

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**COMPANY NO. 01352502**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2013**

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# **THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**31<sup>ST</sup> MARCH 2013**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company 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 which are reasonable and prudent
- 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 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 have taken steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which the auditors are unaware of.

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# **THE PROBATION ASSOCIATION LIMITED**

## **(LIMITED BY GUARANTEE)**

### **DIRECTORS' REPORT 2012/2013**

Directors Paul Aviss, Sebert Cox, Malcolm Fearn, Michael Fisher, Susan Fox, Alan Harrison, Gillian Lewis, Mark Ormerod, Richard Rhodes and Robin Verso

Secretary Joanne Whyte

The directors shown above served throughout the year except Paul Aviss and Malcolm Fearn who joined during the year on 28/03/2013 and 03/10/2012 respectively and Michael Fisher and Richard Rhodes who resigned on 13/09/2012 and 30/11/2012 respectively

Joanne Whyte served throughout the year as Company Secretary

The directors present their report and financial statements for the year ended 31<sup>st</sup> March 2013

### **REVIEW OF ACTIVITIES AND FINANCIAL POSITION**

The members of the company are probation trusts in England and Wales and any other organisation or individual co-opted as a member. Currently, the Probation Board for Northern Ireland and the National Approved Premises Association are co-opted members. All members are represented on the Council of the Association. Members, other than co-opted members, are allocated to one of three membership tier groups: small, medium and large. The representatives of two probation trusts in each tier group are elected by the membership to act as directors of the company and are appointed by members at the annual general meeting following the election or at a meeting of the Council. Members also elect the chairman of the company. Sebert Cox has served as chairman throughout the year, presiding over Board meetings and Council meetings. His term of office ends at the Annual General Meeting in September 2013.

The company is the employer's organisation working with and on behalf of probation trusts. It is the collective national voice, shaping and influencing opinion, policy and practice and promoting the work of probation services in the delivery of justice and community safety. It provides support to trusts to achieve the best in local governance, employment practice, commissioning and service delivery. Key priorities for the year have been to deliver the employers' pay strategy, to achieve an operating environment for trusts which trusts consider meets their needs, to achieve demonstrable influence on public policy and to deliver services which members confirm meet their requirements. Further details of the year's activities can be found in the company's Annual Report, published separately.

The Board met on eight occasions during the year and directors' attendance is listed at Appendix A. Meetings of the Council were held in June, September, December and March. The Annual General Meeting was held on 13 September 2012.

#### **Income and Expenditure**

The company's subscription income for the year was £944,500. This level of subscription income, together with interest receipts of £21,497 from bank deposits and sundry income of £2,171 amounted to £968,168. This was more than gross expenditure of £862,173 resulting in a surplus on ordinary activities before tax and

# **THE PROBATION ASSOCIATION LIMITED**

## **(LIMITED BY GUARANTEE)**

### **DIRECTORS' REPORT 2012/2013 (continued)**

interest payable for the year of £105,996 The deficit after deducting tax and interest payable of £125,181 is thus £19,186 and this sum has been deducted from reserves

The company has adopted Financial Reporting Standard 17 'Retirement Benefits' in full The incorporation of this results in a decrease in the surplus for the financial year of £120,000 (2012 £128,000, surplus decrease) and an actuarial loss for the year of £385,000 (2012 £558,000 loss)

The Board receives an income and expenditure report at each meeting Under companies' legislation, the company must satisfy itself that it is in a position, at any given time, to meet financial commitments and administrative obligations and reserves are thus maintained for this purpose

#### Going Concern

These Financial Statements have been prepared on the going concern basis but it should be noted that, in the view of directors, there are significant doubts as to the organisation's ability to continue to operate in the long term (see note 15) The Transforming Rehabilitation programme announced by the Government in May 2013 will, if fully implemented, lead to the eventual dissolution of Probation Trusts which form almost the totality of the company's membership At that time directors would have no alternative but to wind up the company This is of particular concern in the context of the company's pension deficit which will crystallise upon closure Directors have for some time been actively considering how best to manage the pension deficit and are now seeking independent advice on the implications of the organisation's uncertain future in relation to its membership of the pension scheme

