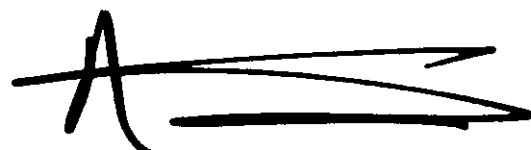
Formal arrangements exist for the management team to discuss and contribute to the financial, economic and social objectives of the Association and regularly to brief all staff on the activities in which the Association is engaged. During the year the Association maintained its policy of giving full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

Changes in the tangible assets of the Association are detailed in note 7 of the accounts. It is considered that the market value of the Association's freehold properties is in excess of the amounts shown in the Accounts.

The Auditors, Calder & Co retire in accordance with the provisions of the Companies Act 1985 and a resolution for their reappointment will be proposed at the Annual General Meeting.

15 March 2004

By order of the National Executive Board  
Roger S Nolan, Secretary



## National Executive Board 2003/2004

<b>President and Chairman:</b>	J M Allan, <i>Exel plc</i>
<b>Vice President:</b>	E J Roderick, <i>Christian Salvesen plc</i>
<b>Honorary Treasurer:</b>	J G Russell, <i>John G Russell (Transport) Ltd</i>
<b>Other Members of the Board:</b>	D S Archbold, <i>Archbold Logistics Ltd</i> A R Ayres, <i>HJ Heinz Company Ltd</i> L R Christensen, <i>Safeway Stores plc</i> R J Jenkins, <i>Lane Group plc</i> C A Lawrence, <i>Wincanton plc (until April 2003)</i> G D N Miller, <i>TrenStar Inc</i> R I Smith, <i>Grampian Country Food Group Ltd</i> M P White, <i>J Sainsbury plc</i>
	The following also held office during the year: J Coghlan, <i>Exel plc</i> D C Green, <i>Freight Transport Association</i> P R Mengel, <i>English Welsh and Scottish Railway Ltd</i> G A Sheddick, <i>Norbert Dentressangle UK Ltd</i>

## The Freight Transport Association Limited Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period. In preparing those 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

# **Auditors' Report to the Members of the Freight Transport Association Limited**

We have audited the financial statements of Freight Transport Association Limited for the year ended 31 December 2003 set out on pages 5 to 15. These financial statements have been prepared under the Historical Cost Convention and the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**


We conducted our audit in accordance with auditing standards 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 judgements made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company'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 of the state of the company's affairs as at 31 December 2003 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1 Regent Street  
London SW1Y 4NW  
15 March 2004

  
Calder & Co  
Chartered Accountants  
and Registered Auditor

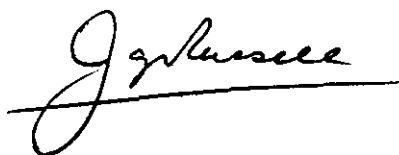
# Balance Sheet 31 December 2003

		2003		2002	
	Note	£	£	£	£
<b>Fixed Assets:</b>					
Tangible Assets	7		2,682,800		2,828,606
<b>Current Assets:</b>					
Stocks	1(iii)	102,587		110,856	
Debtors	8	3,838,188		3,860,207	
Cash at bank and in hand		<u>1,075,035</u>		<u>1,093,860</u>	
		5,015,810		5,064,923	
<b>Creditors:</b>					
Amounts falling due within one year	9	<u>3,481,077</u>		<u>3,814,681</u>	
Net Current Assets			<u>1,534,733</u>		<u>1,250,242</u>
Total Net Assets			<u>4,217,533</u>		<u>4,078,848</u>
<b>Capital and Reserves</b>					
<b>General Reserve:</b>					
Balance as at 1 January 2003	10(i) to (iv)		4,078,848		4,883,128
Surplus (Deficit) in the year			<u>138,685</u>		<u>(804,280)</u>
Balance as at 31 December 2003			<u>4,217,533</u>		<u>4,078,848</u>



J M Allan, President

Signed on behalf of the National Executive Board  
15 March 2004



J G Russell, Honorary Treasurer

*The notes on pages 8 to 15 form part of these accounts*

# Income and Expenditure Account for the year ended 31 December 2003

		2003	2002
	Note	£	£
Turnover	1(v) and 2	19,762,774	18,320,935
Direct service costs		10,904,178	10,056,990
Gross Surplus		8,858,596	8,263,945
National operating expenses	3 and 4	7,890,487	7,441,482
Trading Surplus		968,109	822,463
Exceptional Items:	4(ii)		
Additional pension scheme funding and costs		636,600	1,791,862
Restructuring costs		297,937	—
		934,537	1,791,862
Operating Surplus/(Deficit)		33,572	(969,399)
Income from deposits		31,895	45,023
Surplus on disposal of fixed assets		20,920	128,971
		52,815	173,994
Less taxation	6	(52,298)	8,875
		105,113	165,119
Surplus/(Deficit) for the year	4	138,685	(804,280)

There were no recognised gains and losses in 2003 and 2002 other than those stated in the Income and Expenditure account.

