



NATIONAL CENTRE FOR SOCIAL RESEARCH

A Company Limited by Guarantee

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

**Charity Registration Number : 1091768
Company Registration Number : 4392418**

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NATIONAL CENTRE FOR SOCIAL RESEARCH

LEGAL AND ADMINISTRATIVE DETAILS

LEGAL STATUS

The National Centre for Social Research (NatCen) was, from 1969, a registered charity governed by a Trust Deed. It became a new entity with effect from 1st July 2002 as a company limited by guarantee with a new charity registration number.

Company Registration Number:	4392418
Charity Registration Number:	1091768
Charity Registration Number of previous entity:	258538

REGISTERED OFFICE: 35 Northampton Square
London
EC1V 0AX

TRUSTEES: Professor Sir Howard Newby
Neville Bain
Lynne Berry
Sir Robert Culpin
Janet Finch CBE
Denise Lievesley
David McCrone
Lord Moser KCB CBE FBA
David Walker

CHIEF EXECUTIVE: Professor Norman Glass

COMPANY SECRETARY: Meriel Barclay

AUDITORS: Kingston Smith
Chartered Accountants
Devonshire House
60 Goswell Road
London
EC1M 7AD

BANKERS: National Westminster Bank Plc
Cavell House
2A Charing Cross Road
London
WC2H 0NN

SOLICITORS: Bates, Wells and Braithwaite
2 - 6 Cannon Street
London
EC4M 6YH

NATIONAL CENTRE FOR SOCIAL RESEARCH

REPORT OF THE TRUSTEES For the year ended 30 June 2005

The Trustees present their report with the audited financial statements for the year to 30 June 2005.

PRINCIPAL ACTIVITY

The principal activity during the period was the provision of education and research into all areas of social policy particularly health, employment, housing, travel, education and crime. Most of the projects undertaken included surveys carried out throughout Great Britain.

A full review of the activities for the period will be published in early 2006 in the "NatCen Annual Report 2005".

TRUSTEES

The Trustees, who are also directors of the company, during the period under review were:

Professor Sir Howard Newby	Chair of Trustees and Chair of Remuneration Committee and Nominations Committee
Neville Bain	Chair of Audit Committee
Lynne Berry	Member of Audit Committee
Sir Robert Culpin	Member of Audit Committee
Janet Finch CBE	Member of Remuneration Committee
Denise Lievesley	
Lord Moser KCB CBE FBA	
David Walker	Member of Remuneration Committee
David McCrone	

CONSTITUTION and GOVERNANCE

NatCen is governed by its Memorandum and Articles of Association which came into effect on 1 July 2002 and were amended on 3 February 2005. The governance of the charity is the responsibility of the Board of Trustees who are the directors of the company as well as being the members. Their guarantees are limited to £1 each. NatCen has no share capital.

Its objects are as follows:

"The Charity's objects are the advancement of education through research into the social, political and economic sciences, the dissemination to the public of the results of such research and for educational purposes incidental thereto". All NatCen staff are involved in the furtherance of our charitable activities.

The procedure for the appointment of Trustees is set out in the Articles of Association. The Trustees are obliged to set up a nominations committee to seek candidates for appointment, establish procedures and develop a succession plan. On appointment each Trustee completes a register of interests which is updated annually.

At each annual general meeting one-third of the Trustees are obliged to retire, although they may seek re-election. The maximum time trustees can serve is nine years. In February 2005, Sir Howard Newby, Lord Moser and Neville Bain retired and were unanimously re-elected.

Remuneration and Audit Committees, reporting to the Board of Trustees, have been formed. All the members are Trustees of NatCen, and the Board of Trustees has defined the role and responsibilities of these committees. Trustees are appointed to the Nominations Committee when it is required to be convened.