However, it is not yet certain when the abolition of Trusts will take place and it is significant that Trusts have not yet been given the required twelve months' notice of the termination of their contracts by the Secretary of State and have been instructed to sign off their own end of year accounts for 2012-13 on the going concern basis With this background, directors are content to present these financial statements on the going concern basis but will continue to pursue the most prudent course of action in relation to the pension deficit

#### Audit, Quality Assurance and Risk Committee

The Audit, Quality Assurance and Risk Committee advises the Board on financial management, business risks and quality issues The following directors served during the year Paul Aviss, Alan Harrison, Gillian Lewis, Richard Rhodes and Robin Verso, with Robin Verso serving as chairman throughout the year Richard Rhodes resigned in November 2012 and Paul Aviss joined the Committee on 28 March 2013

#### Auditors

RSM Tenon of Chapel House, Westmead Drive, Westlea, Swindon SN5 7UN, were appointed as auditors for the financial year 2011/12 at the Annual General Meeting in September 2011 They resigned at the Annual General Meeting in September 2012 and Knox Cropper of 8/9 Well Court, London EC4M 9DN were appointed for the financial year 2012/13 The accounts for 2012/2013 will be considered by the board of directors in July 2013 and presented to the AGM in September 2013

#### Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they 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 it has been communicated to the auditor

Small Company Provisions

This report has been prepared in accordance with the small companies' regime under the Companies Act 2006

By order of the board

Joanne Whyte  
Secretary



Date 18 July 2013

Registered Office

29 Great Peter Street  
London SW1P 3LW

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE  
PROBATION ASSOCIATION LIMITED (Registration number: 01352502)  
YEAR ENDED 31 MARCH 2013**

We have audited the financial statements of The Probation Association Limited for the year ended 31 March 2013 on pages seven to seventeen. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, 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 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 Report of the Directors 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 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Emphasis of matter- Going Concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 15 to the financial statements concerning the Association's ability to continue as a going concern. As explained in the note, the probation trusts, which the Probation Association represents and from whom it derives the majority of its income, are due to be abolished following the planned reorganisation of probation services. As a result, there is significant doubt about the Association's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Association was unable to continue as a going concern and, in particular, no provision has been made for the pension deficit which may crystallise in the event that the Association were to leave the pension scheme.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Report of the Directors

*Kevin Lally*

Kevin Lally, Senior Statutory Auditor  
for and on behalf of

Knox Cropper  
Chartered Accountants  
8/9 Well Court, London EC4M 9DN

Date 18<sup>th</sup> July 2013

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2013**

	Notes	2013 £	2012 £
SUBSCRIPTION INCOME		944,500	1,126,653
OTHER INCOME		<u>2,171</u>	<u>0</u>
TOTAL INCOME		946,671	1,126,653
Administrative Expenses		<u>(862,173)</u>	<u>(1,072,167)</u>
OPERATING SURPLUS (DEFICIT)	2	84,498	54,486
Interest Receivable	3	<u>21,497</u>	<u>20,565</u>
		105,995	75,051
Interest Payable	4	<u>(122,000)</u>	<u>(114,000)</u>
SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		(16,005)	(38,949)
TAXATION	6	<u>(3,181)</u>	<u>(4,113)</u>
SURPLUS (DEFICIT) FOR THE FINANCIAL PERIOD	10	<u><u>(19,186)</u></u>	<u><u>(43,062)</u></u>

The operating surplus for the year arises from the association's continuing activities

**The notes on pages 10 to 17 form part of these financial statements**

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST MARCH 2013**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
(Deficit) Surplus for the financial year	(19,186)	(43,062)
Actuarial loss	(385,000)	(558,000)
Total recognised gains and losses relating to the year	<u>(404,186)</u>	<u>(601,062)</u>

The company continues to adopt FRS 17 'Retirement Benefits' This has resulted in an decrease in the surplus for the financial year of £120,000 (2012 £128,000 decrease in surplus) and an increase in deficit for the year of £385,000 (2012 £558,000 increase in deficit)

