The Scotch Whisky Association

(a company limited by guarantee)

Annual report

for the year ended 31 December 2013

Registered Number SC35148 Scotland

The Scotch Whisky Association
(a company limited by guarantee)

Annual report
for the year ended 31 December 2013

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Council's report for the year ended 31 December 2013

The Council has pleasure in submitting to the Members the report by Council, the report of the independent auditors and the accounts for the year ended 31 December 2013. The report and accounts will be submitted to the Members at the General Meeting to be held at the Sheraton Hotel, 1 Festival Square, Edinburgh at 10am on 12 May 2014.

Status
The Association is a company (Registered number: SC35148) limited by guarantee and therefore does not have any issued share capital.

Activities
The activities of the Association cover the protection and the promotion of the Scotch Whisky Industry generally, both at home and abroad.

Future Outlook
The Scotch Whisky Association and its members remain confident about the long term prospects for the Scotch Whisky Industry.

Results
The surplus for the year after taxation was £467,950 (2012: £269,674 surplus).

As in previous years, the Association has accounted for the defined benefit pension scheme under the requirements of FRS 17 "Retirement benefits". The Council believes that the presentation of the financial statements arising from the impact of FRS 17 "Retirement benefits" in the current year requires further explanation.

In 2013 a total cash contribution of £932,380 including a special contribution of £175,000 (2012: £714,600) was paid into the scheme. However, as a result of the way FRS 17 "Retirement benefits" requires the pension fund to be accounted for, the cash contribution paid to the pension scheme is replaced by an actuarially derived "current service cost" of £353,000. As this current service cost is lower than the cash contribution paid, the face of the profit and loss account shows a surplus of £467,950 as noted above.

The Corporation Tax charge of £135,467 shown in the Profit and Loss account consists of a current tax charge of £133,850 and a deferred tax charge of £1,617. There is £20,025 tax payable at 31 December 2013.

The Council would like to draw the attention of the reader of these financial statements to Note 18, which explains in detail all the information required to be disclosed by FRS 17 "Retirement benefits", including on page 20 detailed reconciliations of the movement in the present value of the defined benefit liability and the movement in the fair value of the scheme assets.

Going concern
Due to large movements in the pension deficit in previous years, the Association is currently in a Net Liabilities position.

The Council has considered the appropriateness of the going concern basis of accounting and are satisfied that it is correct to continue to prepare the accounts on this basis.

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Council's report for the year ended 31 December 2013 (continued)

Council
Members of Council, who are directors under the Companies Act 2006, during the year ended 31 December 2013, were as follows:

Mr I B Curle (Chairman)	The Edrington Group Ltd
Mr P Pringuet (Vice Chairman)	Chivas Brothers Ltd
Mr A J G Stevenson (Treasurer)	Blairmhor Ltd
Mr A Baladi	Beam Inc
Mr D A Cutter (appointed 13 June 2013)	Diageo plc
Mr B H Donaghey (resigned 12 June 2013)	Diageo plc
Mr R W Farrar	The Edrington Group Ltd
Mr D B Gates	Diageo plc
Mr P G Gordon	William Grant & Sons Ltd
Mr L Lacassagne (appointed 1 July 2013)	Chivas Brothers Ltd
Mr I S Lowthian	John Dewar & Sons Ltd
Ms R A McGinness (appointed 22 March 2013)	William Grant & Sons Ltd
Mr P A Neep	The Glenmorangie Company Ltd
Mr C Porta (resigned 30 June 2013)	Chivas Brothers Ltd
Mr L S Russell	Ian MacLeod Distillers Ltd
Mr F J Thornton	Burn Stewart Distillers Ltd
Mr P S Walsh	Diageo plc

Members of the Council receive no remuneration and have no financial stake in the Association.

Directors' liability insurance
The Association maintains liability insurance for its directors and officers.

Statement of responsibilities of Members of Council
Company law requires Members of Council to prepare financial statements for each financial year. Under that law the Members of Council 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 Members of Council 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 Association and of the profit or loss of the Association for that period. In preparing these financial statements, the Members of Council are required to:

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

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

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Council's report for the year ended 31 December 2013 (continued)

Statement of disclosure of information to auditors
The Members of Council have taken all the steps that they ought to have taken as Members of Council in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Independent auditors
A resolution to re-appoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the General Meeting.

