



**Evidence for
Excellence in
Education**

Report of the Trustees and financial statements

2017





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Excellence in
Education**

Report of the Trustees and financial statements

Year ended 31 March 2017

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Officers and members of the Board of Trustees

| | |
|---------------------------------|--|
| President | Sir James Rose, CBE, FRSA |
| Vice Presidents | Mr David Whitbread, MA Ms A J Shaw, MA (Hons) (<i>appointed 30 November 2016</i>) |
| Board of Trustees | |
| Chair | Mr R D C Bunker, MA (Hons) (1)(3)(4) (<i>retired 1 May 2017</i>) Ms J L Cocking, BA (Hons) (1)(2)(3) (<i>appointed 1 May 2017</i>) |
| Treasurer | Mr N Hollister MA (Hons), Cantab (1) |
| Trustees | Mr C H J Green, BA (Hons), CQSW, MBA (4) Mr A F N Parker, BA (Hons), MA(ed), MinstLM (1)(2) Ms A J Shaw, MA (Hons) (3) (<i>retired 30 November 2016</i>) Mr I Bauckham MA (Hons) Cantab, MA Mr M Keen, MA, FCA, FRSA (1)(2)(4) Mr C Ryan, BA (Hons), MA Mr S Macdonald, BA (Hons), Solicitor (4) |
| Membership of committees | (1) Remuneration Committee (2) Audit Committee (3) Nominations Committee (4) Investment Committee |

Members of the Foundation

All serving Trustees listed above

All local authorities in England and Wales

Local authority associations and committees

Local Government Association

Welsh Local Government Association

WJEC

National Associations of Teachers

Association of School and College Leaders

National Association of Head Teachers

National Union of Teachers

Universities, university colleges and university institutions

University of Brighton

University of Chester

UCL Institute of Education

The University of Manchester

University of Reading

Other educational bodies

Assessment and Qualifications Alliance

Association for Science Education

Association of Directors of Children's Services

Association of Educational Psychologists

Association of Professionals in Education and Children's Trusts

Cambridge Assessment

Children's Education Advisory Service

Oxford Cambridge and RSA Examinations (OCR)

Individual members

Hon. life members

Mr J A Barnes CBE MA Med FCP CIPD Hon FCGI

Mr J W Mansell Med CEng FIEE MIMechE

Sir James Rose CBE FRSA (also NFER President)

Prof. M Skilbeck MA PhD

Dr S Hegarty

Mrs S Rossiter

Mr D A L Whitbread (also NFER Vice President)

Administrative details for the year ended 31 March 2017

| | |
|--|---|
| Charity Name | National Foundation for Educational Research in England and Wales |
| Charity number | 313392 |
| Company number | 00900899 |
| Principal and registered office | The Mere, Upton Park, Slough, Berkshire SL1 2DQ |
| Auditor | Kingston Smith LLP, The Shipping Building, The Old Vinyl Factory, Blyth Road, Hayes, London UB3 1HA |
| Bankers | National Westminster Bank plc, c/o Royal Bank of Scotland plc, (as agents) Corporate Banking, 3rd Floor, Cavell House, Charing Cross Road, London WC2H 0NN |
| Solicitors | Bates Wells Braithwaite London LLP 2–6 Cannon Street London EC4M 6YH |
| Investment managers | Investec Wealth and Investment Ltd, 2 Gresham Street, London EC2V 7QP Smith & Williamson Investment Management LLP, 25 Moorgate, London EC2R 6AY |

Trustees and directors

The Trustees of the charity are the directors of the charitable company for the purposes of charity law and are referred to as the Trustees throughout this report. The Trustees serving during the year and up to the date of signature of the accounts are disclosed on page 3 of this report.

Senior Management Team

Day-to-day management of the charity is delegated to the Chief Executive, supported by the Senior Management Team. The Senior Management Team (SMT) during the year comprised:

Ms C Willis BA (Hons), MSc (Chief Executive)

Ms M Charles BSc, PGCE

Dr L Duff PhD, MSc, BSc

Ms P Vickers C dipAF (ACCA), MCIM (*resigned 28 February 2017*)

Ms M Wheeler BA (Hons) (*appointed 20 March 2017*)

Mr R Birkett MA (Hons) ACA

Company Secretary: Mr R Birkett

Report of the Board of Trustees

for the year ended 31 March 2017

The Board presents this annual Trustees' report and the audited accounts for the year ended 31 March 2017 as required by the Companies Act. This report provides a full account of the activities for the year and includes the information required of the Trustees of the charity by the Charity Commission.

Governing document

The National Foundation for Educational Research in England and Wales (NFER) is a company limited by guarantee and governed by Articles of Association, last amended on 6 December 2012. It is also a charity registered with the Charity Commission for England and Wales (the Charity Commission).

Our members comprise all Local Authorities in England and Wales with responsibility for children's services, other educational establishments, teaching professional bodies and some individual members, including the Trustees.

The statutory objects of NFER, as stated in the Articles of Association, are:

- to undertake research and development in education and allied subjects for the public benefit and the publication and dissemination of the useful results thereof
- to advance education for the public benefit, in particular but not exclusively, through the provision of educational services.

In the furtherance of these objects, NFER conducts research into all aspects of education, disseminates the results of that research and exchanges educational ideas and information. We also create tools and products based on research evidence that help to improve the quality of education.

Objectives and activities

NFER is a leading independent provider of research, assessments and related services for education, training and children's services. Our clients include government departments and agencies at international, national and local levels, which call upon NFER's range of expertise and professional services to develop and deliver educational policy and practice. NFER's purpose is to provide robust, independent research and assessment services that improve education, particularly for school aged children and young people. As a charity, the impact of our work is central to everything we do. Our work seeks to support effective policy and practice in education, both in the UK and internationally.

The public benefits of NFER's work

The Charity Commission sets out the criteria for assessing the public benefits of research and identifies the key points that organisations with charitable status should take into account when embarking on a research project. It states that research will normally qualify as charitable only if:

- the subject of the proposed research is a useful study of the area
- it is intended that knowledge acquired as a result will be disseminated to others
- the research is conducted for the benefit of the public or a section of the public.

The Charity Commission's general guidance on public benefit has been referred to when reviewing NFER's aims and objectives and planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set and, ultimately, how they will benefit the public.

Structure, governance and management

Appointment of Trustees

As set out in the Articles of Association, all Trustees are elected by the membership at the Annual General Meeting. The Trustees have the power to co-opt additional individuals to fill any vacancies between Annual General Meetings. All co-opted members must submit to election at their first AGM. The Trustees conduct an annual review of skills required and use this review to inform the recruitment of future Trustees.

Trustee induction, training and continued support

All newly nominated or elected Trustees are given appropriate induction materials and opportunities to understand the operations of NFER. The new Trustees are invited to meet senior members of staff and are provided with key documents including the Articles of Association, the latest Annual Report and Accounts, and recent Board minutes. Opportunities for specific training are offered on an “as needed” basis.

In addition to the schedule of business meetings, Trustees also participate in an annual strategic planning day to discuss future strategy for the organisation. This often includes an element of training and updating on new areas of business, legislation and best practice.

Organisation

The Trustees are responsible for setting the aims and direction of the organisation, but have delegated the day-to-day management to a Chief Executive, supported by a Senior Management Team (as outlined on page 5). Each year the Trustees approve the annual business plan and budget; anything that is not included in that plan must be referred back to the Trustees for approval. The Board has reserved for itself the approval of the Annual Report and Accounts, all key policies and all matters relating to property. It has established specialist committees to run specific areas, namely, investments, audit, remuneration and nominations. Working groups are also established to oversee specific business matters.

Related parties

The Foundation has three wholly owned subsidiaries. The first, NFER Trading Limited, was formed in 2000 with its prime role to deliver commercial contracts and protect the charity against risk. The other two, i-nfer Assessment Limited (incorporated in 2006) and Futurelab Education Limited (acquired by the Group in 2012) were dormant throughout the financial year.

The strategic report

NFER is a leading independent provider of educational research and assessment, whose insights help key decision makers improve policy-making and educational practice. As a not-for-profit organisation, we reinvest any surplus in projects that help us in working to create an excellent education for all children and young people.

