

## FINANCIAL OVERVIEW

### CA'S FINANCES

Consumers' Association (CA) is a registered charity. Its research and campaigning work is funded by profits from its trading subsidiary, Which? Limited, all of which are passed to CA each year. CA, Which? Limited and Anglia Business Associates (ABA) Limited together make up the active group.

We are continually investing in developing existing products to meet our members' needs. We also seek to maintain and, if resources allow, expand our mission activities, campaigning and informing on consumer issues. At the same time, CA aims to generate a modest surplus each year in order to maintain its reserves at a level that Council considers adequate to insure against any future detrimental events or trends.

We are satisfied that all the above objectives were met during the year. The consolidated group achieved an income and expenditure surplus of £0.5 million, down on the previous year's exceptionally high surplus, but consistent with other recent years. This surplus was achieved despite a non-recurring loss of £0.9 million triggered by the impending transfer of CA's investment fund to a new fund manager. Net incoming resources per the Statement of Financial Activities were £1.3 million, again down on the previous year but in line with earlier years. This year's surplus will be used to augment CA's financial reserves. Over the next few years, it is intended that the ongoing revenue uplift from the recent Which? magazine price increase will continue to be reinvested in the core activities of the organisation, to generate continuing improvements in content, member recruitment and technological infrastructure.

### CA'S ACCOUNTS

Our accounts are made up of:

- an income and expenditure account, which shows separately and combined the activities of the charity, CA, and the trading subsidiary, Which? Limited (including the results of the ABA subsidiary).
- 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.
- balance sheets for the group and the charity, CA, showing what we own, what we owe and the level of our reserves.
- a cash flow statement, showing how we received and spent money in the year.

These principal statements are supplemented by extensive notes that provide more details on the important items.

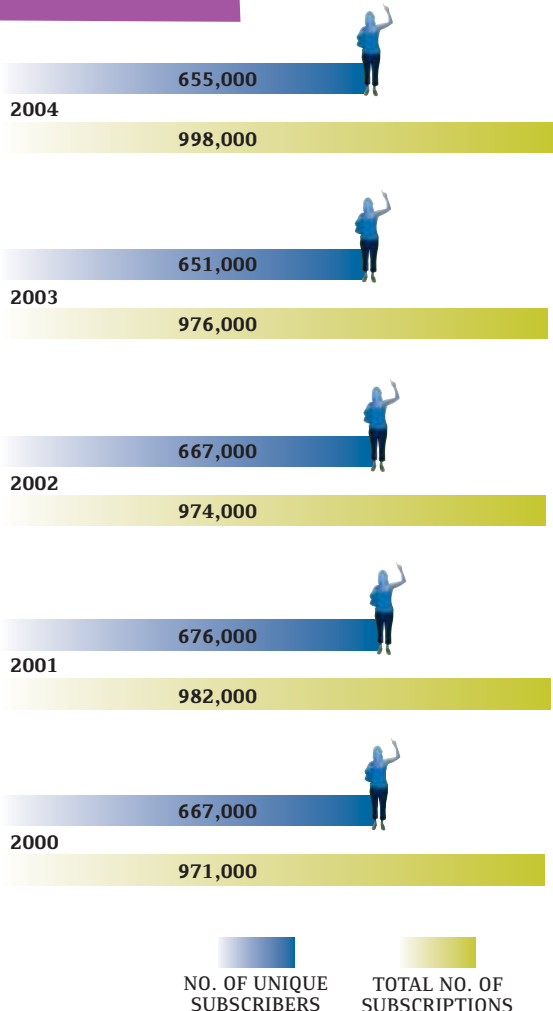
### INCOME AND MEMBERSHIP

Consolidated group turnover of £56.6 million represents an increase of £4.0 million (7.7%) on last year. This is due primarily to the recent increase in the subscription price of Which? magazine being in effect for a full year, the fall in membership as a result of the increase having been modest. Which? Online generated an additional £1.1 million (27.9%) revenue from its continually rising subscriber base, and passed 100,000 subscribers for the first time in June. These gains were offset slightly by small reductions in revenue from several other products.

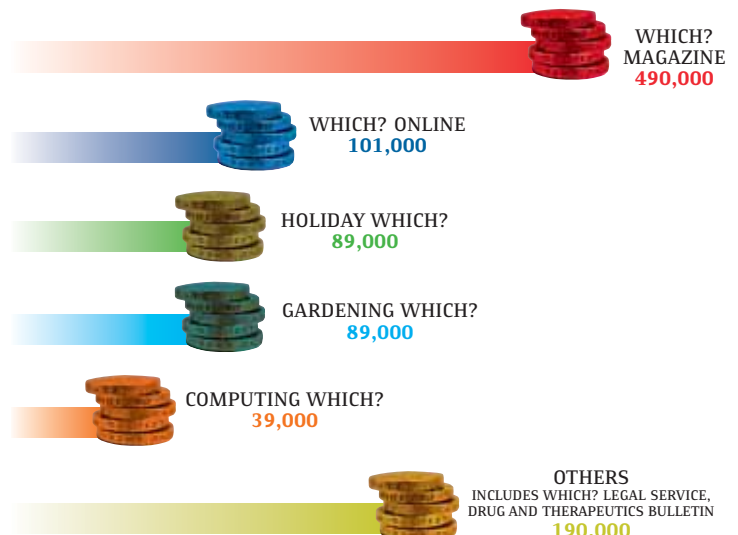
The proportion of income by type is again consistent between years. This year, 95% of income from ongoing operations came from subscriptions, a slight increase from last year.

Our investments, currently managed by Merrill Lynch Investment Managers, produced income of £0.4 million in the year and generated capital gains of £1.1 million due to improvements in equity markets. In accordance with our accounting policy on investments, this capital gain is reflected in the Balance Sheet, but not in the income and expenditure account, although it is shown in the SOFA as part of the net movement in funds. This gain leaves a residual cumulative loss on investments (comparing market value to original cost) of £0.9 million at the end of June.