NATIONAL CENTRE FOR SOCIAL RESEARCH

REPORT OF THE TRUSTEES (continued)

For the year ended 30 June 2005

The Trustees meet formally at least three times a year, with further meetings as and when required. They are kept well informed by the management at other times of significant issues affecting NatCen. The Trustees have the power to appoint a chief executive and to delegate the implementation of the day to day management of the affairs of the organisation to him. A clear distinction exists between the responsibilities of the Trustees and the delegated powers of the management. The chief executive is responsible for appointing senior managers who are collectively responsible for the management and operation of NatCen and for reporting to the Trustees on the financial position of the organisation at each formal Trustee meeting. Senior managers are also responsible for implementing the policies agreed by the Trustees and reporting to the Trustees on performance. The management committee meets monthly.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Company and charity law require the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of NatCen and which report the surplus or deficit of NatCen for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, and provided that it is appropriate to assume that the charity will continue.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NatCen and to ensure that the financial statements comply with the Companies Act 1985 and the relevant Statement of Recommended Practice "Accounting and Reporting by Charities". They are also responsible for safeguarding the assets of NatCen and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INVESTMENT POWERS

The Memorandum and Articles of Association of NatCen authorise the Trustees to make and hold investments using the general funds of the charity. No such investments are presently held.

RESERVES POLICY

The Trustees are committed to increasing the level of reserves over the next five years to ensure the long term financial stability of NatCen.. The aim has been to increase net current assets to the equivalent of six months' of staff costs (currently at £4.8m) and considerable progress has already been made in this regard. The Trustees plan an in depth review of this policy during 2006 taking into account the increase in the commitment to accommodation costs and the deficit in the pension scheme.

ACTIVITIES AND ACHIEVEMENTS

2004/05 was a very active year for NatCen. We now have over 100 researchers in London and Edinburgh and our Operations staff and fieldforce continue to expand to carry out the increased workload. In addition, this year we launched a pilot Innovation Fund to allow exciting new ideas to be developed which will, we hope, advance the practice of social research.

NATIONAL CENTRE FOR SOCIAL RESEARCH

REPORT OF THE TRUSTEES (continued)

For the year ended 30 June 2005

The heart of NatCen's activities continues to be our Quantitative Research Department. The seven groups making up the Department cover the fields of health, education, employment, income and benefits, crime, families and children, longitudinal studies, transport, housing and many other areas of social policy. The annual British Social Attitudes Survey and its Scottish equivalent, Scottish Social Attitudes, continue to be among the most accessed of surveys held by the UK Data Archive at the University of Essex, showing their value to social policy analysts.

Another intensively accessed survey carried out by NatCen is the Health Survey for England, which we have carried out annually with our academic collaborators since the early 1990s. We were delighted that the Department of Health has awarded us the tender to carry this out again for the next few years, a real tribute to our researchers, operations staff, interviewers and nurse-interviewers. We also learned late in the year that we had been re-awarded one of our other major continuous surveys, the Family Resources Survey, carried out jointly with ONS on behalf of the Department for Work and Pensions.

Our Qualitative Research Unit also continues to flourish. It is widely recognised as a centre of excellence in qualitative social research. As well as carrying out its highly regarded substantive work in areas such as incapacity benefit, social exclusion and drugs, the QRU also contributes to methodological development through training and research on issues such as research ethics and quality.

Advancing research methodology is also the domain of our Survey Methods Unit, which specialises in statistical analyses and feasibility studies, such as the study on meeting the Department of Work and Pensions' long-term information needs on disability. The Unit has also completed an intensive study of survey response rates.

The year 2004/05 was the first full year for ScotCen, our Scottish organisation formed from the merger between the NatCen office based in Edinburgh and Scottish Health Feedback. It had a notable success in winning the contract for Growing Up in Scotland, the birth cohort survey for the Scottish Executive, and is well placed to increase our footprint in Scotland.

FUTURE PLANS

We are developing our plans in accordance with NatCen's strategy. The first round of Innovation Fund projects will be launched in Autumn 2005, and we expect that these will contribute to our aim of being at the forefront of social research. We shall also be launching our new external training arm bringing together and adding to, in a much more professional way, the various training courses and seminars we currently run so as to reach a much wider audience. We hope the training arm will help us achieve another of our aims, that of raising standards of social research knowledge. We shall also be looking carefully, in the light of research we have commissioned, at how we can widen and intensify the impact of our activities on the research and policy community through better communication and dissemination of our work.