**THE PROBATION ASSOCIATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
*Registered Number 01352502*

**BALANCE SHEET AT 31 MARCH 2013**

	Notes	2013 £	2012 £
FIXED ASSETS	7	<u>65,048</u>	<u>105,519</u>
CURRENT ASSETS			
Debtors	8	57,917	46,676
Cash at bank and in hand		<u>1,177,865</u>	<u>1,094,180</u>
		1,235,782	1,140,856
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(478,114)</u>	<u>(528,539)</u>
NET CURRENT ASSETS		<u>757,668</u>	<u>612,316</u>
NET ASSETS LESS CURRENT LIABILITIES		822,716	717,835
CREDITORS FALLING DUE AFTER ONE YEAR	9	(6,000)	(1,933)
PENSION LIABILITY	14	<u>(3,622,000)</u>	<u>(3,117,000)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(2,805,284)</u>	<u>(2,401,098)</u>
RESERVES		<u>                    </u>	<u>                    </u>
Income and expenditure account	10	<u>(2,805,284)</u>	<u>(2,401,098)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

On behalf of the board on

18 July 2013

Director



SEBERT L COX

Director



MARK E. ORMEROD

The notes on pages 10 to 17 form part of these financial statements

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**1 ACCOUNTING POLICIES**

**(i) Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

During the 2012/13 financial year, the company continued to adopt the accounting requirements of Financial Reporting Standard 17 'Retirement Benefits' in full. This results in a decrease in net assets at the balance sheet date of £3,622,000 (2012 £3,117,000), a decrease in profit, converting profit into loss, for the financial year of £120,000 (2012 £128,000 decrease in profit) and an increase in recognised deficit for the year of £385,000 (2012 £558,000, increase in recognised deficit)

**(ii) Depreciation**

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its useful economic life, as follows

Computer equipment - at 20 - 33% per annum, straight line basis

Office furniture and equipment - at 20% per annum, straight line basis

**(iii) Amortisation of leasehold property expenditure**

Amortisation of leasehold property expenditure is provided to spread expenditure evenly over the remaining life of the lease, to June 2015

**(iv) Pensions**

For the defined benefit pension scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within interest payable. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses

The assets of the defined benefit scheme are held separately from the company and are administered by the London Pension Fund Authority. A full actuarial valuation, by a professionally qualified actuary, is obtained at least every three years, and is updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

**(iv) Leases/Rentals**

Total rent payable on the premises at 29 Great Peter Street is recognised equally over the lease period

**(v) Income**

Income is represented by subscription and other income derived from the principal activities of the company

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

	2013 £	2012 £
<b>2 OPERATING DEFICIT</b>		
This is stated after charging		
Depreciation of owned assets	40,470	41,494
Operating lease rentals	56,022	70,142
Auditors' remuneration-audit of the company	3,876	5,574
Auditors' remuneration-other services	<u>1,200</u>	<u>1,800</u>
<b>3 INTEREST RECEIVABLE</b>		
Bank deposit interest receivable	<u>21,497</u>	<u>20,565</u>
<b>4 INTEREST PAYABLE</b>		
Other interest		
Expected return on pension scheme assets	(93,000)	109,000
Interest on pension scheme liabilities	<u>215,000</u>	<u>(223,000)</u>
	<u>122,000</u>	<u>(114,000)</u>

**5 EMPLOYEES AND STAFF COSTS**

The average number of employees excluding directors during the year was as follows

	2013	2012
Management	5	5
Administrative	<u>2</u>	<u>3</u>
	<u>7</u>	<u>8</u>

Staff costs during the year amounted to

	£	£
Salaries	399,439	445,561
Social Security costs	38,658	42,195
Pension costs	<u>59,858</u>	<u>85,344</u>
	<u>497,957</u>	<u>573,100</u>

**DIRECTORS' REMUNERATION**

Emoluments for qualifying services	<u>32,948</u>	<u>25,985</u>
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**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

<b>6 TAXATION</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Current tax		
UK Corporation Tax on surplus of the period	4,299	4,113
Adjustment in respect of prior years	(1,118)	
Tax on surplus on ordinary activities	<u>3,181</u>	<u>4,113</u>
Factor affecting tax charge for the period		
Surplus(Deficit) on ordinary activities before tax	<u>(16,005)</u>	<u>(38,948)</u>
Surplus/(Deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2012 21%)	(3,201)	(8,179)
Effects of (Surplus)/Deficit arising from non-taxable activities	6,382	12,292
Tax charge for period	<u>3,181</u>	<u>4,113</u>