Highlights of our progress this year

- We worked on over 138 research contracts over the year with a growing number of clients.
- Our international business has grown, with projects in Australia, Hong Kong and Mozambique and work on international comparison surveys – PISA 2015 and TIMSS 2015.
- The majority of schools in England and Wales engaged with NFER research or products. Our assessment products and services proved more popular than ever with schools.
- There were 2 million visits to publication pages on our website, 22,000 downloads of resources for school leaders and our Twitter followers increased by 20 per cent to 12,500.
- We increased our engagement with influential stakeholders, including a number of successful roundtable events.
- We raised our income and surplus, enabling us to continue to invest in growing our business and increasing our impact in the education sector. This included a record year of product sales, more than doubling in value.
- The awarding of the information security management standard ISO 27001 endorsed the high quality of our systems and processes.

Making an impact is at the heart of everything that we do and involves everyone in the Foundation. We continued to shed new light on important topics, influencing both policy and practice. Our reports provided fresh, evidence-based insights into topical issues, such as teacher retention and recruitment, informing current debates. This work was supported with new partnerships that enabled us to achieve even greater impact. Our engagement with stakeholders has grown, helped by running a number of successful roundtable events, including discussion of the role of executive headteachers and headteacher retention.

The financial year 2016–17 continued to present a challenging and highly competitive marketplace for educational research, whilst school budgets also remained under great pressure. Despite this tough environment we successfully increased our activities and generated an annual income of £17.8 million, 15% up on 2015–16 (£15.5m). This increased income will enable us to build on our successful investment in key areas of educational research where we can increase our impact, in state of the art research and assessment methodologies and in growing our range of products and services to support schools.

Our reputation as a professional, respected and rigorous source of independent evidence in education has grown throughout the year, according to the findings of our latest stakeholder survey.

Achievements and performance 2016–17

Here are some highlights of our activities during the year.

Influencing policy

We used our independent voice, based on rigorous research evidence, to contribute to **policy development and debate** by responding to Department for Education (DfE) and Education Select Committee inquiries on a range of topics. These included *Primary assessment*, *Schools that work for everyone*, *Intervening in failing, underperforming and coasting schools*, *Multi-Academy Trusts* and *Do schools prepare young people for their careers?* This led to more invitations for NFER to give evidence to inquiries in person and participate in discussions to examine different issues.

We continued to throw light on the **Regional Schools Commissioner (RSC) areas** with two reports that received very positive feedback. The first, *A tale of eight regions: part 1 – a snapshot of the*

evolving school system across the Regional Schools Commissioner areas, explored the evolving schools' landscape since RSCs were introduced in 2014. The second, *Challenge and support across the RSC areas*, used the latest performance data to explore the challenges RSCs face in terms of schools requiring action and the availability of multi-academy trusts (MATs) ready to expand to meet this need.

We increased the evidence base on the important challenge of **teacher retention** with the publication of *Engaging teachers: NFER analysis of teacher retention*. This followed our earlier analysis of teachers joining and leaving the profession. A high-profile communications programme helped raise awareness of the research findings with the media and more widely among stakeholders and policymakers.

Our evidence on **music education** hubs and the Arts Council England *In Harmony* programme over three years contributed to government decision making. Our final report recommended continued funding for the initiative. In November 2016, the DfE unveiled a £300m investment to fund a network of 121 music education hubs over four years to get more young people taking part in music and arts, and also announced funding until 2018 for *In Harmony*.

The release of new data from the Programme for International Student Assessment (PISA) and the Trends in International Mathematics and Science Study (TIMSS) provided the opportunity to examine the impact of disadvantage on pupils in England from an international perspective. Our report, *Is maths education in England working for everyone?*, showed that the gap between the most and least disadvantaged is equivalent to over three years of schooling. Our international experts also provided very accessible and popular insights into the surveys, reinforcing our reputation as the leading expert in **international education surveys**. The year culminated in NFER being commissioned by the DfE, Welsh Government and Department of Education (Northern Ireland) to form the National Centre for the Organisation for Economic Co-operation and Development's (OECD) PISA 2018 in England, Wales and Northern Ireland.

Influencing practice

We continued to work closely with schools, both as partners in our research and evaluation and as customers of our products and services.

Our extensive experience and expertise in assessment development and research continued to inform the design and development of our growing range of robust and reliable products and services for primary and secondary schools in England and Wales. We had **a record year of product sales**, more than doubling their value over the previous year. This range included our NFER Tests, NFER Reception Baseline Assessment, Analysis and Marking Service, School Surveys and Research in Schools products and services.

The **NFER Education Trials Unit** continued to support the evaluation of different intervention programmes in schools, and worked closely with the Education Endowment Foundation to support teachers and school leaders to use evidence to inform their decision-making. Projects this year included *Randomised Controlled Trials (RCTs) on Teacher observation*, and *Ability grouping – best practice in settings*.

We encourage schools to engage with research by making it more accessible. Our **popular guides for school leaders and practitioners** threw light on topical issues such as apprenticeships, the role of executive headteachers, flipped learning and NEET prevention (reducing the number of young people not in education, employment or training). We published an Executive Headteacher guide and, with the Edge Foundation, we created a short, accessible online tool for any school or college considering how to extend their engagement with employers and build lasting relationships. Our *Refocusing Assessment* resource, developed jointly with ASCL and SSAT, provides a framework for school leaders and department heads to plan a coherent whole-school approach to assessment that will support the learning of each student.

Assessment

NFER's expertise in assessment was at the heart of our work designing, developing and trialling the new **National Reference Test (NRT)** for secondary schools in England. The tests will provide a benchmark for students' performance in GCSE English language and maths. NFER is the delivery partner for The Office of Qualifications and Examinations Regulation (Ofqual) and the tests will eventually¹ provide an additional source of evidence for exam boards to use when setting standards. After two years, two trials and participation from over 16,000 students, the first annual NRT took place in spring 2017.

Through our work with the Standards and Testing Agency and the Welsh Government our assessment expertise **informed the development of tests** used in all state-funded primary schools in England and all state-funded schools in Wales.

Our **international assessment work** this year included projects for the Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Hong Kong Examinations and Assessment Authority, as well as our work on international surveys, delivering the PISA 2015 in Scotland and TIMSS 2015 in Northern Ireland.

Looking ahead to 2017–18 and beyond

We will continue to develop and deliver the next steps in our strategy to ensure robust evidence and insights are used to improve education policy and practice. Our key activities for the next three years, up to 2020, are set out on our website.

In 2017–18 we will have a particular focus on:

- diversifying our client base and exploring new market opportunities, including international opportunities
- spearheading assessment development and research and developing our expertise and portfolio of work in e-assessment
- continuing to raise our visibility and impact to ensure NFER continues to be regarded as a key source of robust, independent, education expertise, advice and comment
- undertaking more of our own research projects on key issues affecting education policy and practice
- continuing to develop relationships with stakeholders across the education system.

We will work to increase the quality and value of what we do for clients, using a continuous improvement approach and focusing on what our clients, and the users of our research and expertise, require. We will continue to strengthen our Quality Assurance methods and build on our successful accreditation of ISO 27001, the international information security management standard, in 2017.

As the UK looks to develop its role outside the European Union, NFER will build on its outward-looking focus, strengthening our relationships with other countries and being positive about the opportunities. We will look to grow our international relationships and our business across the world.

We will build on our investment in providing a positive and motivational environment for our employees. We will provide opportunities for learning and development to enable our staff to achieve the organisation's business goals. We will communicate regularly on the company's progress through staff briefings and our intranet. We will listen carefully to our staff through staff surveys, which provide feedback on staff engagement, confidence and satisfaction with working life and enable us to identify areas for improvement.

Risk management

The Trustees conduct an annual risk management exercise to identify all the risks to the charity, including all active subsidiaries, and to assess the impact and likelihood of the occurrence of each risk. Based on this analysis, Trustees ensure that appropriate systems and actions are in place to eliminate, reduce or mitigate these risks.

¹ Ofqual do not expect to use the data before 2019 at the earliest.

The most significant risks facing the Group and corresponding strategies for managing these are summarised below.

1. Securing sufficient income for investment and research in the UK in order to provide insights that will influence education policy and practice. In response to the reduction in funding available for research in the UK in the last few years, NFER is increasing its focus on proactive business development to protect its ability to invest in its charitable aims.
2. Attracting sufficient numbers of high quality staff with the necessary skills to enable NFER to continue to produce robust and relevant reports and assessments. To meet this challenge, NFER is increasing its investment in recruiting staff and has established an Educational Research Graduate Programme which is now in its second year of operation.
3. Ensuring that the security of our information continues to be maintained by safeguarding the integrity of our systems and keeping up to date with developments in information security, especially in view of the increased incidence of cyber attacks on a range of organisations. We are operating to the standards associated with our accreditation to ISO 27001 and investing in business resilience and continuity.
4. Maintaining the positive reputation of NFER and increasing its brand awareness through the website and media, and stakeholder interaction.

