

Annual Report

2006/07

which



Our mission

We exist to make individuals as powerful as the organisations they have to deal with in their daily lives.

This power will come from independent advice and active support to counter the morass of misleading information and bewildering choices that people face all the time, and will lead to better products and services.

It will also come from ending unfairness in the way some markets are structured and operate.

Only by the actions of Which? can consumers feel truly confident and powerful vested interests be kept in check.

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‘We can lay claim to a whole raft of changes, which have made domestic products and cars safer.’

From the Chairman of Council

I'm delighted to be Chairman of Which? Council as we celebrate our 50th anniversary year and reflect on the positive contribution the organisation has made to people's everyday lives since 1957. We can lay claim to a whole raft of changes, whether by government or industry, which have made domestic products and cars safer, improved consumers' rights in the high street and ensured that their views are not ignored by decision-makers. Our achievements over the last 12 months are no exception.

Our kids' food campaign has continued to go from strength to strength, with action from some companies to act more responsibly in their promotions to children, and new rules from Ofcom which go some way to restrict TV advertising in this area. We've put resources into local campaigning work with our tool kit that helps parents and community groups alike to persuade companies to end their marketing of foods high in fat, sugar and salt to children.

The issue of bank charges for unauthorised overdrafts has gathered momentum over the last year and our in-depth knowledge and expertise enabled us to offer free and impartial advice to more than 400,000 consumers who have downloaded information from our website. We have also launched new campaigns, such as our work on cosmetic treatments. This gives consumers independent and robust advice before embarking on a treatment and is calling for regulation on products which have raised safety concerns.

Our campaigns have also translated into actual legislative change. It will be compulsory for estate agents to be members of an independent ombudsman scheme and we're on the brink of securing far-reaching reform of the legal services sector, which will create more competition and deliver a system that treats consumers fairly and openly.

It's not just at Westminster where we've pushed for change. We had a great victory for Scottish consumers, with the competition watchdog acting on our supercomplaint about the failings of the current legal system for consumers. Many issues on which we campaign go beyond our national boundaries and we actively work with other organisations around the world on issues such as marketing to children and drug promotion. Our standing as the largest consumer organisation in Europe was also further enhanced earlier in the year when we hosted the biannual general meeting of European consumer organisations, welcoming the new European Commissioner for Consumer Affairs, Commissioner Kuneva, to hear more about how we've delivered meaningful change for consumers over the last 50 years.

Robert Pickard
Chairman of Council 2007



‘Which? is 50 years old, but our best times lie ahead.’

From the Chief Executive

As we celebrate our 50th anniversary and look back on past achievements, our recent growth in subscribers and the level of consumer response to our campaigns tell us that we are as valuable now as we were in 1957. But to retain our position as the UK's consumer champion, we must find ever-more inventive ways to engage with customers.

People tell me that our magazines have never looked better. The extra pages we have added to all our titles mean that we can deliver more relevant and up-to-date content than ever before, and to more customers. More than one million people purchased our products and services last year and over 1.6 million people read Which? magazine every month - a real achievement at a time when many magazines are in decline.

One of our greatest challenges is to continue to provide products and services to meet consumers' changing needs. This year, we have broken new ground with the launch of Which?Local. This service allows Which? members to offer fellow customers recommendations on reliable services and shops in their own neighbourhoods. It's as simple as that. Users are giving it rave reviews and so far, more than 5,000 recommendations have been made. By the end of 2007, it will have rolled out nationwide.

On the campaigning side of our work, one area in which we hope to have a lasting influence is that of pensions reform. Following intense lobbying from Which?, the Government introduced legislation this year which aims to give ordinary consumers a better retirement in the decades to come, with a low-cost, independently-run national pension scheme. In response to consumers' wishes, we have also successfully pressed for the Government to constrain the role of the pensions industry in this scheme.

In the 12 months ahead, we plan to grow customer numbers by another seven per cent and to lay the foundations for a whole new range of products and services. We will continue to campaign in the key areas of personal finance, food and health, and add to this work in housing, water and energy supply.

Which? is a remarkable organisation, with a remarkable past. We are doing so much for consumers now and it is imperative that we do even more for you in the years to come. Which? is 50 years old, but our best times lie ahead.

Peter Vicary-Smith
Chief Executive 2007



‘Total subscription numbers across all our products and services have increased by some 18 per cent, to more than one million.’

From the Chairman of the Board

In terms of commercial performance, this year has been the most successful that I have overseen in my 10 years as Chairman of the Which? Ltd Board. Total subscription numbers across all our products and services have increased by some 18 per cent, to more than one million, and revenues are up by 10 per cent to £61m. But there are many individual stories of change and success lying behind these numbers.

I reported last year that, for the first time in five years, we had seen growth in Which? magazine subscriptions. That growth has accelerated in the last year, with subscriptions by the end of June 2007 standing at 517,000, an eight per cent increase on the previous year.

That growth demonstrates that we have continued to find success with our new marketing approach – attracting people to sample Which? by offering free advice guides on highly relevant topics. The greatest demand has been for our guides on a range of technology issues; we have been able to harness this demand to offer Computing Which? to a wider audience than ever before and we have almost doubled subscriptions.

These are significant achievements, but I am most pleased to report the launch this year of our first new magazine product since Computing Which? in 2000. The first issue of Which? Money appeared only in January, but by the end of June

we had already attracted 28,000 subscribers to this guide to family finance.

Again this year, we have achieved significant growth in subscriptions to Which? Online – up by 18 per cent. As such, we remain the UK leader in terms of sales of online consumer content – a credit to the enduring appeal of our brand and offer, and a growth that has been supported by the significant additional investment that we have continued to make over the last year in our research and testing programme. However, we recognise the intensity and pace of competition that we face in this medium and we anticipate that the year to come must be another of significant investment and improvement in our online offer, in order to maintain and improve our position.

This year, the Board also approved a national TV advertising campaign for Which?, the first in its 50-year history. As well as supporting sales, it had a positive impact on people’s awareness and understanding of the Which? brand, crucial for our continuing success.

Michael Moore
Chairman of Which? Board 2007

Which? financial statements

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Consumers' Association (CA) is a registered charity. Its research and campaigning work is funded by taxable profits from its trading subsidiary, Which? Limited, all of which are passed to CA each year. During the financial year 2006/07, the active group consisted of both CA and Which? Limited.

CA's finances

We are continually investing in developing existing products to meet our members' needs. We also seek to maintain and, where possible, expand our mission activities of campaigning and informing on consumer issues. CA also aims to generate a modest annual increase in funds, in order to maintain its reserves at a level that Council considers adequate to insure against future detrimental events.

All these objectives were met during the year. The consolidated group achieved a net movement in funds of £7.4m, (£8.6m in the previous year). Total incoming resources of continuing operations for the group were £5.8m higher than the previous year. This was achieved through continued strong growth in membership across Which?, Which? Online and Computing Which?. The success of the new marketing initiatives, especially around joint offers across the products, was a major factor in delivering the growth. This approach has proved to be a very successful replacement for the former prize draw strategy.

