

# TRANSPORT FRIENDLY SOCIETY LIMITED

## ANNUAL REPORT 2010

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# TRANSPORT FRIENDLY SOCIETY LIMITED

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### Society Information

**President:** Mr D A Brown

**Vice President:** Mr M Yexley (until 22 June 2010)  
Mr B Scowen (from 22 June 2010)

**Chief Executive:** Mr Richard Freeman

**Secretary:** Mr Peter Rudyk

**Board of Management:**

Mr C W Welch	<i>(Chairman)</i>
Mr S R Barker	<i>(Vice Chairman)</i>
Mr B Arnold	<i>(Co-opted 27 July 2010)</i>
Mr C Angell	
Mr P S Brown	
Mr N V Cohen	<i>(Retired 22 June 2010)</i>
Mr P J Doyle	
Mr R Freeman	<i>(Chief Executive)</i>
Mr C W Jeffrey	
Mr T R Parry	
Mr A Powell	
Mr M Storer	

<b>Registered Office:</b>	9 Betterton Street, London WC2H 9BH
<b>With-Profits Actuary &amp; Actuarial Function Holder:</b>	Mr S Dixon (Steve Dixon Associates)
<b>Auditors (External):</b>	F W Berringer & Co
<b>Auditor (Internal):</b>	OAC Actuaries and Consultants
<b>Consultants:</b>	E D (Financial) Limited
<b>Investment Managers:</b>	Rensburg Sheppard & Legal and General
<b>Solicitors:</b>	Gregory, Rowcliffe & Milners

# TRANSPORT FRIENDLY SOCIETY LIMITED

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### Statement of Aims

The long term objectives of the Transport Friendly Society Limited (TFS) are continually reviewed by the Board of Management and are set out below:

- ◆ To maintain the long-term stability and security of the Society
- ◆ To embed Treating Customers Fairly into all aspects of the Society's Business
- ◆ To provide appropriate and value for money benefits for the Society's members
- ◆ To provide a timely, efficient and sympathetic administration service for the Society's members
- ◆ To promote the steady growth of the Society by:
  - increasing total premium income on a year by year basis,
  - increasing the average contribution per member,
  - reducing expenses as a percentage of income and
  - increasing the overall membership of the Society by
    - recruiting more London Bus operating staff particularly at garages with a low percentage of existing members
    - recruiting more engineers and other support and managerial staff in the Transport Industry and
    - expanding geographically.

## TRANSPORT FRIENDLY SOCIETY LIMITED

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#### **Board of Management**

During 2010 the make up of the Board was as follows:

##### **Mr Colin Welch – Chairman**

Mr Welch has served on the Board since 1997, was elected Chairman of the Society in July 2005 and has been a Registered Introducer for TFS since 1990. He was a driver for London Central but is now a Supervisor and a member nominated trustee of the London Central Bus Company staff pension scheme. Mr Welch is a representative for the Transport Benevolent Fund and Simply Health. He was also a representative for Unite. Mr Welch is also a member of the Nomination Committee.

##### **Mr Stephen Barker – Vice Chairman and Member Relations Director**

Mr Barker has been a member of the TFS Board since 2002 and was elected Vice Chairman in July 2005. He is Chairman of the Development and Remuneration Committees and is a member of the Audit Committee. Mr Barker has been a Registered Introducer for the Society since 2000 and is a branch secretary for Unite.

##### **Mr Barry Arnold OBE**

Mr Arnold retired in 2006 after over 40 years in the bus industry. During that time he held a number of senior positions with London Transport and also worked for a period in the Far East. His final post was Managing Director of Stagecoach's London subsidiary retiring on the sale of the business to Macquarie Group in 2006. He has always had a keen interest in staff welfare and was very supportive of organisations like the Transport Friendly Society and the LT Benevolent Fund.

##### **Mr Chris Angell BSc FCCA**

Mr Angell worked for London Transport and its successors from 1970 until 2004 holding a number of senior finance positions including Financial Controller for London Underground Ltd., and was latterly Fund Secretary of the company's pension fund. From 2004 until his retirement in 2009 he worked as a Principal at Mercer Investment Consulting advising corporate clients on investment operations.

##### **Mr Peter Brown**

Mr Brown has held various supervisory and middle management positions and is currently a Controller with Selkent. Previously a member of the Board of the Bus Employees Friendly Society he was elected to the Board of TFS in 2004. He is also a member of the Compliance Committee and a union representative for ACTS.

##### **Mr Norman Cohen MSc**

Mr Cohen is a former President of the Society. He worked for London Transport between 1971 and 1997 holding a number of senior positions including Operations Manager (buses) and Operational Director (buses) and latterly Operations and Marketing Director. He has served on

## **TRANSPORT FRIENDLY SOCIETY LIMITED**

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The Board of TFS since 1998 and is also a member of the Development Committee. Mr Cohen retired from the Board of Management at the end of the AGM 2010.

#### **Mr Paul Doyle**

A former Chairman and Vice Chairman of TFS, Mr Doyle has served on the Board since 1990. He is a driver for London United, a Registered Introducer for TFS, a member of the Audit and Remuneration Committees and a representative for the Transport Benevolent Fund. Mr Doyle is also a member nominated trustee of the London United Staff Pension Scheme.

#### **Mr Christopher Jeffrey**

Mr Jeffrey is a driver with London Central and was elected to the TFS Board in 2004. He also serves as a member of the Audit and Development Committees. He is a branch secretary for Unite and a representative for the HSA and HSF.

#### **Mr Trevor Parry BSc FIA ASA - Senior Independent Director**

Mr Parry qualified as an actuary in 1973, worked for a number of companies, including the Pension Annuity Friendly Society where he was a founding member and Chief Actuary, before retiring in 2003. He was elected to the Board in 2004 and also serves on the Compliance and Risk Assessment Committee and Audit Committee, both of which he chairs, and the Remuneration Committee. He is also Chairman of the Trustees of the Staff Pension Scheme.