Having conducted the risk management exercise, the Trustees are satisfied that the significant risks facing NFER have been identified and mitigating actions are appropriate for eliminating or managing any potential impact.

Financial instruments

It is the policy of the charity not to engage in complex financial instruments where there could be financial risk. NFER only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. The most significant of these, together with the strategy for managing any associated risks, are:

- our investment portfolio – where risk is controlled by the Investment Committee through the appointment of investment managers, a wide spread of investments and a policy to hold a proportion of the assets in bonds and property funds that are not as exposed to downside risk as equities
- a 20-year bank mortgage (eight years remaining at 31 March 2017) – in which upward interest rate risk has been eliminated by fixing the rate of interest throughout the term.

Buckinghamshire County Council Pension Fund (BCCPF)

The company's membership of a local government pension scheme prior to 2011 also exposes the company to financial risk from market forces, which may affect its value. This is controlled by external bodies that manage the scheme. The company mitigated this risk by agreeing a settlement with the pension fund in November 2015, which involves regular monthly payments to the pension fund for each of the subsequent 19 years. In the event that a deficit remains in NFER's share of the fund at the end of this period, NFER and BCCPF will agree on settlement of the outstanding amount.

Qualifying indemnity insurance

The charitable company has granted an indemnity to its directors against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity insurance remains in force as at the date of approving the Trustees' report.

Financial review of the group

NFER increased its level of income this year by 15% (compared to an increase of 30% between 2014–15 and 2015–16), generating total revenues of £17.8m for the year compared to £15.5m last year. Income from contracted research grew to £13.2m, (2016: £12.9m) and from product sales to £4.0m (2016: £2.1m). A net surplus on charitable activities of £2.1m was achieved, compared to a net surplus on charitable activities of £1.1m last year.

The investment portfolio has generated an increased level of dividend and interest income at £526k, (2016: £477k). In addition, the value of the portfolio has increased this year, due to positive market conditions, which have resulted in an overall increase in the balance sheet value from £18.4m at the end of March 2016 to £21m on 31 March 2017.

Interest costs incurred on the mortgage are slightly lower this year, at £182k, compared to last year (2016: £196k). In addition, in accordance with the requirements of FRS 102, an interest charge on the pension deficit has been calculated at £695k. The equivalent figure for the prior year was £727k.

Overall, the organisation generated a total net surplus for the year of £4,273k as compared to £271k of net expenditure in 2015–16. This reflects the combination of a healthy surplus on our charitable activities and a substantial increase in the value of our investments. In 2016 NFER experienced a surplus on charitable activities, combined with a significant reduction in the value of the investment portfolio, to give an overall net expenditure figure.

The FRS 102 actuarial losses reported for this year amount to £5.9m and contrast markedly with the actuarial gains in 2016 of £3.2m (as restated for the introduction of FRS 102). The result of this actuarial loss is an increase in the net pension deficit from £18.4m in 2016 to £24.5m at the year end. The overall net movement of funds for the year, after these actuarial losses, amounted to £(1.6m), which gives NFER total reserves of £5.5m at the end of the year compared to £7.1m at the end of last year.

The charity's only active subsidiary, NFER Trading Limited, made an operating profit of £16k (2016: £57k) and remitted £16k to the parent by way of Gift Aid (2016: £57k). The revenue of £265k (2016: £288k) has reduced as a result of an earlier decision to deliver more projects directly through the charitable parent company. In the last year, several new contracts have been signed in the name of NFER Trading Limited.

Reserves policy and plans for future years

Having considered the challenges and opportunities that the charity may face in the medium to longer term, the Trustees calculated the need for a level of free reserves (i.e. those unrestricted reserves that have not been designated for specific purposes) in the range of £2.3m to £4.6m based on three to six months unavoidable expenditure. This range was determined by an assessment of the period over which a downturn in the business of NFER would have to be managed before positive results could be achieved from the implementation of remedial actions.

As at 31 March 2017, the NFER's total group reserves stood at £5.5m (2016: £7.1m). This is composed of:

| | | |
|---------------------------------|--------------|---|
| Designated fixed assets reserve | £6.1m | See Note 11 |
| Pension reserve | (£24.5m) | Actuarial valuation of pension deficit |
| Unrestricted reserves | £23.9m | To allow the charity to manage challenges and opportunities |
| Total reserves | <u>£5.5m</u> | |

The charity's pension deficit currently exceeds the value of its free reserves by £0.6m but will not be settled until 2034 at the earliest. The Trustees' strategy is to build up the free reserves of the charity in future years to achieve a value within the target range, taking into account the expected value of the pension settlement.

Investment policy

The NFER's policy on investments can be summarised as being: to maximise income commensurate with maintaining the capital value of the investments at least in line with market indices and, over the long term (any period of five years), to exceed the rise in the retail price index. Investments are not permitted in negotiable instruments known as derivatives or in companies whose principal businesses include tobacco, gambling or pornography.

The performance of the assets managed by the principal fund managers (Investec and Smith & Williamson) is measured against a Total Return (capital and income) benchmark over the medium term, based on the RPI index plus 4.25%. The figure of 4.25% will be reviewed periodically.

Each of the investment managers has the same minimum and maximum asset class parameters so that, overall, exposure to different assets will be within acceptable boundaries and thereby mitigate risk.

The current planning ranges, which will be subject to annual review, are:

| | |
|---|---|
| UK and overseas equities | 30–80% |
| Bonds including indexed-linked bonds | 12–60% including cash (a max of 50% in Government bonds) |
| Cash | Included in bonds above |
| Hedge funds | 0–10% |
| Property | 0–10% |
| Other | 0–5% |

In the year, investment capital grew by £2.6m (2016: reduction of £0.9m). Both of the investment managers met the investment objectives of exceeding RPI, as set out above, over the last year due to positive market conditions. Moreover, the performance of the portfolios managed by the investment managers were both in line with the bespoke benchmarks set for the period.

This policy and related controls are to ensure that the security of the assets and their proper management are reviewed on a periodic basis. A general review of this policy is conducted on an annual basis with a detailed review every two years. The Investment Committee meets twice yearly to monitor and evaluate performance of the investments and the investment managers.

Pension schemes

During the year, the NFER participated in two pension schemes: its own defined contribution pension scheme independently run by Pan Trustees Ltd and the Teachers' Pension Scheme (TPS), administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE).

The TPS is accounted for as a defined contribution scheme under Financial Reporting Standard 102 (formerly FRS 17) (section 28) Employee Benefits.

The NFER's active membership of the Buckinghamshire County Council Pension Fund (BCCPF) ceased on 30 June 2011. The BCCPF is accounted for as a defined benefit fund under Financial Reporting Standard 102 (formerly FRS 17 on retirement benefits) and was replaced with the NFER's own defined contribution pension scheme.

NFER and BCCPF signed a settlement agreement in 2015 to determine the arrangements for payment of the share of the fund deficit relating to NFER's Admission Agreement. The Scheme's future funding requirements over the nineteen years of the agreement now form part of the company's annual and long term planning and budgeting processes.

Equal opportunities and remuneration policies

NFER is committed to creating an environment where the staff, Trustees, clients, partners and suppliers experience equality, diversity and inclusion in all our activities. All employees, whether part-time, full-time or temporary, are treated fairly and with respect. Selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability; relevant training is provided to those involved in decision making in all these areas. All employees are helped and encouraged to develop their potential so that the talents and resources of our staff are fully utilised and the efficiency of the organisation is maximised. This policy is fully supported by the Trustees and Senior Management Team (SMT) and is monitored on an ongoing basis.

The Trustees consider that the Board of Trustees and the SMT are the key management personnel who have authority and responsibility for planning, directing and controlling the activities of NFER.

Remuneration for all staff, including the Senior Management Team, is reviewed annually by the Remuneration Committee, a sub-Committee of the Board of Trustees, taking account of the following aims and principles:

- to ensure the availability of the skills, experience and expertise required to deliver the organisation's objectives
- to attract and retain a motivated workforce in order to achieve organisational effectiveness
- to recognise individual performance and contribution to the organisation's development and success
- to reflect the performance of the organisation
- to reflect NFER's ethos, aims and values.

