



**Evidence for
Excellence in
Education**

**National Foundation for
Educational Research**

**Report of the Trustees and
Directors and Financial Statements**

Year Ended 31 March 2013

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Officers and members of the Board of Trustees/Directors

for the year ended 31 March 2013

President Sir James Rose, CBE, FRSA

Vice President Mr David Whitbread, MA

Board of Trustees/Directors

Chairman Mr R D C Bunker, MA (1)(3)(4)

Treasurer Mr N Hollister (1)(2)(4)

Vice Chairman Mr J H Harris, BA(Hons), Dip Ed

Trustees

Mr A R Airey, MA, MBA (2)
Mr G W Bennett, BSc (4)
Mr C H J Green, BA (Hons), CQSW, MBA
Mr J W Hall, FCA (1)(2)
Mr J C Hedger, CB, MA
(resigned 6 December 2012)
Mr S M Hillier BA (Hons), MSc
(resigned 20 June 2013)
Ms F M Murphy
Mr A F N Parker, MA, FRSA (1)(2)
Ms A J Shaw, MA (3)
Ms A Small, BA, FRSA
Ms M L Turner, BA, ACA
(resigned 25 March 2013)
Mr D Whitbread, MA
(resigned 6 December 2012)

Membership of committees

- (1) Remuneration Committee
- (2) Audit Committee
- (3) Nominations Committee
- (4) Investment Managers Sub-Committee

Members of the Foundation for the year ended 31 March 2013

The 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

Brighton, Chester, London Institute of Education, Manchester, 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, BSc, FCP, CIPD, Hon FCGI
Mrs V M Glauert, BA, FRAD
Dr S F Hegarty, BSc, HDip in Ed
Mr J W Mansell, MEd, CEng, FIEE, MIMechE
Dr Joyce M Morris, OBE, FBPsS
Sir James Rose, CBE, FRSA
Prof. M Skilbeck, MA, PhD
Mr D A L Whitbread, MA

Trustees

Mr A R Airey, MA, MBA
Mr G W Bennett, BSc
Mr R D C Bunker, MA
Mr C H J Green, BA (Hons), CQSW, MBA
Mr J W Hall, FCA
Mr J H Harris, BA (Hons), Dip Ed, CB, MA
Mr S M Hillier, BA (Hons) MSc
Mr N Hollister
Ms F M Murphy
Mr A F N Parker, MA, FRSA
Ms A J Shaw, MA
Ms A Small, BA, FRSA

Administrative Details for the year ended 31 March 2013

Charity number:	313392
Company number:	00900899
Principal office:	The Mere, Upton Park, Slough, Berkshire, SL1 2DQ
Registered office:	The Mere, Upton Park, Slough, Berkshire, SL1 2DQ
Auditors	Kingston Smith LLP, Middlesex House, 800 Uxbridge Road, Hayes, Middlesex, UB4 0RS
Bankers	National Westminster Bank plc, c/o Royal Bank of Scotland plc, (as agents) Corporate Banking, 3 rd Floor, Cavell House, Charing Cross Road, London WC2H 0NN
Solicitors	Bates Wells & Braithwaite London LLP 2-6 Cannon Street London EC4M 6YH
Investment managers	Schroders & Co Limited, 100 Wood Street London EC2V 7ER Investec, 2 Gresham Street London EC2V 7QN Smith & Williamson, 25 Moorgate London EC2R 6AY HSBC Securities Services Ireland Limited, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland

Directors and Trustees

The directors of the charitable company are the trustees of the charity for the purposes of charity law and throughout this report are referred to as the Trustees. The Trustees serving during the year are disclosed on page 1 of this report.

Chief Executive: Mrs S E Rossiter

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 during the year comprised:

Ms M Charles
Mr T G Chotai (*resigned 18 May 2012*)
Mr P Evans (consultant)
Ms S Maughan
Ms D Watson
Mr C P Whetton

Company Secretary: Mr T G Chotai (*resigned 16 May 2012*)
Mr C P Whetton (*appointed 16 May 2012*)

Report of the Board of Trustees/Directors for the year ended 31 March 2013

The Board presents this annual Directors' report as required by the Companies Act and the audited accounts for the year ended 31 March 2013. The information required of the Trustees of the charity by the Charity Commission is also included and provides a full report on the activities for the year.

Governing document

The statutory objects of the National Foundation for Educational Research in England and Wales (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 in all or any matters affecting education, disseminates the results of that research to those who need them, and collects and exchanges educational ideas and information, especially when related to research. NFER's purpose is:

*to provide independent evidence that improves education and learning,
and hence the lives of learners.*

NFER is a company limited by guarantee and governed by Articles of Association last amended on 6 December 2012.

NFER is a registered charity with the Charity Commission. Its members comprise all local authorities in England and Wales with responsibility for children's services, other educational establishments and teaching professional bodies. Membership is available to interested organisations and individuals on application to the Trustees.

Objectives and activities

NFER is the UK's largest independent provider of research, assessment and information services for education, training and children's services. Its clients include UK government departments and agencies at both national and local levels, which benefit from NFER's full range of expert and professional services. NFER's purpose is to provide independent evidence that improves education and training and hence the lives of learners. Its ambition is to be the research organisation of first choice for those who wish to make a positive difference to learners.

NFER is making a difference to learners of all ages, and especially children and young people, by contributing to improvements in practice and increasing the understanding of those working with and for learners, including those making and implementing policies. NFER prides itself on its involvement in some of the most important international comparative studies into educational standards and trends. Its findings have helped to inform policy-makers and professionals, and shaped ongoing developments and reforms in national education policies.

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.

- The subject of the proposed research must be a useful study of the area.
- The research will be disseminated.
- The research is conducted for public benefit.

NFER's work influences education practices and policies in a variety of ways and can, therefore, make a real difference to the lives of young people. In the past year, it has advised government bodies on education-related issues and undertaken research that influenced decision-making in education and children's services at local, national and international levels.

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, benefit the public.

Objectives and targets for 2012/13

The three-year objectives set in 2011 remained in place for 2012/13. These were to:

- continue to be recognised as a leading UK research and assessment organisation providing evidence to improve education and learning
- generate an annual surplus to reinvest in the Foundation's own research programme and its future development
- diversify our activities and our income sources by developing new products and services for schools and others involved in education and children's services; and establishing a programme of proactive research, jointly funded with other organisations, to help set the agenda for change
- motivate and engage staff in the work of NFER.

Achievements and performance 2012/13

Recognition as a leading UK research and assessment organisation

NFER continues to be recognised as a leading research and assessment organisation throughout the UK, providing independent evidence to improve education and learning. This was reinforced in market research carried out recently with clients and headteachers.

We successfully expanded our research and assessment into new areas, finding new organisations with an interest in seeking reliable and independent evidence on education-related matters.

Despite the public sector spending cuts, the Department for Education (DfE) remained a significant client and NFER continues to be one of the DfE's top suppliers of educational research and assessment services.

Our contract research team completed over 100 projects during the year for a wide range of organisations including the Office of the Children's Commissioner, the National College for School Leadership, Norfolk County Council, My Science, International Baccalaureate, Wellcome Trust, the Department for Business Innovation and Skills (BIS), the National STEM Centre, PRIME law initiative and A New Direction. A number of different research projects were also undertaken for the Local Government Association (LGA),

In England, we continued developing and trialling National Curriculum assessments with the Standards and Testing Agency and, in Wales, our work continued supporting education reform as the developers and suppliers of the new national reading and numeracy tests.

