

Annex D

The Advertising Standards Authority Limited

Report and Financial Statements

31 December 2009

Annex D
The Advertising Standards Authority Limited

Registered No. 733214

Council members and directors

Lord Smith of Finsbury (Chairman)
Mr J L S Best
Ms L A Bolch
Ms S A Cartwright
Ms E Fagan
Professor S G J Jones
Mr J Mayhead
Sir Andrew Motlon
Mr C Philpott
Ms R C Sawtell
Mr N R Watts
Ms D S Whitworth
Mr A E Wilkes

Secretary

Mr P D Griffiths

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Lloyds TSB Bank PLC
32 Oxford Street
London W1A 2LD

Solicitors

Bates Wells & Braithwaite London LLP
2-6 Cannon Street
London EC4M 6YH

Registered Office

Mid City Place
71 High Holborn
London WC1V 6QT

Report of the Council

The Council has pleasure in presenting its report and financial statements for the year ended 31 December 2009.

With effect from 1 November 2004 the Authority assumed responsibility for standards in broadcast advertising media under the Deregulation and Contracting Out Act 1994. This necessitated the creation of a separate company - the Advertising Standards Authority (Broadcast) Limited - to conduct the work and a separate company, mirroring the Advertising Standards Board of Finance Limited, to provide the finance. The financial statements presented here reflect the cost of non-broadcast activity only. Separate financial statements have been provided for the broadcast activity. Activity-specific costs have been allocated to the appropriate function; other non-specific function costs have been shared between the two companies on a pro-rata basis agreed between the two financing bodies.

Council members and directors

The Council members who served during the year were as follows:

Lord Smith of Finsbury
Mr J L S Best*
Ms L A Bolch
Ms S A Cartwright*
Baroness Coussins (retired 3 April 2009)
Ms E Fagan*
Mr S Gadhia (retired 3 April 2009)
Professor S G J Jones
Mr J W Mayhead* (appointed 1 August 2009)
Sir Andrew Motion
Ms S E Murray* (retired 30 July 2009)
Mr C Philpott
Ms R C Sawtell (elected 3 April 2009)
Mr N R Watts
Ms D S Whitworth
Mr A E Wilkes (elected 3 April 2009)

*Advertising members are denoted by an asterisk.

In accordance with the Articles of Association, Baroness Coussins, Mr S Gadhia and Ms S Murray retired by rotation.

Principal activity

The principal activity of the Authority is to promote and enforce the highest standards of advertising in all non-broadcast media throughout the United Kingdom.

Financial statements

The results for the year and the state of the Authority's affairs are set out in the attached financial statements.

The Authority is a company limited by guarantee and has no share capital. The Authority is precluded by its memorandum from making any distribution to its members.

Review of activities

The costs of the Authority continue to be closely monitored by its management.

Report of the Council

Key risks and performance indicators

As part of its annual planning process management produces a Plan and Budget for the following year. This Annual Plan also identifies the Key Risks to the company and the Key Performance Indicators that will be used to assess the company's performance.

A systematic risk analysis is undertaken which identifies risk against political, economic, societal, technological, legal and environmental factors (PESTLE). From this analysis Key Risks are identified and rated by importance and likelihood, and action is agreed to mitigate such eventuality.

The most significant risks were that the ASA could not 'welcome' future-proofing proposals; that a severe economic downturn would hit levy income; and that politicians would turn against self-regulation over alcohol, gambling and/or food. Other significant risks included the loss of key senior staff; a tight pay round would cause friction and staff turnover would rise; Copy Advice would be unable to keep up with the demand from new customers; the Codes Review milestones were missed; increasingly IT-dependent operation were hit by poor systems performance; disruptions were caused by terrorist incident; on-line advertisers would decline to contribute to the asbof levy; an overspend against budget; being too slow to act on high profile food, alcohol or gambling ads, the EU would impose further regulation in the name of public health; OFT priorities meant it would not support ASA referrals; a breach of data protection rules; and losing at Judicial review;