We are about to roll out a new system for managing our interviewers' work. The current system is now nearly 15 years old and we are taking the opportunity to update it to make it more efficient for interviewers and to allow us to monitor their work more effectively. The new system will provide us with invaluable management information on interviewer call patterns, which will in turn help us to carry out surveys more efficiently. This is a major project which has been tested over the past eighteen months and involves re-programming all interviewer laptops and training all our interviewers in the new system. We have also appointed a specialist recruitment manager to ensure that our expansion is not held up by difficulties in recruiting and retaining field interviewers

NATIONAL CENTRE FOR SOCIAL RESEARCH

REPORT OF THE TRUSTEES (continued)

For the year ended 30 June 2005

Most of NatCen's research groups have now produced plans for the next three to five years. These envisage a considerable increase in the volume and type of work which we carry out, with increased emphasis on making more use of the survey data that we collect. So that these plans can be monitored and evaluated, we are developing a system for the measurement of the performance of the organisation and are currently deciding on the key performance indicators to be applied. This system will be ready and in use in the next few months. We believe we are well placed for the challenges ahead and are excited about NatCen's developments.

FINANCIAL REVIEW

The Income & Expenditure Account shows a satisfactory surplus for the year of over £1.7m, a very similar surplus to the previous year. Income was considerably higher with an increase of 17% to £32.5m. This increase in activity did put some pressure on resources, particularly on our freelance interviewers and we have been working hard to increase the capacity of this fieldforce. Interest earned during the year totalled £168,000.

The Balance Sheet strengthened during the year with an increase to £4.1m in net current assets. The principle reason for the increase in fixed assets was the fit-out of the new offices in Kings House, Brentwood, the cost to be written off over the 8-year lease. Our bank balance remained at a relatively high level during the year though much of this was due to advanced billing, particularly by Government departments.

With the significant increase in our accommodation costs in 2005/06, we do not expect to maintain this level of surplus as the commitments for rent and other premises costs for both London and Brentwood will increase by approximately £500,000.

A further issue which we shall be required to address in 2006 is an anticipated and significant deficit in NatCen's pension fund. The requirement to include this deficit, calculated according to FRS17, in the Balance Sheet as at 30 June 2006 could have a major affect on the Trust Funds. In addition the Trustees of the pension scheme are reviewing the latest actuarial valuation of the fund dated 1 July 2005 and are in discussion with the Scheme Actuary and the Trustees of NatCen on actions to be taken as a result of the deficit in this valuation. For further information see Note 15.

Trust Funds increased to £9.1m and within this total we have created a "Designated Property Fund", a protected fund of £3.9m reflecting the value in the Balance Sheet of the freehold and leasehold properties.

REVIEW OF ACCOMMODATION

In January 2005 NatCen leased three floors of Kings House, Brentwood, to provide much improved accommodation for the Operations and Systems Computing Departments. The lease runs until May 2013 at an annual rent, after a nine-month rent-free period, of £466,600. The lease on Blyth House, Brentwood, expired in June 2005. Link House, Brentwood, of which NatCen owns the freehold, is on the market at an asking price of £525,000.

In London we have taken over 6,000 square feet of additional space in St John Street, five minutes walk from our head office. These offices accommodate about 45 staff and we shall soon be taking a further 6,000 square feet in the same building. The lease details have still to be confirmed. During 2006 we shall commence the refurbishment of these offices and of our head offices in Northampton Square, London.

The lease of our offices in Edinburgh has been extended until September 2006.

NATIONAL CENTRE FOR SOCIAL RESEARCH

REPORT OF THE TRUSTEES (continued)

For the year ended 30 June 2005

RISK ASSESSMENT

The Trustees have been fully involved with the management in a continuing assessment of the risks to which the charity is exposed, particularly governance, operational, reputational, financial and compliance risks, and procedures have been introduced to manage and control many of the identified risks. The lines of responsibility for these risks have been clarified. Reviewing the risks to the charity is an on-going process which the Trustees regard as a high priority.

EMPLOYMENT OF DISABLED PERSONS

NatCen has implemented policies for equal opportunities and health and safety. The equal opportunities policy is applied to employment practices in relation to the recruitment, selection, retention, promotion and training of staff.