The Foundation's influence with schools and children has continued to grow. Last year over 2.5 million school children took tests developed by us and over 50 per cent of schools in England took part in research conducted by us.

As part of the Foundation's programme to raise its voice and be a more active participant in the education debates around the world, we published the *NFER Impact Review* for the first time (available at <http://www.nfer.ac.uk/about-nfer/impact-review/>). In it we shared the progress in our work and thinking around the impact we make with examples of the work achieved during 2012, much of which is highlighted in this report.

Annual surplus

2012/13 was a year in which we focused on growing our portfolio of products offered directly to schools, whilst looking for new opportunities for our sponsored research. Despite the continued reduction in public sector spending and our increased investment in product development, we achieved net income (before interest) for the year of £16,000 (compared to the prior year loss of (£1.39m)).

Diversifying our activities

The NFER Research Programme

The NFER Research Programme, successfully launched in 2011/12, continued its work on the first two strands of this programme – *From Education to Employment* and *Developing the Education Workforce*.

With a sustained reduction in public funding, the task of supporting young people to make effective post-16 transitions into further education or employment continues to be highly challenging. The first series of reports from the *From Education to Employment* strand were published and well received. They collectively identify strategies for reducing future numbers of young people at risk of becoming NEET, that is not in education, employment or training (currently around 1.3 million), who do not make effective post-16 transitions into learning or employment. Our new headteacher guides offer practical help for school leaders which is mapped against the Ofsted Common Inspection framework.

NFER hosted a panel of experts from across education and linked with employers in an 'as live' broadcast to discuss findings from the programme and the challenges in getting young people not in education, employment or training (NEET) into work. The experts helped to clarify some of the barriers, and ways which young people, schools and colleges, supporting agencies and employers can work more closely together. The web broadcast *Getting Young People into Work* has been viewed over 1300 times.

Work in the *Developing the Education Workforce* strand led to a report on the mapping of seminal reports on good teaching and what makes teachers change their practice.

Working with Futurelab at NFER, a third strand of research in the programme, around *Innovation in Education*, has been set up to provide evidence about new approaches to education, teaching and learning and aims to identify rewarding learning experiences that will inspire, challenge and engage all young people, equipping them with the essential skills and attitudes for life, learning and work in the 21st century. The first report looks at the latest evidence and future directions of game-based learning.

Products and services

This year, for the first time, there was a deliberate strategy of presenting the NFER products and services as a combined portfolio in order to build awareness of the whole range. We published our first portfolio brochure for the autumn term and put increased emphasis on using a wider and more targeted range of communications channels to ensure we reached as great a number of schools, groups of schools and academies as possible.

Greater focus has been put on ensuring clear pathways are provided for schools to find out more about what we offer and ultimately enable them to order our products. We set up a central enquiry line and this handled over 2000 calls in the first six months. We estimate that our products were used in 10 per cent of all schools during the year and this is expected to rise next year.

We invested £621,000 in developing and launching new products. One major new product was launched in response to feedback from schools and practitioners – NFER tests. This new generation of optional tests offers a fresh choice in reading and mathematics assessment for years 3, 4 and 5. These summative tests provide an alternative to many of the tests widely used in key stage 2.

The new NFER tests have been well received in schools. As one teacher said: 'They are more relevant and up to date, assessment more accurate.' More new products are in the development stage and are expected to be launched during 2013/2014.

Futurelab at NFER

This has been the first year of operation for Futurelab at NFER and it has been a period of development with the establishment of a new Futurelab Research Centre.

Two new Futurelab programmes, *Enquiring Schools* and *Enquiring Teachers*, for schools, school leaders and teachers, have been developed to build capacity for sustainable improvement through enhanced professional dialogue within an enquiry-based environment. A new primary version of *Enquiring Schools* was introduced during the year and has proved popular with schools which have participated. A series of professional development workshops for practitioners were held on subjects such as the *Flipped Classroom*, *Independent Learners*, and *Designing a Creative Curriculum*.

Futurelab at NFER became a partner with Whole Education, a not-for-profit organisation that brings together leading education projects that demonstrate success. We joined over 20 organisations committed to providing a more rounded education for young people.

Motivate and engage staff in the work of NFER

This has been another busy year for staff at the Foundation and our annual employee survey in late 2012 reported a high level of employee satisfaction with their jobs. NFER values the opportunity to celebrate success and recognise the contributions of both individual staff members and teams in a team-based context. A new employee recognition programme was successfully piloted in the second half of the year to reflect and support the Foundation's strategic aims and objectives, and its vision and values.

The recognition programme:

- celebrates and rewards staff who make an exceptional contribution to their team and the organisation,
- contributes to the motivation and retention of a high-quality workforce across the organisation.

NFER has Investors in People (IiP) accreditation, having retained this continuously for 16 years.

Making an impact

Influencing practice

This year, a series of guides offering practical evidence-based advice for headteachers were produced. Feedback from school heads was very positive. Four of the five guides were a result of research from the *Education to Employment* strand of The NFER Research Programme. They were:

- Preventing young people from becoming not in education, employment or training (NEET)
- Careers professionals' involvement with schools
- Curriculum and qualification needs of young people who are at risk of disengagement
- Employer involvement in schools.

The fifth guide, *Top tips for running a successful summer school*, was developed from research carried out with Ecorys (a European research agency) for the Department for Education (DfE). The DfE's Summer Schools programme provides funding for schools to help disadvantaged pupils (those eligible for free school meals and those looked after continuously for more than six months by the local authority) to make a successful transition to year 7. NFER and Ecorys evaluated the programme in its first year through a survey and identified the top tips. They are being distributed to all the 2013 applicants.

Schools throughout the country are using NFER attitude surveys to listen to and evaluate the views of their pupils, parents and teachers, providing a valuable way to inform school improvement plans. For example, Hammond Community Junior School used the surveys as part of their continuing self-evaluation and school improvement process. The headteacher found the reports helped in their Ofsted inspection to show improvements over time in their engagement and relationships with parents. Even more useful, according to the head, was being able to show how the school compared to other schools nationally and how safe all pupils and parents felt at the school.

We believe that engaging practitioners in and with research is one of the most effective ways to bring about deep professional learning and sustainable improvement in schools. The Futurelab at NFER *Enquiring Schools* and *Enquiring Teachers* programmes are helping schools bring about 'whole school' change as well as change at a practitioner level, focusing always on improving learning and the outcomes for learners.

This year, NFER with *research in practice (RiP)* and *research in practice for adults (RiPfa)* launched a new research, evaluation and analysis support network called **reason**. Working with organisations in the children's and adults' sectors, including social care, education and health, **reason** aims to improve services through learning from what works well.

Influencing policy

Using our independent voice based on our research evidence, NFER regularly contributed during 2012/13 to policy development and debate.

Evidence based on research was submitted to:

- All Party Parliamentary Literacy Group Boys' Reading Commission
- Sir Michael Wilshaw's (Her Majesty's Chief Inspector) review of access and achievement in education
- Department for Education (with the Department for Business Innovation and Skills) consultations on careers guidance for schools, sixth-form colleges and further education institutions
- House of Commons Education Committee's Inquiry into Careers Guidance for Young People
- Department for Education consultation on Reforming Key Stage 4 Qualifications.

