



**National Foundation for
Educational Research**

**Report of the Trustees/Directors
and financial statements**

2011/12



National Foundation for
Educational Research

Report of the Trustees/Directors and financial statements 2011/12

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Company Registration No: 00900899
Charity Registration No: 313392

Contents

Officers and members of the Board of Trustees/Directors	2
Members of the Foundation	3
Administrative Details	4
Report of the Board of Trustees/Directors	5
Statement of the Trustees' responsibilities	15
Independent Auditors Report	16
Consolidated statement of financial activities	18
Group balance sheet	19
Company balance sheet	20
Consolidated cash flow statement	21
Notes to the financial statements	22

Officers and members of the Board of Trustees/Directors

for the year ended 31 March 2012

President

Sir James Rose, CBE, FRSA

Board of Trustees / Directors

Chairman

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

Treasurer and Vice Chairman

Mr D A L Whitbread, MA (1)(2)(3)(4)

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 H Harris, BA (Hons), Dip Ed
(appointed 15 November 2011)
Mr J C Hedger, CB, MA
Mr S M Hillier, BA (Hons), MSc (2)
(appointed 15 November 2011)
Mr N Hollister (2)
Ms F M Murphy
Mr A F N Parker, MA, FRSA (1)(2)
Ms A J Shaw, MA (3)
Ms A Small, BA, FRSA
(appointed 15 November 2011)
Ms M L Turner, BA, ACA
(appointed 15 November 2011)
Miss T A Power, MPhil, MSc, DipEd, FRSA
(resigned 6 October 2011)

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 2012

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, Oxford, 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)
Qualifications and Curriculum Development Agency

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 J M Morris, OBE, FBPsS,
Prof. M Skilbeck, MA, PhD

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, Mr J C Hedger, 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, Ms M L Turner, BA, ACA, Mr D A L Whitbread, MA

Administrative Details

for the year ended 31 March 2012

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	Schroder & Co Limited, 100 Wood Street London EC2V 7ER Investec, 2 Gresham Street London EC2V 7QN Smith & Williamson, 25 Moorgate London EC2R 6AY RBC Offshore Fund Managers Ltd PO Box 246, Canada Court St Peter Port, GY1 3QE

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 2 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 16 May 2012*)
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 2012

The Board presents this annual Directors' report as required by the Companies Act and the audited accounts for the year ended 31 March 2012. 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, and
- to advance education for the public benefit, in particular but not exclusively, through the provision of educational services.

In the furtherance of these objects, the 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. The NFER's purpose is:

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

The NFER (the Foundation) is a company limited by guarantee and governed by Articles of Association last amended on 2 December 2010.

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

The National Foundation for Educational Research (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 which 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.

The 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. The 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.

The notes on pages 22 to 42 form part of the financial statements

The 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 2011-12

In 2011, new objectives were agreed for the three-year period to 2014. Hence our objectives for the year were the first implementation of these:

- to continue to be recognised as a leading UK research and assessment organisation providing evidence to improve education and learning
- to generate an annual surplus to reinvest in the Foundation's own research programme and its future development
- to 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
- to motivate and engage staff in the work of NFER.

Achievements and performance 2011-12

• Recognition as a leading UK research and assessment organisation

The 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 recently reinforced in market research carried out with clients and head teachers.

We successfully expanded our research into new areas, finding new organisations with an interest in seeking reliable and independent evidence on education-related matters. Our contract research team worked with around 20 new clients, including law firms, a supermarket chain, several charities and individual local authorities. 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.

The Foundation's influence with schools and children continued to grow; last year over one million school children took tests developed by us and over 50 per cent of schools in England took part in research conducted by us. Our work continued to influence policy makers, practitioners and learners alike.

• Annual Surplus

2011-12 was a year in which we focused on continuing to develop our business in the context of changed market conditions. Faced with a continued period of sustained reduction in public sector spending combined with the wider economic recession, we continued to find new opportunities for our contract research and assessment services. These activities successfully covered their costs and as a result we were able to achieve our aim of investing in developing new products and services and our own NFER Research Programme. A more detailed analysis of our performance is contained in the Financial Review.