As it turned out, work on future-proofing the system by extending its on-line remit progressed satisfactorily, if slowly; the severe economic downturn had a major impact on levy income with significant cuts in spending being made to accommodate it; and the reputation of self-regulation of advertising remained generally high, notwithstanding criticism from specific lobbies. The departure of one or two of the four senior members of staff was unexpected but its impact was mitigated by budget cuts and projects being frozen; the tight pay round, whilst unwelcome, did not cause an increase in staff turnover; Copy Advice was able to keep up with demand; the Code Review milestones were met; IT systems performed well; there was no disruption from terrorist incident, and only minor disruption from a fire at Mid City Place; on-line advertisers agreed to help fund an extended digital remit through a levy on paid search ads served through agencies; spending was contained well within budget; we met our KPIs; further regulation from the EU did not materialise; the OFT has been broadly supportive on referrals; there was no breach of data protection regulations; and we have not been found against at Judicial Review.

Similarly, key performance indicators are set for the resolution of complaints against non broadcast advertising; these are target working days for the completion of different categories of investigation. They are monitored during the year and the outcomes published quarterly on the website and annually in the company's Annual Report.

Charitable contributions

During the year the Authority made a charitable contribution of £3,000 to the National Advertising Benevolent Society.

Report of the Council

Audit Committee

The Audit Committee comprises a chairman, at least three other directors and the company secretary. The Committee meets not less than twice a year with the ASA Chairman and Director General in attendance and, once per year, the auditors also attend. The Committee reviews the draft financial statements and post-audit findings before their presentation to the Board. The Committee examines the company's revenues and costs and advises on areas such as business performance and risk management. It also monitors the company's internal controls and financial reporting. Any significant findings or identified weaknesses are closely examined so that appropriate action can be taken, monitored and reported to the Board. The Audit Committee advises the Board on the appointment of external auditors.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

Council members' and directors' statement as to disclosure of information to auditors

The council members and directors who were members of the Council at the time of approving the Report of the Council are listed on page 1. Having made enquiries of fellow council members and directors and of the company's auditors, each of these council members and directors confirms that:

- To the best of each council member's and director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each council member and director has taken all the steps a council member and a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Council

Philip Griffiths
Secretary

Statement of council members' and directors' responsibilities

The council members and directors are responsible for preparing the Report of the Council 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 council members and 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 or loss of the company for that period. In preparing those financial statements, the council members and 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; and
- 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 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 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.



Independent auditor's report

to the members of The Advertising Standards Authority Limited

We have audited the company's financial statements for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 16. 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 Sections 495 and 496 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 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 explained more fully in the Statement of Council members' and Directors' Responsibilities Statement set out on page 5, the council members and 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These 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.

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 2009 and of its loss 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 Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Independent auditors' report

to the members of The Advertising Standards Authority Limited

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 council members' and directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gordon Cullen (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

Date

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Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Income	2	4,610,000	4,910,000
Costs			
Staff costs	5	(3,082,758)	(2,948,211)
Depreciation	8	(123,615)	(170,103)
Other operating charges		(1,487,472)	(1,688,768)
		<u>(4,693,845)</u>	<u>(4,807,082)</u>
Operating (loss)/profit	3	(83,845)	102,918
(Loss)/profit on disposal of tangible fixed assets	4	(665)	7,500
Other income		28,754	0
		<u>(55,756)</u>	<u>110,418</u>
Net finance (expense)/income	6	(2,228)	63,060
		<u>(57,984)</u>	<u>173,478</u>
(Loss)/profit on ordinary activities before taxation		(57,984)	173,478
Tax on (loss)/profit on ordinary activities	7	10,257	(38,575)
		<u>(47,727)</u>	<u>134,903</u>
(Loss)/profit on ordinary activities after taxation	15	<u>(47,727)</u>	<u>134,903</u>

Statement of total recognised gains and losses

for the year ended 31 December 2009

	Note	2009 £	2008 £
(Loss)/profit for the financial year	15	(47,727)	134,903
Loss arising on pension scheme assets and liabilities	15	(22,000)	(113,000)
Movement on deferred tax relating to pension asset	15	4,620	23,448
Total recognised (loss)/profit relating to the year		<u>(65,107)</u>	<u>45,351</u>

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The Advertising Standards Authority Limited

Balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	8	391,397	479,983
Current assets			
Debtors	9	764,417	882,499
Cash at bank and in hand		-	-
		764,417	882,499
Creditors: amounts falling due within one year	10	(1,010,381)	(1,132,942)
Net current liabilities		(245,964)	(250,443)
Total assets less current liabilities		145,433	229,540
Provisions for liabilities			
Onerous lease	11	(124,700)	(192,700)
Net assets before retirement benefit scheme asset		20,733	36,840
Retirement benefit scheme asset	13	80,000	129,000
Net assets after retirement benefit scheme asset		100,733	165,840
Capital and reserves			
Profit and loss account	15	100,733	165,840

Lord Smith of Finsbury
Chairman of the Board

Member of the Council

P Griffiths
Secretary

Statement of cash flows

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Net cash outflow from operating activities	12(a)	(83,982)	(19,296)
Returns on investments and servicing of finance	12(b)	9,772	50,060
Taxation	12(b)	(11,500)	(9,878)
Capital expenditure and financial investment	12(b)	(53,233)	(107,050)
Financing	12(b)	-	(184,526)
Decrease in cash		<u>(138,943)</u>	<u>(270,690)</u>

Reconciliation of net cash flow to movement in net debt

		2009 £	2008 £
Decrease in cash		(138,943)	(270,690)
Cash used to repay capital element of finance lease		-	184,526
Change in net debt resulting from cash flows	12(c)	<u>(138,943)</u>	<u>(86,164)</u>
Movement in net debt		(138,943)	(86,164)
Net debt at 31 December 2008	12(c)	<u>(575,137)</u>	<u>(488,973)</u>
Net debt at 31 December 2009	12(c)	<u>(714,080)</u>	<u>(575,137)</u>

Notes to the financial statements

at 31 December 2009

1. Accounting policies**Accounting convention and basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company is financed by The Advertising Standards Board of Finance Limited and therefore the directors consider it appropriate to prepare the financial statements on the going concern basis. Cash received from The Advertising Standards Board of Finance Limited is credited to the profit and loss account during the accounting period in which it is received.

All expenditure is dealt with on an accruals basis.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Leasehold improvements	- over the remaining term of the lease (which expires in 2014)
Computer equipment	- 4 years
Motor vehicles	- 4 years
Office furniture and equipment	- 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being recognised only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)**Leasing commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income over the lease term.

Pensions

The company utilises two schemes, a defined contribution pension scheme and a defined benefit scheme. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable.

The costs of providing benefits under the defined benefit plan is determined using the projected unit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss accounts. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

2. Income

Income represents cash received from The Advertising Standards Board of Finance Limited.

Notes to the financial statements

at 31 December 2009

3. Operating profit

This is stated after charging/(crediting):

	2009	2008
	£	£
Emoluments of Council members:		
Emoluments, attendance allowances and travelling expenses	121,387	120,903
Auditors' remuneration – audit	17,300	17,300
– non-audit	4,850	3,000
Depreciation of owned fixed assets	72,940	103,930
Depreciation of assets held under finance leases	50,675	66,173
Operating lease rentals – plant and machinery	31,406	31,406
– land and buildings	409,679	409,679
Exceptional items (note 4)	665	(7,500)
	<u> </u>	<u> </u>

4. Disposal of Fixed Assets

There is also a net loss on the sale of tangible fixed assets of £665 (2008 – profit £7,500).

5. Staff costs

	2009	2008
	£	£
Wages and salaries	2,609,381	2,500,645
Social security costs	286,465	279,200
Other direct staff costs	186,912	168,366
	<u>3,082,758</u>	<u>2,948,211</u>

The monthly average number of employees during the year was 102 (2008 – 103).

The total emoluments and fees paid to the Council members, including the Chairman, were £183,505 (2008 – £173,400). The emoluments (including benefits) in respect of the Chairman, being the highest paid director, were £62,118 (2008 – £61,490) and £649 (2008 – £590) to pension schemes. Council members were remunerated at £15,000 per annum, as in 2005, 2006, 2007 and 2008.

The emoluments of the Chairman and Council members represent an equal share between the Advertising Standards Authority Limited and the Advertising Standards Authority (Broadcast) Limited.