Our findings from the Evaluation of the Gaining Ground Strategy, carried out in association with social policy research provider, SQW, for the Department for Education, proved influential in informing policy making. Gaining Ground was a two-year strategy (2009–11) that supported school improvement in secondary schools that had reasonable-to-good GCSE examination results but poor progression rates in English and maths. In an email to participating schools, Sue Hackman, DfE's Chief Adviser on School Standards said: 'We have taken in all the lessons that we learnt about improving progress and use them now in our everyday policymaking.'

Our Teacher Voice omnibus surveys of primary and secondary school pupils provided valuable insights into the Pupil Premium, ICT teaching, classroom discipline and Oxbridge entrants from state schools. For example, our insights from Teacher Voice informed a series of Sutton Trust campaigns on prospective Oxbridge entrants, performance-related pay and the Pupil Premium that were extensively covered by the media.

The Eurydice Unit for England, Wales and Northern Ireland at NFER continued to provide information on education policy in other European countries to policymakers in the UK. Eurydice at NFER is part of the European Commission information network on education supporting policymakers at European, national and local government level.

International work

The results of NFER's research work have an ongoing impact and the Foundation's research experts continue to have an important voice, giving papers and presentations at leading national, European and international conferences, seminars and events.

Our expertise in international comparisons has enabled us to expand our profile of international work as well as work with a range of partners to increase our reach. This year we have been working in Oman, where our research is providing the evidence from which to develop new curriculum standards that will compare with the best international standards and enable all children in the country to achieve. Working in partnership with CfBT Education Trust, we produced a series of reports including a review of current practice in curriculum and assessment and a report benchmarking the education system against the best in the world.

Our work in international comparative studies and benchmarking in reading, Progress in International Reading Literacy Study (PIRLS), and maths and science, Trends in International Mathematics and Science Study (TIMSS) plays a vital part in measuring young people's achievements in England and Northern Ireland compared with the rest of the world.

A theme from PIRLS has been the importance of children's engagement in reading for pleasure and the new draft primary curriculum emphasises this aspect of literacy. Just as TIMSS 2007 informed the curriculum review, so the results of the 2011 TIMSS survey published in December 2012 will inform education policy in relation to improving teaching and learning for England's 8.2 million pupils. It can also be expected to have similar impact on teaching and learning for Northern Ireland's 400,000 children in schools.

Objectives and targets for 2013/14

During the year, NFER developed a five-year strategy. It supports our vision to be seen as a significant and expert voice, drawing on our own evidence and that of others to offer meaningful insights on the past, current and future of education and with the influence to realise sustainable improvements by directly and indirectly enhancing outcomes for young people through informing policy and practice.

The strategic goals for 2013–17 are to:

- provide evidence to demonstrate the positive impact of our activities on policy, practice and learners
- remain widely recognised for excellent work, expertise and insights and to be considered integral to the education debate
- ensure our people continue to be proud to work for NFER; that we value their expertise and commitment, and they perceive NFER as a great place to work
- continue to be a sustainable and growing organisation with a secure and balanced portfolio of activities and to invest in new development.

Achieving the goals 2013/14

To achieve our goals, we have an annual plan for the year that is underpinned by our staff performance management system. Key activities are summarised below.

- A **new Impact Team** will be set up within the Foundation with the expertise to create and demonstrate greater impact from our work in improving education and outcomes for learners.
- We will work to **retain existing clients and continue to identify new clients** in new areas that help us deliver our mission of providing independent evidence to improve the education and life chances of learners. We will compete for, win and deliver excellent research projects across a wide variety of areas within education and children's services and grow research income.
- We will maintain a **focus on the external environment**, so that we can be ready to exploit new opportunities and ensure that our research services and associated products reflect what is relevant and important to those working in education.
- We will continue to **innovate and improve** our research methods and other processes, particularly through better exploitation of technology, while being very mindful of our responsibilities to keep data secure.

- Maintaining and improving **mutually beneficial relationships with schools** and others who participate in our research and could benefit from our products and services is central to delivering success for the Foundation and this will be a key priority.
- **Raising NFER's voice** as authoritative and evidence-based continues to be a priority so that the Foundation can take an increasingly active role participating in relevant conversations and debates, thus increasing our reach and improving our relationships with key stakeholders.
- NFER is committed to providing **a positive and motivational environment for employees** and will continue to invest in this. We will provide opportunities for learning and development through work; our leadership and management development programmes support managers and maximise staff potential by equipping them with practical tools and techniques. The annual NFER Learning and Development Plan will identify the learning and development needs of all staff to enable them to achieve the Foundation's business goals and draw up plans to meet them.
- We will continue to **communicate regularly with staff** on all aspects of the Foundation's progress through regular briefings and our intranet. We will also **listen carefully** to staff, for example, an annual staff survey, and interim mini surveys, provide feedback on staff engagement, confidence and satisfaction with staff working life and enable us to see where we need to make improvements.
- We will continue to invest in developing the activities of the Foundation with **new products and services for the education sector**, which are firmly based on the needs of the marketplace. Where appropriate, we will work with partners to ensure successful delivery.
- In addition to creating new income streams from product sales and a wider contract research client base, we will review our bidding and costing approaches to ensure that we continue to **generate a healthy trading surplus that can be reinvested to create more impact**.
- We will develop **fundraising and grants** further to help support our charitable objectives.

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 names and membership organisations are shown on pages 3 and 4 of this report. The Trustees have the power to co-opt additional individuals to fill any vacancies between Annual General Meetings at which time a co-opted member must submit to election. The Trustees conduct an annual review of skills required and use this to inform the recruitment of future Trustees.

Trustee induction, training and continued support

All newly nominated or elected Trustees are invited to a half-day induction during which the working of the Foundation is explained. The new Trustees meet senior members of staff and are provided with key documents including the Articles of Association, the latest accounts and annual report, and recent Board minutes. Opportunities for specific training are offered on an as needed basis as they arise.

In addition to the schedule of business meetings, Trustees also hold an Annual Trustees Day to discuss future strategy for the organisation. This includes a consideration of the skills sets required and often includes an element of training and updating on new areas of the business, legislation and best practice.

Organisation

The Trustees are responsible for setting the aims and direction of the Foundation, but have delegated the day-to-day management to a Chief Executive supported by a Senior Management Team (as outlined on page 3). Each year the Trustees approve the annual budget, and 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 all 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 time limited 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 products. The other two, i-nfer assessment Limited and Futurelab Education Limited were dormant for the full financial year.

Financial instruments

It is the policy of the Foundation not to engage in complex financial instruments where there could be financial risk. Apart from normal trade debtors, the Foundation has a 20-year mortgage (12 years remaining at 31 March 2013) on a fixed rate of interest, thereby eliminating any interest rate risk. The investment portfolio is subject to risk, where risk is controlled by the appointment of investment managers, the wide spread of investments and a policy to hold a proportion of the assets in bonds, property and hedge funds that are not exposed to the downside risk of equities. Similarly, the pension scheme is affected by risk from market forces, which may affect its value. This is controlled by external bodies that manage the scheme.

Risk management

The Trustees conduct an annual risk management exercise to identify all the risks to the Foundation and to assess the impact and likelihood of the occurrence of each risk. Based on this analysis, Trustees put in place appropriate systems to eliminate, reduce or mitigate these risks.