APPROVAL

**This report was approved by the Trustees on
and signed on their behalf by Prof. Sir Howard Newby**

Trustee :

Date :

Independent Auditors' Report to the Trustees of the NATIONAL CENTRE FOR SOCIAL RESEARCH

We have audited the financial statements of the National Centre for Social Research (the charity) for the year ended 30 June 2005 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or resume responsibility to any party other than the charity and charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The Trustees' (who are also the directors of the National Centre for Social Research for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Trustees' Annual 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 trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the charity's affairs as at 30 June 2005, and of its incoming resources and application of resources, including the income and expenditure of the charity for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kingston Smith
Devonshire House
60 Goswell Road
London EC1M 7AD

Dated:

NATIONAL CENTRE FOR SOCIAL RESEARCH

STATEMENT OF FINANCIAL ACTIVITIES

For the Period Ended 30 June 2005

	Notes	2005 £	2004 £
INCOME AND EXPENDITURE ACCOUNT			
Incoming Resources			
<i>Activities to further the charity's objects:</i>			
Project Income	2		
UK Government		27,125,567	23,860,740
Research Councils and Foundations		1,223,233	1,014,924
European Union		305,808	253,731
Universities and other		3,631,000	2,537,311
		<u>32,285,608</u>	<u>27,666,706</u>
<i>Activities for Generating Funds:</i>			
Sundry Publications		5,312	7,174
Bank Interest		167,752	91,479
Other Income		<u>55</u>	<u>366</u>
Total Incoming Resources		<u>32,458,727</u>	<u>27,765,725</u>
Resources Expended			
<i>Costs of activities in furtherance of the objects of the charity:</i>			
Project Costs		24,556,474	20,988,144
Support Costs		6,080,367	4,962,301
Management & Administration of the Charity		65,462	66,471
		<u>30,702,303</u>	<u>26,016,916</u>
Total Resources Expended	3	<u>30,702,303</u>	<u>26,016,916</u>
Net Incoming Resources		1,756,424	1,748,809
Net Movement in Funds			
Reconciliation of Funds			
Fund Balances Brought Forward		<u>7,414,201</u>	<u>5,665,392</u>
Fund Balances Carried Forward		<u>9,170,625</u>	<u>7,414,201</u>

All amounts relate to continuing activities.

NATIONAL CENTRE FOR SOCIAL RESEARCH

**BALANCE SHEET
As at 30 June 2005**

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed Assets					
Tangible fixed assets	6		5,103,662		4,404,050
Current Assets					
Debtors and Prepayments	7	5,596,680		6,951,439	
Cash at bank and in hand		<u>3,931,938</u>		<u>1,920,103</u>	
		9,528,618		8,871,542	
Creditors: Amounts falling due within one year	8	<u>(5,421,655)</u>		<u>(5,769,891)</u>	
Net Current Assets			<u>4,106,963</u>		<u>3,101,651</u>
			9,210,625		7,505,701
Creditors: Amounts falling due after one year			(40,000)		(91,500)
Net Assets			<u>9,170,625</u>		<u>7,414,201</u>
Unrestricted Funds	10	5,270,284		4,375,958	
Designated Funds					
Property Fund	10	<u>3,900,341</u>		<u>3,038,243</u>	
			<u>9,170,625</u>		<u>7,414,201</u>

**Approved by the Trustees on
and signed on their behalf by :**

.....
Trustee

NATIONAL CENTRE FOR SOCIAL RESEARCH

**CASH FLOW STATEMENT
For the Period Ended 30 June 2005**

	2005	2005	2004	2004
	£	£	£	£
Net Cash Inflow from Operating Activities		3,467,010		855,331
Returns on Investments and Servicing of Finance				
Bank interest received	167,752		91,479	
Bank interest paid	(775)		(541)	
Hire purchase interest	<u>(3,268)</u>		<u>(37,775)</u>	
		163,709		53,163
Net Cash Inflow from Purchase/Sale of Fixed Assets				
Cost of purchasing tangible fixed assets	(1,593,536)		(853,179)	
Proceeds from sale of tangible fixed assets	<u>9,142</u>		<u>9,074</u>	
		<u>(1,584,394)</u>		<u>(844,105)</u>
Net Cash Outflow before Changes in Financing		2,046,325		64,389
Changes in Financing				
Repayments to hire purchase creditors		(34,490)		(322,600)
		<u> </u>		<u> </u>
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>2,011,835</u>		<u>(258,211)</u>