### SUBSCRIBERS



### PAID UP SUBSCRIPTIONS AT JUNE 2004\*



\* Graph not to scale

## FINANCIAL OVERVIEW

### EXPENDITURE

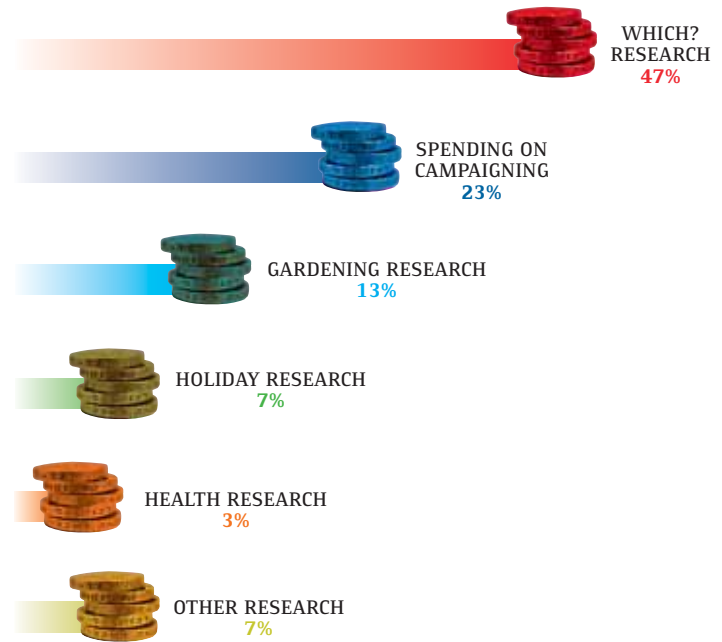
Consolidated group expenditure of £57.1 million on ongoing operations is up £6.3 million (12.4%) on last year's equivalent spend. This is due to a combination of modest general cost increases, increased promotional costs for Which? Online and enhanced strategic investment in core activities (specifically, content, member recruitment and technological infrastructure).

The SOFA on page 25 shows the operations of the consolidated group. Some of this information is already shown in the income and expenditure account, but we are obliged to show it separately in the SOFA to comply with charity law. We have highlighted how the charity spends its money in the form of two charts in a similar form to previous years.

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 most of the expenditure of the charity is on research for our magazines. 'Other research' expenditure includes spending to improve product standards. The remaining expenditure is on promoting consumer interests through our own campaigning activities, and our support for other consumer organisations.

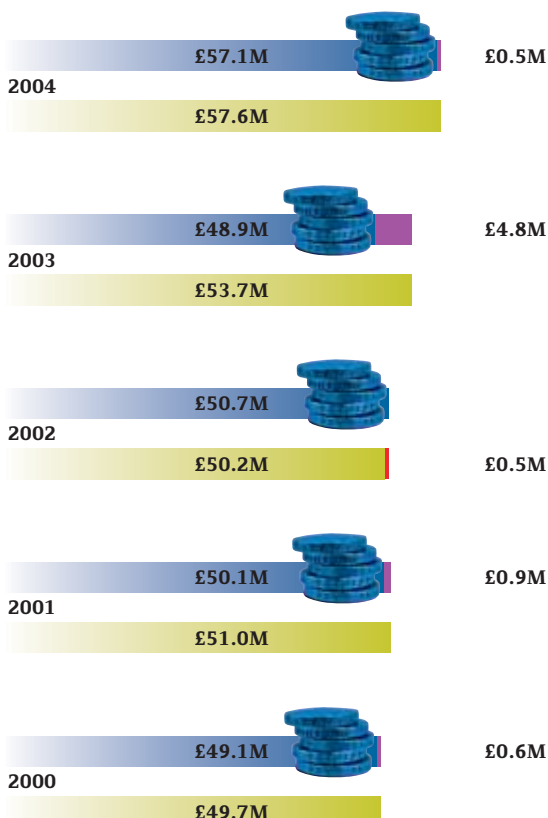
The 'Spending on campaigning' chart shows the main campaigning areas for CA. As in previous years, the size of the spend does not necessarily reflect its relative importance to CA. In addition to this explicit campaigning spend, all our publications play an important role in promoting CA campaigns for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

### HOW THE CHARITY SPENDS ITS MONEY



All figures include attributable staff costs.

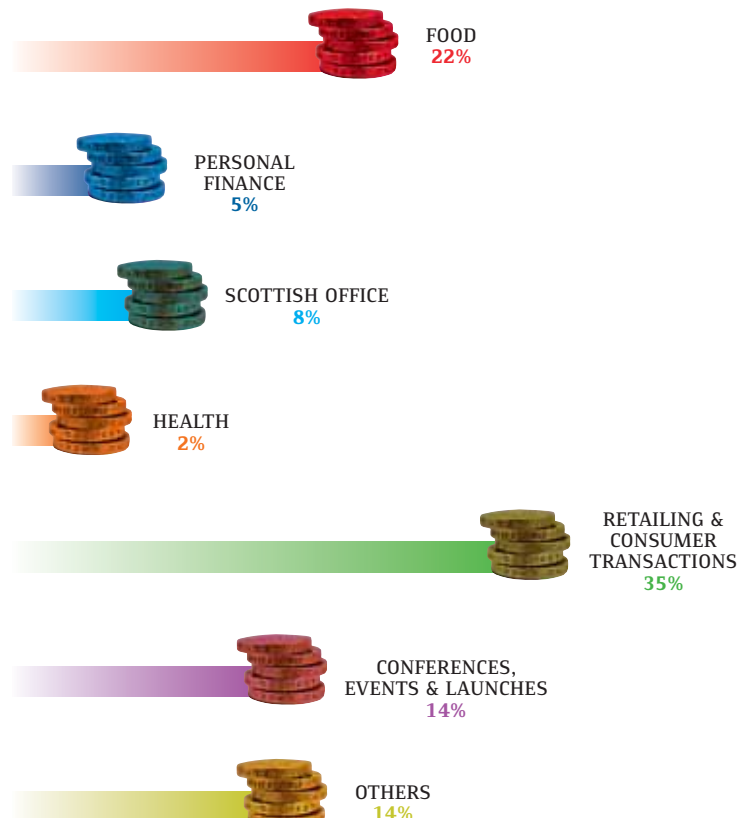
### INCOME, EXPENDITURE AND SURPLUS



■ INCOME   
 ■ EXPENDITURE   
 ■ SURPLUS   
 ■ DEFICIT

Income comprises total incoming resources per the SOFA less the profit on sale of discontinued activities.

### SPENDING ON CAMPAIGNING



All figures exclude staff costs.

## NON-RECURRING ITEMS

In May 2004, the Council of Management resolved to replace Merrill Lynch as managers of the investment fund with Carr Sheppards Crosthwaite. The resulting transfer of assets within the fund, which is expected to take place before the end of 2004, will crystallise the loss of £0.9 million (comparing market value to original cost) at the point of transfer, although the transfer in itself will not generate any additional loss. This is shown in the line 'Crystallised losses transferred from the revaluation reserve'. In previous years, the unrealised loss at the end of the year has been considered to be temporary and so has not been included in the income and expenditure account (although it was fully reflected in the Balance Sheet).