The launch of a new title, Which? Money, during the year, was another contributory factor towards the increase in incoming resources. Continued growth in this and other new products currently in development, are expected to be key factors in maintaining future growth. Significant investment in new product development and in online infrastructure is planned for 2007-08, to build on the positive momentum gained in recent years.

CA's financial statements

Our financial statements are made up of:

- A statement of financial activities (SOFA), specifically for charities, which shows the resources available for charitable activities and how these resources have been used during the year (Page 14);
- Balance sheets for the group and the charity, CA, showing what we own, what we owe and the level of our reserves (Page 15); and
- A cash flow statement, showing how we received and spent money in the year (Page 16).

These principal statements are supplemented by extensive notes, providing more details on the important items.

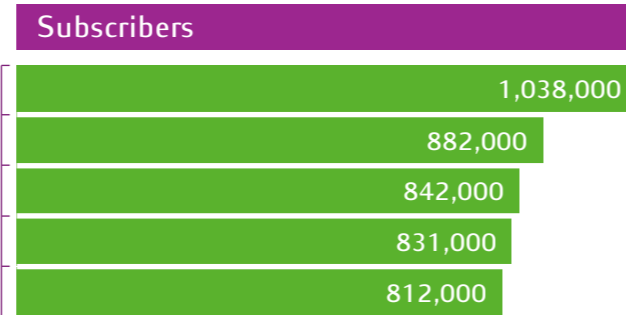
Income and membership

Group incoming resources of £62.6m reflect an increase of £5.8m (10%) on last year. Computing Which? again delivered the strongest growth, with a tremendous 92% year-on-year increase in membership. The previous year's membership growth on Which? continued in 2006-07, with a further 8% additional subscribers being recruited. Which? Online also maintained its upward trend, with a further 18% uplift in subscribers.

Which? Money grew rapidly from its February 2007 launch to achieve an extremely commendable 28,000 subscriber base by the year end. Holiday Which? delivered a small 2% drop in membership whilst Gardening Which? unfortunately lost 11% of members in what is currently a very difficult marketplace. Which? Legal Service achieved a very healthy 21% increase in full paying membership while Switch with Which? delivered increased revenues in spite of very tough competition. Which? Books maintained its steady improvement, with a 19% increase in revenue resulting in a break even contribution.

Looking forward, it is hoped that continued growth can be achieved, especially in Which? Online, Computing Which? and Which? Legal Service. However, maintaining the current rate of growth will be difficult given expected diminishing returns from current marketing techniques, combined with the challenge of finding new ways in which we can connect with and attract new customers. It is expected that the development of new revenue streams will be increasingly important in order to maintain our growth.

The responsibility for managing our investment portfolio continues to rest with Rensburg Sheppards plc. During the year, the portfolio produced income of £0.6m, with realised and unrealised gains of £0.7m and £2.1m respectively.



The 2003 and 2004 figures exclude Health Which?, closed in June 2004

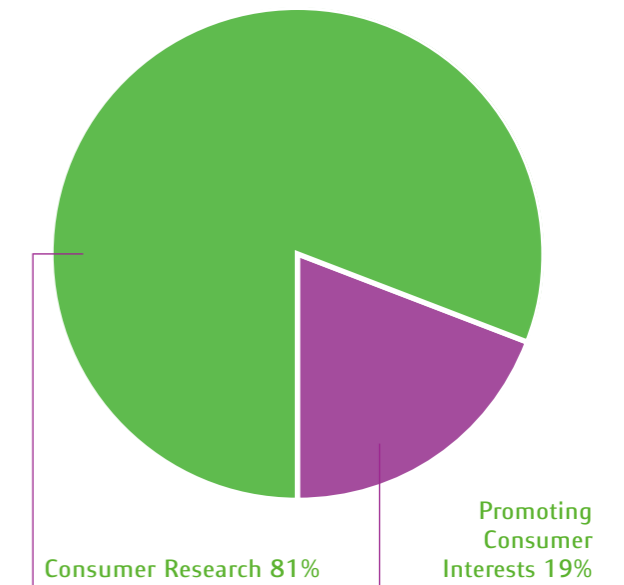
Expenditure

Total resources expended of £60.5m were £4.2m (7%) higher than last year. A considerable amount of this is associated with higher direct costs associated with increased subscriptions outlined previously. There has also been a substantial uplift in the amount of research produced for the magazines and online product, which elevated editorial costs. Promotion costs have also increased, reflecting both direct product marketing to drive subscriptions, and an expansion in the promotion of the overall Which? brand.

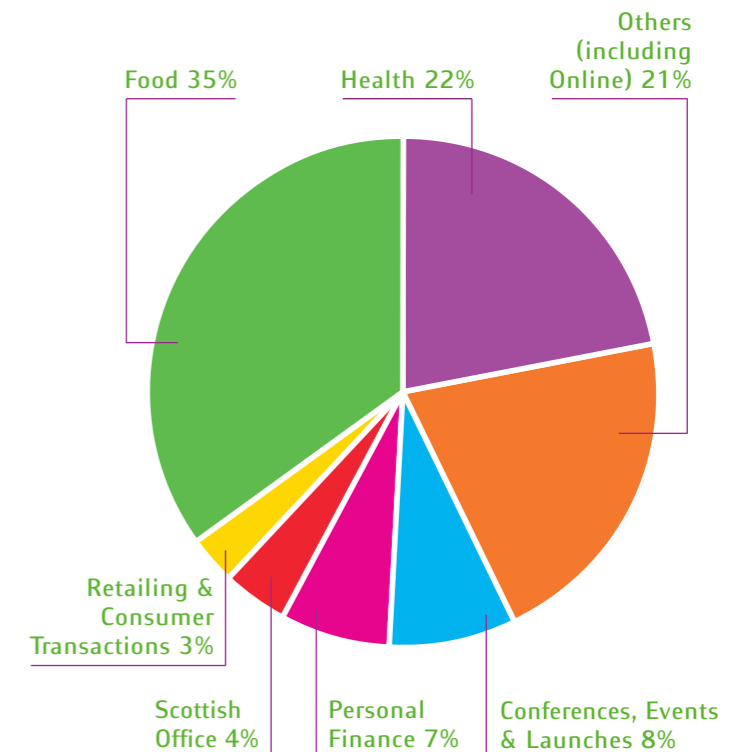
The 'How the charity spends its money' chart analyses consumer research and promoting consumer interests as shown in note 2 of the accounts. This shows that 81% of the expenditure of the charity is on research for our magazines and website. The remaining expenditure is on promoting consumer interests through our own campaigning and media activities and our support for other consumer organisations.

The 'spending on campaigning' chart shows the main campaigning areas for CA. As in previous years, the size of spend does not necessarily reflect its relative importance to CA. In addition to this explicit campaigning spend, all our publications play an important role in promoting CA campaigns for consumers.