## 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 turnover and operating result derive entirely from continuing operations.

*The notes on pages 8 to 15 form part of these accounts*

# Cash Flow Statement for the year ended 31 December 2003

		2003	2002
	Note	£	£
Net cash inflow from operating activities		283,197	(548,958)
Return on investments	11(i)	31,895	45,023
Taxation		(8,458)	(7,084)
Capital expenditure and financial investment	11(ii)	(325,459)	574,083
Cash (outflow)/inflow before use of liquid resources and financing		<u>(18,825)</u>	<u>63,064</u>
Increase/(decrease) in cash in the period	12	<u>(18,825)</u>	<u>63,064</u>
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities			
Operating Surplus (Deficit):		33,572	(969,399)
Depreciation		492,186	773,263
Decrease in Stocks		8,269	3,734
Decrease/(Increase) in Debtors		22,019	(426,790)
(Decrease)/Increase in Creditors		<u>(272,849)</u>	<u>70,234</u>
Net cash inflow from operating activities		<u>283,197</u>	<u>(548,958)</u>

*The notes on pages 8 to 15 form part of these accounts*

# Notes to the Accounts 31 December 2003

## 1 Accounting Policies

### (i) *Preparation of Accounts*

These Accounts have been prepared under the Historical Cost Convention and in accordance with applicable Accounting Standards.

### (ii) *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 years
Motor Vehicles	4 years	Computers	4 years

### (iii) *Stock*

Stock is valued at the lower of cost and net realisable value.

### (iv) *Taxation*

Taxation is provided on non-member income only.

### (v) *Turnover*

Income is recognised at the point of sale or at the time the service is provided. All turnover excludes value added tax.

### (vi) *Pensions*

Statement of Standard Accounting Practice No 24 requires that the pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees of the scheme, in such a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular costs should be spread over the average remaining service lives of current employees in the scheme. The Directors are of the opinion that it is prudent to charge the actual costs for the year in the Income and Expenditure Account.

### (vii) *Operating Leases*

Costs in respect of operating leases are charged on a straight line basis over the term of the lease.

## 2 Turnover

Turnover includes membership fees which are recognised in the month they are due and no provision for the prepaid portion is carried forward in the Balance Sheet.

All income is generated in the UK, with the exception of occasional fees from overseas projects.



# Notes to the Accounts 31 December 2003

## 3 National Operating Expenses

The heading 'Administration expenses' which is specified in the Companies Act 1985 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 1985.

## 4 (i) Total Expenditure

The surplus for the year is derived after charging:

	2003	2002
	£	£
Audit fees	33,000	33,000
Depreciation	492,186	773,263
Profit on sale of assets	(20,921)	(128,971)
Operating lease payments:		
Land and buildings	28,950	28,950
Other operating leases	991,141	502,472

## (ii) Exceptional items

The exceptional item consists of £636,600 (2002: £1,620,000) paid into the pension scheme during the year. Costs of £171,862 were incurred in 2002 in closing the scheme to future accrual. Costs of £297,937 were incurred in staff reorganisation.

## 5 Employment Costs

	2003	2002
	£	£
Employee costs (including directors) during the year amounted to:		
Salaries	9,654,247	8,473,033
Social Security costs	919,161	704,282
Pensions costs	402,588	680,644
Additional Pension funding	636,600	1,620,000

Salary costs are inclusive of redundancy payments.