#### **Mr Adam Powell**

Mr Powell joined London Transport and TFS in 1986 and is currently a driver with East London Bus Group based at Upton Park. In 2001 he became the elected Union Branch Secretary and since 2005 the elected Branch Representative. He was appointed as the registered Introducer and elected to the Board at the AGM in June 2007. He has sat on various sub committees to date. For most of 2008 he was seconded to work full time as an Officer for Unite the Union.

#### **Mr Michael Storer**

Mr Storer is at present a convener for Travel London and is a Registered Introducer for the Society. He was elected to the board in June 2008 and is a member of both the Development and Nomination Committees.

#### **Mr Richard Freeman - Chief Executive**

Mr Freeman has worked in financial services since 1972 when he joined National Westminster Bank plc. Since that time he has also worked for an insurance company and another affinity group Friendly Society before being appointed Chief Executive of the Transport Friendly Society on 1 November 2005.

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### Chairman's Report for the year ended 31 December 2010

#### Overview of the year

Although the financial markets in 2010 did show some encouraging early growth it has still been another tough year for everyone's pocket and for the UK economy in general. The credit crunch may be over and the economy may have come out of recession but there is no doubt that 2010 has been a difficult year. In addition, the austerity measures announced by the new coalition government have also started to take effect and most likely will continue to bite in 2011.

However, yet again the Transport Friendly Society has kept its head well above water. The Society continues to keep paying benefits, both contractual and discretionary, to its members. The total number of new members has struggled to keep pace with those members who leave. However, the number of new applications in 2010 was over 15% ahead of the number received in 2009 and the new members that join are generally paying higher contributions level which has a positive impact on our overall contribution income.

The Society, along with most other small mutual societies, continues to face a number of difficult challenges in order to continue to provide its members with the valuable benefits they expect. These benefits, not always large, are so vital to many ordinary people and their families. The Board of Management remains wholly committed to maintaining its role in supporting members both old and new.

To summarise, once again given the economic conditions we all faced in 2010 our overall performance is to be commended.

#### Treating Customers Fairly (TCF)

The Society exists in order to give security and value for money to its members. In delivering this the Board of Management considers what is fair and equitable to all members.

TCF continues to be a focus for the Board and its Committees and a framework exists for all those associated with the Society to be able to raise any issues relating to the fair treatment of members.

The Society has also introduced a regular questionnaire which asks members who have had contact with the Society how they rate the service they have received. The score for each exercise conducted has never fallen below 9 out of 10.

In addition, Membership expectation and satisfaction surveys available on our website and can be printed off and returned at any time.

# TRANSPORT FRIENDLY SOCIETY LIMITED

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### Corporate Governance

In June 2010 the Society completed the Questionnaire issued by the Association of Financial Mutuals which monitors compliance to new and established corporate governance standards including the recommendations from the Myners' Review.

The questionnaire is completed on the basis of 'comply or explain' and once again I am happy to report throughout 2010 the Society has continued to comply with almost every one of the requirements in the Annotated Combined Code. There are only two material areas where, in view of the Society's nature and size, the Board of Management believes that the 'explain' option is more appropriate. I reported these in last years report and they relate to performance related pay and enhanced notification of the Annual General Meeting (AGM). Further details of these areas are set out later in this report.

The Transport Friendly Society is confident that its Corporate Governance framework is robust and the Board of Management will act appropriately and proportionately in order for it to remain so.

The Society continues to carry out a robust appraisal of each member of the Board of Management, the Board and its committees.

During 2010 the Board of Management received further training on a number of topics including the use of Asset Shares, general financial awareness together with further training on Solvency II and other related actuarial topics.

### Regulation

The Society has a Compliance and Risk Assessment Committee which is responsible for monitoring new legislation and regulation in order to ensure the Society's continued compliance with the raft of rules and regulations that affect all firms within the financial services industry

The Society met with an FSA Representative from the smaller Insurers Division in July 2010 to discuss our plan and progress towards implementing the Solvency II regime which will be the new supervisory framework on solvency requirements for European Insurers from 2012. At the meeting The FSA gained better understanding of the Society, its structure and resources. The Society successfully took part in FSA's Quantitative Impact Study 5.

During the last 2 years FSA has raised a number of issues surrounding the operation of With Profit Funds and Mutual Insurers. These issues represent a challenge to all mutual firms who operate With Profits business. However the Board of Management has always acted in the best interests of the members and is committed to continuing to do so.

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### Financial Results

The overall assets of the Society increased from £33.1m at the end of 2009 to £38.0m, as at 31 December 2010.

The Board of Management has maintained a prudent control of claims and expenses. Claims incurred have been static over a number of years and are slightly down on 2009. Net operating expenses have increased very slightly, if you exclude the additional costs incurred for the staff pension scheme.

It is pleasing to report that the Society launched a Child Trust Fund in 2010. At the end of the year the Society had opened 10,202 accounts and received approximately £3.6m.

### The Future

The updating of the Society's computer software and system appears to at last be entering the implementation phase of the project. Once fully operational the new system should streamline some of the Society's processes and deliver cost and efficiency savings.

The Board continues to assess a number of different ventures in order to grow the Society. These ventures are consistent with and contribute to the long term aims which are listed at the start of this report.

### People

On behalf of the Board of Management I would like to record my thanks and appreciation to all the Society's staff who have continued to provide a first class service to the members during 2010.

**Mr C W Welch**  
**(Chairman)**  
**24 May 2011**

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### Corporate Governance

The Society's Board is accountable to the Society's members for the operation of the Society and regards good corporate governance as fundamental to this responsibility. The Society's policy is to follow the principles of the Combined Code of Corporate Governance annotated by the Association of Mutual Insurers and the Association of Friendly Societies to cover mutual insurers ('the Code'). It is our policy to observe the code wherever appropriate for an organisation of our size and status or to explain why we think a deviation from the Code is acceptable or necessary. In 2010 we reported 3 specific points where the Board of Management felt it more appropriate to explain rather than to comply and the details of which are given in this report.

The Society's Board which comprises the Non Executive Chairman, one Executive Director and nine Non Executive Directors met 7 times during 2010.