Notes to the financial statements

at 31 December 2009

6. Finance costs

	2009	2008
	£	£
Interest receivable	9,772	55,039
Finance charges payable under finance leases	-	(4,979)
Net finance (expense)/income on pension scheme assets & liabilities	(12,000)	13,000
	<u>(2,228)</u>	<u>63,060</u>

7. Tax

(a) Tax on loss/profit on ordinary activities

	2009	2008
	£	£
Current tax:		
UK Corporation tax	(9,782)	11,421
Adjustments in respect of the previous year	-	(124)
	<u>(9,782)</u>	<u>11,297</u>
Deferred tax:		
Decelerated capital allowances	(475)	27,077
Effect of changes in tax rate on opening liability	-	202
Adjustment to prior year periods	-	-
	<u>(475)</u>	<u>27,279</u>
Total tax (credit)/charge for the year	<u>(10,257)</u>	<u>38,575</u>

Notes to the financial statements

at 31 December 2009

7. Tax (continued)**(b) Factors affecting the current tax (credit)/charge for the year**

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 21% (2008 – 20.75%). The differences are reconciled below:

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	(57,984)	173,478
(Loss)/profit on ordinary activities multiplied by UK standard rate of corporation tax of 21.00% (2008 – 20.75%)	(12,177)	35,997
Effect of:		
Expenses not deductible for tax purposes	2,627	2,695
Depreciation in arrears of capital allowances	(6,020)	(985)
Adjustments in respect of previous years	-	(124)
Difference in tax rates on losses carried back	118	-
Tax losses utilised	-	(19,647)
Pension provision	5,670	(6,639)
Current tax (credit)/charge for the year	(9,782)	11,297

(c) Deferred tax

The deferred tax included in debtors (note 9) in the balance sheet is as follows:

	2009 £	2008 £
Decelerated capital allowances	(10,919)	(13,434)
Other timing differences	(24,856)	(26,736)
Pension	17,600	27,090
At 31 December 2009	(18,175)	(13,080)

	£
At 1 January 2009	(13,080)
Deferred tax credit in profit and loss account	(475)
Amount credited to statement of total recognised gains and losses	(4,620)
At 31 December 2009	(18,175)

Notes to the financial statements

at 31 December 2009

8. Tangible fixed assets

	Leasehold Improvements	Computer Equipment	Motor Vehicles	Office Furniture and Equipment	Total
	£	£	£	£	£
Cost:					
At 1 January 2009	843,835	1,031,399	57,775	417,840	2,350,849
Additions	-	42,542	10,026	-	52,568
Disposals	-	-	(57,775)	-	(57,775)
At 31 December 2009	843,835	1,073,941	10,026	417,840	2,345,642
Depreciation:					
At 1 January 2009	513,985	916,720	35,134	405,027	1,870,866
Provided during the year	66,173	43,288	7,609	6,545	123,615
Disposals	-	-	(40,236)	-	(40,236)
At 31 December 2009	580,158	960,008	2,507	411,572	1,954,245
Net book amounts:					
At 1 January 2009	329,850	114,680	22,641	12,812	479,983
At 31 December 2009	263,677	113,933	7,519	6,268	391,397

The net book value of leasehold improvements above includes an amount of £182,362 (2008 – £233,037) in respect of assets held under finance leases.

9. Debtors

	2009	2008
	£	£
Receivable from Advertising Standards Authority (Broadcast) Limited	385,837	526,484
Prepayments and sundry debtors	360,405	342,935
Deferred tax asset	18,175	13,080
	764,417	882,499

Notes to the financial statements

at 31 December 2009

10. Creditors: amounts falling due within one year

	2009	2008
	£	£
Bank overdraft	714,080	575,137
Trade creditors	1,717	100,673
Current corporation tax	(9,861)	11,421
Other taxes and social security costs	135,171	154,577
Sundry creditors and accruals	169,274	184,236
Deferred lease	-	106,898
	<u>1,010,381</u>	<u>1,132,942</u>

11. Provisions for liabilities

	2009	2008
	£	£
Onerous lease	124,700	192,700
	<u>124,700</u>	<u>192,700</u>

The movement in the onerous lease is as follows:

As at 1 January 2009	192,700
Utilised in the year	(68,000)
As at 31 December 2009	<u>124,700</u>

12. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash Inflow/(outflow) from operating activities