NATIONAL CENTRE FOR SOCIAL RESEARCH

Notes to the Cash Flow Statement For the year ended 30 June 2005

	2005 £	2004 £	
1 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities			
Operating surplus	1,756,424	1,748,809	
Loss on disposal of Fixed Assets	315,361	10,658	
Interest paid - Bank	775	541	
Interest paid - Hire Purchase	3,268	37,775	
Interest Received	(167,752)	(91,479)	
Depreciation charges	569,421	608,324	
Decrease/(increase) in debtors	1,354,759	(2,657,773)	
Increase in creditors	(365,246)	1,198,476	
	3,467,010	855,331	
 2 Reconciliation of Net Cash Flow to Movement in Cash and Cash Equivalents			
	2005	2004	
	£	£	
Increase/(decrease) in cash in the year	2,011,835	(258,211)	
Cash outflow in respect of hire purchase	34,490	322,600	
	2,046,325	64,389	
Change in Cash and Cash Equivalents resulting from Cash Flows			
Cash and Cash Equivalents at 1 July 2004	1,885,613	1,821,224	
Cash and Cash Equivalents at 30 June 2005	3,931,938	1,885,613	
 3 Analysis of Changes in Cash and Cash Equivalents during the Year			
	At 1 July 04	Cash Flows	At 30 June 05
	£	£	£
<i>Net Cash</i>			
Cash at Bank and in Hand	1,920,103	2,011,835	3,931,938
<i>Net Debt</i>			
Hire Purchase Agreements	(34,490)	34,490	
Balance at 30 June 2005	1,885,613	2,046,325	3,931,938
	At 1 July 03	Cash Flows	At 30 June 04
	£	£	£
<i>Net Cash</i>			
Cash at Bank and in Hand	2,178,314	(258,211)	1,920,103
<i>Net Debt</i>			
Hire Purchase Agreements	(357,090)	322,600	(34,490)
Balance at 30 June 2004	1,821,224	64,389	1,885,613

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2005

1 Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain fixed assets and in compliance with the relevant Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", the Companies Act 1985 and the Charities Act 1993. The Statement of Financial Activities discloses more analysis than is required under the provisions of the SORP but is necessary in order to give a true and fair view.

(b) Depreciation

Depreciation of fixed assets has been provided for at the following rates which will, in the opinion of the Trustees, have the effect of writing the assets off over their useful life. This takes account of the date of the original acquisition of the assets which may have been by the previous entity.

Freehold Property	1.0% per annum on revalued buildings
Leasehold Property	5.6% per annum on cost
Fixtures and Fittings	10% or 33% per annum on cost
Computers and Software	20% or 25% per annum on cost

(c) Work in Progress

Work in progress represents the cost of work carried out on research projects in advance of receipt of income.

(d) Income

Income is accounted for on an accruals basis, with project income being spread over project lives to ensure matching with costs incurred in respect of those projects. Amounts billed in advance represent deferred income and are carried forward in the Balance Sheet.

(e) Administrative and Financial Overheads

All administrative and financial overheads are charged against income as incurred.

(f) Input VAT

Input VAT is subject to partial exemption rules and guidance from HM Revenue & Customs. The irrecoverable element applicable to administrative and financial overheads is not specifically allocated to expenditure headings.

(g) Foreign Exchange

Receipts in foreign currencies are recorded in sterling at the rate of exchange applicable at the time of transaction. Any balances outstanding at the period end are translated at the closing rate.

(h) Pension contributions

Contributions to the National Centre for Social Research Retirement Benefit Scheme, a defined benefits scheme, are charged to the income and expenditure account when incurred.

(i) Leases

No assets are held under finance leases. Rental payments in respect of operating leases are charged to the income and expenditure account when they become due.

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2005 (Continued)

(j) Transfer of Undertaking from Former Entity

The entire undertaking of the previous entity, a charity governed by its Trust Deed, was transferred to the successor company, a charity limited by guarantee, on 1 July 2002. The assets and liabilities were acquired by the company for no consideration at the net book values disclosed in these financial statements.

2 Project Income

Project income relates to research funding from which all specific project costs and management and administration expenditure is financed. Other than the transfer of assets from the previous entity, NatCen receives no donations, payments in kind or core funding towards the general pursuit of its charitable aims.