How the charity spends its money



Spend on campaigning



Pension scheme

CA operates a hybrid pension scheme and a defined contribution scheme. The hybrid scheme combines the features of defined benefit (final salary) and defined contribution schemes. The most recent actuarial revaluation of the fund at 31 March 2006 confirmed a continuing deficit of £7.5m. During the year a top-up payment of £4.9m was made to the fund by CA. This, combined with a recovery in market performance, resulted in a £1.1m asset being created. With uncertainty around future market returns, which could influence values of assets and liabilities, the asset has not been recognised in the balance sheet.

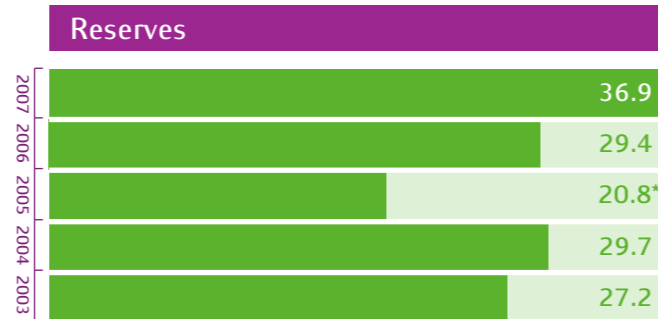
It should be noted that future financial exposure is limited in that since March 2004, the scheme has been closed to new members. Instead, employees have only been permitted to join the separate defined contribution scheme.

Group balance sheet and reserves

The balance sheet on page 15 illustrates the financial position of the group at 30 June 2007. The major changes in the year revolve around the £3.4m increase in investments, plus the £7.5m reduction in the pension deficit as noted above. The £4.9m top-up payment to the scheme more than offset the underlying positive cash flow, leading to amounts on deposit falling from £8.4m to £5.7m.

Our head office on 2 Marylebone Road, London NW1 is held on a long lease from the Crown Estate. The head office and our other principal property at Hertford have a combined book value of £13.6m included on our balance sheet at 30 June 2007.

Our net incoming resources for the year, together with the increase in the value of investments and the reduction of the pension deficit, results in an increase in reserves of £7.4m.



*After restating reserves due to compliance with FRS17-Retirement benefits where any pension deficit is included in reserves (£13.6M) before restatement, reserves were £34.4M

Council of Management is pleased to present its report together with the financial statements of the charity for the year ended 30 June 2007. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 and the Charities Act 1993.

Status of the Association

Consumers' Association (CA) is a private company limited by guarantee. It is registered in England (No 580128), and its registered office is at 2 Marylebone Road, London NW1 4DF. It is also a registered charity (No 296072). CA's governing document is its Memorandum and Articles of Association.

Organisation

The governing body of CA is Council of Management ('Council'), the members of which are also its company directors and charity trustees.

It has 12 members elected from the Ordinary Members of CA by a choice of postal, telephone or internet ballot of Ordinary members, together with up to six members co-opted by Council.

A Chief Executive is appointed by Council of Management to manage the day-to-day operations of the charity.

CA's principal trading subsidiary, Which? Limited, is governed by its own board, which is made up of Council members, senior employees and independent non-executive directors.

Council of Management has prepared a corporate strategy that consists of a three-year strategic plan. The plan includes a detailed review of activities and sets out the major opportunities available and the risks to which CA is exposed. Council of Management constantly reviews these risks, and monitors progress against the strategic objectives set out in the plan.

A further mechanism through which Council of Management mitigates risk is the establishment of a Joint Audit Committee, made up of three members, all of whom are CA Council members, with one also a non-executive director of Which? Limited. The duties of the Joint Audit Committee are to consider the appointment, fee, scope and results of audits with internal and external auditors. This includes responsibility for reviewing the financial statements. The Committee is also responsible for reviewing the effectiveness of internal control systems and ensuring systems are in place to achieve economy, efficiency and effectiveness and that they mitigate the risks identified. In addition, it ensures the Information Security Policy meets the organisation's requirements.

The Committee met three times during the year, and continued to be satisfied that the reports to it identified no significant concerns about CA internal controls.

Charitable objects

The overall aim of the organisation remains true to our origins: to make individuals as powerful as the organisations they have to deal with in their daily lives.

We believe that this power will come from independent advice and active support to counter the morass of misleading information and bewildering choices that people face all the time, and will lead to better products

and services. It will also come from ending unfairness in the way some markets are structured and operate.

Over the past year, we have achieved our charitable objectives with several campaigning successes. With the introduction of the legal services reform bill, there will be an independent scheme for complaints about solicitors and the legal profession.

On bank charges, we wanted to eliminate punitive charges for unauthorised overdrafts and have ensured that the OFT will conduct a thorough investigation into bank charging. The Which? website has received more than 400,000 downloads of the template letter helping customers reclaim charges.

On kids' food, successes include Ofcom proposing to restrict the advertising of unhealthy food during TV programmes that appeal to under 16 year-olds and also agreeing to use the FSA's nutrient profile model to determine which foods will be restricted.

Next year, we will continue to focus our efforts in the three headline areas of Food, Health and Personal Finance. We will continue popular campaigning in the areas of kids' food and bank charges, while looking at cross-cutting reforms of the banking code and the Financial Services Authority.

A desire to raise our profile in the health area will see a continuation in the recently launched campaign on cosmetic surgery and towards the end of this year we will launch a high-profile campaign on patients' experiences in hospitals.

To this, we will add work in new areas of housing, water and energy supply.

Investment policy

CA's Memorandum of Association gives Council broad powers to invest its surplus funds. An order from the Charity Commissioners under section 26 of the Charities Act 1993 allows Council to delegate the management of its investment portfolio.

In 1997, Council took the decision to invest £10m with discretionary fund managers, with a view to improving the medium-and long-term returns obtained without exposing the group to undue risk. The portfolio is managed by Rensburg Sheppards plc.

Council established, in February 2004, an Investment Committee, with responsibility for setting investment policy and monitoring the performance of the investment managers. This Committee has established a mandate for the current investment managers, giving broad allocation of investment products within which they have discretion to act and setting performance criteria against which their performance is being measured. The principal benchmark against which the investment managers' performance is monitored is a composite index based on all the FT All Share, FT World and FT All Stocks indices. The Investment Committee is made up of three members, of which two are CA Council members and one is a non-executive director of Which? Limited. The Investment Committee currently meets quarterly, primarily to receive a presentation by the investment managers addressing fund performance during the previous quarter, and reports to CA Council on each occasion.

Between 30 June 2006 and 30 June 2007 the fund grew from £21.1m to £24.5m, an increase of 16%. During this period the benchmark index grew by 8%.

The remainder of CA's surplus funds is held on deposit with leading banks and financial institutions.

Reserves policy

CA's reserves policy is designed to incorporate best practice for charities, and to balance the needs of current and future beneficiaries. The policy is that our reserves should provide sufficient cover to enable CA to continue its operations if a major adverse financial event occurs, and to take account of any strategic opportunities.