Senior Management Team

Employment at NFER is valued by our staff as a result of the respect with which the organisation's work in the field of education is held. However, NFER operates in a labour market where there is increasing competition for the specialist and leadership skills it requires to meet its aims and objectives, making it important to be able to offer a competitive salary.

Pay for the SMT is determined by NFER's Remuneration Committee. Pay levels are set on the basis of the principles set out above, and with reference to the pay award for the organisation as a whole. Information on increases in national earnings, and planned pay awards in a number of similar organisations, is used to inform pay awards. Pay levels are reviewed annually.

As for all NFER employees, remuneration for the SMT includes salary and pension scheme contributions. Contributions are made by NFER to the Federated Retirement Savings Plan (FRSP) – NFER Section Pension Scheme at the rate of up to 10% of the member of staff's base salary. Other elements of the organisation's remuneration and benefits package are also attractive and of value to staff at all levels across the organisation (including the annual leave entitlement, our approach to flexible working arrangements, and the scope for personal development).

Details of the key management personnel remuneration, expenses and related party transactions are disclosed in notes 9 and 10 to the accounts.

Trustees

The Board of Trustees is collectively responsible for the overall governance, aims and strategic direction of the organisation. There is no fee payable in respect of appointment as a Trustee; Trustees are entitled to reimbursement for any reasonable out-of-pocket expenses.

Future developments

The Trustees remain positive about the organisation's market position and progress. NFER will continue to seek to develop activities that serve the field of education through research, assessment and dissemination, and through optimising the range of products and services that it offers to schools. The direction of these activities will be informed by independent market research and business analysis.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing the re-appointment of Kingston Smith LLP as auditors of the company will be placed before the Annual General Meeting.

Statement of the Trustees' responsibilities

The Trustees (who are also directors of the NFER for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities Statement of Recommended Practice (SORP)
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether a SORP applies and has been followed, subject to any material departures which are explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees is aware:

- there is no relevant information of which the charitable company's auditor is unaware
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

None of the Trustees had any beneficial interest in any contract to which the NFER was party during the year.

The Trustees' annual report and strategic report were approved by the Board of Trustees and signed by:

The Mere
Upton Park
Slough
Berks
SL1 2DQ



J L Cocking
Chair

18 October 2017

Independent auditor's report

to the members of the National Foundation for Educational Research in England and Wales

We have audited the financial statements of the National Foundation for Educational Research in England and Wales for the year ended 31 March 2017 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, set out on page 15, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report of the Board of Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or Trustees' remunerations specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Seymour

25 October 2017

Jonathan Seymour (Senior Statutory Auditor)
For and on behalf of Kingston Smith LLP, Statutory Auditor
The Shipping Building
The Old Vinyl Factory
Blyth Road
Hayes
London
UB3 1HA

Consolidated statement of financial activities (including income and expenditure account and statement of recognised gains and losses) for the year ended 31 March 2017

| | Notes | 2016–17 | 2015–16 |
|--|-------|----------------|---------------|
| | | £'000 | £'000 |
| Income from: | | | |
| Charitable activities | 4(a) | 17,217 | 14,962 |
| Other trading activities | | – | – |
| Investments | 4(b) | 526 | 477 |
| Other | 4(c) | 10 | 59 |
| | | 17,753 | 15,498 |
| Expenditure on: | | | |
| Investment Management | | 57 | 95 |
| Charitable activities | 5(b) | 15,167 | 13,867 |
| Mortgage Interest | | 182 | 196 |
| Net interest and admin expenses on defined pension liability | 18(d) | 695 | 727 |
| | | 16,101 | 14,885 |
| Net gains/(losses) on investments | | 2,621 | (884) |
| Net (expenditure)/income | | 4,273 | (271) |
| Other recognised gains/(losses): | | | |
| Actuarial (losses)/gains on defined benefit pension schemes | 18(f) | (5,857) | 3,150 |
| | | (1,584) | 2,879 |
| Reconciliation of funds: | | | |
| Total funds brought forward | | 7,070 | 4,191 |
| Total funds carried forward | | 5,486 | 7,070 |

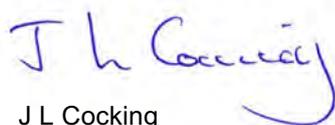
The statement includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

Group and Company balance sheet

as at 31 March 2017

| | Note | Group 2017 £'000 | Group 2016 £'000 | Company 2017 £'000 | Company 2016 £'000 |
|---|------|------------------------|------------------------|--------------------------|--------------------------|
| Fixed Assets: | | | | | |
| Intangible Assets | 11 | 39 | 29 | 39 | 29 |
| Tangible Assets | 11 | 6,097 | 6,190 | 6,097 | 6,190 |
| Investments | 12 | 20,960 | 17,363 | 20,960 | 17,363 |
| Total Fixed Assets | | 27,096 | 23,582 | 27,096 | 23,582 |
| Current Assets: | | | | | |
| Stocks | | 344 | 84 | 344 | 84 |
| Investments | 12 | – | 1,056 | – | 1,056 |
| Debtors | 15 | 3,428 | 3,438 | 3,396 | 3,368 |
| Cash at bank and in hand | | 5,242 | 4,144 | 5,242 | 4,144 |
| Total Current Assets | | 9,014 | 8,722 | 8,982 | 8,652 |
| Liabilities: | | | | | |
| Creditors: Amounts falling due within one year | 16 | (3,353) | (3,792) | (3,333) | (3,734) |
| Net current assets | | 5,661 | 4,930 | 5,649 | 4,918 |
| Total assets less current liabilities | | 32,757 | 28,512 | 32,745 | 28,500 |
| Creditors: Amounts falling due after more than one year | 16 | (2,729) | (3,027) | (2,729) | (3,027) |
| Net assets excluding pension liability | | 30,028 | 25,485 | 30,016 | 25,473 |
| Defined benefit pension scheme liability | 18 | (24,542) | (18,415) | (24,542) | (18,415) |
| Total net assets | | 5,486 | 7,070 | 5,474 | 7,058 |
| The funds of the charity: unrestricted | | | | | |
| Designated Funds | 19 | 6,136 | 6,219 | 6,136 | 6,219 |
| Free Reserves | 19 | 23,892 | 19,266 | 23,880 | 19,254 |
| Pension reserve | 19 | (24,542) | (18,415) | (24,542) | (18,415) |
| Total unrestricted and charity funds | | 5,486 | 7,070 | 5,474 | 7,058 |

The financial statements on pages 18 to 43 were approved and authorised for issue by the Board of Directors on 18 October 2017 and signed on its behalf by



J L Cocking
Chair

Company number 00900899

Consolidated statement of cash flows for the year ended 31 March 2017

| | Note | 2016–17 | Restated 2015–16 |
|--|--------------|--------------|---------------------|
| | | £'000 | £'000 |
| Cash flows from operating activities | 20(a) | 874 | 570 |
| Cash flows from investing activities | | | |
| Dividends, interest and rents from investments | | 526 | 477 |
| Purchase of fixed assets | | (201) | (78) |
| Proceeds from sale of investments | | 5,075 | 3,651 |
| Purchase of investments | | (5,160) | (3,492) |
| Increase in cash held for investment | | 165 | (75) |
| Net cash provided by investing activities | | 405 | 483 |
| Cash flows from financing activities | | | |
| Repayments of borrowing | | (280) | (265) |
| Net cash used in financing activities | | (280) | (265) |
| Change in cash and cash equivalents in the reporting period | | 999 | 788 |
| Cash and cash equivalents at the beginning of the reporting period | | 4,144 | 3,276 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 99 | 80 |
| Cash and cash equivalents at the end of the reporting period | 20(b) | 5,242 | 4,144 |

Notes to the financial statements

for the year ended 31 March 2017

1. Status of the NFER

NFER is a body domiciled and incorporated in England and Wales under the Companies Act (Company No. 00900899), and is limited by guarantee. In the event of NFER being wound up the liability of its members, the number of whom is variable, is limited to £1 each. NFER is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable purposes by virtue of being a registered charitable body (Charity No. 313392). NFER's subsidiary undertakings are detailed in Note 13 to the accounts.