Directors' remuneration:

Salaries and benefits	28,973	60,963
	2003	2002

The average number of employees during the year was:

421	393
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## Notes to the Accounts 31 December 2003

### 6 Taxation

The Association is liable for taxation only on surpluses arising from non-members. The taxation charge for the year based on this income is as follows:

	2003	2002
	£	£
Corporation tax at 19 per cent (2002 – 20 per cent)	6,060	8,875
Overprovision for previous years	(58,358)	–
	<u>(52,298)</u>	<u>8,875</u>

### 7 Tangible Assets

	Freehold Property	Motor Vehicles	Furniture & Equipment	Computer Equipment	Total
	£	£	£	£	£
<b>Cost</b>					
Balance at 1 January 2003	2,724,768	183,025	569,923	1,713,442	5,191,158
Additions	3,739	8,356	69,394	273,873	355,362
Disposals	–	(138,908)	(144,431)	(434,592)	(717,931)
Balance at 31 December 2003	<u>2,728,507</u>	<u>52,473</u>	<u>494,886</u>	<u>1,552,723</u>	<u>4,828,589</u>
<b>Depreciation</b>					
Balance at 1 January 2003	826,374	160,062	354,789	1,021,327	2,362,552
Provision	53,139	11,857	100,422	326,768	492,186
Disposals	–	(138,908)	(135,896)	(434,145)	(708,949)
Balance at 31 December 2003	<u>879,513</u>	<u>33,011</u>	<u>319,315</u>	<u>913,950</u>	<u>2,145,789</u>
Net Book Value 31 December 2003	<u>1,848,994</u>	<u>19,462</u>	<u>175,571</u>	<u>638,773</u>	<u>2,682,800</u>
Net Book Value 31 December 2002	<u>1,898,394</u>	<u>22,963</u>	<u>215,134</u>	<u>692,115</u>	<u>2,828,606</u>

A charge was created over the Association's head office, Hermes House, St John's Road, Tunbridge Wells, on 30 June 2002 in favour of the Trustees of the FTA Occupational Pension Plan in the sum of £1.5 million.

Included in freehold property is freehold land at cost of £70,104 (2002: £70,104) which is not depreciated.

# Notes to the Accounts 31 December 2003

## 8 Debtors

	2003	2002
	£	£
Debtors for goods and services	3,160,738	3,327,611
Other debtors	173,672	130,869
Prepayments and accrued income	503,778	401,727
	<u>3,838,188</u>	<u>3,860,207</u>

## 9 Creditors

	2003	2002
	£	£
Trade creditors	860,499	727,245
Accruals and deferred income:		
Vehicle Inspection Service	582,331	763,623
Tachograph Service	688,491	715,054
Other member services	229,826	55,982
Payroll and other taxes	555,468	465,519
General accruals and other creditors	558,402	1,020,443
Corporation tax payable	6,060	66,815
	<u>3,481,077</u>	<u>3,814,681</u>

## 10 Reserves and Funds

### (i) General Reserve

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

### (ii) Reconciliation of movements in shareholders funds

Within the meaning of FRS 3 the total of the Association's Accumulated Reserve and Other Reserves constitute 'Shareholders funds'. The movements in the Accumulated Reserve are detailed below.

### (iii) General Reserve

	2003	2002
	£	£
Balance at 1 January 2003	4,078,848	4,547,534
Surplus/(Deficit) for the year	138,685	(804,280)
Transfers from Other Reserves:	<u>—</u>	<u>335,594</u>
Balance at 31 December 2003	<u>4,217,533</u>	<u>4,078,848</u>

# Notes to the Accounts 31 December 2003

## (iv) Campaign Fund

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

	2003	2002
	£	£
Income	436,069	433,560
Expenditure	69,127	165,503
	<u>366,942</u>	<u>268,057</u>
Balance brought forward	367,317	99,260
Balance carried forward	<u>734,259</u>	<u>367,317</u>

Assets representing this Fund are held in Current Assets.

Expenditure from this fund is specifically authorised by the National Executive Board.

## (v) Other Funds

FTA administered one (2002: three) fund as at 31 December 2003 with a value of £97,137 (2002: £181,643). As at 31 December 2003, FTA held £64,033 (2002: £49,533) of guarantee deposits for TIR carnets. These funds are not in the beneficial ownership of FTA and do not form part of FTA's net assets.

## 11 Analysis of Cash Flows for headings netted in the Cash Flow Statement

	2003	2002
	£	£
(i) Return on investments		
Interest received	31,895	45,023
	<u>31,895</u>	<u>45,023</u>
(ii) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(355,362)	(800,633)
Sale of tangible fixed assets	29,903	1,374,716
Net cash inflow/(outflow) for capital expenditure	<u>(325,459)</u>	<u>574,083</u>

12 Analysis of net funds	At 1 Jan 03	Cash flow	Other changes	At 31 Dec 03
	£	£	£	£
Net cash:				
Cash at bank and in hand	1,093,860	(18,825)	—	1,075,035
Net funds	<u>1,093,860</u>	<u>(18,825)</u>	<u>—</u>	<u>1,075,035</u>

# Notes to the Accounts 31 December 2003

## 13 Pensions

### 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 that 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 1 July 2002.