## PENSION SCHEME

CA operates a hybrid pension scheme that combines the features of defined benefit (final salary) and defined contribution schemes. Until 2003, formal revaluations of the fund have suggested that the defined benefit element of the scheme is fully funded (ie asset values exceed future liabilities). However, the most recent actuarial valuation at 31 March 2003 revealed a significant deficit for the first time, due to significant falls in global equity markets. When rolled forward three months for the June 2003 financial statements, this had suggested an accounting deficit of £6.2 million (comparing market value of assets with the present value of scheme liabilities). This has improved over the past year, with an accounting deficit at June 2004 of £3.8 million.

Under current accounting convention, we are not required to include this shortfall in our balance sheet or our income and expenditure account. If it were to be included, net assets at June 2004 would be lower by £3.8 million. The deficit and the subsequent increase in funding cost were fully anticipated in our long-range financial planning. In practical terms, we have already started to make up the deficit by increasing CA contributions to the scheme since July 2003. In addition, the hybrid scheme was closed to new members from the end of March 2004, in order to contain CA's financial exposure from the final salary element of the hybrid scheme. This has been replaced for new members with a separate defined contribution scheme. Closure of the hybrid scheme to new members has had very little effect on the level of CA contributions in the year ended June 2004.

## GROUP BALANCE SHEET AND RESERVES

The balance sheet on page 26 sets out what CA owns and what it owes. There are no major changes this year, although there is an increase in investments, up £1.5 million (13.6%). This is due primarily to improvements in equity markets since June 2003.

At June 2004, we held £12 million on short-term deposit, pending continued investment in the core activities of CA and Which?, developing products to meet our members' needs, increasing our membership base and expanding our mission activities, campaigning and informing on consumer issues. Any surplus cash not required to finance these activities will be transferred into the managed investment fund in order to maximise the long-term return from this asset.

Our head office at 2 Marylebone Road, London NW1 is held on a long lease from the Crown Estate. This property and our other principal property at Hertford had a combined market value at the last formal valuation at 30 June 2001 of just over £20.4 million. This is £6.3 million higher than the total book value for these properties of just over £14.1 million included on our balance sheet.

Our retained surplus for the year before crystallised loss on investments, together with the increase in the value of investments, leaves an increase in reserves of £2.5 million. We have now met CA's free reserves target of £14 million for the first time.



The Council of Management is pleased to present its report together with the financial statements of the charity for the year ended 30 June 2004. 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 October 2000 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). The Association's governing document is its Memorandum and Articles of Association.

### ORGANISATION

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

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

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

The Association'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.

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

A further mechanism through which the Council of Management mitigates risk is the establishment of a Joint Audit Committee, made up of three members of which two are CA Council members and one is 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 Consumers' Association's internal controls.

As a result of the ongoing risk assessment project, the Joint Audit Committee of the Board and Council has extended its remit in order to incorporate a risk-based audit approach.

### CHARITABLE OBJECTS

The overall aim of the charity is to help people make confident choices in a fair consumer world. The intended beneficiaries are our members i.e. people who subscribe to our products and, more widely, all consumers, through our campaigning successes, media coverage and publicly available information.

CA's particular objectives for the past year were to represent consumer interests in public policy, through campaigning where appropriate, to provide consumers with expert information to enable them to make informed choices on important consumer decisions and campaigning to remove barriers to effective consumer choice.

These objectives were achieved, as illustrated by a number of prominent successes. CA was formally bestowed with super-complainant powers by the Department of Trade and Industry, and initiated two super complaints on dentistry and care homes. A high profile nutrition campaign was launched, lobbying Government and industry to take obesity seriously as an issue of public concern – recent recommendations from the Health Select Committee mirror the conclusions outlined in our health warning report. The Move It campaign towards the end of the year influenced the Government's positive response to the OFT report on estate agency. By the end of the year, over 700,000 people had visited CA's endowmentaction website since its launch two years ago, resulting in large numbers of successful compensation claims and influencing the Treasury Select Committee report on endowment misselling. Finally, CA maintained its subscriber reach through its publications and expanded the range and usefulness of its content to members embarking on significant consumer choices, in particular through Which? Online.

CA's objectives for the coming year are similar to those of the past year, building on previous campaign successes, expanding into other appropriate areas where we can achieve results for consumers, and extending the range and usefulness of content in our publications still further. In addition, CA intends to develop active campaign supporters, extending the concept of active supporters beyond subscribers to publications.

### INVESTMENT POLICY

CA's Memorandum of Association gives the 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.

£10 million was invested in unit trusts managed by Merrill Lynch Investment Managers within their Charities sector in June 1997, with a view to improving the returns obtained without exposing the group to undue risk. Although this investment is undertaken because of its medium-term potential, Council has established a number of performance criteria against which the fund managers will be assessed at least twice a year. A number of external benchmarks also exist against which CA can evaluate the portfolio's total return.

The principal composite benchmark against which performance is monitored is the WM Unconstrained Excluding Property index. The CA fund increased in value by 14.9% during the year to June 2004, an improvement of 1.7% on the benchmark index return.

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 million of free reserves, some 13 weeks' of the charity's expenditure. Of the total group funds at 30 June 2004 of £29.7 million, £12.8 million is represented by fixed assets required for our operations and £2.5 million is required as working capital. This leaves £14.4 million of free reserves - £2.6 million more than at 30 June 2003, and slightly higher than the free reserves target established by Council.

CA's trading subsidiaries, Which? Limited and ABA, currently show net assets of £2.5 million and net liabilities of £0.3 million respectively. The net liabilities of ABA result from a combination of ABA transferring taxable profits in earlier years to CA and losses incurred in previous years.

### STATEMENT OF RESPONSIBILITIES OF THE COUNCIL OF MANAGEMENT

The 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 the Association and the group as at the end of the financial year and of the surplus or deficit for that period.

The 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 2004. The 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.

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

### PAYMENTS TO MEMBERS OF THE COUNCIL

Members of the 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 (2003: 11) members during the year totalling £20,000 (2003: £15,000). Insurance purchased by Consumers' Association during the year to protect Council members against liabilities arising from their office cost £3,000 (2003: £2,000).

### EMPLOYEE RELATIONS

CA remains committed to its equal opportunities programme, continuing with its successful positive action techniques alongside new initiatives.

CA has fully incorporated disabilities issues into its equal opportunities policies, to ensure employment applications are encouraged from people with disabilities and considered fairly.

Some staff are represented by the Staff Association and by the Joint Union Committee. The two bodies work with management on the development of policies and take part in collective bargaining and consultation.

Employee representatives are invited to attend Council meetings and papers for discussion at Council are made available to all staff.