The Board was and is satisfied that its range of expertise and experience is appropriate for the past and current needs of the Society. The Board composition includes a number of individuals who work within the transport industry and also individuals with relevant financial experience. This balance of skills helps the society provide appropriate products and services for the benefit of members. Following the retirement of Mr N Cohen at the AGM, the Board of Management unanimously agreed to Co-Opt Mr Arnold in order to retain an appropriate balance of skills on the Board.

The Society has reviewed the size and composition of the Board and decided not to change the current structure but has agreed to reduce the Board in size through natural wastage over the coming years.

All Directors have access to both independent professional advice, as necessary, and the advice and services of the Society's Secretary, who is responsible to the Board for ensuring that Board Procedures are complied with. The Secretary is also responsible for ensuring good information flows to the Board and its Committees. The Board is satisfied that he carries out these duties effectively. Both the appointment and removal of the Secretary is a matter for the Board as a whole.

The following decisions are reserved for the Board:

- ◆ Bonus policy / bonus rates
- ◆ Preparation and Approval of accounts
- ◆ Approval of Internal Audit report
- ◆ Approval of FSC Returns
- ◆ Approval of financial budget
- ◆ Approval of Business Plan
- ◆ Approval of major expenditure
- ◆ Investment policy
- ◆ Approval of appointment of consultants / outsourcing arrangements / contracts with third parties
- ◆ Approval of appointment / termination of senior staff
- ◆ Recommendation of changes to the Memorandum and Rules of the Society to be proposed at the Society's AGM.

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The Independence of the Non Executive Directors has been reviewed and, with the exception of Messrs Angell, Arnold and Parry, it was noted that the remaining directors held policies with the society.

In the opinion of the Board, all Non Executive Directors, including the Chairman, are considered to be independent for the following reasons:

- ◆ The monetary contributions made by Board members to the Society are relatively small so their financial interest in the Society is modest.
- ◆ Similarly the payments received for being a Director are not material.
- ◆ Directors, in order to retain their independence, maintain an arms length distance from the day to day running of the Society.
- ◆ Robust, informed debate is encouraged at Board Meetings so that the independence of directors is not compromised.

The roles of the Chairman and Chief Executive remained separate during 2010 and are distinct in their purpose. The Chairman is responsible for leadership of the Board and ensuring that the Board acts effectively. The Chief Executive has overall responsibility for managing the Society. These respective responsibilities have been agreed by the Board and details are available on request.

The Board has established a number of Committees which have their own terms of reference. Details of the main Board Committees, including their membership during 2010 are set out below.

The remuneration of the Non Executive Directors on the Board of Management is via an annual fee of £3,817 paid in two half yearly instalments. There is a supplement payable for Chairman and Vice Chairman of £2,362 and £698 per annum respectively. In addition all Non Executive Directors receive an attendance fee of £130 per day for meetings of Committees together with reimbursement of reasonable travel costs. In order to help control management expenses the Board of Management agreed to reduce their annual fee by £500 for 2011.

The Board of Management continues to believe performance related pay is still not appropriate to an organisation of the Society's size.

The Board of Management reviews the composition of its Committees each year at their first meeting following the AGM. The composition listed below is as agreed by the Board at their meeting held on 27 July 2010. The names in brackets are those who served on the Committee between 1 January 2010 and 27 July 2010.

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#### **Audit Committee**

C Angell (Chairman), P Brown, T Parry, M Storer (S Barker, A Powell, P Doyle)

The Audit Committee formally met twice in 2010 but has agreed to meet 4 times in 2011. The Committee assists the Board in meeting its responsibilities in respect of systems and controls and external financial reporting. It also considers the effectiveness of Internal Audit, which, in the light of the size of the Society, is currently outsourced. The Audit Activities for 2010 covered several regular topics but focused more specifically on governance and Board training, the Child Trust Fund process, and the implementation of the new computer system.

Two members of the Audit Committee have financial experience one is a retired actuary and the other a retired certified accountant.

Terms of reference are available on request and are on the Society's website.

#### **Compliance and Risk Assessment Committee**

P S Brown, P Doyle, T R Parry (Chairman), A Powell

The Compliance and Risk Assessment Committee meets at least 4 times a year and assists the Board in meeting its responsibilities in respect of Compliance matters including Corporate Governance and Risk Management.

During 2010 the Committee undertook a comprehensive review of the Society's Risk Register and this was formally approved by the Board of Management.

Terms of reference are available on request and are on the Society's website.

#### **Development Committee**

B Arnold, S R Barker (Chairman), C W Jeffrey, A Powell, M Storer (N Cohen)

The Development Committee meets at least 4 times a year and assists the Board in meeting its responsibilities in respect of development policy and its Treating Customers Fairly initiative.

Terms of reference are available on request and are on the Society's website.

#### **Remuneration Committee**

B Arnold, S R Barker (Chairman), P J Doyle, C Jeffrey (N Cohen)

The Remuneration Committee meets at least twice a year to review the Society's remuneration policy and determines the remuneration packages for Directors and staff.

Terms of reference are available on request and are on the Society's website.

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#### Nominations Committee

C W Welch, R A Freeman, B Arnold, C Jeffrey (Chairman) (M Storer)

The Nominations Committee is convened only when required and met once during 2010. Terms of reference available on request and are on the Society's website.

When a vacancy on the Board of Management exists the nomination process invites nominations from any individuals interested. Valid nomination forms are then considered by the Nominations Committee who assess those nominated and make appropriate recommendations to the Board of Management. Members of the Board of Management are elected by the Annual General Meeting on a one member one vote basis. More information about the process is available upon request.

#### Ariadne Committee

R A Freeman, C Angell, C Welch (N Cohen)

Throughout the project the Board has had Non Executive representation at regular review meetings. During the half of 2010 this has been on an almost weekly basis. Mr Angell has attended the majority of the meetings.