The exercise conducted during the year identified a total register of 100 risks. The three most significant areas can generally be classified into:

- 1) those related to the level of work being contracted, but specifically from Government related clients, particularly in relation to contract research
- 2) the management of the security of data
- 3) the difficulty of a smaller number of staff and managers achieving important strategic change.

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

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 provision remains in force as at the date of approving the directors' report.

Financial review of the group

During the year, the risks and uncertainty associated with both financial and economic crisis seemed to be stabilising. NFER has seen steady trading but progress has been slow. Cost cutting and restructuring, begun in previous years but continuing during 2012/13, contributed towards the reduction in net expenditure.

As part of the risk management exercise, we note that there remain a number of challenges which could impact on NFER.

In terms of the big picture, NFER had a good financial year, generating net income for the year before interest and transfers of £16,000 (compared to the prior year loss of £1.4m).

Incoming resources from contracted research were £9.3m. This is lower than the £10.9m in 2011/12, which was unusually high due to a large one-off project with high use of partners. Net cash outflow from operating activities at £1.9m was due largely to the timing of payments to these partners on this project (where the cash was received from the client in 2011/12 but paid to the partners in 2012/13).

Product income increased to £1.7m (from £1.0m). In 2013/14, the focus is on improving the profitability of our product portfolio (with the aim of significantly reducing the deficit).

Greater efficiency led to reduced support costs and improved use of resources.

Gains on investments helped boost our charitable reserves, safeguarding designated balances. However we remain cautious entering into the 2013/14 financial year; minimising risks through improved internal reporting, in-depth analysis and effective decision making.

NFER Trading limited made an operating profit of £816k (2012: loss £377k) and remitted £439k to the parent by way of Gift Aid (2012: nil). The higher operating profit was due largely to the write off of product development costs in the previous year. The revenue of £4.3m (2012: £8.0m) has reduced as a result of a deliberate strategy to provide more contracted research directly from the charitable parent.

The return to net income (before interest) has given us confidence that we can aim to make a far bigger charitable impact in future years. Our goal is to create greater surpluses for charitable use. To achieve this, we will continue to control costs, invest wisely and grow our market share; but with greater emphasis on more strategic bidding for contract research and with attractive pricing of products and services. We will work with business partners that support us and our objectives, and fairly reward us for the work we do.

Policy for reserves

Having considered the challenges and opportunities that the charity may face in the medium to longer term, and given the lower cost base following the 2010/11 restructure, the Trustees have 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 £2.1 million to £4.2 million. This range has been determined by an assessment of the period over which a downturn in the business of the NFER would have to be managed before positive results were achieved from the implementation of remedial actions.

As at 31 March 2013, the NFER's total group reserves stood at £16.3m (2012: £16.2m). Of this sum, £12.4m has been designated for specific purposes (see Note 18). The balance of £3.9m represents free reserves to allow the charity to manage challenges and opportunities. This sum represents 93 per cent (2012: 76 per cent) of the maximum target level of £4.2 million for reserves.

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), in line with the rise in the index of average earnings. In the year, investment capital growth was £1.5m (2012: £30k) and met the investment objectives as set out above.

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

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 17 (FRS 17) Retirement Benefits.

The NFER's active membership of the Buckinghamshire County Council Pension Fund (BCCPF) ceased on 30 June 2011. The NFER has agreed to continue to fund the scheme over the next 15 years to meet the projected deficit. Annual payments over the next 15 years are to be confirmed with the scheme and the actuary. The Trustees do not believe that the deficit will impact the organisation's planned activities.

The BCCPF is accounted for as a defined benefit scheme under Financial Reporting Standard 17 Retirement Benefits (FRS 17) and was replaced with the NFER's own defined contribution pension scheme.

Future developments

We are positive about progress made this year and our expectation is for better times ahead but we remain cautious about extending beyond our means.

As part of the NFER's ongoing ambition to be the independent research organisation of first choice in education, we will continue to seek to develop activities that serve the field of education through research and dissemination. The direction of these will be informed by consultations with key stakeholders and independent market and business analyses.

NFER will continue with its objective of diversification of income, with a focus on improved margins for greater charitable impact in 2013–14 onwards, seeking to optimise the range of products and services provided to schools and to seek like-minded organisations and individuals to work with to raise funds to improve the lives of learners through our independent research.

NFER will also pursue with vigour the continual review and improvement of its structures, systems and processes. We will ensure NFER continues to remain fit for purpose, operating at an acceptable level of business risk, offering value for money on public spending whilst continuing to maintain the excellence necessary to be the organisation of first choice for clients.

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 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 SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on 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 are 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.

By order of the Board of Trustees:



The Mere
Upton Park
Slough
Berks SL1 2DQ

C P Whetton
Secretary

2 October 2013

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 2013 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).

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 14, 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/Directors to identify material inconsistencies with the audited financial statements. 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 2013 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 the information given in the Report of the Board of Trustees/Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kingston Smith WP

9 October 2013

Jonathan Seymour (Senior Statutory Auditor)
For and on behalf of Kingston Smith LLP, Statutory Auditor
Middlesex House
800 Uxbridge Road
Hayes
Middlesex
UB4 0RS

Consolidated statement of financial activities

(including income and expenditure account and statement of recognised gains and losses) for the year ended 31 March 2013

	Notes	2012/2013 £'000	2011/2012 As restated £'000
Incoming resources			
From generated funds			
Voluntary income	3(a)	10	12
Investment income	3(b)/12	450	428
From charitable activities			
Contracted research	3(c)	9,328	10,927
Educational products	3(c)	1,368	817
Other incoming resources			
Rent receivable	3(d)	4	5
Acquisition of FutureLab	4	-	459
Total incoming resources		11,160	12,648
Resources expended			
Cost of generating funds			
Investment management	5(a)	70	44
Cost of charitable activities			
Contracted research	5(b)	8,611	12,489
Educational products	5(b)	1,726	1,067
Product development	5(b)	621	255
Governance	5(c)	116	180
Total resources expended		11,144	14,035
Net income / (expenditure) for the year before interest, transfers and exceptional items		16	(1,387)
Interest payable and transfers			
Mortgage interest		(239)	(242)
Net expenditure for the year after interest payable and transfers		(223)	(1,629)
Other gains / (losses)			
Finance gain on pension deficit	19(f)	52	281
Unrealised gains on investments	12	1,487	30
Actuarial losses on defined pension scheme	19(f)	(1,189)	(4,443)
Net movement in funds		127	(5,761)
Fund balances at preceding 1 April	18	16,221	21,982
Fund balances at 31 March	18	16,348	16,221

All activities are continuing and there were no gains or losses other than those stated above. The restatement of the prior year results from a change in the accounting policy for investments as detailed in Note 2(l) to these financial statements.