• Diversification of Activities

The NFER Research Programme

The NFER Research programme was successfully launched this year and work got underway on determining its focus and aim. The programme has been developed to focus on important, undeveloped research areas within education where we feel our research skills and depth of subject expertise will be able to create lasting impact and benefit to improve the education and wellbeing of

young people. Two strands of research work were identified as the first phases 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 collectively identify strategies for assisting the up to one million young people at risk of becoming NEET (not in education, employment or training) to make effective post-16 transitions into learning or employment. They offer practical guidance for school leaders mapped against the Ofsted Common Inspection Framework. Early work in the **Developing the Education Workforce** strand looks at the mapping of seminal reports on good teaching and what makes teachers change their practice.

We have been actively looking for partners who can share in this work by sponsoring different aspects of the programme and help to deliver real impact. There has been some success in securing external support for this, but it is an area to build on as we move forward with the programme. The Local Government Association and the Children's Improvement Board funded one of the first reports in the **From Education to Employment** programme, *Developing indicators for early identification of young people at risk of temporary disconnection from learning*.

Products and Services

The Foundation has moved to a more strategic approach to provide products and services that address the needs of the education market and are aligned to NFER's objectives. This included more actively listening to the market, understanding the needs and challenges faced particularly by schools, identifying new routes to market and seeking out new partnerships. Our staff structures were strengthened with specialist skills to develop a more systematic approach to development, delivery and sales.

Two new products and services were launched during the year, a school self-evaluation tool called **School Self Evaluation Tracker** (SSET) and a support service for local research, evaluation and analysis called **reason**. Both are partnership products, SSET with Target Tracker at Essex County Council, and reason with the charity, Research in Practice. More new products are in the development stage and are expected to be launched during next year, including a new generation of NFER tests.

Futurelab at NFER

In November 2011, **Futurelab** merged with NFER. The two charities share a commitment for using research to improve the quality of teaching and learning and, as a consequence, the lives and opportunities of young people. They work to promote innovation in teaching and learning by engaging teachers in and with research. Evidence shows this to be one of the most effective ways to bring about deep professional learning and sustainable improvement in schools.

With the support of NFER's research expertise, **Futurelab at NFER** is actively developing a programme for schools, school leaders and teachers to build the capacity for sustainable improvement through enhanced professional dialogue with an enquiry-based environment. At the heart of innovation and change is the learner, whether exploring a pedagogic approach, the use of technology or more creative use of time, space, or people.

Futurelab at NFER has designed a programme of interactive interventions and co-creation that assist schools to impact positively on their learners. Schools can engage with the programme through a whole-school approach, individual professional development, or short workshops. NFER and **Futurelab** were founding partners in a new initiative with NESTA, the UK's innovation foundation. It is a two-year programme to research and fund the use of innovative technology projects in schools.

- **Motivate and engage staff in the work of NFER**

It proved to be a very busy year for everyone at the Foundation who worked hard to deliver the new areas of work. Our quarterly surveys of employees showed a consistent improvement in the quality of their working lives and their confidence in the future of the Foundation.

In February, NFER received Investors in People (IiP) re-accreditation. Communications, learning and development activities and the remarkably high level of morale and motivation given the externally driven changes, were areas of good practice identified by the IiP report following interviews with staff at all levels.

Making an impact with research

Many of the Foundation's researchers were invited to give papers and presentations at leading national, European and international conferences, seminars and events. These included the International Association for Educational Assessment annual conference in Manila for assessment experts around the world, the Westminster Education Forum on Reviewing the Maths Curriculum and the National College for School Leadership's (NCSL) virtual „hotseat', where advice on how to support transfer and transition for vulnerable children proved valuable and influential for their members and in schools.

NFER continued to be recognised for our expertise in international comparisons expanding our profile of international work as well as working with a range of partners to increase our reach.

This year saw us conduct the fieldwork for two large-scale surveys (PIRLS and TIMSS 2011, surveys of reading, maths and science achievement) on behalf of the Education Departments in England and Northern Ireland. The results will be published in late 2012. As consortium lead for PIAAC (an international survey of adult competences), a productive working relationship was established with partners, one of whom conducted the fieldwork for PIAAC this year. Fieldwork was also conducted for ESLC (European students' achievement in languages) in England and for PISA 2012 in Scotland (England's participation will follow later in the year). Outcomes from these surveys inform policy work in the participating countries and thereby impact ultimately on learners.