	2009	2008
	£	£
Operating (loss)/profit	(83,845)	102,918
Depreciation charge	123,615	170,103
Exceptional items	(68,000)	(68,000)
Other income	28,754	-
Decrease/(increase) in debtors and prepayments	123,177	(102,224)
Decrease in creditors and accruals	(222,683)	(103,093)
Difference between pension charge and cash contributions	15,000	(19,000)
Net cash outflow from operating activities	<u>(83,982)</u>	<u>(19,296)</u>

Notes to the financial statements

at 31 December 2009

12. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2009 £	2008 £
Returns on Investments and servicing of finance		
Interest received	9,772	55,039
Interest element of finance lease rentals payments	-	(4,979)
	<u>9,772</u>	<u>50,060</u>
Taxation		
Corporation tax paid	11,500	9,878
	<u>11,500</u>	<u>9,878</u>
Capital expenditure and financial investment		
Payment to acquire tangible fixed assets	(52,568)	(114,550)
Net payments)/receipts from sales of tangible fixed assets	(665)	7,500
	<u>(53,233)</u>	<u>(107,050)</u>
Financing		
Repayments of capital element of finance leases	-	(184,526)
	<u>-</u>	<u>(184,526)</u>

(c) Analysis of changes in net debt

	At 1 January 2009 £	Cash flow £	At 31 December 2009 £
Bank overdraft	(575,137)	(138,943)	(714,080)
Finance leases	-	-	-
	<u>(575,137)</u>	<u>(138,943)</u>	<u>(714,080)</u>

Notes to the financial statements

at 31 December 2009

13. Pension scheme**FRS 17 disclosures**

The pension costs for the company during the year were £168,054 (2008 – £187,366). The company utilises two schemes, a defined contribution scheme and a defined benefit scheme. The contributions were the totals of both schemes.

The defined contribution scheme was the IPA Portable Pension Plan until 5 April 2008 and a Self Invested Personal Pension (SIPP) with Legal & General from 6 April 2008. The company's contributions to this scheme are fixed at a maximum of 5% of pensionable salary for staff (15% for senior management). Members' contributions are variable.

The defined benefit scheme is the Advertising Bodies Pension Fund. The scheme was purchased from Clerical and Medical. A defined benefit pension scheme provides benefits based on final pensionable salary. The assets of the scheme are held in trust in independently managed funds and are therefore completely separate from the assets of the company. The pension scheme is independently advised and its financial statements are independently audited. Amounts are charged in the profit and loss account so as to spread the cost of pensions over employees' expected working lives. These amounts are determined by a qualified actuary, on the basis of triennial valuations, using the projected unit method. The results of the most recent valuation, which was conducted at 1 January 2008, were as follows:

Market value of scheme's assets	£1,846,600
Main assumptions:	
Investment rate of return	6% per annum
Salary increase	1.8% per annum
Pension increase	3.7% per annum

The level of funding, being the actuarial value of the assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases, is 111%.

The next actuarial valuation for accounting purposes will be at 1 January 2011.

The defined benefit scheme was closed to new members from 16 July 1991. The pension benefits of existing pensioners were secured with Norwich Union Life Assurance Society.

In accordance with the requirements of FRS 17, The Advertising Standards Authority Limited has adopted the reporting arrangements set out therein. On adoption of FRS 17 the operating pension asset, was introduced by means of a prior year adjustment which eliminated the previously recorded pension prepayment.

Contributions made in the period 1 January 2009 to 31 December 2009 were at the rate of 22.5% of pensionable salary in January 2009 and £Nil thereafter and 5% of pensionable salaries for the member.

Being fully funded, the agreed employer contributions in future are 0%.

It was assumed that:

	2009	2008
	%	%
Inflation	3.8	2.8
Salary escalation	N/a	2.0
Pension increases: subject to LPI	3.6	2.8
Pension increases: subject to LPI, minimum 3%	3.9	3.4
Statutory revaluation in deferment	3.0	3.0
Discount rate	5.7	8.0

Notes to the financial statements

at 31 December 2009

13. Pension scheme (continued)**FRS 17 disclosures**

The scheme has a number of purchased annuities in respect of past retirements. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities at each accounting date.