#### ATTENDANCE AT 2010 BOARD AND COMMITTEE MEETINGS

Name	Board	Comp	Dev	Audit	Rem	Appointment Date	Expiry of current term
B Arnold	3/3		1/1			27 July 2010	June 2011
C Angell □	6/7					24 November 2009	June 2013
S R Barker ◆	7/7		4/4	2/2	1/1	22 June 2002	June 2011
P S Brown	7/7	4/4				22 June 2004	June 2013
N V Cohen	3/3		3/4		1/1	14 June 1998	Retired June 2010
P J Doyle	6/7	3/4		1/2	1/1	3 May 1990	June 2011
R A Freeman	6/7	4/4	4/4	2/2	1/1	26 June 2007	June 2013
C W Jeffrey	5/7		3/4		1/1	22 June 2004	June 2013
T R Parry □	6/7	4/4		2/2		27 July 2005	June 2013
A Powell	7/7	4/4		2/2		26 June 2007	June 2013
M Storer	6/7		3/4			8 July 2008	June 2011
C W Welch +	7/7	3/4	4/4	2/2	1/1	19 June 1997	June 2011

Key:

- + Chairman of Board of Management
- ◆ Vice Chairman of Board of Directors/Chairman Remuneration Committee and Development Committee
- Chairman of Audit Committee (until 25 January 2011) and Compliance & Risk Assessment Committee, Senior Independent Director and Trustee of the Pension Fund
- Chairman of Audit Committee from 25 January 2011 and Trustee of the Pension Fund

The Chairman and Chief Executive also attend the majority of committee meetings.

## **TRANSPORT FRIENDLY SOCIETY LIMITED**

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#### **Annual General Meeting of the Society**

All members are entitled to attend and vote at the Society's Annual General Meeting. All Proposals are decided by a simple majority unless the Rules of the Society specify Otherwise. The AGM is advertised by posters in garages and in one national newspaper. Currently members do not receive individual notification of the AGM but all members are nevertheless encouraged to attend. The Society hopes the implementation of a new Computer system will enhance notification of the AGM to individual members. Those Members unable to attend may appoint a proxy to vote on their behalf.

#### **Statement of Policy – Complaints Procedures**

The Society endeavours to maintain high standards of integrity and fairness when dealing with its members. However, if and when a complaint arises, the Society follows the complaints procedure advocated by the Financial Services Authority (FSA). This procedure is set out in the Society's Compliance Manual which is available for reference to all staff and members. The complaints procedure is also contained on our website. This procedure includes the right of referral to the Financial Ombudsman Service if the complaint cannot be resolved internally.

#### **Report of the Board of Management**

##### **Constitution of the Board**

At the 2010 AGM the following were re-elected to the Board: Messrs C Angell, P Brown, P Doyle, R Freeman, C Jeffrey, T Parry, A Powell and C W Welch following retirement in accordance with Rule 22(2). As there were eight candidates for eight vacancies no formal election took place.

At the end of the AGM in 2011 Messrs S Barker, P Doyle and C W Welch, in accordance with Rule 22(1A), retire from the Board having served more than nine years as Directors and are eligible for re-election without nomination.

Mr M Storer retires from the Board having not been elected or re-elected at either of the last two AGM's as Directors and is eligible without nomination.

Mr B Arnold, who was appointed to the Board in accordance with Rule 21, is also eligible for election without nomination.

**TRANSPORT FRIENDLY SOCIETY LIMITED**

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**Membership and Recruitment**

The table below shows the number of new contracts effected in 2010 compared with 2009:

<b>Section</b>	<b>2010</b>	<b>2009</b>
Endowment	72	92
Sickness	789	641
Hospitalisation	212	175
Endowment (Junior)	18	33
Child Trust Fund (CTF)	10,202	N/A

A summary of the movement in membership in 2010 compared with 2009 is as follows:

	<b>2010</b>		<b>2009</b>	
	<i>Adults</i>	<i>Juniors</i>	<i>Adults</i>	<i>Juniors</i>
Number at beginning of year	19,124	151	19,435	122
New Members	625	18	631	33
	19,749	169	20,066	155
Exits	1,037	0	942	4
Number at end of year	18,712	169	19,124	151
Child Trust Fund Members	0	10,202	N/A	N/A

## TRANSPORT FRIENDLY SOCIETY LIMITED

### ANNUAL REPORT 2010

#### Management Expenses

The Board of Management has continued to keep tight control of the management expenses and in 2010 these have remained almost identical. The following table identifies the changes which have occurred over recent years:

Year	Contribution Income £'000	Increase over previous year %	Net operating Expenses (Management costs) £'000	Increase (decrease) over previous year %	Net operating Expenses (Management costs)/Contribution Income Ratio £'000
1999	460	33.8	570	2.5	1.23:1
2000	552	20.0	575	0.9	1.04:1
2001	674	22.1	631	9.7	0.94:1
2002	830	23.1	706	11.9	0.85:1
2003	940	13.3	787	11.5	0.84:1
2004	1,012	7.7	893	13.5	0.88:1
2005	1,060	4.7	933	4.5	0.88:1
2006	1,132	6.4	980	5.0	0.87:1
2007	1,225	8.2	990	1.0	0.81:1
2008	1,249	1.9	1,045	5.5	0.83:1
2009	1,259	0.8	*1,048	0.3	0.83:1
2010	1,278	1.5	1,253	19.6	0.98:1

\*The 2009 net operating expenditure did not include £16,000 of late accruals.

The net operating expenses stated above are before adjusting for pension fund service costs in accordance with Financial Reporting Standards 17. The amount adjusted within the Income and Expenditure charge is a deduction in expenditure of £139,000 for 2010, where there was an increase in expenditure of £48,000 in 2009.

Contribution income excludes all income received for the Child Trust Fund. During 2010 the Society received approximately £3.68m. The Society receives a management charge of 1.5% of the value of the fund per year, which covers the cost of administration.

#### Assets

The Financial Statements attached to this report show a small reduction in the Society's assets over the course of the year, which is only to be expected bearing in mind the turbulent times seen in financial markets.

At the year end the assets of the Society remained adequate to maintain benefits.