The company is a mutual trading company and is accordingly only subject to taxation in respect of its interest income

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

**7 TANGIBLE FIXED ASSETS**

	<b>Leasehold Property £</b>	<b>Computer equipment £</b>	<b>Office furniture and equipment £</b>	<b>Total £</b>
<b>Cost:</b>				
At 1 <sup>st</sup> April 2012	76,646	128,678	23,076	228,400
Additions	0	0	0	0
Less Disposals	0	0	0	0
At 31 <sup>st</sup> March 2013	<u>76,646</u>	<u>128,678</u>	<u>23,076</u>	<u>228,400</u>
<b>Depreciation:</b>				
At 1st April 2012	30,822	77,873	14,186	122,881
Charges for the year	14,276	23,212	2,983	40,471
Less Disposals	0	0	0	0
At 31st March 2013	<u>45,098</u>	<u>101,085</u>	<u>17,169</u>	<u>163,352</u>
<b>Net Book Value</b>				
At 31st March 2013	<u>31,548</u>	<u>27,593</u>	<u>5,907</u>	<u>65,048</u>
At 31 <sup>st</sup> March 2012	<u>45,824</u>	<u>50,805</u>	<u>8,890</u>	<u>105,519</u>

**8 DEBTORS**

	<b>2013 £</b>	<b>2012 £</b>
Other debtors	36,353	22,424
Prepayments and accrued income	21,564	24,252
	<u>57,917</u>	<u>46,676</u>

£20,198 included within Other debtors is due after one year

**9 CREDITORS.  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2013 £</b>	<b>2012 £</b>
Payments received on account of subscriptions	346,615	210,924
Corporation Tax	4,299	3,334
Other creditors	73,087	223,332
Accruals and deferred income	54,113	90,948
	<u>478,114</u>	<u>528,538</u>

Included in other creditors is £73,084 (2012 - £223,332) representing funds received less expenditure to date in respect of projects being undertaken by the company for and funded by the Ministry of Justice, LCCS and other bodies. Funds equal to the above amount are held fiduciarily as part of the company's bank deposits

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

**9 AMOUNTS FALLING DUE AFTER ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Dilapidations Provision	6,000	0
Corporation Tax	0	1933
	<u>6,000</u>	<u>1,933</u>

**10 INCOME AND EXPENDITURE ACCOUNT**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
At beginning of the period	(2,401,098)	(1,800,036)
Surplus/(Deficit) for the year	(19,186)	(43,062)
Other recognised gains and losses	(385,000)	(558,000)
	<u>(2,805,284)</u>	<u>(2,401,098)</u>

**11 STATUS OF THE COMPANY**

The company is incorporated under the Companies Act and is limited by guarantee. The liability of each member is limited to £1. At 31<sup>st</sup> March 2013 the company had 35 members.

**12 RELATED PARTIES**

There were no transactions to related parties during the year.

**13 COMMITMENTS UNDER OPERATING LEASES**

At the year-end the company had annual commitments under non-cancellable operating leases as follows:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Land and buildings		
Expiring in the second to fifth year	41,256	82,512
	<u>41,256</u>	<u>82,512</u>

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

**14 DEFINED BENEFIT PENSION SCHEME**

The company operates a funded defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2004. This was then updated by an actuary to 31 March 2007 and then to 31 March 2010. The demographic assumptions used for 31 March 2013 are the same as in the formal funding evaluation as at 31 March 2010. The major assumptions used by the actuary were

	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
RPI increase	3.30%	3.30%
CPI increase	2.50%	2.50%
Rate of increase in salaries	4.20%	4.20%
Inflation/Pension Increase Rate	2.50%	2.50%
Expected return on assets	5.60%	5.90%
Discount Rate	4.00%	4.60%

**Mortality rate Assumptions**

Post retirement mortality is based on Club Vita mortality analysis which has been projected using the medium cohort projection and allowing for a minimum rate of improvement of 1%

	<b>Males</b>	<b>Females</b>
Retiring on 31.3.13	23.9 years	24.7 years
Retiring on 31.3.33	25.8 years	26.6 years