Included in Project income is an amount of £2,641,191 (2004 - £2,232,925) received on behalf of other institutions in respect of major collaborative projects. The corresponding payments are included in "Resources Expended".

	2005	2004
	%	%
Project income arose from the following sources:		
UK Government	83	85
Research Councils and Foundations	4	4
European Union	1	1
Universities and other	12	10
	<u>100</u>	<u>100</u>

3 Resources Expended

	Staff Costs £	Depreciation £	Other Costs £	2005 Total £	2004 Total £
<i>Costs of activities in furtherance of the Objects of the charity:</i>					
Project Costs	7,947,813		16,608,661	24,556,474	20,988,144
Support Costs	1,666,676	884,432	3,529,259	6,080,367	4,962,301
Management & Administration of the Charity	<u>27,975</u>		<u>37,487</u>	<u>65,462</u>	<u>66,471</u>
	<u>9,642,464</u>	<u>884,432</u>	<u>20,175,407</u>	<u>30,702,303</u>	<u>26,016,916</u>

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS For the Period Ended 30 June 2005 (Continued)

4 Staff Costs	2005	2004
	£	£
Salaries	7,419,199	6,473,090
Employer's National Insurance	638,236	555,234
Employer's Pension Contributions	1,157,309	1,206,851
Permanent Health Insurance Premiums	132,136	95,673
Other Staff Costs incl. temporary and freelance staff	295,584	340,834
	<hr/>	<hr/>
	9,642,464	8,671,682
	<hr/>	<hr/>

	2005	2004
The average number of employees during the year was as follows: (Full time equivalents)	<u>268</u>	<u>260</u>

5 Trustee Expenses and Related Party Transactions

Indemnity insurance has been taken out on behalf of the Trustees at an annual cost of £1,984 (2004 - £1,984).

No Trustee received any remuneration in the period. Travel and accommodation expenditure incurred by the Trustees associated with attendance at Trustee Meetings was reimbursed where claimed.

Indemnity insurance has been taken out on behalf of the Trustees of the National Centre for Social Research Retirement Benefit Scheme at an annual cost of £2,415 (2004 - £2,415).

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 30 June 2005 (Continued)

6 Tangible Fixed Assets	Freehold Properties (2002 Val)	Leasehold Property	Fixtures and Equipment	Total
Cost or Valuation	£	£	£	£
At 1 July 2004	3,079,313	15,690	2,243,907	5,338,910
Additions		960,026	633,510	1,593,536
Adjustments (see note below)			1,229,900	1,229,900
Disposals	(56,794)	(15,690)	(340,840)	(413,324)
At 30 June 2005	<u>3,022,519</u>	<u>960,026</u>	<u>3,766,477</u>	<u>7,749,022</u>
Depreciation				
At 1 July 2004	53,113	3,647	878,100	934,860
Charge for the year	30,793	19,130	653,351	703,274
Adjustments			1,229,900	1,229,900
Disposals	(23,456)	(1,022)	(198,196)	(222,674)
At 30 June 2005	<u>60,450</u>	<u>21,755</u>	<u>2,563,155</u>	<u>2,645,360</u>
Net Book Value				
At 30 June 2005	<u>2,962,069</u>	<u>938,271</u>	<u>1,203,322</u>	<u>5,103,662</u>
At 30 June 2004	<u>3,026,200</u>	<u>12,043</u>	<u>1,365,807</u>	<u>4,404,050</u>

There were no outstanding hire purchase contracts at 30 June 2005

Freehold Properties

All freehold properties are primarily functional. They are held to provide accommodation in which the research and administrative activities are carried out rather than as a source of income. None of the properties are held exclusively as an investment.

Valuation of Freehold Premises

A valuation of NatCen's two freehold properties was carried out by Nelson Bakewell, Chartered Surveyors, on behalf of the previous entity, on 30 June 2002. These premises are at 35 Northampton Square, 14 Wyclif Street, London and Link House, Brentwood and all three have been used exclusively for charitable purposes. The cost of freehold property included in Fixed Assets is the value at which the property was transferred to the new entity on 1 July 2002. There is currently no policy on the revaluation of freehold property.