Small Company Provisions
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the Council

John Bartholomew
Secretary
28 March 2014

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Independent auditors' report to the members of The Scotch Whisky Association

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the association's affairs as at 31 December 2013 and of its surplus and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The Scotch Whisky Association, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account, statement of total recognised gains and losses and note of historical cost surpluses and deficits for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the Members of Council have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 association's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Members of Council; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

Independent auditors' report to the members of The Scotch Whisky Association (continued)

- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Members of Council remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Members of Council were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Members of Council

As explained more fully in the Statement of responsibilities of Members of Council set out on page 2, the Members of Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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 association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to 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.

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 March 2014

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Profit and loss account for the year ended 31 December 2013

	Notes	2013	2012
		£	£
Turnover	2	**6,805,651**	6,726,214
Administrative expenses		**(6,204,120)**	(6,390,461)
Operating surplus		**601,531**	335,753
Interest receivable	3	**12,886**	19,310
Other financial (expense)/income	18	**(11,000)**	3,000
Surplus on ordinary activities before taxation	5	**603,417**	358,063
Taxation	6	**(135,467)**	(88,389)
Surplus for the year	13	**467,950**	269,674

All the results of the Association relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2013

	Notes	2013	2012
		£	£
Surplus for the financial year		**467,950**	269,674
Actuarial losses on pension scheme	18	**(569,000)**	(1,701,000)
Corporation tax relief for pensions contributions		**113,676**	83,320
Movement on deferred tax relating to pension liability	16	**124**	257,000
Revaluation of Heritable Property	12	**48,649**	-
Total recognised gains and losses relating to the year		**61,399**	(1,091,006)

Note of historical cost surpluses and deficits for the year ended 31 December 2013

	2013	2012
	£	£
Reported surplus on ordinary activities before taxation	**603,417**	358,063
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued heritable property amount	**11,999**	11,998
Historical cost surplus on ordinary activities before taxation	**615,416**	370,061
Historical cost surplus for the year after taxation	**479,949**	281,672

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Balance sheet as at 31 December 2013

	Notes	2013	2012
		£	£
Fixed assets			
Tangible assets	7	**1,343,847**	1,342,806
Current assets			
Debtors	8	**230,030**	457,261
Cash at bank and in hand		**813,533**	755,122
Total current assets		**1,043,563**	1,212,383
Creditors: amounts falling due within one year	9	**(1,102,729)**	(1,326,853)
Net current liabilities		**(59,166)**	(114,470)
Total assets less current liabilities		**1,284,681**	1,228,336
Creditors: amounts falling due after more than one year	10	**(73,344)**	(78,894)
Net assets excluding pension liability		**1,211,337**	1,149,442
Pension liability	18	**(1,575,496)**	(1,575,000)
Net liabilities including pension liability		**(364,159)**	(425,558)
Capital and reserves			
Profit and loss account	11	**(1,288,464)**	(1,301,214)
Revaluation reserve	12	**924,305**	875,656
	13	**(364,159)**	(425,558)

The financial statements on pages 6 to 22 were approved by the Council on 28 March 2014 and were signed on its behalf by:

A J G Stevenson
Treasurer

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Cash flow statement for the year ended 31 December 2013

	Notes	2013	2012
		£	£
Net cash inflow/(outflow) from operating activities	14	**124,177**	(300,991)
Returns on investments			
Proceeds from sale of tangible fixed assets		-	4,613
Interest received		**12,886**	19,310
Net cash inflow from returns on investments		**12,886**	23,923
Taxation			
Net UK Corporation tax paid		**(10,056)**	(45,575)
Net cash outflow from taxation		**(10,056)**	(45,575)
Capital expenditure			
Purchase of tangible fixed assets (net of finance leases)		**(66,531)**	(127,405)
Net cash outflow from capital expenditure		**(66,531)**	(127,405)
Financing Activities			
Capital element of Finance Lease payments		**(2,065)**	-
Net cash outflow from financing activities		**(2,065)**	-
Increase/(Decrease) in cash	15	**58,411**	(450,048)

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Notes to the financial statements
for the year ended 31 December 2013

1 Principle accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principle accounting policies are set out below.

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost or valuation together with any incidental costs of acquisition. Heritable property is subject to formal revaluation intervals in accordance with FRS 15 "Tangible fixed assets".