<b>Amounts for the current and previous accounting period</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Estimated value of scheme assets	1,740,000	1,612,000
Present value of scheme liabilities	(5,362,000)	(4,729,000)
Deficit in scheme	<u>(3,622,000)</u>	<u>(3,117,000)</u>

<b>Fair value of employer assets</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Equities	1,270,000	1,177,000
Bonds	174,000	193,000
Property	261,000	226,000
Cash	35,000	16,000
Total	<u>1,740,000</u>	<u>1,612,000</u>

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

**14 DEFINED BENEFIT PENSION SCHEME (continued)**

<b>Amounts charged to operating profit</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Current service cost	51,000	62,000
Past service cost	-	-
Losses on curtailment	0	52,000
<b>Total operating charge</b>	<b>51,000</b>	<b>114,000</b>

<b>Analysis of amount debited to other finance costs</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Expected returns on pension scheme assets	(93,000)	(109,000)
Interest on pension scheme liabilities	215,000	223,000
<b>Net return</b>	<b>122,000</b>	<b>114,000</b>

<b>Movement in deficit in year</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Deficit brought forward	(3,117,000)	(2,431,000)
Current service costs	(51,000)	(62,000)
Contributions	53,000	100,000
Past service cost	-	0
Other finance costs	(122,000)	(114,000)
Settlements and Curtailments	-	(52,000)
Actuarial gain (loss)	(385,000)	(558,000)
<b>Deficit in scheme at end of year</b>	<b>(3,622,000)</b>	<b>(3,117,000)</b>

**THE PROBATION ASSOCIATION LIMITED**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS 31st MARCH 2013**

**(continued)**

**14 DEFINED BENEFIT PENSION SCHEME (continued)**

<b>Reconciliation of defined benefit obligation</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Opening Defined Benefit Obligation	4,729,000	4,068,000
Current Service Cost	51,000	62,000
Interest Cost	215,000	223,000
Contributions by Members	14,000	25,000
Actuarial Losses/Gains	516,000	465,000
Past Service Costs/(Gains)	-	-
Losses/(Gains) on Curtailments	0	52,000
Estimated Benefits Paid	(163,000)	(166,000)
Closing Defined Benefit Obligation	<u>5,362,000</u>	<u>4,729,000</u>
<b>Reconciliation of fair value of employer assets</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Opening Fair Value of Employer Assets	1,612,000	1,637,000
Expected Return on Assets	93,000	109,000
Contributions by Members	14,000	25,000
Contributions by the Employer	53,000	100,000
Actuarial Gains/(Losses)	131,000	(93,000)
Benefits Paid	(163,000)	(166,000)
Closing Fair Value of Employer Assets	<u>1,740,000</u>	<u>1,612,000</u>
<b>Amounts for the current and previous accounting period</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Fair Value of Employer Assets	1,740,000	1,612,000
Present Value of Defined Benefit Obligation	(5,362,000)	(4,729,000)
Surplus/(Deficit)	<u>(3,622,000)</u>	<u>(3,117,000)</u>
Experience Gains/(Losses) on Assets	131,000	(93,000)
Experience Gains/(Losses) on Liabilities	-	-

**15 Going Concern**

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. However, it is the view of the company's directors that the foreseeable future is currently limited to 1 April 2014 and that there must be significant doubts about the organisation's ability to continue as a going concern in the long term.

On 9 May 2013 the Government announced its proposals for Transforming Rehabilitation which, if fully implemented, would result in the establishment of a national probation service and twenty-one contract areas and the consequent abolition of Probation Trusts. As the main purpose of the Probation Association is to represent and support Probation Trusts and the majority of its members are Probation Trusts it is likely that once Trusts cease to exist, which on the current timetable would be between April and October 2014, the directors would have no alternative but to liquidate the company.

However, the proposed reforms and the timetable for their implementation are extremely challenging and it is not yet certain when after April 2014 the abolition of Trusts will take place. Of significance is that under the terms of the contract between the Secretary of State and Trusts for the provision of probation services, a year's notice is required for termination of the contract. At the time of writing this report, notice has not yet been served. The long-term future of the company is therefore uncertain but there is no current intention to cease trading.