Adjustments

During the year a review of fixtures and equipment was undertaken in order to ensure consistency between the fixed asset register and the fixed assets in the balance sheet. Since some of these assets were brought in to the balance sheet at their Net Book Value in 2002 and added to cost, the adjustment in the current year relates to the re-establishment of the cost and accumulated depreciation figures.

Resources Applied to Tangible Fixed Assets

A further significant investment of the charity's resources in laptop computers was made during the year to continue improvements in the collection and analysis of survey data.

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 30 June 2005 (Continued)

7 Debtors and Prepayments	2005	2004
	£	£
Trade debtors	5,141,594	6,534,458
Other debtors	232,002	164,502
Prepayments	<u>223,084</u>	<u>252,479</u>
	<u>5,596,680</u>	<u>6,951,439</u>

8 Creditors: Amounts falling due within one year	2005	2004
	£	£
Trade Creditors	520,121	347,351
Project Advanced Billing	3,290,120	3,744,780
PAYE and NIC	364,661	329,163
Accruals	1,246,753	1,314,107
Hire Purchase	<u>-</u>	<u>34,490</u>
	<u>5,421,655</u>	<u>5,769,891</u>

9 Hire Purchase Creditor	2005	2004
	£	£
Repayable within one year	<u>-</u>	<u>34,490</u>

10 Funds	Balance at 1 July 2004	Incoming Resources	Outgoing Resources	Transfers, Gains and Revaluations	Balance at 30 June 2005
	£	£	£	£	£
Unrestricted Funds					
General Fund	4,375,958	32,458,727	30,702,303	(862,098)	5,270,284
Designated Fund: Property	3,038,243	-	-	862,098	3,900,341
	<u>7,414,201</u>	<u>32,458,727</u>	<u>30,702,303</u>	<u>-</u>	<u>9,170,625</u>

NATIONAL CENTRE FOR SOCIAL RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 30 June 2005 (Continued)

11 Analysis of Net Assets between Funds

	Fixed Assets	Net Current Assets	Creditors Due after 1 year	Total
	£	£	£	£
Unrestricted funds	1,203,321	4,106,963	(40,000)	5,270,284
Designated fund - property	3,900,341	-	-	3,900,341
	5,103,662	4,106,963	(40,000)	9,170,625

12 Company Status and Membership

The company is a company limited by guarantee and does not have a share capital. In the event of the company being wound up, the liability of each member is limited to £1. At 30 June 2005 there were nine members.

13 Capital Commitments

There were no capital commitments at the year end.

14 Operating Leases

There were no obligations over two years from finance leases. Annual amounts payable for office premises under operating leases expiring within:

1 year	2 - 5 years	Over 5 years
£	£	£
NIL	67,017	424,553

NATIONAL CENTRE FOR SOCIAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2005 (Continued)

15 NatCen Retirement Benefits Scheme

NatCen sponsors the National Centre for Social Research Retirement Benefits Scheme which is a defined benefit arrangement. A triennial actuarial valuation of the Scheme as at 1 July 2005 has been carried out by the Scheme Actuary and a draft report presented to the NatCen Trustees and the Trustees of the Pension Scheme. At the time of signing the accounts, the report had yet to be accepted by the Trustees of the Pension Scheme. The report was based on the following assumptions:

	At 1/7/2005	At 1/7/2002
Rate of increase in salaries	5.0%	5.0%
Increases for pensions in payment	3.1%	3.0%
Investment return before retirement	7.0%	7.0%
Investment return after retirement	5.0%	7.0%
Inflation assumption	2.5%	3.0%
Revaluation of deferred pensions	2.5%	3.0%

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

	Long-term rate of return expected at 2005	Value at 2005 £000s	Value at 2004 £000s	Long-term rate of return expected at 1/7/2002	Value at 1/7/2002 £000s
Equities	7.0%	13,867		7.0%	
Bonds	5.0%	4,816		N/A	
Cash		169			
		<hr/>			
Total market value of assets		18,852	15,111		13,076
		<hr/>			<hr/>
Present value of scheme liabilities		27,225			15,179
		<hr/>			<hr/>
Deficit in the scheme		8,373			2,103

Since January 2004 the employer contributions have been payable at the rate of 18.8% of pensionable pay. In addition the employer meets the premiums payable for NatCen's permanent health insurance. Active members pay at the rate of 7.5% of pensionable pay.