### 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 auditors and tax advisors are:  
PricewaterhouseCoopers LLP,  
1 Embankment Place,  
London WC2 6NN.

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:

Members of Council	Page	<b>5</b>
Membership of the Which? Limited Board	Page	<b>7</b>
Registered Office	Page	<b>21</b>
Amount transferred to reserves	Page	<b>24</b>
Significant relationships, including political and charitable donations	Pages	<b>33-34</b>
Financial overview	Pages	<b>18-20</b>

A resolution to appoint auditors will be proposed at the next Annual General Meeting.

The Annual Report was approved by the Council of Management on 21 September 2004.



Brian Yates Chairman

## INDEPENDENT AUDITORS' REPORT

We have audited the financial statements which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated statement of financial activities, the consolidated cash flow statement, the consolidated and company balance sheets and the related notes.

### RESPECTIVE RESPONSIBILITIES OF THE COUNCIL OF MANAGEMENT AND AUDITORS

The members of the Council of Management are also directors of the Consumers' Association for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of responsibilities of the Council of Management.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the Council of Management is not consistent with the financial statements, if the company 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the report of the Council of Management, the Chairman's statement and the financial overview.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards 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 directors 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 of the state of affairs of the charitable company and the group at 30 June 2004 and of the net incoming resources, including the income and expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors  
London  
21 September 2004

	Note	The Charity - Consumers' Association £'000	The Trading Subsidiary - Which? Ltd* £'000	Transactions between the companies £'000	Group total 2003-04 £'000	Group total 2002-03 £'000
Turnover		11,138	56,496	(11,082)	56,552	52,518
Cost of sales	2	(10,972)	(34,463)	11,082	(34,353)	(31,656)
<b>Gross surplus</b>		166	22,033	-	22,199	20,862
Other charitable expenditure	2	(4,755)	-	-	(4,755)	(4,580)
Distribution costs		-	(6,930)	-	(6,930)	(7,404)
Other trading expenditure		-	(10,051)	-	(10,051)	(6,961)
Other operating income		71	218	-	289	517
<b>Operating (deficit) / surplus</b>		(4,518)	5,270	-	752	2,434
Profit on disposal of discontinued activities		-	-	-	-	1,927
Gift aid income		5,689	-	(5,689)	-	-
Realised gains on investments	12	33	-	-	33	-
Crystallised losses transferred from revaluation reserve	22	(855)	-	-	(855)	-
Income from investments	12	382	-	-	382	378
Interest receivable		147	255	-	402	290
Interest payable	7	(206)	-	-	(206)	(222)
Gift aid		-	(5,689)	5,689	-	-
<b>Retained surplus / (deficit) for the year transferred to reserves</b>		672	(164)	-	508	4,807
<b>Statement of Total Recognised Gains and Losses for the year ended 30 June 2004</b>						
Retained surplus / (deficit) for the year on ordinary activities		672	(164)	-	508	4,807
Crystallised losses transferred to Income and Expenditure Account	22	855	-	-	855	-
Gains on investments	12	1,117	-	-	1,117	(992)
Total gains / (losses) recognised in the year		2,644	(164)	-	2,480	3,815
Accumulated surplus / (deficit) brought forward at 1 July 2003		29,538	(2,316)	-	27,222	23,407
<b>Accumulated surplus / (deficit) carried forward at 30 June 2004</b>		32,182	(2,480)	-	29,702	27,222

\* The results of Which? Limited include the results of its subsidiary undertaking Anglia Business Associates Limited.

There is no difference between the profit for the year on ordinary activities and the retained profit for the year stated above, and their historical cost equivalents. All activities are continuing with the exception of the profit on disposal of discontinued activities incurred in the prior year.

	Note	The Charity - Consumers' Association £'000	The Trading Subsidiary - Which? Ltd* £'000	Transactions between the companies £'000	Group total 2003-04 £'000	Group total 2002-03 £'000
<b>Incoming resources</b>						
Activities in furtherance of the charity's objects:						
Research income		11,138	-	(11,082)	56	239
Activities for generating funds:						
Trading income		-	56,496	-	56,496	52,279
Other operating income		71	218	-	289	517
Income from investments		382	-	-	382	378
Interest receivable		147	255	-	402	290
Profit on sale of discontinued activities		-	-	-	-	1,927
<b>Total incoming resources</b>		<b>11,738</b>	<b>56,969</b>	<b>(11,082)</b>	<b>57,625</b>	<b>55,630</b>
<b>Less: Cost of generating funds</b>						
Cost of sales of trading subsidiaries		-	(34,463)	11,082	(23,381)	(21,679)
Distribution costs		-	(6,930)	-	(6,930)	(7,404)
Other trading expenditure		-	(10,051)	-	(10,051)	(6,961)
Interest payable		(206)	-	-	(206)	(222)
		(206)	(51,444)	11,082	(40,568)	(36,266)
Net trading income transferred to CA available for charitable expenditure		5,689	(5,689)	-	-	-
		17,221	(164)	-	17,057	19,364
<b>Direct charitable expenditure</b>						
Costs of activities in furtherance of the charity's objects:						
Consumer research	2	(7,948)	-	-	(7,948)	(7,998)
Promoting consumer interests	2	(1,865)	-	-	(1,865)	(1,744)
Support costs	2,3	(5,692)	-	-	(5,692)	(4,679)
Management and administration	2,4	(222)	-	-	(222)	(136)
<b>Total charitable expenditure</b>		<b>(15,727)</b>	<b>-</b>	<b>-</b>	<b>(15,727)</b>	<b>(14,557)</b>
Total resources expended			-	-	(56,295)	(50,823)
<b>Net incoming resources</b>			<b>-</b>	<b>-</b>	<b>1,330</b>	<b>4,807</b>
<b>Total investment gains / (losses)</b>	12				<b>1,150</b>	<b>(992)</b>
<b>Net movement in funds</b>					<b>2,480</b>	<b>3,815</b>
Total funds brought forward at 1 July 2003					27,222	23,407
<b>Total funds carried forward at 30 June 2004</b>					<b>29,702</b>	<b>27,222</b>

All activities are continuing with the exception of the profit on disposal of discontinued activities incurred in the prior year.

Note: All funds of the charity are unrestricted.

\* The results of Which? Limited include the results of its subsidiary undertaking Anglia Business Associates Limited.