Depreciation is charged on a straight line basis at the following rates:

Heritable property	1% on cost or valuation
Motor vehicles	25% on cost
Furniture and fittings	10%-20% on cost
Office equipment	20% on cost
Computer equipment	20%-33% on cost

Deferred Taxation
In accordance with FRS 19 "Deferred tax", deferred tax is provided on timing differences that have originated but have not reversed by 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. The company as permitted by the FRS 19 "Deferred tax" has not adopted a policy of discounting deferred tax assets and liabilities.

Turnover
Legal recoveries have been included in turnover.

Operating leases
Income and costs in respect of operating leases are credited and charged respectively to the Profit and Loss account on a straight line basis over the lease term.

Finance leases
For tangible fixed assets operated under the terms of finance leases, an amount equal to the original cost of the asset is capitalised and depreciated under the above depreciation policy. Outstanding obligations due under the leases, net of finance charges, are included as liabilities. The finance element of repayments is charged to the profit and loss account evenly over the term of the lease.

Foreign Currency
Foreign currency balances are expressed in sterling at the rates of exchange ruling at the balance sheet date. All exchange differences relating to overseas payments are dealt with in the profit and loss account.

Subscriptions
Subscriptions are calculated to cover estimated expenditure for the year and if appropriate, to reduce any deficit from previous years.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Principle accounting policies (continued)

Pension costs

The Association provides pensions to some employees through a defined benefit scheme, which was closed to new members on 2 January 2003. The assets of the scheme are held independently by trustees. In accordance with FRS 17 "Retirement benefits", the service cost of pension provision relating to the period is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities and a credit equivalent to the Association's long-term expected return on assets are included in the profit and loss account under 'other financial expenses'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets and that actually achieved is included in the statement of total recognized gains and losses along with differences which arise from experience or assumption changes.

Since the defined benefit scheme has been closed to new members, the Association also operates a stakeholder pension plan. The pension costs charged to the profit and loss account for the defined contribution scheme are the contributions payable by the Association during the year.

Further information on pension arrangements is set out in note 18 to the accounts.

2 Turnover

	2013	2012
	£	£
Turnover consists of:		
Subscriptions	**6,591,772**	6,322,922
Sundry sales and other income	**95,366**	385,941
Legal recoveries	**118,513**	17,351
	6,805,651	6,726,214

3 Interest receivable

	2013	2012
	£	£
Interest from bank deposits	**12,886**	16,671
Interest from tax rebates	-	2,639
Total interest receivable	**12,886**	19,310

4 Employees

		2013	2012
		£	£
Wages and salaries		**2,148,680**	2,010,672
Social security costs		**215,336**	201,554
Other pension costs (see note 18)	- defined benefit scheme	**353,000**	301,000
	- defined contribution scheme	**133,217**	103,915
		2,850,233	2,617,141

	2013	2012
	Number	Number
The average number of people employed (full time equivalent) during the year by the Association was:	**38**	37

No remuneration was paid to any member of the Council. The members of Council are the Association's directors.

5 Surplus on ordinary activities before taxation

		2013	2012
		£	£
Surplus on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation		**122,397**	136,484
Gain on sale of fixed assets		-	(4,613)
Auditors' remuneration	- for audit services	**7,160**	6,950
	- for other services	**6,900**	1,900
Hire of other assets – operating leases		**45,000**	45,014

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Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Taxation

a)

	2013	2012
	£	£
Corporation tax:		
Current year at 20% (2012: 20%)	**133,701**	93,227
Adjustment in respect of previous periods	**149**	-
Current tax charge for the year	**133,850**	93,227
Deferred Tax		
Origination and reversal of timing differences	**1,418**	(4,838)
Adjustment in respect of previous periods	**199**	-
Total deferred tax	**1,617**	(4,838)
Tax on surplus on ordinary activities	**135,467**	88,389

b)

The difference between the tax charge on ordinary activities for the year, reported in the profit and loss account, and the current year charge which would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax, is explained as follows:

	2013	2012
	£	£
Surplus on ordinary activities before tax	**603,417**	358,063
Standard rate of corporation tax at 20% (2012: 20%)	**120,683**	71,613
Effects of:		
Expenses not deductible for tax purposes	**14,636**	16,776
Other timing differences	**(1,137)**	(1,598)
Capital allowances less than depreciation	**(481)**	6,436
Adjustment in respect of previous periods	**149**	-
Current tax charge for the year	**133,850**	93,227

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Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Tangible fixed assets

	Heritable Property	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2013	1,200,000	29,924	149,609	169,184	1,011,552	2,560,269
Additions	-	-	1,504	42,002	31,283	74,789
Disposals	-	-	-	(27,218)	(548,776)	(575,994)
At 31 December 2013	**1,200,000**	**29,924**	**151,113**	**183,968**	**494,059**	**2,059,064**
Accumulated depreciation						
At 1 January 2013	32,432	14,962	144,118	144,380	881,571	1,217,463
Charge for the year	16,217	7,481	1,988	24,328	72,383	122,397
Disposals	-	-	-	(27,218)	(548,776)	(575,994)
Revaluation	(48,649)	-	-	-	-	(48,649)
At 31 December 2013	**-**	**22,443**	**146,106**	**141,490**	**405,178**	**715,217**
Net book value						
At 31 December 2013	**1,200,000**	**7,481**	**5,007**	**42,478**	**88,881**	**1,343,847**
Net book value						
At 31 December 2012	1,167,568	14,962	5,491	24,804	129,981	1,342,806

Office equipment includes £8,258 (2012: £nil) of cost, £2,753 (2012: £nil) aggregate depreciation relating to assets held under finance lease.

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Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Tangible fixed assets (continued)

The cost or valuation figure in relation to heritable property consists of:

	£
20 & 21 Atholl Crescent	1,200,000

The Association's heritable property at 20 & 21 Atholl Crescent was valued by external valuers Ryden Property Consultants, Chartered Surveyors, as at 18 December 2013 on a market value basis in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. In the Council's opinion, this represents the property's current value to the Association.

If the Association's heritable property had been stated in accordance with the historical cost convention the aggregate amounts included in respect of cost and depreciation would have been:

	2013 £	2012 £
Cost		
At 1 January and 31 December	**421,801**	421,801
Accumulated depreciation		
At 1 January	**105,893**	101,675
Charge for the year	**4,218**	4,218
At 31 December	**110,111**	105,893
Net book value at 31 December	**311,690**	315,908

8 Debtors

	2013 £	2012 £
Trade debtors	**55**	328,801
Prepayments and accrued income	**160,059**	91,042
Deferred tax asset (see Note 16)	**23,810**	25,427
Other debtors	**46,106**	11,991
	230,030	457,261

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Notes to the financial statements for the year ended 31 December 2013 (continued)

9 Creditors – amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**116,298**	194,849
Other taxation and social security	**76,113**	64,973
Provision for post retirement benefits	**8,968**	8,689
Accruals	**340,405**	472,314
Other creditors	**30,068**	39,571
Deferred subscription income	**510,852**	536,550
Corporation tax	**20,025**	9,907
	1,102,729	1,326,853

10 Creditors – amounts falling due after more than one year

	2013	2012
	£	£
Provision for post-retirement benefits	**69,903**	78,894
Lease creditor	**3,441**	-
	73,344	78,894

11 Profit and loss account

	£
Deficit at 1 January 2013	**(1,301,214)**
Surplus for the year	**467,950**
Actuarial loss on pension scheme (see Note 18)	**(569,000)**
Corporation tax relief for pensions contributions	**113,676**
Movement on deferred taxation relating to pension scheme actuarial gain (see Note 16)	**124**
Deficit at 31 December 2013	**(1,288,464)**
Pension liability (see Note 18)	**1,575,496**
Surplus at 31 December 2013 excluding pension liability	**287,032**

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Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Revaluation Reserve

	£
At 1 January 2013	**875,656**
Revaluation of Heritable Property	**48,649**
At 31 December 2013	**924,305**

13 Reconciliation of movement in funds

	2013	2012
	£	£
Surplus for the year	**467,950**	269,674
Actuarial loss on pension scheme (see Note 18)	**(569,000)**	(1,701,000)
Corporation tax relief on contributions	**113,676**	83,320
Movement on deferred taxation relating to pension scheme (see Note 16)	**124**	257,000
Revaluation of Heritable Property	**48,649**	-
Net decrease in funds	**61,399**	(1,091,006)
Opening funds as at 1 January	**(425,558)**	665,448
Closing deficit as at 31 December	**(364,159)**	(425,558)