Council estimates this requires CA to have £14.0m of free reserves, (before pensions assets or liabilities), some 13 weeks of the charity's expenditure. Of the total group funds of £36.9m at 30 June 2007, £13.9m is represented by fixed assets required for our operations and £2.5m is required for working capital. This leaves £20.5m of free reserves which is higher than the free reserves target established by Council. It is intended to invest some of the excess free reserves in the year to 30 June 2008 in new product development and online infrastructure, to build on the positive momentum gained in recent years.

CA's trading subsidiary, Which? Limited, shows net assets at 30 June 2007 of £1.2m.

Statement of responsibilities of Council of Management

Council is required by UK Company Law to prepare financial statements for each financial year. The statements must give a true and fair view of the state of affairs of CA and the group as at the end of the financial year and of the surplus or deficit for that period.

Council confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the financial statements for the year ended 30 June 2007. Council also confirms that applicable accounting standards have been followed, that it is appropriate for the financial statements to be prepared on the going concern basis and that the accounting requirements of the Memorandum and Articles have been met.

Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of CA and enable it to ensure that the financial statements comply with the Companies Act 1985. It is also responsible for safeguarding the assets of CA and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payments to members of Council

Members of Council do not receive any payment for their services, as required by the Memorandum of Association. They are reimbursed for travel and accommodation expenses incurred when attending Council meetings and other official events. Claims were made by 11 (2006: 11) members during the year, totalling £24,000 (2006: £16,000). Insurance purchased by CA during the year to protect Council members against liabilities arising from their office cost £2,100 (2006: £2,100).

Employee relations

CA is committed to ensuring that its Equal Opportunities Policy is practised at all stages from recruitment and selection, through to training and development, performance management, promotion and retirement. Everyone receives equal treatment irrespective of their ethnic or national origin, colour, sex, age, religion, sexual orientation, marital status or physical ability, and all employment decisions are objective and free from any bias.

CA recognises a Staff Association and Joint Union for

the purposes of collective bargaining and consultation. Staff representatives may attend Council meetings and are involved with management on the development of employment policies, and in change initiatives to bring about organisational improvements. Council discussion papers and minutes of Council meetings are made available to staff. We are committed to a range of internal communications activities to keep staff informed and involved in the work and performance of the organisation. These initiatives are regularly reviewed to ensure they continue to meet our communication needs.

Bankers and professional advisors

CA's principal bankers are:
Barclays Bank plc, Lea Valley Group,
North London Corporate Banking Centre,
Trinity Way,
Chingford,
London E4 8UT.

CA's independent auditors and tax advisors are:
Deloitte & Touche LLP,
180 Strand,
London WC2R 1BL.

CA's investment managers are:
Rensburg Sheppards Investment Management Ltd
Quayside House,
Canal Wharf,
Leeds LS11 5PU.

In addition to our own legal affairs department, CA uses a number of leading firms of solicitors for specialist legal advice.

Other information

The following information is contained elsewhere in the annual report:

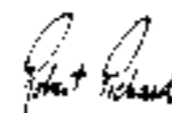
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Membership of the Which? Limited Board	Page 26
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Significant relationships, including political and charitable donations	Page 22
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Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the directors at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Annual Report was approved by the Council of Management on 20 September 2007.



Robert Pickard
Chairman

We have audited the group and individual company financial statements (the "financial statements") of Consumers' Association for the year ended 30 June 2007 which comprise the consolidated statement of financial activities, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 Council of Management and auditors

As described in the statement of responsibilities of Council of Management, members of Council of Management, who are also the directors of the charity for the purposes of company law, are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Council of Management report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding member of Council's remuneration and other transactions is not disclosed. We read the Council of Management report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council of Management in the preparation of the financial statements and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain

all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and the individual charitable company's affairs as at 30 June 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the Council of Management report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

20 September 2007

Notes

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated statement of financial activities

(incorporating a Consolidated Income and Expenditure Account)

FOR THE YEAR ENDED 30 JUNE 2007

	The Charity - Consumers' Association	The Trading Subsidiary - Which? Ltd	Transactions between the companies	Group total 2006-07	Group total 2005-06
Note	£'000	£'000	£'000	£'000	£'000
Incoming resources					
Incoming resources from generated funds:					
Activities for generating funds	-	60,926	-	60,926	55,517
Investment income	567	476	-	1,043	1,058
Other incoming resources	227	308	-	535	140
Incoming resources from charitable activities:					
Research income	11,599	-	(11,480)	119	61
Total incoming resources	12,393	61,710	(11,480)	62,623	56,776
Resources expended					
Cost of generating funds:					
Fundraising trading	-	(54,394)	11,480	(42,914)	(39,528)
Interest payable and similar charges	2,6	(178)	-	(178)	(393)
Investment management costs	2	(74)	-	(74)	(69)
	(252)	(54,394)	11,480	(43,166)	(39,990)
Charitable activities:					
Consumer research	2	(13,823)	-	(13,823)	(13,104)
Promoting consumer interests	2	(3,292)	-	(3,292)	(2,995)
Governance costs	2	(260)	-	(260)	(259)
	(17,375)	-	-	(17,375)	(16,358)
Total resources expended	2	(17,627)	11,480	(60,541)	(56,348)
Net trading income transferred to CA available for charitable activities					
	8,464	(8,464)	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses					
	3,230	(1,148)	-	2,082	428
Other recognised gains and losses					
Gains on investment assets	10			2,831	2,695
Actuarial gains on defined benefit pension scheme	20			2,500	5,500
Net movement in funds				7,413	8,623
Reconciliation of funds					
Total funds brought forward at 1 July				29,445	20,822
Total funds carried forward at 30 June				36,858	29,445

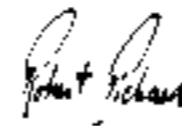
The figures above relate entirely to continuing operations.
Note: All funds of the charity are unrestricted.

Balance sheet

AS AT 30 JUNE 2007

	Note	Group 2007 £'000	Group 2006 £'000	Consumers' Association 2007 £'000	Consumers' Association 2006 £'000
Fixed assets					
Tangible assets	9	16,301	18,681	14,836	15,614
Investments	10	24,512	21,122	24,512	21,122
Investments in subsidiaries and associated undertakings	11	25	25	5,025	5,025
		40,838	39,828	44,373	41,761
Current assets					
Stocks	13	232	136	-	-
Debtors	14	3,123	3,298	2,030	3,706
Cash at bank and in hand		5,727	8,410	188	89
		9,082	11,844	2,218	3,795
Creditors: amounts falling due within one year					
Creditors	15	(7,117)	(8,027)	(3,516)	(3,137)
Subscriptions received in advance		(3,522)	(3,872)	-	-
		(10,639)	(11,899)	(3,516)	(3,137)
Net current (liabilities)/assets		(1,557)	(55)	(1,298)	658
Total assets less current liabilities		39,281	39,773	43,075	42,419
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	16	(2,423)	(2,828)	(2,423)	(2,828)
	17	-	-	-	-
Net assets excluding pension liability		36,858	36,945	40,652	39,591
Defined benefit pension scheme liability	20	-	(7,500)	-	(7,500)
Net assets including pension liability		36,858	29,445	40,652	32,091
Unrestricted charity funds					
Revaluation reserve - unrealised investment gains	19	34,588	36,445	34,588	36,445
Accumulated deficit of trading subsidiaries	19	6,064	3,946	6,064	3,946
Pension reserves	19	(3,794)	(2,646)	-	-
	19	-	(8,300)	-	(8,300)
Total funds	19	36,858	29,445	40,652	32,091