#### Margin of Solvency

The Society had at 31 December 2010 the required margin of solvency as prescribed in the FSA Regulations.

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#### **Indemnity Insurance**

The Society is required by law to indemnify its Board, Officers and Staff against certain liabilities as detailed in the Rules. A policy of insurance is in force to cover such indemnity and associated liabilities.

#### **Activities**

Your Board did not carry out any activities during 2010 which were outside its powers.

#### **Appreciation**

Your Board wish to record their sincere thanks and appreciation to the Society's staff who continue to provide loyal and efficient support to the Chief Executive and Directors. The continued co-operation that is received from the various companies which provide both recruitment and payroll deduction facilities is also much appreciated.

Appreciation is also expressed to the following for their valuable advice and assistance to the Society:

- |   |  |
|---|--|
| ▪ Mr S Dixon                            | - Our Actuarial Function Holder & With-Profits Actuary |
| ▪ F W Berringer & Co                    | - Our External Auditors                                |
| ▪ E D (Financial) Limited               | - Our Consultants                                      |
| ▪ Rensburg Sheppard and Legal & General | - Our Investment Managers                              |
| ▪ Gregory, Rowcliffe & Milners          | - Our Solicitors                                       |
| ▪ OAC Actuaries & Consultants           | - Our Internal Auditors                                |

#### **On behalf of the Board of Management**

#### **Chief Executive**

**24 May 2011**

### **Statement of Responsibilities of the Board of Management**

The Friendly Society Act 1992 ('the Act') requires the Board of Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for that period. In preparing those Financial Statements, the Board of Management is 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 departure disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the Financial Statements comply with the Act. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**TRANSPORT FRIENDLY SOCIETY LIMITED**  
**INDEPENDENT AUDITORS' REPORT**  
**Report of the Independent Auditors to the**  
**Members of Transport Friendly Society Limited**

We have audited the financial statements of Transport Friendly Society Limited for the year ended 31 December 2010 on pages 20 to 37. These financial statements have been prepared on the basis of the accounting policies set out on pages 23 to 24.

This report is made solely to the Society's members as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' report and for no other purpose.

**Respective Responsibilities of the Board of Management and Auditors**

As explained more fully in the Committee of Management's Responsibility Statement, the Committee of Management is responsible for preparing financial statements which give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Society's Members as a body in accordance with the Friendly Societies Act 1992 and the Regulations made under it and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**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 that accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Committee of Management, and the overall presentation of the financial statements.

**Opinion on Financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2010 and of the Income and Expenditure of the Society for the year then ended, and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

**TRANSPORT FRIENDLY SOCIETY LIMITED  
INDEPENDENT AUDITORS' REPORT**

**Opinion on other matters prescribed by the Friendly Societies Act 1992**

In our opinion the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and the information given therein is consistent with the financial statements for the financial year.

**Matters on which we are required to report by exception**

We have nothing to report of the following matters where the Friendly Societies Act 1992 requires us to report to you, if in our opinion:

- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records, or
- we have not received all the information and explanations and access to documents that we require for our audit.

Peter Tymms BA ACA (Senior Statutory Auditor)  
For and on behalf of F W Berringer & Co  
Chartered Accountants and  
Registered Auditors  
Lygon House  
50 London Road  
Bromley  
BR1 3RA

**TRANSPORT FRIENDLY SOCIETY LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2010**

**Technical Account - Long Term business**

	Notes	2010 (£000)	2009 (£000)
<b>Income</b>			
Earned premiums		1,278	1,259
Child trust fund		3,687	-
Investment income	2	1,185	1,468
Other income	15	24	19
Net unrealised gain on investments		2,274	-
<b>Total income</b>		<b>8,448</b>	<b>2,746</b>
<b>Change in Long Term Business Provision</b>	11	<b>(4,956)</b>	<b>8,210</b>
<b>Expenditure</b>			
Claims incurred	3	1,015	1,103
Bonuses, grants and rebates	4	871	1,219
Net operating expenses	5	1,114	1,112
Investment expenses and charges		153	121
Net realised loss on investments		257	363
Net unrealised loss on investments		-	61
<b>Total expenditure</b>		<b>(3,410)</b>	<b>(3,979)</b>
Transfer to the Funds for Future Appropriations		82	6,977
<b>Balance on the Technical Account - Long Term Business</b>		<b>-</b>	<b>-</b>

All amounts derive from continuing activities.

**TRANSPORT FRIENDLY SOCIETY LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2010**

	<b>2010 (£000)</b>	2009 (£000)
<b>Transfer to the Funds for Future Appropriations</b>	<b>82</b>	6,977
Actuarial gain/(loss) in Defined Benefit pension fund (Note 15)	<b>409</b>	(296)
	<hr/>	<hr/>
Total recognised gains in year	<b>491</b>	6,681
	<hr/> <hr/>	<hr/> <hr/>

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2010**

	Notes	2010 (£000)	2009 (£000)	
<b>ASSETS</b>				
<b>Investments</b>				
Land and buildings	7	1,250	1,250	
Other financial investments	8	30,447	29,557	
Child Trust Fund		<u>4,061</u>	<u>-</u>	
		<b>35,758</b>		30,807
<b>Debtors</b>				
Debtors in respect of contributions		<b>69</b>		65
<b>Other Assets</b>				
Tangible assets	9	181	139	
Cash at bank and in hand		<u>1,871</u>	<u>1,921</u>	
		<b>2,052</b>		2,060
<b>Prepayments and Accrued Income</b>				
Accrued investment income		<b>289</b>	331	
Other prepayments and accrued income		<u>63</u>	<u>38</u>	
		<b>352</b>		369
<b>Pension Scheme Net Assets/(Liabilities)</b>	15	<b>383</b>		(189)
		<u><b>38,614</b></u>		<u>33,112</u>
<b>LIABILITIES</b>				
Fund for Future Appropriation	11	<b>9,232</b>		8,741
Technical provisions:				
Long Term Business Provision	11	<b>28,779</b>		23,823
Accruals and deferred income	10	<b>603</b>		548
		<u><b>38,614</b></u>		<u>33,112</u>

Approved by the Board of Management and signed on its behalf on 24 May 2011.