14 Reconciliation of operating surplus to net cash inflow from operating activities

	2013	2012
	£	£
Operating surplus	**601,531**	335,753
Difference between pension charge and cash contribution	**(579,380)**	(414,343)
Depreciation	**122,397**	136,484
Gain on disposal of fixed asset	**-**	(4,613)
Decrease/(Increase) in debtors	**225,614**	(271,443)
Decrease in creditors (including deferred income)	**(245,985)**	(82,829)
Net cash inflow/(outflow) from operating activities	**124,177**	(300,991)

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Notes to the financial statements
for the year ended 31 December 2013 (continued)

15 Reconciliation of net cash flow to movement in net funds

	31 December 2012 £	Cash Flow £	Non Cash Movement £	31 December 2013 £
Cash at bank and in hand	755,122	58,411	-	**813,533**
Finance Leases	-	2,065	(8,258)	**(6,193)**
	755,122	**60,476**	**(8,258)**	**807,340**

Non cash movements within finance leases include £8,258 relating to the inception of new finance leases on the purchase of office equipment.

16 Deferred taxation

	2013 **£**	2012 £
Accelerated capital allowances	**6,438**	6,918
Other timing differences	**17,372**	18,509
Deferred tax asset	**23,810**	25,427
Pension liability (see Note 18)	**394,124**	394,000
Total deferred tax asset	**417,934**	419,427

The deferred tax asset in relation to the pension deficit is included within the net pension liability in the balance sheet.

	2013 **£**	2012 £
Deferred tax asset		
Asset at the beginning of the year	**25,427**	20,589
Amount (debited)/credited to the profit and loss account	**(1,617)**	4,838
Asset at the end of the year	**23,810**	25,427

There are no unprovided deferred taxation assets (2012: £nil).

16 Deferred taxation (continued)

	2013	2012
	£	£
Pension deficit deferred tax asset		
Asset at the beginning of the year	**394,000**	137,000
Amount credited to statement of total recognised gains and losses	**124**	257,000
	394,124	394,000

17 Financial commitments

As at 31 December 2013 the Association had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£	£
	Land and Buildings	Land and Buildings
Expiring in less than two years	**-**	-
Expiring in two to five years	**45,000**	45,000
Expiring after five years	**-**	-

18 Pensions

Composition of the Scheme
The Association operates a funded defined benefit pension scheme in the UK providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Association, being invested in managed funds.

The defined benefit pension scheme was closed to new members on 2 January 2003. As such, the service costs as a percentage of pensionable salaries will increase as members near their retirement. New employees are now invited to participate in the Associations Defined Contribution Scheme.

The pension contribution for the year was £932,380 including a special contribution of £175,000 (2012: £714,600).

A full actuarial valuation of the scheme was carried out at 1 January 2012 using the projected unit method. The valuation was updated, for the purposes of FRS 17 "Retirement benefits", to 31 December 2013. A qualified independent actuary carried out the valuations. The major financial and demographic assumptions used by the actuary for the FRS 17 valuation were:

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Notes to the financial statements for the year ended 31 December 2013 (continued)

18 Pensions (continued)

Financial Assumptions	**31 December 2013**	31 December 2012	31 December 2011
Rate of salary increases	**5.10%**	4.40%	4.30%
Rates of increase in pensions payments	**3.70%**	3.20%	3.10%
Discount rate	**4.50%**	4.40%	4.70%
Inflation assumption	**3.60%**	2.90%	2.80%

Demographic Assumptions	**31 December 2013**	31 December 2012
Mortality	**SAPS Light YoB**	SAPS Light YoB
Cash commutation allowance	**20% of pension at retirement**	20% of pension at retirement
Withdrawal allowance	**none**	none