Group balance sheet as at 31 March 2013

	Notes	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	11		6,801		7,010
Investments	12		15,585		13,564
Total fixed assets			22,386		20,574
Current assets:					
Stock		72		-	
Debtors	14	2,534		2,339	
Cash at bank and in hand		5,986		8,426	
Total current assets		8,592		10,765	
Creditors:					
Amounts falling due within one year	15	(2,917)		(4,290)	
Net current assets			5,675		6,475
Total assets less current liabilities			28,061		27,049
Creditors:					
Amounts falling due after one year	15		(3,866)		(4,113)
Defined benefit pension scheme liability	19(f)		(7,847)		(6,715)
Net assets			16,348		16,221
The funds of the charity:					
Unrestricted funds:					
Designated fund	18		12,383		13,013
Free reserves		11,812		9,923	
Pension reserve		(7,847)		(6,715)	
Net free reserves	18		3,965		3,208
Total charity funds			16,348		16,221

The financial statements on pages 17 to 39 were approved and authorised for issue by the Board of Directors on 2 October 2013 and signed on its behalf by



N Hollister
Treasurer



R D C Bunker
Chairman

Company number 00900899

Company balance sheet as at 31 March 2013

		2013		2012	
	Note	£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	11		6,801		7,010
Investments – traded (at market value)	12		15,585		13,564
Total fixed assets			22,386		20,574
Current assets:					
Stock		72		-	
Debtors	14	2,823		1,974	
Cash at bank and in hand		4,930		6,197	
Total current assets		7,825		8,171	
Creditors:					
Amounts falling due within one year	15	(2,162)		(1,696)	
Net current assets			5,663		6,475
Total assets less current liabilities			28,049		27,049
Creditors:					
Amounts falling due after one year	15		(3,866)		(4,113)
Defined benefit pension scheme liability	19(f)		(7,847)		(6,715)
Net assets			16,336		16,221
The funds of the charity:					
Unrestricted funds:					
Designated fund	18		12,383		13,013
Free reserves		11,800		9,923	
Pension reserve		(7,847)		(6,715)	
Net free reserves	18		3,953		3,208
Total charity funds			16,336		16,221

The financial statements on pages 17 to 39 were approved and authorised for issue by the Board of Directors on 2 October 2013 and signed on its behalf by



N Hollister
Treasurer



R D C Bunker
Chairman

Consolidated cash flow statement for the year ended 31 March 2013

	2013		2012	
	£'000	£'000	£'000	£'000
Net deficit for the year before interest, investment income and gains/losses on investments		(434)		(1,815)
Tangible assets and investments acquired with Futurelab		-		(193)
Increase in stocks	(72)		-	
Increase in debtors	(195)		(104)	
(Decrease) / increase in creditors due:				
- within one year	(1,387)		665	
- after more than one year	(10)		-	
Impact of movement in pension scheme liability	(5)		65	
Depreciation/ amortisation/ impairment	219		217	
Net working capital movements		(1,450)		843
Net cash (outflow) from operating activities		(1,884)		(1,165)
Returns on investment and servicing of finance				
Investment income	450		428	
Mortgage interest	(239)		(242)	
		211		186
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(11)		(89)	
Cash allocated for investment	(800)		-	
Purchase of investments	(2,609)		(6,806)	
Disposal of investments	2,875		5,666	
Net cash outflow from investing activities		(545)		(1,229)
Net cash outflow before financing		(2,218)		(2,208)
Financing:				
Mortgage repayments	(222)		(214)	
Net financing		(222)		(214)
Decrease in cash during the year (Note 20)		(2,440)		(2,422)

Notes to the financial statements

for the year ended 31 March 2013

1. Status of the NFER

The NFER is a body incorporated under the Companies Acts (No. 00900899), and is limited by guarantee. In the event of the NFER being wound up the liability of its members, the number of which is variable, is limited to £1 each. The NFER is exempt from corporation tax by virtue of being a registered charitable body (No. 313392). The 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 accounts have been prepared in accordance with applicable accounting standards and Statement of Recommended Practice (SORP 2005) under the historical cost accounting rules except for the revaluation of investments. The company has adopted a disclosure of income and expenditure which does not comply with the standard formats laid down by the Companies Act 2006. In the opinion of the Trustees, the presentation chosen is necessary to give a true and fair view of the income and expenditure for the year.

The consolidated financial statements incorporate those of the Foundation 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 accounting policies of the group and company remain unchanged from the previous year except in the case of investments as detailed in Note 2(l).

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 project 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 when anticipated, and written off in the year incurred.

Other income and expenditure is recognised on an accruals basis.

c) Resources expended

Governance costs are the costs of running the Foundation as a legal entity.

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

Support costs comprise the salary and on-costs of non-research staff, accommodation costs and other overheads. Support 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.

d) Research and product development

NFER invests in its own research and development activity. Research expenditure on both the NFER Research Programme and individual projects through the Business Development Fund is written off to the income and expenditure account in the period in which it is incurred. Development expenditure for new products is written off in the same way, and to the same fund, unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure would be deferred and amortised over the period during which the company is expected to benefit. No current investment is amortised in this way.

e) Tangible fixed assets and depreciation

Freehold property is included in the accounts at cost.

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Freehold property	50 years
IT equipment	2 to 5 years
Other equipment	3 years
Motor vehicles	3 years

Freehold land is not depreciated.

Furniture and IT software is written off to the income and expenditure account in the year of purchase. Assets that are impaired in value are written down to their economic value.

Assets below £500 are not capitalised.

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) Retirement 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 Scheme (BCCS).

Contributions payable 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 with the NFER in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 19, 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.

The Foundation is a non-active member of the BCCS, a defined benefit pension scheme. The scheme is funded, with the assets held separately from the group in separate 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

[The notes on pages 21 to 39 form part of the financial statements](#)

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 amount charged to net income or expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. 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

Unrestricted funds represent research projects funded by different sponsors, and other income, that contain no restriction relating to the use of those funds.

Designated funds are unrestricted funds set aside at the discretion of the trustees for specific purposes as described in Note 18 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.

j) Irrecoverable VAT

All input VAT that cannot be recovered in full is expensed. The amount of input VAT charged 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 ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of financial activities.

l) Unrealised gains and losses

The Trustees introduced a 'mark-to-market' policy in the year, whereby the carrying value of the charitable company's investments is updated to market value on a continuous basis. As a result all gains and losses on investments are classified as unrealised. This represents a change in accounting policy and the comparative figures have been restated accordingly. There is no impact on the previously reported reserves or deficit for the year as a result of this change.

3. Income

	Group	
	2013	2012
	£'000	£'000
a) Voluntary income		
Subscriptions	10	10
Donations	-	2
	<u>10</u>	<u>12</u>
b) Investment income		
Dividends	435	417
Interest on cash deposits	15	11
	<u>450</u>	<u>428</u>

c) Charitable activities

Contracted research

This comprises income from the following activities:

- Undertaking research in matters related to education and training
- The development and use of assessment instruments and procedures
- Undertaking survey and similar services to support research
- Supplying outputs developed from the above to customers in 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 directly to schools, including our analysis and marking service; and our new NFER Optional Tests.

d) Rent receivable

Rent receivable represents the rent, including service charge.

4. Merger of Futurelab

Incoming resources arising from merger with Futurelab Education Limited

The previous year's accounts include incoming resources of £459k on acquisition of Futurelab Education Limited, being the fair value of the assets and liabilities acquired for nil consideration. The subsidiary has remained dormant in 2012-13.