2. Accounting policies

a) Accounting convention and basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The charitable company and its subsidiaries are a public benefit group for the purposes of FRS 102 and therefore the charity also prepared its financial statements in accordance with the Statement of Recommended Practice (The FRS 102 Charities SORP), the Companies Act 2006 and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and the Charities Act 2011.

The consolidated financial statements incorporate the accounts of NFER and all of its subsidiary undertakings using the acquisition method from the date that control passes. All financial statements are made up to 31 March each year.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest one thousand pounds.

The accounting policies of the group and company remain unchanged from the previous year.

b) Recognition of income and expenditure

Income and direct research expenditure are recognised as project activity progresses. Income is recognised as earned when, and to the extent that, the charity obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable. In respect of incomplete research projects, the income recognised reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Income recognised but not yet invoiced is included in debtors as 'amounts recoverable on contracts'. Income billed in advance of contract performance is included in creditors as 'deferred income and payments on account'.

Any excess direct expenditure on completed projects, or any excess direct expenditure on uncompleted projects which is unlikely to be recovered over the life of the project, is provided for in full as soon as it is anticipated.

Other income and expenditure is recognised on an accruals basis when there is entitlement to the funds, the receipt is probable and the amount can be measured reliably.

c) Expenditure

Direct charitable expenditure relates to salaries and expenditure directly incurred in the delivery of contracted research, educational services, and related products. Staff salaries are allocated to specific projects, products and services based on the time spent on those activities.

Support costs comprise the costs of non-research staff, accommodation and other overheads; these costs are allocated between activities on the basis of direct salaries.

Leased assets and obligations:

Annual rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term, with any lease incentives or rent free periods spread over the lease term.

d) Impact projects and product development

NFER invests in its own research and development activity. Any such expenditure is written off to the income and expenditure account in the period in which it is incurred. Also, development expenditure for new products is written off in the year in which it is incurred.

e) Fixed assets and depreciation

Freehold property is included in the accounts at cost.

Both tangible and intangible fixed assets are depreciated/amortised by equal annual instalments over their estimated useful lives as follows:

| | |
|--------------------|--------------|
| Freehold buildings | 50 years |
| IT equipment | 1 to 5 years |
| Other equipment | 3 years |
| Motor vehicles | 3 years |
| Software | 1 to 5 years |

Freehold land is not depreciated.

Assets that are impaired in value are written down to their economic value.

Assets purchased/acquired for less than £5,000 are not capitalised. This threshold was increased from £500 with effect from 1 April 2015.

Intangible assets comprise IT software.

f) Investments

Investments are stated in the balance sheet at market value.

g) Stock

Stocks have been valued at the lower of cost and net realisable value.

h) Employee benefits

Retirement benefits to employees of NFER are provided by its own defined contribution scheme, the Teachers' Pension Scheme (TPS) and the Buckinghamshire County Council Pension Fund (BCCPF).

Contributions in respect of NFER's defined contribution scheme are charged to the Statement of Financial Activities in the year they are payable.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives in such a way that the pension cost is a substantially level percentage of current and future pensionable pay. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in Note 18, the TPS is a multi-employer scheme and NFER is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised in the Statement of Financial Activities in the year they are payable.

NFER is a non-active member of the BCCPF, a defined benefit pension scheme. The scheme is funded, with the assets held separately from the company in trustee administered funds. The liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the pension scheme liabilities less the fair value of the assets held in the scheme. Pension scheme assets are measured at fair value and the liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined benefit schemes the expected return on assets and the interest cost are shown as a net finance gain or loss. Actuarial gains and losses are recognised immediately in other gains and losses.

i) Fund Accounting

Designated funds are unrestricted funds set aside at the discretion of the Trustees for specific purposes as described in Note 19 to the accounts.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

Unrestricted funds represent projects and other income received that contains no restriction relating to the use of those funds.

j) Irrecoverable VAT

All input VAT that cannot be recovered in full is expensed. The amount of input VAT credited to overheads that can be partially recovered is calculated using the standard turnover method.

k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange applicable at the balance sheet date. Transactions in foreign currencies are recorded at the rate applicable at the date of the transaction. All differences are taken to the statement of financial activities.

l) Unrealised gains and losses

NFER operates a 'mark-to-market' policy, whereby the carrying value of the company's investments is updated to market value on a continuous basis. As a result, gains and losses on investments held at the year end are classified as unrealised.

m) Going concern

The Trustees have determined that there are no material uncertainties related to events or conditions that cast significant doubt on NFER's ability to continue as a going concern for at least 12 months beyond the date the accounts are signed, as there is sufficient work secured for the next 12 months and the organisation has enough cash and investments that can be easily liquidated to cover running costs for that period.

n) Cash at bank and in hand

Cash at bank and in hand includes cash and a short-term liquid deposit account which is repayable on demand.

o) Financial instruments

NFER has financial assets and liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are subsequently measured at fair value through the statement of financial activities.

3. Judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions with the most significant effect on amounts recognised in the financial statements are as follows:

a) Defined benefit pension scheme (BCCPF)

The charity has an obligation to pay pension benefits to certain employees under a defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on a number of factors that are determined on an actuarial basis using a variety of assumptions including; life expectancy, asset valuations and the discount rate on corporate bonds. Any changes in these assumptions, which are disclosed in Note 18, will impact the carrying amount of the pension liability.

b) Project income

Income from projects is assessed on an individual basis with income being recognised based on the stage of completion of the project which is estimated using a combination of the milestones in the contract and the time and costs spent to date compared to the total expected to be required to undertake the project. Estimates of the total time and costs required to complete the projects are made on a quarterly basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

4. Income

| a) Charitable activities | 2017 | 2016 |
|--------------------------|---------------|---------------|
| | £'000 | £'000 |
| Contracted Research | 13,170 | 12,904 |
| Educational Products | 4,047 | 2,058 |
| | <u>17,217</u> | <u>14,962</u> |

Contracted research

This comprises income from the following activities:

- undertaking research related to education and training
- the development and use of assessment instruments and procedures
- undertaking surveys and similar services to support research
- supplying information developed from the above to customers in schools and other educational institutions.

It is not possible to analyse income into the above categories as the majority of projects involve a mixture of all elements.

Educational products

This comprises the sale of educational products and services, predominantly to schools, including our Optional Tests and Analysis and Marking Service.

| b) Investment income | 2017 | 2016 |
|---------------------------|------------|------------|
| | £'000 | £'000 |
| From listed investments | 522 | 473 |
| Interest on cash deposits | 4 | 4 |
| | <u>526</u> | <u>477</u> |

c) Other

This comprises rent receivable including service charges and secondment related income.

5. Resources expended

a) Raising funds

These represent the fees charged by NFER's investment managers.

b) Charitable activities

| | Direct salaries | Direct costs | Support costs | Group | |
|----------------------|--------------------|-----------------|------------------|---------------|---------------|
| | | | | 2017 | 2016 |
| | | | | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Contracted research | 6,142 | 2,977 | 3,289 | 12,408 | 11,243 |
| Educational products | 809 | 961 | 433 | 2,203 | 1,800 |
| Product development | 249 | 97 | 210 | 556 | 824 |
| Total | <u>7,200</u> | <u>4,035</u> | <u>3,932</u> | <u>15,167</u> | <u>13,867</u> |

6. Support costs

| | Group | |
|---|--------------|--------------|
| | 2017 | 2016 |
| | Restated | Restated |
| | £'000 | £'000 |
| Salary and pension costs | 2,541 | 2,112 |
| Recruitment and other staff costs | 358 | 355 |
| Property and office costs | 390 | 246 |
| Consultancy | 186 | 49 |
| Marketing | 182 | 113 |
| Depreciation | 277 | 275 |
| Impairment | 0 | 227 |
| Amortisation | 25 | 38 |
| Exchange gains* | (113) | (75) |
| Governance (see below) | <u>86</u> | <u>78</u> |
| *Including transactional exchange differences | <u>3,932</u> | <u>3,418</u> |

| Governance Costs | Group | |
|------------------------------------|--------------|--------------|
| | 2017 | 2016 |
| | £'000 | £'000 |
| Board and Board committee expenses | 5 | 7 |
| Audit and legal fees | 40 | 32 |
| Insurance | 41 | 39 |
| | 86 | 78 |

7. Transfer between funds

Transfers between unrestricted funds are shown in Note 19.

8. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging:

| | Group | |
|--|--------------|--------------|
| | 2017 | 2016 |
| Other Costs: | £'000 | £'000 |
| Auditor's remuneration (incl. VAT) | | |
| – as auditors | 28 | 21 |
| – for other services | 9 | 11 |
| Depreciation and amortisation | 304 | 313 |
| Impairment | – | 227 |
| Operating lease rentals – land and buildings | 31 | 25 |

9. Employees

Staff costs during the year:

| | Group | |
|------------------------------------|--------------|--------------|
| | 2017 | 2016 |
| | £'000 | £'000 |
| Wages and salaries | 8,121 | 7,116 |
| Social security costs | 649 | 526 |
| Defined contribution pension costs | 618 | 559 |
| | 9,388 | 8,201 |

The average number employed (excluding the Trustees) during the year was:

| Group and Company | 2017 | | 2016 | |
|-------------------|------------|------------|------------|------------|
| | FTE | Head count | FTE | Head count |
| Permanent staff | 169 | 189 | 153 | 172 |
| Temporary staff | 73 | 287 | 50 | 260 |
| | 242 | 476 | 203 | 432 |
| Research staff | 148 | 215 | 122 | 196 |
| Other staff | 94 | 261 | 81 | 236 |
| | 242 | 476 | 203 | 432 |

Key management personnel comprise the Trustees and the Senior Management Team.

None of the Trustees who are the directors of the company received any remuneration in the current or previous year.

The five (2016: five) members of the Senior Management Team received total remuneration of £542k (2016: £535k) comprising both annual salary and pension contributions.

The following number of employees earned £60,000 per annum or more:

| | 2017 | 2016 |
|--------------------|--------|--------|
| | Number | Number |
| £60,001–£70,000 | 4 | 4 |
| £70,001– £80,000 | 2 | – |
| £80,001– £90,000 | 2 | 3 |
| £100,001– £110,000 | 1 | 1 |
| £120,001–£130,000 | 1 | 1 |

The number of higher paid staff to whom retirement benefits are paid into defined contribution pension schemes was ten (2016: nine). The total contribution in respect of these employees was £82,392 (2016: £76,504).

The charity made no redundancy or termination payments during the year (2016: £8k). Redundancy and termination benefits are given in accordance with statutory entitlement laid down in existing legislation, based on age and length of service at the time of termination.

10. Members of the Board

Trustees' expenses consisted of travel and subsistence costs to 11 Trustees (2016: 11) which amounted to £2,686 (2016: £2,839).

During the year, insurance costing £3,575 (2016: £3,559) was purchased to indemnify the Trustees and other officers against the consequences of any neglect or default on their part and to protect NFER from loss arising from the neglect or defaults of its Board, officers or staff.

11. Intangible and Tangible fixed assets

| Intangible Fixed Assets Group & Company | IT Software £'000 |
|--|----------------------|
| Cost | |
| 1 April 2016 | 167 |
| Additions in year | 35 |
| Disposals | (66) |
| 31 March 2017 | 136 |
| Amortisation | |
| 1 April 2016 | 138 |
| Charge for year | 25 |
| Disposals | (66) |
| 31 March 2017 | 97 |
| Net book amount | |
| 31 March 2017 | 39 |
| 1 April 2016 | 29 |

| Tangible Fixed Assets Group & Company | Land | Freehold property | IT equipment | Other equipment | Motor Vehicles | Total |
|--|------------|----------------------|--------------|--------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| 1 April 2016 | 700 | 7,612 | 473 | 127 | 9 | 8,921 |
| Additions in year | – | – | 101 | 85 | – | 186 |
| Disposals | – | – | (20) | – | (9) | (29) |
| 31 March 2017 | 700 | 7,612 | 554 | 212 | – | 9,078 |
| Depreciation and Impairment | | | | | | |
| 1 April 2016 | – | 2,289 | 325 | 108 | 9 | 2,731 |
| Charge for year | – | 152 | 109 | 18 | – | 279 |
| Impairment charge | – | – | – | – | – | – |
| Disposals | – | – | (20) | – | (9) | (29) |
| 31 March 2017 | – | 2,441 | 414 | 126 | – | 2,981 |
| Net book amount | | | | | | |
| 31 March 2017 | 700 | 5,171 | 140 | 86 | – | 6,097 |
| 1 April 2016 | 700 | 5,323 | 148 | 19 | – | 6,190 |

All assets continue to be used for charitable purposes. It is not practicable to split assets between direct and support expenditure.

12. Investments

Group and Company

| | 2017 | 2016 |
|---|---------------|---------------|
| Listed Investments | £'000 | £'000 |
| Market value at 1 April 2016 | 17,782 | 18,825 |
| Less: Disposals at net book value | (5,075) | (3,651) |
| Add: Acquisitions at cost | 5,160 | 3,492 |
| Net gain/(loss) on revaluation at 31 March 2017 | 2,621 | (884) |
| Market value at 31 March 2017 | 20,488 | 17,782 |
| Cash allocated for investment | 472 | 637 |
| Total Investments at 31 March 2017 | 20,960 | 18,419 |
| Investments can be analysed as follows: | | |
| UK Investments (including cash) | 14,640 | 13,692 |
| Non UK Investments | 6,320 | 4,727 |
| | 20,960 | 18,419 |

Total investment income for the year amounted to £522,000. Of this sum, £448,000 was derived from investments held in the UK and £74,000 derived from non UK investments.

The historic cost of listed investments is £15.8m (2016: £15.5m).

There are no holdings representing more than 5% of the balance.

For the year to 31 March 2016 the £18,419k of investments were represented on the balance sheet by £17,363k of fixed assets and £1,056k of current assets which were sold shortly after the year end.

13. Subsidiary Undertakings

a) NFER Trading Limited

NFER Trading Ltd is a company registered in England and Wales (company number 03954591), with a share capital of £100 and wholly owned by NFER. It was established to pursue trading opportunities outside of NFER's charitable objectives and to protect the charity from commercial risk. At the balance sheet date the company had a net surplus on its capital and reserves of £12,052 (2016: £12,052). Audited accounts are available at Companies House.

NFER Trading Limited's summary results were:

| | 2017 | 2016 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Sales | 265 | 288 |
| Cost of sales | (146) | (181) |
| Gross profit | <u>119</u> | <u>107</u> |
| Administrative expenses | (102) | (50) |
| Interest received | – | – |
| Trading profit | <u>17</u> | <u>57</u> |
| Gift Aid | (17) | (57) |
| Corporation tax | – | – |
| Retained profit after tax | <u>–</u> | <u>–</u> |
| | 2017 | 2016 |
| | £'000 | £'000 |
| Debtors & Cash | 122 | 85 |
| Creditors & Other Liabilities | (110) | (73) |
| Capital & Reserves | <u>12</u> | <u>12</u> |

b) Futurelab Education Limited

This company remained dormant in the year following the transfer of the trade and assets to NFER in the 2011/12 financial year.

c) i-nfer assessment Limited

This company remained dormant in the year following the transfer of the trade and assets to NFER in the 2010/11 financial year.

14. Financial instruments

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 3,135 | 3,294 | 3,150 | 3,234 |
| Investments measured at fair value through statement of financial activities | 20,960 | 18,419 | 20,960 | 18,419 |
| | 24,095 | 21,713 | 24,110 | 21,653 |
| Carrying amount of financial liabilities | | | | |
| Trade creditors and accruals measured at amortised cost | 1,302 | 1,145 | 1,294 | 1,145 |
| Bank loan measured at amortised cost | 3,027 | 3,306 | 3,027 | 3,306 |
| | 4,329 | 4,451 | 4,321 | 4,451 |

15. Debtors

| | Group | | Company | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 1,669 | 1,785 | 1,669 | 1,726 |
| Other debtors | 141 | 123 | 141 | 113 |
| Prepayments | 247 | 134 | 247 | 134 |
| Amounts recoverable on contracts | 1,325 | 1,396 | 1,247 | 1,395 |
| VAT Debtor | 46 | – | – | – |
| Subsidiary undertakings | – | – | 92 | – |
| | 3,428 | 3,438 | 3,396 | 3,368 |

Trade debtors are stated after provisions for impairment of £206k, (2016 £165k).