	Note	Group 2004 £'000	2003 £'000	Consumers' Association 2004 £'000	2003 £'000
<b>Fixed assets</b>					
Tangible assets	11	16,872	17,408	16,191	17,024
Investments	12	12,794	11,262	12,794	11,262
Investments in subsidiaries and associated undertakings	13	25	25	5,025	5,025
		<b>29,691</b>	<b>28,695</b>	<b>34,010</b>	<b>33,311</b>
<b>Current assets</b>					
Stocks	15	517	577	-	-
Debtors	16	3,683	4,181	2,246	2,334
Short-term deposits	17	12,000	11,300	4,000	4,000
Cash at bank and in hand		476	1,188	45	135
		<b>16,676</b>	<b>17,246</b>	<b>6,291</b>	<b>6,469</b>
<b>Creditors: amounts falling due within one year</b>					
Creditors	18	(8,362)	(9,260)	(4,482)	(5,920)
Subscriptions received in advance		(4,666)	(5,137)	-	-
		<b>(13,028)</b>	<b>(14,397)</b>	<b>(4,482)</b>	<b>(5,920)</b>
<b>Net current assets</b>		<b>3,648</b>	<b>2,849</b>	<b>1,809</b>	<b>549</b>
<b>Total assets less current liabilities</b>		<b>33,339</b>	<b>31,544</b>	<b>35,819</b>	<b>33,860</b>
<b>Creditors: amounts falling due after more than one year</b>					
Provision for liabilities and charges	20	-	(280)	-	(280)
<b>Net assets</b>		<b>29,702</b>	<b>27,222</b>	<b>32,182</b>	<b>29,538</b>
<b>Reserves</b>					
Unrestricted charity funds	22	32,182	31,510	32,182	31,510
Revaluation reserve - unrealised investment gains	22	-	(1,972)	-	(1,972)
Accumulated deficit of trading subsidiaries	22	(2,480)	(2,316)	-	-
<b>Total funds</b>	22	<b>29,702</b>	<b>27,222</b>	<b>32,182</b>	<b>29,538</b>

The accounts on pages 24 to 37 were approved by the Council of Management on 21 September 2004 and are signed on its behalf by:

*Brian Yates*

Brian Yates Chairman

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2004

	2003-04		2002-03		
	£'000	£'000	£'000	£'000	
<b>Reconciliation of net incoming resources to net cash inflow from continuing operating activities</b>					
Net incoming resources from continuing activities		1,330		4,807	
Depreciation, amortisation and impairment charges	1,410		2,350		
Loss on disposal of fixed assets	186		36		
Decrease in stocks	60		11		
Decrease in debtors	498		93		
(Decrease) / increase in creditors	(898)		1,997		
Decrease in provision for liabilities and charges	(280)		(106)		
(Decrease) / increase in subscriptions in advance	(471)		613		
Interest received	(402)		(290)		
Interest paid and similar charges	206		222		
Income from fixed asset investments	(382)		(378)		
		(73)		4,548	
<b>Net cash inflow from continuing operating activities</b>		<b>1,257</b>		<b>9,355</b>	
<b>Reconciliation of operating deficit to net cash outflow from discontinued operating activities</b>					
Net outgoing resources from discontinued activities		-		-	
Profit on disposal of discontinued activities	-		(1,457)		
Decrease in provision for liabilities and charges	-		(470)		
		-		(1,927)	
<b>Net cash inflow from discontinued operating activities</b>		<b>-</b>		<b>(1,927)</b>	
<b>Consolidated cash flow statement</b>					
<b>Net cash inflow from operating activities</b>		<b>1,257</b>		<b>7,428</b>	
<b>Returns on investments and servicing of finance</b>					
Interest received	402		290		
Interest paid and similar charges	(206)		(222)		
Income from fixed asset investments	382		378		
		578		446	
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets	(1,084)		(1,473)		
Sale of tangible fixed assets	24		76		
Purchase of fixed asset investments	(880)		-		
Sale of fixed asset investments	745		-		
(Increase) / decrease in deposits awaiting investment	(247)		(378)		
		(1,442)		(1,775)	
<b>Disposals</b>					
Sale of discontinued activity	-		4,000		
		-		4,000	
<b>Cash inflow before use of liquid resources and financing</b>		<b>393</b>		<b>10,099</b>	
<b>Management of liquid resources</b>					
Purchase of short-term money market deposits		(700)		(9,300)	
<b>Financing</b>					
Loan repayment		(405)		(404)	
<b>(Decrease) / increase in cash</b>		<b>(712)</b>		<b>395</b>	
<b>Analysis of changes in net funds / (debt)</b>					
	Change in year 2003-04		Change in year 2002-03		2002 £'000
	2004 £'000	Cash Flows £'000	2003 £'000	Cash Flows £'000	
Cash at bank and in hand	476	(712)	1,188	395	793
Current asset investments: short-term deposits	12,000	700	11,300	9,300	2,000
Loan due within 1 year	(405)	-	(405)	-	(405)
Loan due after 1 year	(3,637)	405	(4,042)	404	(4,446)
<b>Total</b>	<b>8,434</b>	<b>393</b>	<b>8,041</b>	<b>10,099</b>	<b>(2,058)</b>

## 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 in October 2000. A summary of the principal accounting policies, which have been applied consistently, 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 2004, the SOFA and balance sheet being consolidated on a line by line basis. Transactions between group companies are eliminated on consolidation in the Income and Expenditure Account and in the SOFA.

### Acquisitions

On the acquisition of a business, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised in the group balance sheet in the year of acquisition.

### Goodwill and intangible fixed assets

For acquisitions of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its useful economic life up to a maximum of 20 years with the charge for the first year being apportioned over the period the business is acquired. Purchased goodwill in respect of subsidiaries is included within intangible fixed assets. Where the directors consider a subsidiary to have suffered a permanent diminution in value, an appropriate adjustment is made to the value of the associated goodwill in the financial statements.

### Allocation of expenditure

Wherever possible, expenditure by the charity is attributed specifically to the purpose for which it is incurred. Shared costs are allocated using a number of different bases appropriate to the costs in question, and to ensure the indirect costs of products are recovered. Costs of generating funds, charitable expenditure, management and administration fees comprise direct costs, including attributable staff costs and an appropriate apportionment of indirect costs.

### Turnover

Turnover represents the sales value of goods and services supplied excluding Value Added Tax and sales between group companies.

### Subscriptions

Subscriptions received are credited to income in equal monthly instalments in the year to which they relate. Any unexpired portion is carried forward to the next accounting period as subscriptions received in advance.