FRS 17 Disclosure

For the Period Ending 30 June 2005

The last full actuarial valuation of the pension scheme was carried out by a qualified independent actuary as at 1 July 2002 and updated on an approximate basis to 30 June 2005.

The contributions made by the employer over the financial year have been £1,174,720 equivalent to 18.8% of pensionable pay, plus special contributions of £25,995. This contribution rate is to continue until reviewed following the triennial actuarial valuation of the scheme due as at 1 July 2005. The draft results of this valuation are outlined above and they compare with a valuation under FRS 17 which is described below.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	30 June 2005	30 June 2004	30 June 2003
	% per annum	% per annum	% per annum
Inflation	2.70%	3.20%	2.60%
Salary increases	4.70%	5.20%	4.60%
Rate of discount	5.00%	5.80%	5.30%
Pension in payment increases after 6 April 1997	3.20%	3.20%	3.20%
Revaluation rate for deferred pensioners	2.70%	3.20%	2.60%

Balance Sheet

	30 June 2005	30 June 2004	30 June 2003
	£000s	£000s	£000s
Assets	18,852	15,177	12,375
Liabilities	31,913	23,495	22,443
Deficit	13,061	8,318	10,068

Reserves Note

	30 June 2005	30 June 2004
	£000s	£000s
Pension reserve	(13,061)	(8,318)

Assets

	30 June 2005	30 June 2004	30 June 2003
	£000s	£000s	£000s
Equities	13,867	11,981	10,998
Bonds	4,816	3,130	1,354
Property	-	-	-
Cash	169	66	23

Expected long term rate of return

	30 June 2005	30 June 2004	30 June 2003
Equities	6.25%	7.05%	6.55%
Bonds	5.00%	5.80%	5.30%
Property	6.00%	6.80%	6.30%
Cash	4.50%	4.50%	3.75%

Profit and Loss Account

	Year Ending 30 June 2005	Year Ending 30 June 2004
	£000s	£000s
<i>Operating charge</i>		
Current service cost	781	1,037
Past service cost	26	33
Previous unrecognised surplus deducted from past service cost	-	-
Gains and losses on settlements and curtailments	-	-
Previous unrecognised surplus deducted from settlement or curtailments	-	-
Total operating charge	807	1,070
<i>Other finance charges</i>		
Interest on pension scheme liabilities	1,378	1,209
Expected return on pension scheme assets	(1,061)	(822)
Net finance charge	317	387
Total charge to profit and loss account	1,124	1,457

Statement of Total Recognised Gains and Losses (STRGL)

	Year Ending 30 June 2005	Year Ending 30 June 2004
	£000s	£000s
Difference between expected and actual return on scheme assets:		
Amount	1,681	1,085
Percentage of scheme assets	9%	7%
Experience gains and losses arising on the scheme liabilities:		
Amount	(118)	(46)
Percentage of present value of scheme liabilities	0%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	(6,383)	938
Percentage of present value of scheme liabilities	(20%)	4%
Total amount recognised in STRGL:		
Amount	(4,820)	1,977
Percentage of scheme liabilities	(15%)	8%

Movement in the Deficit during the year

	Year Ending 30 June 2005	Year Ending 30 June 2004
	£000s	£000s
Deficit in scheme at beginning of year	(8,318)	(10,068)
Movement in year:		
Current service cost	(781)	(1,037)
Net finance charge	(317)	(387)
Contributions	1,201	1,229
Past service costs	(26)	(33)
Actuarial loss	(4,820)	1,977
Surplus/(Deficit) in scheme at end of year	(13,061)	(8,318)

History of Experience Gains and Losses

A history of the amounts recognised in the statement of total recognised gains and losses for the previous two accounting years are as follows:

	Year 1	Year 2
Difference between expected and actual return on scheme assets:		
Amount (£000s)	1,681	1,085
Percentage of scheme assets	9%	7%
Experience gains and losses on scheme liabilities:		
Amount (£000s)	(118)	(46)
Percentage of the present value of the scheme liabilities	0%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount (£000s)	(6,383)	938
Percentage of the present value of the scheme liabilities	20%	4%
Total actuarial gain or loss		
Amount (£000s)	(4,820)	1,977
Percentage of the present value of the scheme liabilities	15%	8%