16. Creditors

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Amounts falling due within one year:</i> | | | | |
| Mortgage loan | 297 | 280 | 297 | 280 |
| Provision for pensions | 3 | 5 | 3 | 5 |
| Trade creditors | 381 | 363 | 380 | 354 |
| Other taxation and social security | 403 | 395 | 403 | 390 |
| Deferred income and payments on account | 1,351 | 1,973 | 1,339 | 1,919 |
| Accruals | 918 | 776 | 911 | 771 |
| Subsidiary undertakings | – | – | – | 15 |
| | 3,353 | 3,792 | 3,333 | 3,734 |
| <i>Amounts falling due after more than 1 year:</i> | | | | |
| Mortgage Loan | 2,729 | 3,026 | 2,729 | 3,026 |
| Provision for pensions | 0 | 1 | 0 | 1 |
| | 2,729 | 3,027 | 2,729 | 3,027 |

The mortgage loan represents the amount drawn against the facility of £5.5 million. The loan is a fixed interest loan at 5.67% for its 20-year term from May 2005 which, with the capital repayment, fixes the annual outlay to the same rate for each year. The loan is secured by way of fixed charge over the assets of NFER, and the company is required to maintain a loan to value (LTV) ratio below 60%. The LTV ratio as at the 31 March 2017 was 36.4% (2016: 39.8%)

All deferred income relates to project income held at the balance sheet date for work to be completed in the following year. All deferred income held at the end of the previous financial year has been released within the year.

Financial commitments under a 20-year mortgage will result in the following capital payments falling due in the future.

| | 2017 | 2016 |
|----------------------------|--------------|--------------|
| | £'000 | £'000 |
| Within one year | 297 | 280 |
| Between two and five years | 1,367 | 1,292 |
| More than five years | 1,362 | 1,734 |
| Total | 3,026 | 3,306 |

17. Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due as follows:

| Group and Company | 2017 | 2017 | 2016 | 2016 |
|---------------------------|--------------------|-----------|--------------------|-----------|
| | Land and Buildings | Other | Land and buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Expiring: | | | | |
| Within one year | 25 | 10 | 23 | 17 |
| Between two to five years | 6 | 14 | 7 | – |
| | 31 | 24 | 30 | 17 |

18. Pension benefits

As at 31 March 2017, NFER (the Company and the Group) participated in two pension schemes:

- Defined Contribution Scheme, independently managed by Pan Trustees Ltd
- Teachers' Pension Scheme administered by Teachers' Pensions on behalf of the Department for Education.

NFER's active membership of the Buckinghamshire County Council Pension Fund, a defined benefit pension scheme, ceased in 2011.

Defined Contribution Scheme

Contributions to the scheme are charged to the statement of financial activities as they become payable.

Teachers' Pension Scheme

The Department for Education Pension Scheme 2014, known as the Teachers' Pensions Scheme (TPS), is governed by the Teachers' Pensions Regulations. Under the regulations, contributions to the scheme are credited to the Exchequer and pension benefits together with all other expenditure are paid out of monies provided by Parliament. The Government Actuary is required to conduct a review at intervals of not less than every four years, with interim valuations in between, using normal actuarial principles. The aim of the review is to specify the level of future contributions.

The standard contribution rate (SCR) on pension contributions is assessed in two parts: firstly a standard contribution, expressed as a percentage, that during the period would broadly defray the cost of benefits payable in respect of that service, and secondly, a supplementary contribution payable if, as a result of an actuarial investigation, it is found that accumulated liabilities for past and present teachers are not met by standard contributions to be paid in the future and by the notional fund built up from past contributions.

The most recent review of the scheme for which information is available was carried out as at March 2012 and was published in June 2014. This reported that future liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6billion. The assumed real rate of return is 3.5% in excess of the prices up to March 2011, 3.0% thereafter. The rate of real earnings growth has been assumed at a lower rate than the previous rate of 1.5%, due to the effect of pay restraint policy applied to public service workers. The assumed gross rate of return is 5.06% (previously 6.5%).

18. Pension benefits (continued)

Contribution rates have been set at an employer contribution rate of 16.48% (previously 14.1%) and at employee rates ranging from 7.4% to 11.7%, depending on salary levels (previously all 6.4%).

The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

Under the definitions set out in FRS 102, the Teachers' Pension Scheme is a multi-employer pension scheme. NFER is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, NFER has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. NFER has set out above the information available on the scheme.

Buckinghamshire County Council Pension Fund

The Buckinghamshire County Council Fund is accounted for as a defined benefit scheme under Financial Reporting Standard 102 s17.22 on retirement benefits.

From 1 July 2011, the NFER, following agreement with the Buckinghamshire County Council Pension Fund, ceased active membership of the defined benefit pension scheme. On 30 November 2015 NFER and BCCPF reached a settlement agreement that set out the arrangement for NFER to pay off its share of the BCCPF deficit over the next 19 years. NFER made an initial payment of £1m on signing the settlement and is making further payments of £422,000 per annum starting from 1 January 2016 (subject to inflation) over the remaining term of the agreement. A final exit payment, if required, will be made after the end of the period.

The contributions to the Buckinghamshire County Council Pension Fund are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent valuation was as at 31 March 2016.

The valuation in 2016 (the next valuation is due in 2019) showed that the market value of the total fund's assets was £2,203m (2013: £1,768m) and the deficiency of liabilities accrued up to 31 March 2016 over the actuarial value of assets was £335 million (2013: £388m), equivalent to an 87% (2013: 83%) funding level.

At 31 March 2016 there were 0 (2013:0) active members of the scheme, with 300 (2013: 325) deferred pensioners and 170 (2013: 154) pensioners.

The actuarial valuation has been updated on an approximate basis to 31 March 2017 as set out below.

a) Assumptions

i) Demographic

Life expectancy of members from age 65 is assumed as follows:

| | Retiring today (March 2017) | Retiring in 20 years (March 2037) |
|---------|--|--|
| | Years | Years |
| Males | 23.9 | 26.1 |
| Females | 26.0 | 28.3 |

18. Pension benefits (continued)

ii) Financial

The major assumptions used by the actuary were (in nominal terms):

| | At 31 March 2017 | At 31 March 2016 |
|------------------------------|------------------|------------------|
| Price increases (RPI) | 3.5% | 3.3% |
| Price increases (CPI) | 2.6% | 2.4% |
| Rate of increase in salaries | 2.6% | 2.4% |
| Rate of increase in pensions | 2.6% | 2.4% |
| Discount rate | 2.7% | 3.7% |

b) Assets in the scheme and expected rate of return

| | Value at 31 March 2017 | Value at 31 March 2016 |
|---------------------------|------------------------------|------------------------------|
| | £'000 | £'000 |
| Equities | 18,606 | 15,418 |
| Property | 2,519 | 2,734 |
| Gilts | 3,892 | 3,527 |
| Other Bonds | 4,039 | 3,511 |
| Cash | 1,121 | 738 |
| Alternative Assets | 397 | 392 |
| Hedge Funds | 1,203 | 1,205 |
| Absolute Return Portfolio | 1,230 | 1,282 |
| Total | <u>33,007</u> | <u>28,807</u> |

c) Net pension liability

| | As at 31 March 2017 | As at 31 March 2016 |
|---|---------------------------|---------------------------|
| | £'000 | £'000 |
| Present value of funded obligations | 57,516 | 47,186 |
| Fair value of scheme assets (bid value) | (33,007) | (28,807) |
| Net liability | <u>24,509</u> | <u>18,379</u> |
| Present value of unfunded obligation | 33 | 36 |
| Net Liability in Balance Sheet | <u>24,542</u> | <u>18,415</u> |

18. Pension benefits (continued)

d) Statement of financial activities costs for the year:

| The amounts recognised in the statement of financial activities are: | Year to 31 March 2017 £'000 | Year to 31 March 2016 £'000 |
|--|--------------------------------------|--------------------------------------|
| Net interest on the defined liability | 673 | 705 |
| Interest on obligation | – | – |
| Expected return on scheme assets | – | – |
| Administration expenses | 22 | 22 |
| Total | 695 | 727 |
| Actual return on scheme assets | 4,946 | 550 |

e) Assets and benefit obligation reconciliation for the year to 31 March

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

| | Year to 31 March 2017 £'000 | Year to 31 March 2016 £'000 |
|--|---|---|
| Opening defined benefit obligation | 47,222 | 50,615 |
| Interest Cost | 1,722 | 1,645 |
| Change in financial assumptions | 10,037 | (3,538) |
| Experience loss/(gain) on defined benefit obligation | (69) | (2) |
| Actuarial losses | | |
| Estimated benefits paid net of transfers in | (1,359) | (1,494) |
| Unfunded pension payments | (4) | (4) |
| Closing defined benefit obligation | 57,549 | 47,222 |