	Chief Executive
	Chairman
	Secretary

## TRANSPORT FRIENDLY SOCIETY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

#### 1. ACCOUNTING POLICIES

##### **Basis of presentation**

The financial statements have been prepared in compliance with the Friendly Societies Act (Accounts and Related Provisions) Regulations 1994 and in accordance with applicable accounting standards and the Statement of Recommended Practices issued by the Association of British Insurers.

##### **Premiums**

Premiums are accounted for when due for payment. All premiums arise from business written in the United Kingdom.

The Society does not utilise any reinsurance arrangements.

##### **Claims**

Prior to 1 January 2007, claims were recognised on notification by the member or their executors. From 1 January 2007, Provident and Endowment policy maturities are recognised when they become due on maturity while prior years' maturities not yet notified by members continue to be recognised when notified. All other claims are recognised on notification.

##### **Investment Income**

Fixed interest income and bank deposit interest are included as investment income on an accruals basis. Equity income is included as investment income by reference to the payment date. Rental income is included as investment income when it falls due. Realised gains and losses on investments are recognised on the date of disposal.

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and the purchase price or, where they have been previously valued, at the previous balance sheet date.

##### **Investments**

Investments held at the balance sheet date, where listed, have been valued at middle market prices or, where unlisted, at Board of Management valuation. Units in Unit Trusts are included at published bid prices. Properties are shown at open market value for existing use.

##### **Fixed assets**

Tangible fixed assets are depreciated on the straight line method on the basis of estimated useful lives at the following rates:-

Computer system	0%
Furniture	12 1/2%
Equipment	20%
Motor vehicles	33 1/3%
Computer software	33 1/3%

# TRANSPORT FRIENDLY SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

### 1. ACCOUNTING POLICIES (continued)

#### Long Term Business Provision

The long term business provision is determined by the Society's Board of Management following the advice of the Actuarial Function Holder in accordance with his annual investigation on the method and assumptions used for the purpose of valuation. The calculation used the net premium calculation method and includes explicit provision for declared bonuses. Implicit provision is made for future reversionary bonuses by means of a reduction in the valuation rate of interest.

#### Fund for Future appropriations

The fund for future appropriations represents all funds, the allocation of which to policy holders had not been determined by the end of the financial year. Any surplus or deficit on the technical account is transferred to or from the fund on an annual basis.

#### Pensions

The Society operates a defined benefits pension scheme to which most staff belong. The scheme is valued every three years by a professionally qualified independent actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates. Payments to the scheme and amounts charged to expenses are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities on a continuing basis.

### 2. INVESTMENT INCOME

Investment income from:

	2010 (£000)	2009 (£000)
Debt and other fixed income securities (listed)	693	797
Shares and other variable yield securities	337	393
Units in unit trusts and foreign holdings	106	112
Total investment income from listed investments	<u>1,136</u>	<u>1,302</u>
Land and buildings	11	11
Debt and other fixed income securities (unlisted)	36	83
Bank interest	2	72
	<u>1,185</u>	<u>1,468</u>

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

	<b>2010 (£000)</b>	<b>2009 (£000)</b>
<b>3. CLAIMS INCURRED</b>		
Claims	707	810
Surrenders for cash	308	293
	<b>1,015</b>	<b>1,103</b>
	<b>1,015</b>	<b>1,103</b>
	<b>2010 (£000)</b>	<b>2009 (£000)</b>
<b>4. BONUSES, GRANTS AND REBATES</b>		
Bonuses	749	1,074
Cash Distribution from Death and Sick Fund	11	2
Grants	111	143
	<b>871</b>	<b>1,219</b>
	<b>871</b>	<b>1,219</b>
	<b>2010 (£000)</b>	<b>2009 (£000)</b>
<b>5. NET OPERATING EXPENSES</b>		
Included in operating expenses are the following administration expenses:-		
Board members' emoluments (note 6)	164	138
Staff salaries	331	362
Social security costs	47	48
Pension costs	222	20
Audit fees	40	36
Depreciation (note 9)	14	16
Actuarial fees	137	153
	<b>1,015</b>	<b>1,015</b>
	<b>1,015</b>	<b>1,015</b>
	<b>2010</b>	<b>2009</b>
Average number of employees during the year	<b>12</b>	<b>12</b>
	<b>12</b>	<b>12</b>

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

	<b>2010 (£000)</b>	2009 (£000)
<b>6. BOARD MEMBERS' EMOLUMENTS</b>		
Aggregate Board Members' emoluments, including pension scheme contributions:		
Salaries	135	128
Expenses allowance	2	2
Non cash benefits	27	8
	<b>164</b>	<b>138</b>
	<b>2010 No. of Members</b>	<b>2009 No. of Members</b>
The emoluments of the Board members fell within the following bands:		
£0 - £5,000	7	5
£5,001 - £10,000	4	4
£110,000 - £115,000	1	1
	<b>2010 (£000)</b>	<b>2009 (£000)</b>
Chairman	8	8
Highest paid Board member	<b>113</b>	<b>92</b>

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

	2010		2009	
	Valuation (£000)	Cost (£000)	Valuation (£000)	Cost (£000)
<b>7. INVESTMENTS: LAND AND BUILDINGS</b>				
Freehold properties: partly occupied by the Society	1,250	587	1,250	587
	<b>1,250</b>	<b>587</b>	1,250	587
	<b>1,250</b>	<b>587</b>	1,250	587

The Society's properties are included at open market values based on the valuation determined by the Board acting under professional advice.

	2010		2009	
	Valuation (£000)	Cost (£000)	Valuation (£000)	Cost (£000)
<b>8. INVESTMENTS: OTHER FINANCIAL INVESTMENTS</b>				
Debt and other fixed income securities	26,536	25,609	26,052	26,627
Units in unit trust and foreign holdings	3,911	3,543	3,505	3,543
	<b>30,447</b>	<b>29,152</b>	29,557	30,170
	<b>30,447</b>	<b>29,152</b>	29,557	30,170

Of the amounts shown above, £29,147,000 (cost) and £30,442,000 (market value) is ascribable to listed investments (2009: £30,164,000 cost and £29,551,000 market value).