Contributions during the year ended 31 December 2003 amounted to £636,600 (2002: £1,620,000) plus expenses of the scheme which amounted to £148,486 (2002: £157,268).

Payments for future years, under the current schedule of contributions will be £1,273,200 in each year together with the expenses of the scheme which are an amount which will vary from year to year.

### Assumptions

The various actuarial assumptions, used during the financial year are as follows:

	2003	2002
Discount rate	5.60%	5.43%
Rate of increase in salaries	N/A	N/A
Rate of increase on fixed pensions in payment	5.00%	5.00%
Inflation	2.75%	2.40%
Rate of increase on LPI pensions in payment	2.50%	2.15%

### Fair value and expected return on assets

The fair value of the assets in the scheme at 31 December was:

		2003	2002
	Expected long term return	£	£
Equities	7.50%	11,441,000	9,516,000
Bonds/Gilts	5.00%	15,651,000	15,618,000
Other (cash)	4.00%	178,600	—
Total market value of assets		27,270,600	25,134,000
Present value of scheme's liabilities		39,814,000	38,445,000
Net deficit in the scheme		(12,543,400)	(13,311,000)

## Notes to the Accounts 31 December 2003

### Components of the defined benefit cost

The amounts included within the operating surplus for current service cost (2002: £483,862), past service cost and settlements and curtailments were nil. There was no previously unrecognised service cost deducted from the past service costs and there were no material gains or losses from settlements or curtailments.

Had full implementation of FRS 17 been adopted, the following disclosures would have been made on the Income and Expenditure Account and a Statement of Recognised Gains and Losses.

	2003
	£
Amounts charged to other finance income	
Expected return on assets	1,365,000
Interest on scheme liabilities	2,056,000
Net charge	<u>(691,000)</u>
Amounts recognised in Statement of Recognised Gains and Losses (STRGL)	
Actual less expected return on assets	1,305,000
Experience (loss) on liabilities	(215,000)
Effect of charge in assumptions on liabilities	(268,000)
Actuarial gain recognised in STRGL	<u>822,000</u>
Movement in surplus during the year	
(Deficit) in scheme at start of year	(13,311,000)
Current service cost	—
Cash contribution	636,600
Past service costs	—
Other finance (charge)	(691,000)
Actuarial gain	822,000
(Deficit) in scheme at year end	<u>(12,543,400)</u>

The following disclosures will be built up over time to form a five year history:

	2003	
	£	% of scheme assets/liabilities
Actual less expected return on assets	1,305,000	4.8%
Experience (loss) on liabilities	(215,000)	(0.6%)
Actuarial gain recognised in STRGL	822,000	2.1%

## Notes to the Accounts 31 December 2003

### Assets and liabilities of the scheme

If the assets and liabilities of the scheme had been included on the Balance Sheet at 31 December 2003 there would have been a deficit of net assets of £8,325,867 and the general reserve would have the same deficit.

The Directors are of the opinion that the value of the Association on a going concern basis is in excess of the deficit at 31 December 2003 and that the Association will generate sufficient surpluses over the average life of the scheme to repay the deficit in full.

### 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 £402,588 (2002: £197,320).

## 14 Commitments

### (a) Operating leases

At 31 December 2003 there were the following annual commitments under non-cancellable operating leases:

#### Operating leases that expire:

	2003	2002
	£	£
Within one year	246,724	107,058
In second to fifth years	508,159	644,082
Over five years	—	—
	<u>754,883</u>	<u>751,140</u>

Annual commitments for the lease of Land and Buildings were £28,950 (2002: £28,950) in the second to fifth years.

### (b) Capital commitments

At 31 December 2003 there were no capital expenditure commitments (2002: nil).

## 15 Contingent Liability

Contingent liabilities existed at 31 December 2003, arising in the ordinary course of business in connection with guarantees relating to TIR Carnets. These are issued throughout Europe by various members of the International Road Transport Union (IRU) of which FTA is one.

The Directors do not anticipate that this contingency in respect of TIR Carnets will result in a material liability for the Association.



**FREIGHT TRANSPORT ASSOCIATION**

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