5. Resources expended

a) Investment management

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

b) Cost of charitable activities

	Direct salaries	Direct costs	Support costs	Group	
	Total	Total	Total	2013	2012
	£'000	£'000	£'000	£'000	£'000
Contracted research	4,573	1,454	2,584	8,611	12,489
Educational products	906	310	510	1,726	1,067
Product development*	<u>246</u>	<u>236</u>	<u>139</u>	<u>621</u>	<u>255</u>
Total	<u>5,725</u>	<u>2,000</u>	<u>3,233</u>	<u>10,958</u>	<u>13,811</u>

*Product development expenditure is charged against the Business Development Fund.

c) Governance

	Group	
	2013	2012
	£'000	£'000
Board and board committee expenses	17	29
Audit and legal fees	71	103
Insurance	<u>28</u>	<u>48</u>
	<u>116</u>	<u>180</u>

6. Support costs

	Group	
	2013 £'000	2012 £'000
Salary and pension costs	2,229	1,983
Property expenses	379	417
Legal and professional	-	18
Depreciation	219	217
Training	32	63
Recruitment	49	107
Staff restaurant	105	110
Other infrastructure costs	<u>220</u>	<u>422</u>
	<u>3,233</u>	<u>3,337</u>

7. Transfer between funds

There were no transfers between unrestricted and restricted funds during the year. Transfers between unrestricted funds are shown in Note 18.

8. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging:

	Group	
	2013 £'000	2012 £'000
Other costs:		
Auditors' remuneration (incl. VAT)		
- as auditors	20	33
- for other services	13	19
Depreciation and amortisation	219	217
Operating lease rentals – land and buildings	<u>62</u>	<u>71</u>

9. Employees

Staff costs during the year:

	Group	
	2013 £'000	2012 £'000
Wages and salaries	6,603	6,377
Social security costs	566	571
Other pension costs	<u>503</u>	<u>522</u>
	<u>7,672</u>	<u>7,470</u>

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

Group and Company	2013		2012	
	FTE	Head count	FTE	Head count
Full time	149	171	142	157
Part time	<u>35</u>	<u>59</u>	<u>36</u>	<u>61</u>
	<u>184</u>	<u>230</u>	<u>178</u>	<u>218</u>
Research	108	127	103	126
Support staff	<u>76</u>	<u>103</u>	<u>75</u>	<u>92</u>
	<u>184</u>	<u>230</u>	<u>178</u>	<u>218</u>

No directors of the company received any remuneration in the current or previous year.

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

	2013 Number	2012 Number
£60,001–£70,000	2	2
£70,001– £80,000	1	0
£80,001– £90,000	1	2
£120,001–£130,000	1	2

The number of higher paid staff to whom retirement benefits are accruing under defined contribution pension schemes was 4 (2012: 5). The total contribution in respect of these employees was £47,594 (2012: £76,859).

10. Members of the Board

Trustees' and committee meeting expenses representing reimbursement of travel and subsistence costs to 11 Trustees (2012:15) incurred on behalf of the Foundation amounted to £5,221 (2012: £3,918).

During the year, insurance costing £4,717 (2012: £4,739) was purchased to indemnify the Trustees or other Officers against the consequences of any neglect or default on their part and to protect the Foundation from loss arising from the neglect or defaults of its Board, officers or staff.

11. Tangible fixed assets

Group	Land	Freehold property	IT equipment	Other equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 April 2012	700	7,736	336	216	8,988
Additions in year	-	-	-	11	11
Disposals	-	-	(2)	-	(2)
31st March 2013	700	7,736	334	227	8,997
Depreciation					
1st April 2012	-	1,567	197	214	1,978
Charge for year	-	155	62	2	219
Disposals	-	-	(1)	-	(1)
31st March 2013	-	1,722	258	216	2,196
Net book amount					
31st March 2013	700	6,014	76	11	6,801
1st April 2012	700	6,169	139	2	7,010
Company					
	Land	Freehold property	IT equipment	Other equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 April 2012	700	7,736	333	216	8,985
Additions in year	-	-	-	11	11
Disposals	-	-	(2)	-	(2)
31st March 2013	700	7,736	331	227	8,994
Depreciation					
1st April 2012	-	1,567	194	214	1,975
Charge for year	-	155	62	2	219
Disposals	-	-	(1)	-	(1)
31st March 2013	-	1,722	255	216	2,193
Net book amount					
31st March 2013	700	6,014	76	11	6,801
1st April 2012	700	6,169	139	2	7,010

Capital commitments are disclosed in Note 17.

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

12. Investments

	Group and Company 2013	Company As restated 2012	Group As restated 2012
	£'000	£'000	£'000
Listed investments			
Market value at 1 April	13,564	12,209	12,209
Less: Disposals at carrying value	(2,875)	(5,665)	(5,665)
Add: Acquisitions at cost	2,609	6,806	6,806
Add: Addition on acquisition	-	208	184
Net gain on revaluation at 31 March	1,487	6	30
Market value at 31 March	14,785	13,564	13,564
Cash held for investment purposes	800	-	-
Total investments at 31 March	15,585	13,564	13,564

Investments can be analysed as follows:

Investment assets in the UK (at market value):

Fixed interest	1,759	1,443	1,443
Direct investments	6,833	6,418	6,418
Property	468	142	142
Hedge funds	1,333	1,072	1,072
Liquid investments	830	49	49
	11,223	9,124	9,124

Investment assets outside the UK:

Fixed interest	275	508	508
Direct investments	4,087	3,932	3,932
	4,362	4,440	4,440

Total investments (as above) **15,585** **13,564** **13,564**

As at 31 March 2013, NFER held 120 investments and no individual investment was held in the current or previous year with a market value of £500,000 or more.

Income from investments was:

	2013 £'000	2012 £'000
UK		
Equities	263	211
Property	12	57
Fixed interest	97	99
Total UK	372	367
Overseas		
Equities	61	49
Fixed interest	1	1
Total overseas	62	50
Other interest	16	11
Total investment income	450	428

The notes on pages 21 to 39 form part of the financial statements

13. Subsidiary undertakings

NFER Trading Limited

The company is wholly owned, registered in England and Wales, with a share capital of £100. It has been established to undertake the trading opportunities that would not be consistent with the Foundation's charitable status and it also undertakes certain contracts that fall within the Foundation's charitable aims. At the balance sheet date the company had a net surplus on its capital and reserves of £13k (2012: £365k deficit). Audited accounts will be filed at Companies House by the due date.

NFER Trading Limited summary results were:

	2013 £'000	2012 £'000
Sales	4,297	8,025
Cost of sales	<u>(2,589)</u>	<u>(6,708)</u>
Gross profit	1,708	1,317
Administrative expenses	(895)	(1,694)
Interest received	<u>3</u>	<u>-</u>
Trading profit / (loss)	816	(377)
Gift Aid	(439)	-
Corporation tax	<u>-</u>	<u>-</u>
Retained profit / (loss) after tax	<u>377</u>	<u>(377)</u>

Futurelab Education Limited

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

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. Debtors

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade debtors	1,760	1,344	1,261	501
Other debtors	75	118	89	117
Prepayments and accrued income	116	71	116	71
Amounts recoverable on contracts	583	806	395	548
Subsidiary undertakings	<u>-</u>	<u>-</u>	<u>962</u>	<u>737</u>
	<u>2,534</u>	<u>2,339</u>	<u>2,823</u>	<u>1,974</u>

The amount owed by NFER Trading Limited to the parent is on normal commercial terms and has been repaid in full after the balance sheet date.