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

	Computer System (£000)	Furniture, Equipment and Software (£000)	Motor Vehicles (£000)	Total (£000)
<b>9. TANGIBLE ASSETS</b>				
<b>Cost</b>				
At 1 January 2010	114	187	33	334
Additions	30	26	-	56
Disposals	-	-	-	-
At 31 December 2010	144	213	33	390
<b>Depreciation</b>				
At 1 January 2010	-	176	19	195
Charge for the year	-	7	7	14
Disposals	-	-	-	-
At 31 December 2010	-	183	26	209
<b>Net Book Value</b>				
At 31 December 2010	144	30	7	181
At 31 December 2009	114	11	14	139
<b>10. ACCRUALS AND DEFERRED INCOME</b>				
Accounts payable		179		99
Outstanding claims		416		433
Contributions paid in advance		8		15
Benefits held in trust		-		1
		603		548

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

	At 1 January 2010 (£000)	Net Transfers to/(from) Funds (£000)	At 31 December 2010 (£000)
<b>11. RECONCILIATION OF MOVEMENTS IN RESERVES AND PROVISIONS</b>			
<b>Funds for future appropriations:</b>			
Insurance Business Fund	8,706	491	<b>9,197</b>
General and Distress Fund	5	-	<b>5</b>
Management Fund	30	-	<b>30</b>
	8,741	491	<b>9,232</b>
<b>Long Term Business Provision:</b>			
Insurance Business Fund	23,823	4,956	<b>28,779</b>
	23,823	4,956	<b>28,779</b>

In December 2004, the Accounting Standards Board (ASB) issued Financial Reporting Standard (FRS) 27 on Life Assurance, which applies to all life assurance businesses, including Friendly Societies. For the Transport Friendly Society, the main impact of FRS 27 is to provide detailed disclosures of the liabilities and financial strength of the Society.

**Capital Statement**

The Capital Statement illustrates the financial strength of the Society's life business at 31 December 2010 and is set out below. This statement shows an analysis of the available capital resources calculated on a regulatory basis for the Society's with profit funds as a whole. It shows the margins over and above the regulatory requirements and the overall surplus capital within the fund under these bases. Further, the technical liabilities of the Society (i.e. those directly attributable to members policies), is split between with profit plans and non-participating plans.

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2010**

**Long term business provision** (continued)

**Capital Statement Table**

	<b>Non participating (£000)</b>	<b>With Profits (£000)</b>	<b>2010 Total (£000)</b>	<b>2009 Total (£000)</b>
Fund for future Appropriations (FFA)	35	9,197	<b>9,232</b>	8,741
Regulatory adjustments:				
Assets	-	(575)	<b>(575)</b>	47
Liabilities	(30)	(3,710)	<b>(3,740)</b>	(3,486)
Total available capital resources	<u>5</u>	<u>4,912</u>	<b>4,917</b>	5,302
Capital requirement			<b>1,401</b>	1,316
<b>Overall surplus capital</b>			<b>3,516</b>	3,986

	<b>Non participating (£000)</b>	<b>With Profits (£000)</b>	<b>2010 Total (£000)</b>	<b>2009 Total (£000)</b>
Analysis of members' liabilities				
With profits	-	24,749	<b>24,749</b>	23,823
Non participating	-	4,030	<b>4,030</b>	-
	<u>-</u>	<u>28,779</u>	<b>28,779</b>	23,823
Claims outstanding	-	416	<b>416</b>	433
<b>Total technical liabilities</b>	<u>-</u>	<u>29,195</u>	<b>29,195</b>	24,256

**Basis of calculating capital requirements for life business**

The total regulatory capital requirement for the Society amounts to £1.401m (2009: £1.316m), all of which relates to the Long Term Insurance Capital Requirement.

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

**Long term business provision** (continued)

**Asset mix at the valuation date**

	<b>2010</b>	<b>2009</b>
Cash	<b>5%</b>	6%
Fixed interest bonds	<b>62%</b>	75%
Variable interest bonds	<b>4%</b>	5%
Equities	<b>26%</b>	10%
Property	<b>3%</b>	4%
	<hr/> <b>100%</b> <hr/>	<hr/> <b>100%</b> <hr/>

**Capital and risk management for life business**

For conventional with profits business, the key sensitivity is to future investment returns. The mix of assets is kept under review taking into account the level of capital required and the anticipated returns for members.

**Movement in available capital**

	<b>2010 (£000)</b>
Total available capital at 1 January 2010	<b>5,302</b>
Changes in valuation assumptions	<b>(1,573)</b>
New business and other factors	<b>1,188</b>
	<hr/>
Total available capital at 31 December 2010	<b>4,917</b> <hr/>

## TRANSPORT FRIENDLY SOCIETY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

#### 12. LONG TERM BUSINESS PROVISION - ASSUMPTIONS

The long term business provision for 2010 has been calculated on the basis of the following principal assumptions:

Policy	Interest	Mortality	Other
Death Benefit	1.5%	80% AMC00/AFC00	
Provident	1.5%	80% AMC00/AFC00	Ill Health Requirements: Appropriate Scale
Sickness	1.5%	Nil in deferment CMIR 12 in payment	Sickness: Inception rates based on 131.25% to 341.25% of CMIR12-depending on table and gender
Endowment (Adult)	1.5%	80% AMC00/AFC00	
Endowment (Junior)	1.5%	80% AMC00/AFC00	
Hospitalisation	1.5%	Nil in deferment and payment	Sickness: Inception rates of 1% to 5% depending on age and periods of payment of 3 days to 20 days depending on age. There is a 50% loading for females

#### Change in valuation rate of interest

The valuation rate of interest for all types of business decreased in the year to 1.5% (2009:2.0%). At 31 December 2010 the margin between the risk adjusted asset yield and the valuation interest rate was 1.65% which covered an additional level of prudence above that already within the risk adjusted yield, a 1% funds under management expense allowance and an impact allowance for the future cost of the annual (or reversionary) bonuses.