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 December 2013	**Value at 31 December 2013**	Long term rate of return expected at 31 December 2012	Value at 31 December 2012	Long term rate of return expected at 31 December 2011	Value at 31 December 2011
	%	**£'000**	%	£'000	%	£'000
Equities	**6.60**	**7,399**	6.00	5,226	7.20%	4,455
Bonds/Gilts	**4.40**	**6,193**	4.10	7,817	5.40%	7,113
Diversified Growth Fund	**6.60**	**3,367**	6.00	2,303	7.20%	1,936
Cash	**4.40**	**239**	4.10	107	5.40%	262
Total market value of assets		**17,198**		15,453		13,766
Present value of scheme liabilities		**(19,168)**		(17,422)		(14,451)
Deficit in the scheme		**(1,970)**		(1,969)		(685)
Related deferred tax asset		**394**		394		137
Net pension liability		**(1,576)**		(1,575)		(548)

The values of the assets as at 31 December 2013, 31 December 2012 and 31 December 2011 have been stated at bid value.

The overall expected rate of return of the Scheme assets has been based on the average expected return for each asset class, weighted by the amount of asset in each class.

18 Pensions (continued)

Change in the present value of the defined benefit liability	**2013**	2012
	£'000	£'000
Opening defined benefit liability	**17,422**	14,451
Service cost	**353**	301
Interest cost	**764**	676
Contributions by scheme participants	**28**	15
Actuarial losses	**1,085**	2,425
Benefits paid	**(484)**	(446)
Closing defined benefit liability	**19,168**	17,422

Change in the fair value of the scheme assets	**2013**	2012
	£'000	£'000
Opening fair value of the scheme assets	**15,453**	13,766
Expected return	**753**	679
Actuarial gain	**516**	724
Contributions by employers	**932**	715
Contributions by scheme participants	**28**	15
Benefits paid	**(484)**	(446)
Closing fair value of the scheme assets	**17,198**	15,453
Actual return on scheme assets	**1,269**	1,403

The employer expects to contribute £741,576 for the year starting 1 January 2014. The current arrangements as regards to contribution levels are described in the Schedule of Contributions dated 14 November 2012.

	2013	2012
	£'000	£'000
Analysis of amount charged to operating profit		
Current service cost	**(353)**	(301)
Net charge	**(353)**	(301)

	2013	2012
	£'000	£'000
Analysis of amount credited to other financial expenses		
Expected return on pension scheme assets	**753**	679
Interest on pension scheme liabilities	**(764)**	(676)
Net (deficit)/surplus	**(11)**	3

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Notes to the financial statements for the year ended 31 December 2013 (continued)

18 Pensions (continued)

	2013	2012
	£'000	£'000
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme assets	**516**	724
Experience losses arising on the scheme liabilities	**14**	(650)
Changes in actuarial assumptions underlying the scheme liabilities	**(1,099)**	(1,775)
Actuarial loss recognised in the STRGL	**(569)**	(1,701)
Net cumulative actuarial losses	**(5,958)**	(5,389)

Detail on experience losses arising on the scheme liabilities

	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
	£'000	£'000	£'000	£'000	£'000
Defined benefit liability	(19,168)	(17,422)	(14,451)	(13,107)	(11,937)
Scheme assets	17,198	15,453	13,766	12,792	10,863
Deficit	(1,970)	(1,969)	(685)	(315)	(1,074)
Difference between expected and actual return on the scheme assets:					
Amount	516	724	(298)	771	858
Percentage of scheme assets	3.0%	4.7%	2.2%	6.0%	7.9%
Experience (losses)/gains on scheme liabilities:					
Amount	14	(650)	(89)	(5)	72
Percentage of the present value of scheme liabilities	0.1%	3.7%	0.6%	0.0%	0.6%

The values of the assets as at 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 have been stated at bid value.

Defined contribution scheme
The cost of contributions to the defined contribution scheme amounts to £133,217 (2012: £103,915).

19 Related party transactions

Each of the Members who have a representative on the Council of the Association are deemed to be related parties and for the year to 31 December 2013 subscriptions received from those Members totalled £6,313,132 (2012: £6,006,385).

The Spirits Energy Efficiency Company (SEEC), which was incorporated in June 2000 and jointly controlled by the Scotch Whisky Association and the Wine and Spirits Trade Association, is a further related party. During the year £27,400 (2012: £26,800) was charged by the Scotch Whisky Association for administration and personnel services. At 31 December 2013 the balance due to The Scotch Whisky Association by SEEC was £12,007 (2012: £nil).