15. Creditors

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Mortgage loan	237	222	237	222
Provision for pensions	9	-	9	-
Trade creditors	225	127	214	107
Other taxation and social security	357	681	354	454
Deferred income and payments on account	1,889	1,729	1,167	537
Accruals	200	1,531	181	376
	<u>2,917</u>	<u>4,290</u>	<u>2,162</u>	<u>1,696</u>
Amounts falling due more than 1 year:				
Mortgage Loan	3,819	4,056	3,819	4,056
Provision for pensions	47	57	47	57
	<u>3,866</u>	<u>4,113</u>	<u>3,866</u>	<u>4,113</u>

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 entire 20-year term which, with the capital repayment, fixes the annual outlay to the same rate for each year of the 20-year term. The loan is secured by way of fixed charge over the assets of the Foundation, and the Foundation is required to maintain a loan to value (LTV) ratio below 60%. The LTV ratio as at the 31st March 2013 was 48.1% (2012: 50.7%)

All deferred income held at the end of the previous financial year has been recognised within the year.

16. Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2014:

	2013	2013	2012	2012
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	22	-	-	-
Between two to five years	3	17	52	-
	<u>25</u>	<u>17</u>	<u>52</u>	<u>-</u>

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

	2013	2012
	£'000	£'000
Within one year	237	222
Between two and five years	1,092	1,033
More than 5 years	<u>2,727</u>	<u>3,023</u>
Total	<u>4,056</u>	<u>4,278</u>

The mortgage term is 20 years from May 2005. The mortgage is secured by way of a charge over the assets of the Foundation.

17. Capital commitments

As at the 31 March 2013 the NFER had approved capital commitments of £nil (2012: £nil).

18. Statement of movement in Reserve Funds: 1 April 2012 to 31 March 2013

Group

	Unrestricted funds						TOTAL		
	Designated					Total Designated	Undesignated*	2013 £'000	2012 £'000
	Research Development Fund	Fixed Assets Fund	Pension Reserve Fund	Business Development Fund	Building Fund				
£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Funds									
Balance brought forward at 1 April 2012	138	7,010	3,068	2,397	400	13,013	3,208	16,221	21,982
Net movement in resources	-	(209)	-	(621)	-	(830)	957	127	(5,761)
Transfers between funds	(138)	-	-	738	(400)	200	(200)	-	-
Balance carried forward at 31 March 2013	-	6,801	3,068	2,514	-	12,383	3,965	16,348	16,221
Represented by:									
Fixed assets	-	6,801	3,068	-	-	9,869	12,517	22,386	20,574
Current assets	-	-	-	2,514	-	2,514	6,078	8,592	10,765
Creditors falling due within one year	-	-	-	-	-	-	(2,917)	(2,917)	(4,290)
Creditors falling due after one year	-	-	-	-	-	-	(3,866)	(3,866)	(4,113)
Defined benefit pension liability	-	-	-	-	-	-	(7,847)	(7,847)	(6,715)
	-	6,801	3,068	2,514	-	12,383	3,965	16,348	16,221

The notes on pages 21 to 39 form part of the financial statements

Company

	Unrestricted funds					TOTAL			
	Designated					Undesignated*			
	Research Development Fund	Fixed Assets Fund	Pension Reserve Fund	Business Development Fund	Building Fund	Total Designated	Accumulated Fund (including pension liability)	2013 £'000	2012 £'000
£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance brought forward at 1 April 2012	138	7,010	3,068	2,397	400	13,013	3,208	16,221	21,969
Net movement in resources	-	(209)	-	(621)	-	(830)	945	115	(5,748)
Transfers between funds	(138)	-	-	738	(400)	200	(200)	-	-
Balance carried forward at 31 March 2013	-	6,801	3,068	2,514	-	12,383	3,953	16,336	16,221
Represented by:									
Fixed assets	-	6,801	3,068	-	-	9,869	12,517	22,386	20,574
Current assets	-	-	-	2,514	-	2,514	5,311	7,825	8,171
Creditors falling due within one year	-	-	-	-	-	-	(2,162)	(2,162)	(1,696)
Creditors falling due after one year	-	-	-	-	-	-	(3,866)	(3,866)	(4,113)
Defined benefit pension liability	-	-	-	-	-	-	(7,847)	(7,847)	(6,715)
	-	6,801	3,068	2,514	-	12,383	3,953	16,336	16,221

The notes on pages 21 to 39 form part of the financial statements

18. Statement of movement in Reserve Funds: 1 April 2012 to 31 March 2013 (continued)

Designated funds

In accordance with their legal duty of care, the Board of Trustees have designated unrestricted reserves for the following purposes:

Business Development Fund

This fund recognises NFER's need to invest in the development of the business, in particular the development of new products and services as part of an income diversification strategy. The fund also provides for future improvements to facilities at the buildings in Slough, as well to fund small-scale methodological research projects which are unlikely to be funded externally.

Fixed Assets

The value of this fund is equal to the fixed asset value on the balance sheet (of which most is property). This designation is considered good practice amongst charities, as 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).

Pension Reserve

This is an amount designated to recognise the uncertainty and volatility surrounding the (now closed) defined benefit pension scheme. This designation provides a buffer should the actuarial liability change (as shown in the balance sheet), and consequently safeguards the free reserves.

Undesignated funds

Accumulated Fund

Should there be a significant down turn in business in one or more areas of activity, the charity will need reserves to fund committed expenditure whilst sourcing alternative funding or planning for downsizing. The target level of undesignated reserves is consequently based on three to six months expenditure: providing a range of £2.1m to £4.2m.

Restricted funds

No restricted funds were held at the reporting date.

19. Pension benefits

As at 31 March 2013 the NFER 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.

Active membership of the Buckinghamshire County Council Pension Fund, a defined benefit pension scheme, ceased in 2011.

Basis of Preparation

This note is prepared in accordance with Financial Reporting Standard 17 (FRS 17).

Defined Contributions Scheme

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

19. Pensions (continued)

Teachers Pension Scheme

The Department for Education Pension Scheme, known as Teachers' Pensions, is governed by the Teachers' Pensions Regulations 1997, as amended. 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 for the period 2001 to 2004. The report published in October 2006 revealed that future liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of the prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from the 1 January 2007, and as part of a cost-sharing agreement between employers and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution of 0.75% (to balance assets and liabilities as required by regulations within 15 years): a SCR of 20.5%. This translates into an employee contribution rate of 6.4% and an employer contribution rate of 14.1% payable.

Under the definitions set out in FRS 17, the TPS 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 17 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 Scheme is accounted for as a defined benefit scheme under Financial Reporting Standard 17 (FRS 17) 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. The NFER has agreed to continue to fund the scheme over the next 15 years to meet the projected deficit. Annual payments over the next 15 years are to be agreed with the scheme and the actuary.

As stated above, the following valuation is based upon the NFER ceasing active membership in the Buckinghamshire County Council Pension Fund from 1 July 2011.

The contributions to the Buckinghamshire County Council Superannuation Fund are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent valuation, published in April 2011, was as at 31 March 2010.

19. Pensions (continued)

The actuary applied the following financial assumptions: -

Financial Assumption	2010 Valuation	2007 Valuation
Investment returns		
• Equities	7.5%	7.6%
• Gilts	4.5%	4.7%
• Bonds and Property	5.6%	5.4%
• Discount rate	7.1%	6.8%
Pay increases	5.0%	4.8%
Price inflation	3.5%	3.3%
Pension increases*	3.0%	3.3%

* Following the election in 2010 an emergency budget announced that in future pension increases would be linked to the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI). The former has historically been 0.5% lower than RPI.