### Tangible fixed assets

All tangible fixed assets are held at cost. 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. Time spent by Information Technology staff on capital projects is capitalised and depreciated in accordance with the accounting policy on computer hardware and software. Asset lives are estimated as follows:

Freehold land: not depreciated

Freehold buildings: 50 years

Motor vehicles: 2-4 years

All other assets: between 5 and 10 years

Computer hardware and software: 3-5 years

Refurbishment of freehold buildings: 25 years

Long-term leasehold premises (2 Marylebone Road): 125 years

### Recognition of income

All income, including research income is recognised on the accruals basis of accounting, except for grants receivable which are recorded in accordance with SSAP4, 'Accounting for government grants'. Deferred income is accounted for using the accruals basis.

### Research

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.

## NOTES TO THE ACCOUNTS

### Operating leases

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

### Pension costs

Pension costs are charged to the Income and Expenditure Account and SOFA so that they are spread evenly over the estimated average remaining service life of members of the scheme. Qualified actuaries determine the regular pension cost, on the basis of triennial valuations. The transitional disclosures required by FRS17, Retirement Benefits are given in note 23.

### 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 Income and Expenditure Account 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 or 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.

### 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 Income and Expenditure Account.

### Irrecoverable VAT

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

### Deferred taxation

Deferred taxation in the subsidiaries is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### Liquid resources

Liquid resources comprise cash held on deposit with major banks. Cash is held on deposit between one week and three months.

## 2 CHARITABLE EXPENDITURE

The charitable expenditure of the Association is shown under different headings in the Income and Expenditure Account and in the SOFA. For clarity they are reconciled here:

	2003-04 £'000	2002-03 £'000
Charitable expenditure is included in the Income and Expenditure Account as follows:		
Cost of sales	10,972	9,977
Other charitable expenditure	4,755	4,580
<b>Total</b>	<b>15,727</b>	<b>14,557</b>
Charitable expenditure is included in the SOFA as follows:		
Consumer research	7,948	7,998
Promoting consumer interests	1,865	1,744
Support costs (see note 3)	5,692	4,679
Management and administration (see note 4)	222	136
<b>Total</b>	<b>15,727</b>	<b>14,557</b>

## 3 SUPPORT COSTS

Computer services	2,806	2,642
Human resources and related services	1,344	969
Other support services	1,542	1,068
<b>Total</b>	<b>5,692</b>	<b>4,679</b>

## 4 MANAGEMENT AND ADMINISTRATION

	2003-04 £'000	2002-03 £'000
Annual report and meeting	47	50
Professional fees	75	82
Other administration	100	4
<b>Total</b>	<b>222</b>	<b>136</b>

## 5 FINANCIAL RESULTS OF TRADING SUBSIDIARIES

Profit and Loss Account		
Turnover	56,496	52,279
Cost of sales	(34,463)	(31,591)
Gross profit	22,033	20,688
Distribution costs	(6,930)	(7,404)
Administrative expenses	(10,051)	(6,961)
Other operating income	218	226
Operating profit	5,270	6,549
Interest receivable	255	180
Interest payable	-	-
Net profit	5,525	6,729
Gift aid to Consumers' Association	(5,689)	(6,959)
Retained in subsidiaries	(164)	(230)
<b>Balance Sheet</b>		
Total assets	13,344	14,575
Total liabilities	(11,183)	(12,588)
Net funds	2,161	1,987

The results include the results of Which? Limited's subsidiary undertaking, Anglia Business Associates Limited.

Which? Limited provides education, information and advice to the benefit of consumers through the Which? subscription and other media. The principal activity of Anglia Business Associates Limited is the review of bank practices with respect to bank charges and interest calculations.

## 6 OPERATING SURPLUS

Operating surplus is stated after charging and crediting:

Remuneration of auditors:		
for audit of CA	27	27
for audit of other group companies	33	33
for other services	12	26
Emoluments of the Council of Management	-	-
Expenses of the Council of Management (detailed in the Council of Management Report)	20	15
Cost of liability insurance for Council of Management	3	2
Payment under operating leases:		
property rentals	185	145
other	64	-
Depreciation of tangible fixed assets	1,410	1,712
Loss on disposal of fixed assets	186	36
Impairment of fixed asset	-	637

## 7 INTEREST PAYABLE

Interest on mortgage - repayable in instalments over more than 5 years	206	221
Other interest	-	1
<b>Total interest payable</b>	<b>206</b>	<b>222</b>

## 8 EMPLOYEES

The average number of employees of the group during the year was:

	2003-04 Number of employees	2002-03 Number of employees
Consumer research	132	134
Promoting consumer interests	39	39
Support activities	41	33
Trading activities	295	308
<b>Total</b>	<b>507</b>	<b>514</b>

The numbers of employees of the group who received emoluments in excess of £50,000 in the year ended 30 June 2004 were:

£50,001-£60,000	21	18
£60,001-£70,000	10	7
£70,001-£80,000	10	5
£80,001-£90,000	1	4
£90,001-£100,000	1	2
£100,001-£110,000	1	-
£110,001-£120,000	-	1
£120,001-£130,000	1	-
£130,001-£140,000	-	1

	£'000	£'000
Contributions in the year for the money purchase element of the pension scheme for the above higher-paid employees were:	96	75

Note: Prior year figures have been adjusted to take into consideration the requirements of the SORP not to include employer pension contributions.

Of the above higher-paid employees, the following number of staff have retirement benefits accruing under the company pension scheme:	Number of employees	Number of employees
	48	37

	£,000	£,000
Employee costs during the year amounted to:		
Salaries and wages	15,506	14,741
Social security	1,541	1,409
Pension costs	1,633	997
Benefits in kind	145	184
Less: capitalised staff time	(203)	(179)
<b>Total</b>	<b>18,622</b>	<b>17,152</b>

## 9 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.

## 10 SURPLUS OF CONSUMERS' ASSOCIATION

The consolidated surplus for the year includes £672,000 in relation to Consumers' Association (2002-03: £5,037,000) which is disclosed in the Income and Expenditure Account on page 24.

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not prepared a profit and loss account for the company alone.