Other international projects with wide implications included: an evaluation of the Global School Partnerships programme, for the Department for International Development; an international comparison of Computing in Schools for the Royal Society which received much media coverage and raised implications for the curriculum review; and an evaluation of a literacy project in Nepal for the Room to Read charity, the findings of which were presented to ministers in Kathmandu, prompting further work in Sri Lanka.

Influencing policy

In 2011/12, we supported the Department for Education in its **review of the National Curriculum**. For the purposes of international comparison, for example, our Centre for Information and Reviews was commissioned by the DfE to produce a report detailing curricular arrangements in a number of high performing educational jurisdictions.

This report, which was published in December 2011 as supporting evidence alongside the report of the Expert Panel which advised the National Curriculum Review, describes the organisation and content of school curricula. It includes information about curriculum structure and organisation; curriculum review processes; lower secondary qualifications; and compulsory and optional curriculum subjects at different educational phases. The principal source of information for the report was the International Review of Curriculum and Assessment Frameworks Archive (INCA) (www.inca.org.uk), the content of which is managed by NFER. INCA provides descriptions of government policy on education in 21 countries worldwide, focusing on curriculum, assessment and initial teacher training frameworks for pre-school, primary, lower secondary and upper secondary education in schools.

Throughout the year, NFER made significant contributions to several other major reviews and inquiries designed to impact on the education system and the needs of young people. Three of the reviews were prompted by Professor **Wolf's Review of Vocational Education** (March 2011). NFER contributed to the subsequent DfE's consultations: Removing the statutory duty to deliver work-related learning at Key Stage 4; Study Programmes for 16-19 year olds; and Qualifications for 14-16 year olds and Performance Tables. Our written responses drew on evidence from NFER's extensive portfolio of research on 14-19 learning including *Evaluation of Increased Flexibility for 14 to 16 Year Olds Programme: Outcomes for the First Cohort*; *Evaluation of Increased Flexibility for 14 to 16 Year Olds Programme: Outcomes for the Second Cohort*; *Increasing Participation: Understanding Young People Who Do Not Participate in Education or Training at 16 and 17*; *Barriers to Participation in Education and Training*; *National Evaluation of Diplomas: Cohort 1 - the second year*; and *National Evaluation of Diplomas – cohort 2, the second year*.

NFER also contributed to two other DfE consultations on key policy changes. The Foundation's research on barriers to learning and factors which influence participation in education and training informed our written response to the consultation **on Financial Support for 16-19 year olds in Education or Training**. Written evidence was also provided based on several of our studies including *Raising the Participation Age in Education and Training to 18: Review of Existing Evidence of the Benefits and Challenges* for the consultation **on Raising the Participation Age (RPA) regulations**.

Citizenship was a major theme in 2011-12. The many publications relating to the International Civic and Citizenship Education Study (ICCS) findings were complemented by a cross-national study within the UK (exploring citizenship among 19-24 year olds), as well as the latest stage in a longitudinal study, within England, of the first group of young adults taught *Citizenship* throughout their secondary school career. These studies culminated in a report launch at the House of Commons, not only reaching policy makers but other influencers directly.

Influencing practice

In May, NFER's guide to teaching approaches and interventions that are effective in building resilience to extremism among young people provided valuable advice for school leaders and teachers as well as other youth and community workers. It detailed support factors in schools and other education settings that maximise the benefits and impact of such interventions.

The guide drew on a large-scale and in-depth research study commissioned by the former Department for Children, Schools and Families (DCSF) now the DfE, with support from the Home Office and conducted by The Office for Public Management (OPM) in partnership with NFER. It focused on teaching methods to be used in a general classroom setting rather than as part of interventions targeted at those deemed at risk of extremism. The primary aim of the research was to provide a strong evidence base for schools and other education providers to help them adopt and commission the appropriate interventions to build resilience to extremism.