The accounts on pages 14 to 25 were approved by the Council of Management on 20 September 2007 and are signed on its behalf by:



Robert Pickard
Chairman

	2006-07		2005-06		
	£'000	£'000	£'000	£'000	
Reconciliation of net incoming resources to net cash inflow from continuing operating activities					
Net incoming resources from continuing activities		2,082		428	
		2,082		428	
Depreciation and amortisation charges	1,709		1,293		
Impairment charges	1,054		655		
Loss on disposal of fixed assets	91		30		
(Increase)/Decrease in stocks	(96)		63		
Decrease/(Increase) in debtors	175		(136)		
Decrease in creditors	(910)		(838)		
Decrease in provision for liabilities and charges	-		(419)		
Decrease in subscriptions in advance	(350)		(318)		
Adjustment for pension funding*	(5,000)		(100)		
Interest received	(484)		(525)		
Interest paid and similar charges	178		393		
Income from fixed asset investments	(559)		(532)		
		(4,192)		(434)	
Net cash outflow from continuing operating activities		(2,110)		(6)	
Consolidated cash flow statement					
Net cash outflow from operating activities		(2,110)		(6)	
Returns on investments and servicing of finance:					
Interest received	484		525		
Interest paid and similar charges	(178)		(193)		
Income from fixed asset investments	559		532		
		865		864	
Capital expenditure and financial investment:					
Purchase of tangible fixed assets	(504)		(3,216)		
Sale of tangible fixed assets	30		3		
Purchase of fixed asset investments	(4,030)		(2,967)		
Sale of fixed asset investments	3,017		2,463		
Decrease/(Increase) in deposits awaiting investment	454		(28)		
		(1,033)		(3,745)	
Cash outflow before use of liquid resources and financing		(2,278)		(2,887)	
Management of liquid resources:					
Sale of short term money market deposits		-		6,500	
Financing:					
Loan repayment		(405)		(405)	
(Decrease)/Increase in cash		(2,683)		3,208	
Analysis of changes in net funds					
	2007	Change in year 2006-07	2006	Change in year 2005-06	2005
	£'000	Cash Flows £'000	£'000	Cash Flows £'000	£'000
Cash at bank and in hand	5,727	(2,683)	8,410	3,208	5,202
Current asset investments: short term deposits	-	-	-	(6,500)	6,500
Loan due within 1 year	(405)	-	(405)	-	(405)
Loan due after 1 year	(2,423)	405	(2,828)	405	(3,233)
Total	2,899	(2,278)	5,177	(2,887)	8,064

*The adjustment for pension funding reflects the additional one-off contribution of £4.9m, made on 31 March 2007, per note 20.

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. They also conform to the recommendations contained in the Statement of Recommended Practice: Accounting and Reporting by Charities issued by the Charity Commission published in March 2005 (SORP 2005). A summary of the principal accounting policies, which have been applied consistently in the current and prior years, is set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments.

Basis of consolidation

The group accounts consolidate the accounts of all the material group companies for the 12 months to 30 June 2007, the Statement of Financial Activities and Balance Sheet being consolidated on a line by line basis. Transactions between group companies are eliminated on consolidation in the SOFA.

Incoming resources

Incoming resources represent the sales value of goods and services supplied excluding Value Added Tax and sales between group companies. The directors are of the opinion that substantially all of the company's incoming resources originate in the United Kingdom and from the same class of business.

All incoming resources, including research income, are recognised on the accruals basis of accounting, except for grants receivable which are recorded in accordance with SORP 2005. Deferred incoming resources are accounted for using the accruals basis. Revenues are recognised for subscriptions on periodic despatch of subscribed product or rateably over the period of the subscription where performance is not measurable by despatch.

Resources expended

All expenditure on research, other than that relating to books, is written off in the year in which it is incurred. The cost of research on books is included in finished goods for completed books not yet sold, and in work in progress for those books which have not yet been completed.

Wherever possible, expenditure by the charity is attributed specifically to the purpose for which it is incurred. Costs of generating funds, charitable activities and governance costs comprise direct costs, including attributable staff costs and an appropriate apportionment of support costs. Support costs, which include shared costs such as finance, in-house legal, information technology and human resources are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds to ensure the indirect costs of products are recovered.

The basis for the allocation of shared support costs are as follows:

- Management, Finance & Legal, Human Resources and Direct Support costs - number of staff
- Information Technology - number of staff and number of research and publishing staff.

Tangible fixed assets

All tangible fixed assets are held at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated on fixed assets in order to write off their cost less residual value in equal instalments over their estimated useful lives. Assets are deemed to be capital if the costs exceed £5,000 for computer equipment and £1,000 for all other assets. Assets are assumed to have a residual value of nil, except for motor vehicles, which are expected to have a residual value of 20 per cent of their cost. Where appropriate, time spent by staff in the Information Technology department on capital projects is capitalised and depreciated in accordance with the useful economic life of computer hardware and software as shown below.

Asset lives are estimated as follows:

- Freehold land: not depreciated
- Freehold buildings: 50 years
- Refurbishment of freehold buildings: 25 years
- Long-term leasehold premises - (2 Marylebone Road): 125 years
- Computer hardware and software: 2-5 years
- Motor vehicles: 2-4 years
- All other assets: 5-10 years

Investments

Investments held as fixed assets are revalued to market value as at the balance sheet date.

Any surplus arising on revaluation is taken to the revaluation reserve. Any temporary deficits arising on revaluation are also transferred to the revaluation reserve. Any deficit on revaluation which is considered to be permanent is charged to the SOFA to the extent that it does not relate to an existing surplus that arose on a previous revaluation of the same investment.

Stocks

Stocks are valued at the lower of cost and net realisable value after deduction of all relevant selling and other expenses.

Work in progress

Work in progress is valued at cost, and comprises the cost of research, direct salaries and appropriate related production overheads.

Pension costs

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs have been recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the 'Other recognised gains and losses'.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on

an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate or return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For the defined contribution schemes the amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the total of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The group operates a pension scheme with two sections – a hybrid scheme that combines the features of a defined benefit and defined contribution scheme and provides benefit based on the higher of a final salary pension and a money purchase pension and a defined contribution only section. The hybrid scheme was closed to new entrants on 1 April 2004.

Operating leases

The cost of operating leases is charged to the SOFA in equal instalments over the period of the lease.