#### 13. CONTINGENT LIABILITIES

Included in the regulatory figures in the Capital Statement table in note 11 is an amount of £1.828m (2009 - £2.156m) in respect of an additional expenses reserve. This amount has not been included in the Long Term Business Provision on the balance sheet on the basis that such a liability is contingent on the Society closing to new business.

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

**14. STATEMENT BY ACTUARIAL FUNCTION HOLDER**

1. The Actuarial Function Holder has
  - a. never been a member of the Society
  - b. no pecuniary interest in any transactions between himself and the Society other than his interest as a member of Steve Dixon Associates in respect of the amounts disclosed below
  - c. not received in 2010 and will not receive any other pecuniary benefits from the Society
2. Fees paid to Steve Dixon Associates in 2010 for the services provided by Mr S Dixon and his support team amounted to £99,672 (2009: £38,779). Fees paid to Watson Wyatt Ltd provided by Mr A J Chamberlain and his support team amounted to £nil (2009: £82,743).
3. The Society requested and the Actuary furnished particulars specified under Section 77(2) of the Friendly Societies Act 1992 and the Society has identified such particulars.

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

**15. PENSIONS**

The Society operates a defined benefit pension scheme, the Transport Friendly Society Limited Staff Pension Scheme. The Scheme's funds are administered by trustees and are independent of the Society's finances. Contributions are paid to the Scheme in accordance with the recommendations of an independent actuary. Details in respect of the Scheme are provided below in accordance with FRS 17.

An actuarial valuation was carried out as at 31 December 2010 by an independent qualified actuary, Punter Southall. As required by FRS 17, the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of pensions in payment.

On the basis of the assumptions used for life expectancy, a male person aged 65 at the accounting date would be expected to live a further 21.6 years (2009: 21.5 years).

The following table sets out, as at the accounting dates, the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus of assets above the FRS 17 liabilities (which equals the gross pension asset).

**Assumptions**

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Price inflation	3.6% pa	3.7% pa	3.0% pa
Discount rates	5.4% pa	5.8% pa	6.5% pa
Pension increases	2.8% pa	3.7% pa	3.0% pa
Salary growth	4.1% pa	5.2% pa	4.5% pa

**Asset distribution and expected returns**

	<b>31 December 2010</b>		<b>31 December 2009</b>		<b>31 December 2008</b>	
	Expected return	Fair value (£000)	Expected return	Fair value (£000)	Expected return	Fair value (£000)
Components:						
Equities & hedge funds	7.7%	2,201	7.7% pa	1,827	7.9% pa	1,597
Gilts & cash	4.2%	324	4.5% pa	251	3.8% pa	337
Property	6.6%	80	6.6% pa	69	6.8% pa	102
Bonds	5.5%	463	5.5% pa	431	5.7% pa	218
<b>Total</b>		<u>3,068</u>		<u>2,578</u>		<u>2,254</u>

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

**15. PENSIONS** (continued)

**Balance Sheet analysis**

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>(£000)</b>	<b>(£000)</b>	<b>(£000)</b>
Total fair value of assets	3,068	2,578	2,254
Present value of liabilities	2,685	2,767	2,118
Gross pension Asset/ (Liability)	383	(189)	136

Over the year to 31 December 2010, employer contributions of £222,222 (2009: £20,000) were made to the Scheme. The Society is currently paying contributions of 29.7% of pensionable salary.

The post retirement surplus under FRS 17 moved as follows:

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>(£000)</b>	<b>(£000)</b>	<b>(£000)</b>
Post retirement(deficit)/ surplus at start of year	(189)	136	716
Current service cost (employee and employer)	(94)	(76)	(70)
Contributions (employee and employer)	233	28	19
Other net finance income	24	19	75
Actuarial (loss)/gain	409	(296)	(604)
Post retirement (deficit)/ surplus at end of year	383	(189)	136

TRANSPORT FRIENDLY SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

15. PENSIONS (continued)

Analysis of amount charged to operating profit

	31 December 2010	31 December 2009	31 December 2008
	(£000)	(£000)	(£000)
Current service cost	83	68	70
Past service cost	-	-	-
Gross pension asset	83	68	70

Analysis of amounts credited to other finance income

	31 December 2010	31 December 2009	31 December 2008
	(£000)	(£000)	(£000)
Expected return on pension scheme assets	185	156	213
Interest on post retirement liabilities	(161)	(137)	(138)
Net return credited to finance income	24	19	75

**TRANSPORT FRIENDLY SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2010**

**15. PENSIONS** (continued)

**Analysis of amount recognised in statement of total recognised gains and losses (STRGL) and history of experience gains and losses**

	<b>31 December 2010</b>		<b>31 December 2009</b>		<b>31 December 2008</b>		<b>31 December 2007</b>	
	<b>(£000)</b>	<b>%age</b>	<b>(£000)</b>	<b>%age</b>	<b>(£000)</b>	<b>%age</b>	<b>(£000)</b>	<b>%age</b>
Actual return less expected return on scheme assets	155	5%	242	9%	(970)	(43%)	(85)	(3%)
Experience (losses) and gains arising on liabilities	(48)	(2%)	76	3%	(74)	(3%)	2	0%
Gain or (loss) due to changes in assumptions underlying the present value of scheme liabilities	302	11%	(614)	(22%)	440	21%	46	2%
Actuarial gain/(loss) recognised in the STRGL	<u>409</u>		<u>(296)</u>		<u>(604)</u>		<u>(37)</u>	

The above percentages show the STRGL components as a percentage of the end of year asset or liability, as appropriate.

**16. RELATED PARTIES**

The majority of the Board of Management are members of the Society and, therefore, make the appropriate contributions to applicable funds. The total of contributions paid by such members during their service on the Board in 2010 was £2,843 (2009: £2,901). None of these contributions are material by size or nature to the relevant fund or the individual contributing member.