11 TANGIBLE ASSETS

Tangible fixed assets of the group

	Freehold land & buildings £'000	Long-term leasehold premises £'000	Short-term leasehold premises £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 July 2003	4,381	13,900	41	11,812	405	30,539
Additions	-	-	-	1,010	74	1,084
	4,381	13,900	41	12,822	479	31,623
Disposals	(3)	-	-	(1,040)	(74)	(1,117)
At 30 June 2004	4,378	13,900	41	11,782	405	30,506
Depreciation						
At 1 July 2003	310	3,652	41	8,901	227	13,131
Depreciation charged	120	99	-	1,126	65	1,410
	430	3,751	41	10,027	292	14,541
Disposals	-	-	-	(857)	(50)	(907)
At 30 June 2004	430	3,751	41	9,170	242	13,634
Net book value						
At 30 June 2003	4,071	10,248	-	2,911	178	17,408
At 30 June 2004	3,948	10,149	-	2,612	163	16,872

Tangible fixed assets of the Consumers' Association

	Freehold land & buildings £'000	Long-term leasehold premises £'000	Short-term leasehold premises £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 July 2003	4,381	13,900	41	8,379	282	26,983
Additions	-	-	-	535	50	585
	4,381	13,900	41	8,914	332	27,568
Disposals	(3)	-	-	(1,039)	(47)	(1,089)
At 30 June 2004	4,378	13,900	41	7,875	285	26,479
Depreciation						
At 1 July 2003	310	3,652	41	5,809	147	9,959
Depreciation charged	120	99	-	961	45	1,225
	430	3,751	41	6,770	192	11,184
Disposals	-	-	-	(857)	(39)	(896)
At 30 June 2004	430	3,751	41	5,913	153	10,288
Net book value						
At 30 June 2003	4,071	10,248	-	2,570	135	17,024
At 30 June 2004	3,948	10,149	-	1,962	132	16,191

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

'Freehold land and buildings' include land with a cost of £1,550,000 (2003: £1,550,000).

The properties of the 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 Gascoyne Way, Hertford which was valued at an open market value of £3,200,000. The directors do not consider this diminution in value to be permanent.

'Long-term leasehold premises' represents Consumers' Association's property at Marylebone Road, London, which was valued at an open market value of £17,200,000. The valuation took place on 30 June 2001 by Jones Lang Lasalle Limited. The valuations have not been incorporated into the financial statements.

## 12 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 2003	804	10,458	11,262
Income from investments	382	-	382
Purchases during the year	(880)	880	-
Sales during the year	712	(712)	-
Net investment gains	33	1,117	1,150
<b>Balance at 30 June 2004</b>	<b>1,051</b>	<b>11,743</b>	<b>12,794</b>
Historical cost			
At 30 June 2003		12,430	
At 30 June 2004		12,598	

Fixed asset investments consist of holdings in five specialised unit trusts managed by Merrill Lynch Investment Managers' asset management division.

Charishare Distribution Units	51.7%
33 KWS Overseas Fund Income Units	22.6%
Charinco Distribution Units	9.3%
33KW Growth and Recovery Income Units	5.3%
Merril Lynch Fund Managers Global Bond Fund Distribution Units	1.0%
Merril Lynch Investment Managers	2.0%
The balance is held in cash.	

## 13 INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	Group		Consumers' Association	
	2004 £'000	2003 £'000	2004 £'000	2003 £'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 2004, the subsidiary 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	25%	Consumer research on international basis

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

Anglia Business Associates Limited	Ordinary Shares	100%	Bank auditors
Trading Standards Services Limited	Ordinary Shares	100%	Dormant

International Consumer Research and Testing Limited has not been consolidated or accounted for using the equity investment method as the effect on the group accounts is not considered material.

## 14 RELATIONSHIPS

### Political and charitable contributions and related party transactions

No political contributions were made during the year (2002/03: £nil).

### Research Institute for Consumer Affairs (RICA)

The only payment by the group to a charity during the year was that of £50,000 to Research Institute for Consumers Affairs (2002/03: £35,000) as a general grant. 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 £46,690 (2002/03: £33,000) membership fees to ICRT, a 25% associate undertaking. In addition, a further £371,488 (2002/03: £232,776) was paid in respect of commission for work secured through the offices of ICRT. The amount payable to ICRT at 30 June 2004 was £45,324 (2002/03 £nil). 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 CA's Acting Director serves on the governing council of CI. During the year Consumers' Association paid £250,000 (2002/03: £250,000) 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.

## NOTES TO THE ACCOUNTS

### Bureau Européen 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 and its Director was president of the governing council. During the year, Consumers' Association paid £204,171 (2002/03: £ 170,187) in membership fees. No balance was outstanding at the year end.

### 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. There were no transactions during the year.

### 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.

## 15 STOCKS

	Group		Consumers' Association	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Raw materials	74	36	-	-
Work in progress	284	314	-	-
Finished goods	159	227	-	-
<b>Total stocks</b>	<b>517</b>	<b>577</b>	<b>-</b>	<b>-</b>

## 16 DEBTORS

Trade debtors	217	472	14	41
Amount from group undertakings	-	-	126	-
Other debtors	537	146	149	116
VAT recoverable	851	885	851	885
Prepayments and accrued income	2,078	2,678	1,106	1,292
<b>Total debtors</b>	<b>3,683</b>	<b>4,181</b>	<b>2,246</b>	<b>2,334</b>

Included in prepayments and accrued income is £721,000 (2003: £756,000), which falls due after more than one year. The rest of the amounts shown above fall due within one year.

## 17 SHORT-TERM DEPOSITS

Cash on deposit (maturing within three months)	12,000	11,300	4,000	4,000
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## 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	3,525	6,062	771	1,318
Amount owed to subsidiary undertaking	-	-	2,113	3,077
Other creditors	19	11	12	13
Taxation and social security	485	427	285	260
Accruals and deferred income	3,928	2,356	896	848
Mortgage: 2 Marylebone Road (see note 19)	405	404	405	404
<b>Total creditors (less than one year)</b>	<b>8,362</b>	<b>9,260</b>	<b>4,482</b>	<b>5,920</b>

All of the subscriptions received in advance at 30 June 2003 were released into income in the current year. All of the subscriptions received in advance at 30 June 2004 were incoming resources of the current year, deferred at 30 June 2004.

## 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Mortgage: 2 Marylebone Road	3,637	4,042	3,637	4,042
<b>Total creditors (over one year)</b>	<b>3,637</b>	<b>4,042</b>	<b>3,637</b>	<b>4,042</b>

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. The outstanding loan at 30 June 2004 represented 24% of the market value of the property at the last valuation.