The assets and liabilities of the scheme and the expected rates of return for each assets category are:

Asset class	Value of investments		Expected return	
	£ 2009	£ 2008	% 2009	% 2008
Cash and Other Net Assets	1,000	1,000	4.5	3.8
Group Pension Contract	1,113,000	1,829,000	4.7	4.7
Total Fair value of Scheme Assets	1,114,000	1,830,000		
Present Value of Scheme Liabilities	(1,034,000)	(1,701,000)		
Surplus	80,000	129,000		

Analysis of amounts charged to operating profit:

	2009 £	2008 £
Current service costs (excluding issued death-in-service benefits)	18,000	22,000
Operating charge	18,000	22,000
Expected return on the pension scheme assets	66,000	117,000
Interest cost on pension scheme liabilities	(78,000)	(104,000)
Other finance income	(12,000)	13,000

Notes to the financial statements

at 31 December 2009

13. Pension scheme (continued)**FRS 17 disclosures**

History of experience gains and losses:

	2009 £	2008 £
Actual return less expected return on pension scheme assets	74,000	(361,000)
Percentage of scheme assets – (6.6)% (2008 – (19.7)%)		
Experience gains and losses arising on the scheme liabilities	(25,000)	22,000
Percentage of scheme liabilities – (2.4)% (2008 – 1.3%)		
Changes in assumptions underlying present value of the scheme liabilities	(71,000)	226,000
Percentage of scheme liabilities – (6.9)% (2008 – 13.3%)		
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(22,000)	(113,000)
Percentage of scheme liabilities – (2.1)% (2008 – 6.6%)		

An analysis of the movement in the surplus during the year is as set out below:

	2009 £	2008 £
Surplus in the scheme at beginning of the year	129,000	210,000
Movement in the year:		
Current service costs	(18,000)	(22,000)
Contributions	3,000	41,000
Other finance income	12,000	13,000
Actuarial loss	(22,000)	(113,000)
Surplus in scheme at end of the year	80,000	129,000

14. Other financial commitments

The company has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2009 £	Land and buildings 2008 £
Operating leases which expire: In over five years	409,679	409,679

Notes to the financial statements

at 31 December 2009

15. Movements in reserves

An analysis of the movement in the reserves during the year is as set out below:

	£
Retained profit per last audited report	165,840
Loss in year	(47,727)
Movement in Statement of total recognised gains and losses	(17,380)
	<hr/>
Profit carried forward	100,733
	<hr/> <hr/>

16. Related parties

During the year, the company charged the Advertising Standards Authority Broadcast Limited ASA(B) £937,055 (2008 – £1,081,206) for shared costs which were apportioned on staff headcount and workload. At the balance sheet date ASA(B) was in credit by £385,837 (2008 – owed ASA £526,960).

Annex D
The Advertising Standards Authority Limited

Detailed profit and loss account (Unaudited and not for publication)
for the year ended 31 December 2009

	2009	2008
	£	£
Income		
Cash received from The Advertising Standards Board of Finance Limited	4,610,000	4,910,000
	<u>4,610,000</u>	<u>4,910,000</u>
Expenses		
Salaries and direct staff costs	(3,082,758)	(2,948,211)
Other staff costs	(209,567)	(305,450)
Rent and accommodation costs	(549,572)	(448,168)
Travel, subsistence and entertaining	(36,904)	(38,674)
Consultancy and professional fees	(238,252)	(333,237)
CRM Costs	(58,821)	(82,070)
Depreciation	(123,614)	(170,103)
Telephone, postage, stationery and other general expenses	(263,292)	(297,383)
Advertising and promotion	(131,065)	(183,786)
	<u>(4,693,845)</u>	<u>(4,807,082)</u>
Operating (loss)/profit	(83,845)	102,918
(Loss)/profit on sale of tangible fixed assets	(665)	7,500
Interest receivable	9,772	55,039
Finance charges payable under finance leases	-	(4,979)
Other income (seminars)	28,754	-
Net finance (expense)/income on pension scheme assets & liabilities	(12,000)	13,000
	<u>(57,984)</u>	<u>173,478</u>
(Loss)/profit on ordinary activities before taxation	(57,984)	173,478
Tax on loss/profit on ordinary activities	10,257	(38,575)
	<u>(47,727)</u>	<u>134,903</u>
(Loss)/profit on ordinary activities after taxation	(47,727)	134,903