18. Pension benefits (continued)

e) Reconciliation of opening and closing balances of the fair value of scheme assets

| | Year to 31 March 2017 £'000 | Year to 31 March 2016 £'000 |
|---|--------------------------------------|--------------------------------------|
| Opening fair value of scheme assets | 28,807 | 28,667 |
| Interest on assets | 1,049 | 940 |
| Return on assets less interest | 3,897 | (390) |
| Expected return on scheme assets | – | – |
| Actuarial gains/(losses) | 214 | – |
| Administration expenses | (23) | (22) |
| Contributions by employer including unfunded benefits | 426 | 1,110 |
| Estimated benefits paid net of transfers in and including unfunded benefits | (1,363) | (1,498) |
| Fair value of scheme assets at end of period | <u>33,007</u> | <u>28,807</u> |

f) Reconciliation of opening and closing surplus

| | Year to 31 March 2017 £'000 | Year to 31 March 2016 £'000 |
|---|--|--|
| Deficit at beginning of the year | (18,415) | (21,948) |
| Net interest on defined liability and administration expenses | (695) | (727) |
| Contributions by employer | 426 | 1,110 |
| Unfunded pension payments | 4 | 5 |
| Other Finance (Cost)/Income | (5) | (5) |
| Actuarial gains/(losses) | (5,857) | 3,150 |
| Deficit at end of the year | <u>(24,542)</u> | <u>(18,415)</u> |

19. Statement of movement in Reserve Funds: 1 April 2016 to 31 March 2017

| Group Unrestricted funds | Designated Fixed Assets Fund £'000 | Pension Reserve Pension Liability £'000 | Free Reserve Accumulated Fund £'000 | TOTAL 2017 £'000 | TOTAL 2016 £'000 |
|---|--|---|--|------------------------|------------------------|
| Balance brought forward at 1 April 2016 | 6,219 | (18,415) | 19,266 | 7,070 | 4,191 |
| Net movement in resources | (83) | (6,127) | 4,626 | (1,584) | 2,879 |
| Transfers between funds | – | – | – | – | – |
| Balance carried forward at 31 March 2017 | 6,136 | (24,542) | 23,892 | 5,486 | 7,070 |
| Represented by: | | | | | |
| Fixed assets | 6,136 | – | 20,960 | 27,096 | 23,582 |
| Current assets | – | – | 9,014 | 9,014 | 8,722 |
| Creditors falling due within one year | – | – | (3,353) | (3,353) | (3,792) |
| Creditors falling due after one year | – | – | (2,729) | (2,729) | (3,027) |
| Defined benefit pension liability | – | (24,542) | – | (24,542) | (18,415) |
| | 6,136 | (24,542) | 23,892 | 5,486 | 7,070 |

19. Statement of movement in Reserve Funds: 1 April 2016 to 31 March 2017 (continued)

| Company Unrestricted funds | Designated Fixed Assets Fund | Pension Reserve Pension Liability | Free Reserve Accumulated Fund | TOTAL 2017 | TOTAL 2016 |
|---|---------------------------------|--------------------------------------|-------------------------------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Funds | | | | | |
| Balance brought forward at 1 April 2016 | 6,219 | (18,415) | 19,254 | 7,058 | 4,178 |
| Net movement in resources | (83) | (6,127) | 4,626 | (1,584) | 2,880 |
| Transfers between funds | – | – | – | – | – |
| Balance carried forward at 31 March 2017 | 6,136 | (24,542) | 23,880 | 5,474 | 7,058 |
| Represented by: | | | | | |
| Fixed assets | 6,136 | – | 20,960 | 27,096 | 23,582 |
| Current assets | – | – | 8,982 | 8,982 | 8,652 |
| Creditors falling due within one year | – | – | (3,333) | (3,333) | (3,734) |
| Creditors falling due after one year | – | – | (2,729) | (2,729) | (3,027) |
| Defined benefit pension liability | – | (24,542) | – | (24,542) | (18,415) |
| | 6,136 | (24,542) | 23,880 | 5,474 | 7,058 |

19. Statement of movement in Reserve Funds: 1 April 2016 to 31 March 2017 (continued)

Designated funds

The Board of Trustees have designated unrestricted reserves for the following purposes:

Fixed Assets

The value of this fund is equal to the fixed asset value on the balance sheet (of which most relates to property). It recognises that these funds are illiquid in nature and are consequently not available for business expenditure (the assets would have to be sold in order to realise the cash).

Undesignated funds

Free Reserves

The charity maintains a level of free reserves in order to fund its working capital and future developments, and retain a level of contingency. The target level of net free reserves is set in the range of three to six months of unavoidable expenditure which for 2016–17 amounts to £2.3m and £4.6m. The current level of net free reserves less the pensions reserve (see below) stands at (£650k) (2016: £851k).

Pension Reserve

This is a reserve to recognise NFER's share of the estimated deficit of the Buckinghamshire County Council Pension Fund as calculated in accordance with FRS102. NFER and BCCPF signed a Settlement Agreement on 30 November 2015 which sets out the arrangements for paying off NFER's share of the scheme deficit over a 19 year period.

Restricted funds

No restricted funds were held at the reporting date.

20. Notes to the cash flow statement

a) Reconciliation of Group net income to net cash flow from operating activities

| Reconciliation of net (expenditure)/income to net cash flow from operating activities | | |
|---|--------------|---------------------------|
| | 2017 | 2016 |
| | £'000 | Restated £'000 |
| Net (expenditure)/income for the reporting period (as per the statement of financial activities) | 4,273 | (271) |
| Adjustments for: | | |
| Depreciation and amortisation charges | 305 | 540 |
| Losses/(Gains) on investments | (2,621) | 884 |
| Dividends, interest and rents from investments | (526) | (477) |
| Loss on the sale of fixed assets | – | 35 |
| Defined benefit pension scheme cost | 695 | 727 |
| Payments towards pension deficit | (426) | (1,110) |
| Exchange gains on cash balances | (99) | (80) |
| (Increase)/decrease in stocks | (260) | (68) |
| Decrease/(increase) in debtors | 10 | 308 |
| Increase in creditors | (477) | 82 |
| Net cash provided by operating activities | 874 | 570 |

b) Analysis of Cash and Cash Equivalents

| Analysis of Cash and Cash Equivalents | | |
|--|--------------|--------------|
| | 2017 | 2016 |
| | £'000 | £'000 |
| Cash in hand | 2,446 | 979 |
| Notice deposits (less than 3 months) | 2,796 | 3,165 |
| Total cash and cash equivalents | 5,242 | 4,144 |

c) Reconciliation to net funds

| | 2017 | 2016 |
|--|---------------|---------------------------|
| | £ '000 | Restated £'000 |
| Net funds at 1 April 2016 (Note 20(d)) | 838 | (295) |
| Increase in cash during the year | 999 | 788 |
| Cash outflow from reduction of debt | 280 | 265 |
| Effect of exchange rate changes on cash held in other currencies | 99 | 80 |
| Net funds at 31 March 2017 (Note 20(d)) | 2,216 | 838 |

d) Analysis of net funds

| | As at 1 April 2016 | Cashflows | Transfers | As at 31 March 2017 |
|--|-----------------------------------|------------------|------------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank | 4,144 | 1,098 | | 5,242 |
| Debt – due within one year | (280) | 280 | (297) | (297) |
| Debt – due after more than one year | – (3,026) | | 297 | (2,729) |
| | 838 | 1,378 | – | 2,216 |

21. Results of the Company

As permitted under Section 408 of the Companies Act 2006, the statement of financial activities of the company has not been presented as part of these financial statements. The results of the parent undertaking for the year ended 31 March 2017 was a net movement in funds of (£1,584k) after actuarial losses on the defined benefit pension scheme of (£5,857k) (2016: net movement in funds of £2,879k after actuarial gains of £3,150k).

22. Related party transactions

The parent company has related party transactions that need to be disclosed under FRS102 section 9.

| | Company | |
|---|----------------|--------------|
| | 2017 | 2016 |
| | £'000 | £'000 |
| Balance between parent company and NFER Trading Ltd | 91 | (15) |
| Inter company recharge of expenses during the year | 285 | 54 |

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