The valuation showed that the market value of the total fund's assets was £1,321 million (2007: £1,223 million and the deficiency of liabilities accrued up to 31 March 2010 over the actuarial value of assets was £348million (2007: £278 million), equivalent to a 79% (2007: 81.5%) funding level.

The change in the linkage of pension increases from RPI to CPI had the effect of reducing the total deficit by £292m, from £651m to £349m.

The contributions of the Foundation to the fund are based on 12.8% of gross pensionable salary. At 31 March 2010 there were 20,445 (NFER: 207) active members of the scheme, with 12,227 (NFER: 117) deferred pensioners and 18,175 (NFER: 151) pensioners.

The actuarial valuation has been updated on an approximate basis to 31 March 2013 as set out below.

a) Assumptions

i) Demographic

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

	Retiring today (March 2013) Years	Retiring in 20 years (March 2033) Years
Males	20.1	22.1
Females	24.1	26.0

ii) Financial

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

	At 31 March 2013	At 31 March 2012	At 31 March 2011
Price increases (RPI)	3.4%	3.1%	3.5%
Price increases (CPI)	2.6%	2.3%	2.7%
Rate of increase in salaries	2.6%	2.3%	2.7%
Rate of increase in pensions	2.6%	2.3%	2.7%
Discount rate	4.5%	4.8%	5.5%

19. Pension benefits (continued)

b) Expected rate of return on assets by asset class

	Assets as at 31 March 2013 %pa	Assets as at 31 March 2012 %pa	Assets as at 31 March 2011 %pa
Equities	6.7%	7.0%	7.7%
Property	6.2%	6.5%	7.2%
Gilts	3.0%	3.3%	4.4%
Other bonds	4.1%	4.8%	5.5%
Cash	0.5%	3.0%	3.0%
Alternative assets	6.7%	7.0%	7.7%
Total	6.2%	6.4%	7.1%

c) Net pension liability

	As at 31 March 2013 £000's	As at 31 March 2012 £000's	As at 31 March 2011 £000's
Present value of funded obligations	35,483	30,960	28,684
Fair value of scheme assets (bid value)	<u>(27,701)</u>	<u>(24,308)</u>	<u>(26,258)</u>
Net liability	7,782	6,652	2,426
Present value of unfunded obligation	<u>65</u>	<u>63</u>	<u>63</u>
Net Liability in Balance Sheet	<u>7,847</u>	<u>6,715</u>	<u>2,489</u>

d) Statement of financial activities costs for the year:

The amounts recognised in the statement of financial activities are:	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Current service cost	-	168
Interest on obligation	1,457	1,553
Expected return on scheme assets	(1,509)	(1,834)
Past service cost	-	-
Loss on curtailments and settlements	<u>-</u>	<u>31</u>
Total	<u>(52)</u>	<u>(82)</u>
Actual return on scheme assets	<u>(4,744)</u>	<u>(834)</u>

19. Pension benefits (continued)

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 2013 £000's	Year to 31 March 2012 £000's
Opening defined benefit obligation	31,023	28,747
Service Cost	–	168
Interest Cost	1,457	1,553
Actuarial losses	4,424	1,775
Losses on curtailments	–	31
Estimated benefits paid net of transfers in	(1,351)	(1,317)
Contributions by scheme participants	–	71
Unfunded pension payments	<u>(5)</u>	<u>(5)</u>
Closing defined benefit obligation	<u>35,548</u>	<u>31,023</u>

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

	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening fair value of scheme assets	24,308	26,258
Expected return on scheme assets	1,509	1,834
Actuarial gains/(losses)	3,235	(2,668)
Contributions by employer including unfunded benefits	5	135
Contributions by scheme participants	–	71
Estimated benefits paid net of transfers in and including unfunded benefits	<u>(1,356)</u>	<u>1,322</u>
Fair value of scheme assets at end of period	<u>27,701</u>	<u>24,308</u>

f) Reconciliation of opening and closing surplus

Year to 31 March	2013	2012
	£000's	£000's
Deficit at beginning of the year	(6,715)	(2,489)
Current Service Cost	-	(168)
Employer Contributions	-	130
Unfunded pension payments	5	5
Past Service Costs	-	-
Other Finance Income	52	281
Settlements/Curtailments	-	(31)
Actuarial losses	<u>(1,189)</u>	<u>(4,443)</u>
Deficit at end of the year	<u>(7,847)</u>	<u>(6,715)</u>

The notes on pages 21 to 39 form part of the financial statements

19. Pension benefits (continued)

g) Projected Pension Expense

Year to 31 March	2014 £000's
Service Cost	-
Interest Cost	1,570
Return on assets	<u>(1,681)</u>
Total	<u>(111)</u>
Employer Contributions	<u>-</u>

h) Amounts for the current and previous periods

Amounts for the current and previous four periods	Year to March 2013 £ 000's	Year to March 2012 £ 000's	Year to March 2011 £ 000's	Year to March 2010 £ 000's	Year to March 2009 £ 000's
Defined benefit obligation	(35,548)	(31,023)	(28,747)	(39,820)	(27,673)
Scheme assets	<u>27,701</u>	<u>24,308</u>	<u>26,258</u>	<u>23,204</u>	<u>16,767</u>
(Deficit)	<u>(7,847)</u>	<u>(6,715)</u>	<u>(2,489)</u>	<u>(16,616)</u>	<u>(10,906)</u>
Experience adjustments on scheme liabilities	-	-	3,674	-	-
Percentage of liabilities	-	-	12.8%	-	-
Experience adjustments on scheme assets	3,235	(2,688)	1,388	4,571	(5,006)
Cumulative actuarial gain/(loss)	11.7%	(11.0%)	5.3%	19.7%	(29.9%)
	2,141	3,330	7,773	(4,037)	1,347

Statement of recognised gains and losses (STRGL)

	Year to March 2013 £ 000's	Year to March 2012 £ 000's
Actual return less expected return on pension scheme assets	3,235	(2,668)
Experience (loss) / gain	-	-
Changes in assumptions underlying the present value of the scheme liabilities	<u>(4,424)</u>	<u>(1,775)</u>
Actuarial (losses) in pension scheme	(1,189)	(4,443)
Increase/ (decrease) in irrecoverable surplus	<u>-</u>	<u>-</u>
Actuarial (losses) recognised in STRGL	<u>(1,189)</u>	<u>(4,443)</u>

20. Notes to the cash flow statement

a) Reconciliation to net funds

	2013 £ 000's	2012 £ 000's
Net funds at 1 April (Note 20(b))	4,148	6,355
Decrease in cash during the year	(2,440)	(2,422)
Cash outflow from reduction of debt	<u>222</u>	<u>215</u>
Net funds at 31 March (Note 20(b))	<u>1,930</u>	<u>4,148</u>

b) Analysis of net funds

	At 1 April 2012 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2013 £'000
Cash at bank	8,426	(2,440)	-	5,986
Debt – due within one year	(222)	222	(237)	(237)
Debt – due after more than one year	(4,056)	-	237	(3,819)
	4,148	(2,218)	-	1,930

21. Results of the Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the National Foundation for Educational Research has not been presented as part of these financial statements. The results of the parent undertaking for the year ended 31 March 2013 was a net surplus of £115k (2012: deficit £5,748k).

22. Related party transactions

The parent company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with wholly owned subsidiaries.

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