2 Total resources expended

	Direct costs £'000	Support costs £'000	2006-07 £'000	Restated 2005-06 £'000
Cost of generating funds:				
Cost of sales	(26,886)	-	(26,886)	(23,151)*
Distribution costs	(5,069)	(1,744)	(6,813)	(6,857)
Other trading expenditure	(3,209)	(6,006)	(9,215)	(9,520)*
Interest payable	(178)	-	(178)	(393)
Investment management costs	-	(74)	(74)	(69)
	(35,342)	(7,824)	(43,166)	(39,990)
Charitable activities:				
Consumer research	(8,815)	(5,008)	(13,823)	(13,104)
Promoting consumer interests	(2,372)	(920)	(3,292)	(2,995)
	(11,187)	(5,928)	(17,115)	(16,099)
Governance	-	(260)	(260)	(259)
Total resources expended	(46,529)	(14,012)	(60,541)	(56,348)
Governance costs include the following:			£'000	£'000
External audit			(58)	(66)
Trustees' expenses			(24)	(16)
Trustees' indemnity insurance			(2)	(2)

*The comparative balances incorporate a reclassification of costs from administrative expenses to cost of sales. Management believe that this treatment gives a fairer view of performance, and is consistent with the treatment in the current period.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the SOFA.

Irrecoverable VAT

Any irrecoverable VAT is charged to the SOFA, or capitalised as part of the cost of the related asset where appropriate.

Deferred taxation

Deferred taxation in the subsidiary is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of incoming resources and resources expended in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

3 Support costs

	Management £'000	Finance & Legal £'000	Information Technology £'000	Human Resources £'000	Direct support costs £'000	2006-07 Total £'000	2005-06 Total £'000
Cost of generating funds:							
Distribution costs	-	(372)	(959)	(129)	(284)	(1,744)	(1,775)
Other trading expenditure	(639)	(296)	(2,684)	(880)	(1,507)	(6,006)	(4,902)
Investment management costs	-	-	-	-	(74)	(74)	(69)
	(639)	(668)	(3,643)	(1,009)	(1,865)	(7,824)	(6,746)
Charitable activities:							
Consumer research	(482)	(503)	(1,591)	(1,291)	(1,141)	(5,008)	(4,713)
Promoting consumer interests	(93)	(97)	(278)	(250)	(202)	(920)	(857)
	(575)	(600)	(1,869)	(1,541)	(1,343)	(5,928)	(5,570)
Governance	(160)	(98)	-	-	(2)	(260)	(79)
Total resources expended	(1,374)	(1,366)	(5,512)	(2,550)	(3,210)	(14,012)	(12,395)

4 Results from trading activities of subsidiaries

	2006-07 £'000	Restated 2005-06 £'000
Income and Expenditure Account		
Turnover	60,926	55,517
Cost of sales	(38,366)	(34,103)*
Gross profit	22,560	21,414
Distribution costs	(6,813)	(6,857)
Administrative expenses	(9,215)	(9,521)*
Other operating income	308	120
Operating profit	6,840	5,156
Interest receivable	476	518
Net movement for the year	7,316	5,674
Gift aid to Consumers' Association	(8,464)	(5,585)
Retained (loss)/profit for the year	(1,148)	89
Deficit brought forward	(2,646)	(2,735)
Deficit carried forward	(3,794)	(2,646)
Balance Sheet		
Total assets	8,426	13,040
Total liabilities	(7,220)	(10,686)

Which? Limited provides education, information and advice to the benefit of consumers through the Which? subscription and other media.

*Per footnote in Note 2 on page 18

5 Net movement in funds

	2006-07 £'000	2005-06 £'000
Net movement in funds is stated after charging:		
Depreciation of tangible fixed assets	1,709	1,293
Impairment of tangible fixed assets	1,054	655
Loss on disposal of fixed assets	91	30
Emoluments of the Council of Management	-	-
Expenses of the Council of Management (detailed in the Council of Management Report)	24	16
Cost of liability insurance for Council of Management	2	2
Payment under operating leases:		
Property Rentals	108	100
Other	76	58
Remuneration of auditors:		
For Audit of CA	29	33
For Audit of other group companies	29	33
For other services	10	36

6 Interest payable and other similar charges

Interest on mortgage - repayable in instalments over more than five years	178	193
Interest on pension scheme liabilities	-	200
Total interest payable and other similar charges	178	393

7 Employees

	2006-07 Number of employees	2005-06 Number of employees
Consumer research	103	118
Promoting consumer interests	36	34
Support activities	37	37
Trading activities	240	248
Total	416	437

The numbers of employees of the group who received emoluments in excess of £60,000 in the year ended 30 June 2007 were:

£60,001-£70,000	5	6
£70,001-£80,000	3	11
£80,001-£90,000	4	2
£90,001-£100,000	1	2
£100,001-£110,000	2	-
£110,001-£120,000	-	2
£140,001-£150,000	2	1
£180,001-£190,000	1	-
	£'000	£'000

Contributions in the year for the money purchase element of the pension scheme for the above higher paid employees were:	95	87
	Number of employees	Number of employees

Of the above higher paid employees, the following number of staff have retirement benefits accruing under the company pension scheme (see note 20):	18	23
	£'000	£'000
Employee costs during the year amounted to:		
Salaries and wages	13,521	14,174
Social security	1,420	1,486
Pension costs	1,209	1,584
Benefits in kind	121	85
Less: capitalised staff time	-	(579)
Total	16,271	16,750

8 Taxation

The Association is a registered charity, and is therefore exempt from the liability to taxation on its current activities which fall within the scope of section 505 (1) of the Income and Corporation Taxes Act 1988. No taxation, either current or deferred, arose in respect of any subsidiary company of the Association.

9 Tangible assets

Tangible fixed assets of the Group	Freehold land and buildings £'000	Long-term leasehold premises £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2006	4,378	13,900	12,047	288	30,613
Additions	159	-	327	18	504
	4,537	13,900	12,374	306	31,117
Disposals	-	-	(722)	(86)	(808)
At 30 June 2007	4,537	13,900	11,652	220	30,309
Depreciation					
At 1 July 2006	648	3,947	7,169	168	11,932
Depreciation charged	131	98	1,446	34	1,709
Impairment	-	-	1,054	-	1,054
	779	4,045	9,669	202	14,695
Disposals	-	-	(633)	(54)	(687)
At 30 June 2007	779	4,045	9,036	148	14,008
Net book value					
At 30 June 2006	3,730	9,953	4,878	120	18,681
At 30 June 2007	3,758	9,855	2,616	72	16,301

9 Tangible assets (continued)

Tangible fixed assets of Consumers' Association	Freehold land and buildings £'000	Long-term leasehold premises £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2006	4,378	13,900	5,758	207	24,243
Additions	159	-	85	18	262
	4,537	13,900	5,843	225	24,505
Disposals	-	-	(565)	(86)	(651)
At 30 June 2007	4,537	13,900	5,278	139	23,854
Depreciation					
At 1 July 2006	648	3,947	3,924	110	8,629
Depreciation charged	131	98	430	28	687
Impairment	-	-	291	-	291
	779	4,045	4,645	138	9,607
Disposals	-	-	(535)	(54)	(589)
At 30 June 2007	779	4,045	4,110	84	9,018
Net book value					
At 30 June 2006	3,730	9,953	1,834	97	15,614
At 30 June 2007	3,758	9,855	1,168	55	14,836

'Fixtures, fittings and equipment' includes computer hardware and software.