Analysis of payments due on creditors over one year:

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	1,614	2,019	1,614	2,019
<b>Mortgage repayable after more than one year</b>	<b>3,637</b>	<b>4,042</b>	<b>3,637</b>	<b>4,042</b>

## 20 PROVISION FOR LIABILITIES AND CHARGES

	Group and Consumers' Association	
	2004	2003
	£'000	£'000
Provision for work guarantee		
At 1 July	280	856
Utilised in the year	(69)	(106)
Released in the year to the Income and Expenditure Account	(211)	(470)
Balance at 30 June	-	280

## 21 FUTURE COMMITMENTS

	Group		Consumers' Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
At 30 June 2004 the group had annual commitments under property leases as follows:				
Expiring within one year	-	-	-	-
Expiring after two to five years	-	-	-	-
Expiring after more than five years	185	205	185	205
Total lease payments	185	205	185	205

## 22 MOVEMENT ON FUNDS DURING THE YEAR

	Unrestricted charity funds	Revaluation reserve	Accumulated deficit of trading subsidiaries	Group funds
	£'000	£'000	£'000	£'000
Balance as at 1 July 2003	31,510	(1,972)	(2,316)	27,222
Net outgoing resources before gift aid payment	(4,195)	-	-	(4,195)
Revaluation of investment assets (note 12)	-	1,117	-	1,117
Realised gains on investments	33	-	-	33
Crystallised losses transferred to Income and Expenditure Account	(855)	855	-	-
Trading profit before gift aid	-	-	5,525	5,525
Gift aid payments from subsidiaries to Charity	5,689	-	(5,689)	-
Balance at 30 June 2004	32,182	-	(2,480)	29,702

## 23 STAFF PENSIONS

The group operates a pension scheme which 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. It is funded by contributions from both employer and employees. The assets of the scheme are held separately from those of the company and are invested on behalf of scheme members by the scheme trustees. The employer's contributions are determined on the advice of an independent qualified actuary on the basis of triennial valuations. The actuarial valuation relevant to these accounts was carried out as at 31 March 2003. It was prepared using the projected unit method for liabilities and with assets taken at their market value, but with allowance for accrued terminal bonus in respect of the with-profits contract.

The main assumptions were:

Rate of investment return	
Pre retirement	6.60%
Post retirement	5.10%
Future pay increases	4.60%
Rate of inflation	2.60%
Increases to pensions in payment	
RPI members	2.60%
Non RPI members	5.00%

At the valuation date, the market value of the scheme's assets was £42.5 million which represented 84% of the scheme's liabilities including full allowance for projected future salary increases of current members to assumed retirement. The employer's regular pension cost for the year was £925,000 (8.2% of pensionable salaries). However, in accordance with SSAP24, the cost charged in these accounts is increased by the amount necessary to eliminate the deficit over the average remaining service life of current employees, which amounts to £745,000 (6.6% of pensionable salaries). In addition, the existing prepayment at the start of the year, plus net cashflows throughout the year, resulted in interest of £43,000 which is used to reduce employer's cost. The total pension cost for the year was therefore £1,627,000 (2002/03: £957,000).

The actual employer contributions paid to the scheme during the year was £1,592,000 (14.1% of pensionable salaries). The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation at 31 March 2003 and updated by an independent qualified actuary employed by Mercer Human Resource Consulting to take account of the requirement of FRS17 in order to assess the liabilities of the scheme at 30 June 2004. Scheme assets are stated at their market value at 30 June 2004, 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.

## NOTES TO THE ACCOUNTS

The financial assumptions used to calculate scheme liabilities under FRS17 are:

	30 June 2004	30 June 2003	30 June 2002
Rate of increase in pensionable salaries	5.0%	4.6%	4.7%
Rate of increase in pensions in payment	3.0%	2.6%	2.7%
Discount rate	5.7%	5.3%	5.8%
Inflation assumption	3.0%	2.6%	2.7%

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

	Long-term rate of return expected at 30 June 2004	Value at 30 June 2004 £m	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £m	Long-term rate of return expected at 30 June 2002	Value at 30 June 2002 £m
Equities	7.0%	23.7	6.5%	19.8	7.0%	21.7
Bonds and cash	5.7%	5.5	5.3%	5.0	5.8%	4.0
Property	7.0%	0.9	6.5%	1.0	7.0%	1.0
With-profits contract	6.5%	20.4	6.0%	19.4	6.8%	16.5
Total market value of assets		50.5		45.2		43.2
Present value of scheme liabilities		(54.3)		(51.4)		(51.1)
Deficit in the scheme		(3.8)		(6.2)		(7.9)
Related deferred tax asset		-		-		-
Net pension liability		(3.8)		(6.2)		(7.9)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 June 2004, 30 June 2003 and 30 June 2002 would be as follows:

	2004 £m	2003 £m	2002 £m
Net assets excluding pension liability	29.7	27.2	23.4
Pension liability	(3.8)	(6.2)	(7.9)
Net assets including pension liability	25.9	21.0	15.5
Profit and loss reserve excluding pension liability	29.7	29.2	24.4
Pension reserve	(3.8)	(6.2)	(7.9)
Profit and loss reserve	25.9	23.0	16.5

The following amounts would have been recognised in the performance statements in the year to 30 June 2004 under the requirements of FRS17:

	2003-04 £m	2002-03 £m
Operating deficit		
Current service cost	(1.1)	(1.0)
Past service cost	-	-
Total operating charge	(1.1)	(1.0)
Other finance income		
Expected return on pension scheme assets	2.8	3.0
Interest on pension scheme liabilities	(2.7)	(3.0)
Net return	0.1	0.0
Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	2.1	(1.5)
Experience gains and losses arising on the scheme liabilities	(0.2)	5.6
Changes in assumptions underlying the present value of the scheme liabilities	(0.1)	(2.5)
Actuarial gain recognised in STRGL	1.8	1.6
Movement in surplus during the year		
Deficit in scheme at beginning of the year	(6.2)	(7.9)
Movement in year:		
Current service cost	(1.1)	(1.0)
Contributions	1.7	1.1
Past service cost	-	-
Other finance income	-	-
Actuarial gain	1.8	1.6
Deficit in scheme at end of the year	(3.8)	(6.2)

## NOTES TO THE ACCOUNTS

The most recent actuarial valuation at 31 March 2003 updated at 30 June 2004 showed a decrease in the deficit from £6.2 million to £3.8 million. No benefit improvements were made during the year. Contributions increased to £1.6 million (14.1% of pensionable pay). It has been agreed with the trustees that contributions will be paid at 14.1% of pensionable pay subject to review at future actuarial valuations.

Details of experience gains and losses for the year to 30 June 2004

	2003-04 £m	2002-03 £m	2001-02 £m
Difference between the expected and actual return on scheme assets:			
Amount (£m)	2.1	(1.5)	(8.4)
Percentage of scheme assets	4%	-3%	-19%
Experience gains and losses on scheme liabilities:			
Amount (£m)	(0.2)	5.6	5.9
Percentage of present value of the scheme liabilities	0%	11%	12%
Total amount recognised in statement of total recognised gains and losses			
Amount (£m)	1.8	1.6	(8.7)
Percentage of present value of the scheme liabilities	3%	3%	-17%

The combined scheme was closed to new members in March 2004, in order to contain the group's 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.