'Freehold land and buildings' include land with a cost of £1,550,000 (2005: £1,550,000).

The properties of Consumers' Association, together with associated fixtures and fittings and equipment are used both by staff employed by the charity and by its trading subsidiary. An appropriate proportion of the operating costs is shared by each

company, but it is not considered practicable to divide the value of the assets between those used by the charity for its own purposes and those used for trading.

'Freehold land and buildings' represents Consumers' Association's properties at Gascayne Way, Hertford.

'Long-term leasehold premises' represents Consumers' Association's property at Marylebone Road, London.

10 Fixed asset investments of the group and Consumers' Association

	Deposits awaiting investment £'000	Market value of authorised UK unit trusts £'000	Total £'000
Balance at 1 July 2006	1,386	19,736	21,122
Income from investments	559	-	559
Purchases during the year	(4,030)	4,030	-
Sales during the year	3,017	(3,017)	-
Unrealised gains on investments	-	2,118	2,118
Realised gains on investments	-	713	713
Balance at 30 June 2007	932	23,580	24,512
Historical cost			
At 30 June 2006		17,310	
At 30 June 2007		18,590	

Fixed asset investments consist of direct holdings in fixed interest bonds and loans, UK and international equities and cash. The portfolio is managed by Rensburg Sheppard's plc. No single investment in a security exceeded 5% of the total value of the portfolio.

11 Investments in subsidiary and associated undertakings

	Group		Consumers' Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Shares in subsidiary and associated companies at cost				
At 30 June	25	25	5,025	5,025

The Council considers that the market value of the subsidiary and associated undertakings is not less than their carrying value. At 30 June 2007, the subsidiaries and associated undertakings of the Association, all of which are registered in England and Wales, were as follows:

Company	Holding	Proportion held	Nature of business
Which? Limited	Ordinary Shares	100%	Publishing
The Good Food Club Limited	Ordinary Shares	100%	Dormant
International Consumer Research and Testing Limited	'A' Ordinary Shares	20%	Consumer research on international basis

In addition, the subsidiary and associated companies of Which? Limited were as follows:

		2007	2006	
Trading Standards Services Limited	Ordinary Shares	100%	100%	Dormant

International Consumer Research and Testing Limited has not been accounted for under the equity accounting method as the effect on the group accounts is not considered material.

12 Relationships

Political and charitable contributions and related party transactions

No political contributions were made during the year (2005-06: £nil). Total charitable donations were £60,000 (2005-06: £60,000).

Research Institute for Consumer Affairs (RICA)

The group made a donation of £50,000 during the year to the registered charity, Research Institute for Consumers Affairs (2005-06: £50,000), as a general grant to cover operating expenses. Although RICA is an independent charity it shares three common trustees with Consumers' Association. In addition, the level of funds it received from the group represents a significant proportion of its own income.

International Consumer Research and Testing Ltd (ICRT)

During the year, Consumers' Association paid £56,319 (2005-06: £56,969) membership fees to ICRT. In addition, a further £850,479 (2005-06: £449,661) was paid in respect of commission for work secured through the offices of ICRT. The amount payable to ICRT at 30 June 2007 was £247,431 (2005-06: £146,191). During the year, the group paid some of ICRT's operational costs, for which it is fully reimbursed.

Consumers' International (CI)

Throughout the year, Consumers' Association was a member of CI, the international federation of consumer organisations. Consumers' Association contributes a significant proportion of CI's non-grant income and a senior CA manager serves on the governing council of CI. During the year Consumers' Association paid £259,434 (2005-06: £324,391) in membership fees. It also provided various minor immaterial administrative services

without charge. In addition, Consumers' Association paid some of CI's operational costs, for which it is fully reimbursed.

Bureau Europeen des Unions de Consommateurs (BEUC)

Throughout the year, Consumers' Association was a member of BEUC, the pan-European federation of consumer organisations. Consumers' Association contributes a significant proportion of BEUC's non-grant income. During the year, Consumers' Association paid £230,742 (2005-06: £240,672) in membership fees. No balance was outstanding at the year end.

The Accrediting Bureau for Fundraising Organisations (ABFO)

The above company is chaired by a Consumers' Association Council member and another Council member is a director of this company. During the year, the group paid £nil (2005-06: £1,104) in membership fees. No balance was outstanding at year end.

Council Members

There were no transactions with Council members, their close families or parties with whom Council members are related, other than those disclosed for RICA.

Sheila McKechnie Foundation (SMF)

During the year, the group paid £10,000 (2005-06: £10,000) donation to the registered charity, the Sheila McKechnie Foundation. The group also provided donated facilities and services in the form of fully serviced office space and other support services with a market value of approximately £18,000 (2005-06: £18,000). Although SMF is an independent charity it shares two common trustees with Consumers' Association who are also the directors of SMF.

13 Stocks

	Group		Consumers' Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Work in progress	127	86	-	-
Finished goods	105	50	-	-
Total stocks	232	136	-	-

14 Debtors

	Group		Consumers' Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	265	697	61	26
Amount from group undertakings	-	-	-	1,924
Other debtors	1,214	1,081	1,185	1,059
Prepayments and accrued income	1,644	1,520	784	697
Total debtors	3,123	3,298	2,030	3,706

15 Creditors: amounts falling due within one year

	2007	2006	2007	2006
Trade creditors	3,829	3,494	1,222	970
Amount owed to group undertakings	-	-	98	-
Other creditors	317	94	226	24
Taxation and social security	565	418	394	269
Accruals and deferred income	2,001	3,616	1,171	1,469
Mortgage: 2 Marylebone Road (see note 18)	405	405	405	405
Total creditors (less than one year)	7,117	8,027	3,516	3,137

16 Creditors: amounts falling due after more than one year

	2007	2006	2007	2006
Mortgage: 2 Marylebone Road	2,423	2,828	2,423	2,828
Total creditors (over one year)	2,423	2,828	2,423	2,828

The mortgage on 2 Marylebone Road is for a term of 25 years and is repayable in 23 annual instalments which commenced on 6 March 1992; it has been secured by a first charge over the leasehold property at 2 Marylebone Road. The rate of interest payable on the mortgage is based on the London Interbank Offer Rate plus 0.75% associated costs.

Analysis of payments due on creditors over one year:

	2007	2006	2007	2006
Amounts repayable between one and two years	405	405	405	405
Amounts repayable between two and five years	1,618	1,618	1,618	1,618
Amounts repayable after five years	400	805	400	805
Mortgage repayable after more than one year	2,423	2,828	2,423	2,828

17 Provision for liabilities and charges

	Group and Consumers' Association	
	2007 £'000	2006 £'000
Provision for onerous lease		
At 1 July	-	419
Utilised in the year	-	(146)
Released in the year to the Statement of Financial Activities	-	(273)
Balance at 30 June	-	-

18 Future commitments

	Group		Consumers' Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 30 June 2007 the group had annual commitments under property leases as follows:				
Expiring within one year	31	-	31	-
Expiring after two to five years	-	-	-	-
Expiring after more than five years	100	100	100	100
Total lease payments	131	100	131	100

19 Movement on funds during the year

	Unrestricted charity funds	Revaluation reserve	Accumulated deficit of trading subsidiaries	Pension reserves	Group funds
	£'000	£'000	£'000	£'000	£'000
Funds at 1 July 2006	36,445	3,946	(2,646)	(8,300)	29,445
Transfer between reserves	(8,300)	-	-	8,300	-
Net outgoing resources before gift aid payment	(5,234)	-	-	-	(5,234)
Revaluation of investment assets (note 10)	-	2,118	-	-	2,118
Realised gains on investments	713	-	-	-	713
Trading profit before gift aid	-	-	7,316	-	7,316
Gift aid payments from subsidiaries to Charity	8,464	-	(8,464)	-	-
Actuarial gains on defined benefit pension scheme	2,500	-	-	-	2,500
Balance at 30 June 2007	34,588	6,064	(3,794)	-	36,858

20 Staff pensions

The group operates a pension scheme with two sections - a hybrid section that combines the features of defined benefit and defined contribution schemes and provides benefits based on the higher of a final salary pension and a money purchase pension, and a defined contribution only section. It is funded by contributions from both employer and employees. The assets of the Scheme are held separately from those of the employer and are invested on behalf of Scheme members by the scheme trustees.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation calculations at 31 March 2006 and updated by an independent qualified actuary employed by Punter Southall & Co to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 June 2007. Scheme assets are stated at their market value at 30 June 2007, except that an allowance is made for accrued terminal

bonuses in respect of the with-profits contract. Scheme liabilities are calculated using the projected unit method.

Employer contributions made to the Scheme in the accounting period totalled £1,209,000. Contributions were paid at the rate of 14.1% per annum of Pensionable Salaries under the hybrid contribution section of the Scheme until 31 March 2007. It was agreed with the trustees that the employer would then make a one-off contribution of £4,911,000 to reduce the deficit and thereafter decrease the employer contributions to 11.7%. Contributions were paid at the rate of 11.0% per annum of Pensionable Salaries under the defined contribution sections of the Scheme.

As the Scheme is closed to new members, under the projected unit method, the current service cost will increase as the members of the Scheme approach retirement.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	30 June 2007	30 June 2006	30 June 2005
Rate of increase in pensionable salaries	4.4%	4.0%	4.8%
Rate of increase in pensions in payment (RPI)	3.4%	3.0%	2.8%
Rate of increase in fixed pensions in payment	5.0%	5.0%	5.0%
Discount rate	5.8%	5.2%	5.0%
Inflation assumption	3.4%	3.0%	2.8%

The actual and expected rates of return on assets were:

	Long-term rate of return expected at 30 June 2007 p.a	Proportion of assets at 30 June 2007	Long-term rate of return expected at 30 June 2006 p.a	Proportion of assets at 30 June 2006
Equities	6.9%	34.5%	6.4%	31.1%
Bonds and cash	5.2%	30.1%	4.6%	29.8%
Property	6.9%	0.2%	6.4%	0.1%
With-profits fund	6.5%	35.2%	6.0%	39.0%
	6.2%	100.0%	5.7%	100.0%

Note that the expected return on assets includes the defined contribution assets, in addition to those of the hybrid section. However, any gains or losses resulting from the expected return on assets differing to the actual return, only arise from the hybrid section.

Net Pension Asset/(Liability)

	At 30 June 2007 £m	At 30 June 2006 £m	At 30 June 2005 £m
Total market value of assets	76.7	66.2	58.5
Actuarial value of liability	(75.6)	(73.7)	(71.4)
Unrecognised surplus	(1.1)	-	-
Net Pension asset/(liability)	-	(7.5)	(12.9)

20 Staff pensions (continued)

Analysis of the amount charged to net incoming resources

	2007 £m	2006 £m
Current service cost	1.3	1.4
Total net incoming resources charge	1.3	1.4

Employer contribution rate to the hybrid section 30 June 2005 to 30 March 2007 14.1% of pensionable salaries
Employer contribution rate to the hybrid section 31 March 2007 to 30 June 2007 11.7% of pensionable salaries

Standard Employer contribution rate under FRS 17 as at 30 June 2006 12.7% of pensionable salaries

Additionally contributions are paid to the Defined Contribution Section at a rate of 11.0% of pensionable salaries, which equated to £0.5m over the period 30 June 2006 to 30 June 2007.

Analysis of the amount credited to other finance income:

Expected return on hybrid section assets	3.5	3.3
Interest on pension hybrid section liabilities	(3.5)	(3.5)
Net cost	-	(0.2)

Analysis of amount recognised in other recognised gains and losses:

Actual return less expected return on hybrid section assets	1.7	3.8
Experience gains and losses arising on hybrid section liabilities	(1.6)	(4.0)
Changes in assumptions	3.5	3.1
Past service cost	-	2.6
Unrecognised surplus	(1.1)	-
Actuarial gain recognised in other recognised gains and losses	2.5	5.5

Movement in surplus/(deficit) during the year:

(Deficit) in scheme at beginning of the year	(7.5)	(12.9)
Movement in year:		
Current service cost	(1.3)	(1.4)
Contributions	6.3	1.5
Other finance (cost)/income	-	(0.2)
Actuarial gain	2.5	5.5
Deficit in scheme at end of the year	-	(7.5)

History of experience gains and losses

	30 June 2007	30 June 2006	30 June 2005	30 June 2004	30 June 2003
Difference between the expected and actual return on hybrid section assets:					
Amount (£m)	1.7	3.8	3.7	2.1	1.5
Percentage of hybrid section assets	2%	6%	6%	4%	(3%)
Experience gains and losses on hybrid section liabilities					
Amount (£m)	(1.6)	(4.0)	-	0.2	5.6
Percentage of present value of hybrid section liabilities	(2%)	(5%)	-	-	11%
Total amount recognised in other recognised gains and losses:					
Amount (£m)	3.6	5.5	(10.0)	1.8	1.6
Percentage of present value of hybrid section liabilities	5%	7%	(14%)	3%	3%

The combined scheme was closed to new members in March 2004, in order to contain the groups financial exposure from the final salary element of the combined scheme. This has been replaced for new members with a separate defined contribution scheme, to which the employer contributes 11% of pensionable salary.

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 Chris Gardner, Commercial Director
 Helen Parker, Editorial Director
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 Martin Webster, Finance and Operations Director

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