NFER's research *Targeting children's centre services on the most needy families* provided local authority advisers and children's services leaders with evidence of how children's centres are supporting the most disadvantaged families and developed a model for ensuring best practice. It involved a rapid review of research and policy, together with case studies in six English local authorities.

The research was welcomed by both practitioners and local authorities and it was the focus of a briefing for the DfE Foundation Years Policy team and conference presentations at the British Early Childhood Research Association, the National Early Years Network and the 10th Annual Sure Start Conference.

Pupils in Somerset schools are benefiting from research carried out by the NFER for the Local Government Association (LGA) on *Young people's aspirations in rural areas*. The research played a key part during the year in helping the Somerset Community Foundation (SCF) understand the kind of help that was needed to improve the situation for those pupils in this rural county who were not fulfilling their potential. As a result the Foundation launched a mentoring programme in Spring term 2012, that offers one-to-one support to Year 7 pupils through to Year 11 on a range of topics that, amongst other things, help boost their self-confidence. The SCF, an independent funding body set up to tackle poverty and disadvantage throughout the county, now has over 40 mentors offering support to pupils. The LGA report also helped the SCF shape its grant-making policy for activities that are available to help broaden the horizons, build inner resilience and boost the self-confidence of young people.

NFER continues to deliver a programme of research on behalf of the LGA including publications in the areas of safeguarding, sector led improvement, early intervention and special educational needs.

Objectives and targets for 2012-13

The three-year objectives set in 2011 remain in place for 2012-13:

- to continue to be recognised as a leading UK research and assessment organisation providing evidence to improve education and learning
- to generate an annual surplus to reinvest in the Foundation's own research programme and its future development
- to 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
- to motivate and engage staff in the work of NFER.

Achieving the goals 2012-13

The Foundation will work to reinforce our established position as a leading provider of educational research and assessment and to generate a trading surplus from our research work.

We will 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 research projects across a wide variety of areas within education and children's services and grow research income by five per cent.

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.

We will continue to diversify the activities of the Foundation with new products and services being developed 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.

Work on the initial phases of the first two strands of the NFER Research Programme, **From Education to Employment** and **Developing the Education Workforce**, will be completed and the next phase of the programme identified. Emphasis will be placed on identifying partnerships with organisations that provide additional funding and impact.

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 on all aspects of the Foundation's progress through regular staff briefings and our intranet. An annual staff survey, together with quarterly mini surveys, provides feedback on staff engagement, confidence and satisfaction with their working life.

Areas highlighted for improvement by the Investors in People re-accreditation report in February 2012 will inform our planning for the year.

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 1 and 2 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 need 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 4). 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. In 2011 a working group was set up to oversee the development of new products and services.

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 second, i-nfer assessment Limited became dormant after the completed development of our formative assessment tests. The third is FutureLab Education Limited, which became part of the group in November 2011 and transferred its assets to NFER Limited at 31st March 2012.

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 (13 years remaining at 31 March 2012) 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. During 2010-11 Trustees conducted a review of both final salary pension schemes operated by the Foundation and made the decision to cease active participation of the Buckinghamshire County Council Pension Scheme. This decision was fully implemented on 30 June 2011.

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 93 risks. The four most significant areas can generally be classified into: -

- 1) those related to the reduced level of work being contracted for generally, but specifically from Government related clients, particularly in relation to contract research;
- 2) the difficulty of a smaller number of staff and managers achieving important strategic change;
- 3) the reliance of the NFER on the goodwill of schools in supporting the work of the NFER by participating in research projects;
- 4) the management of the security of data.

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

Overall Performance

The reorganisation in 2010-11, which was necessary to implement our revised business model and reduce our operational cost base, was bedding in during this financial year. The new model has meant a reduction in the numbers of full time employees and increased our use of associates to provide us with more flexibility and reduced risk. We successfully diversified our client base, and our traditional areas of activity – contract research and assessment – made a small operating surplus. With significant planned investment in both new product development and the initial phase of the NFER Research Programme, and in year losses for some of our older products, there was an unrestricted operational loss of around £0.6m. The restricted expenditure of £753k relates to grant income received in 2010/11, and consequently increased the loss further.

Other significant items included the impact of an increase in the deficit in the defined benefit pension scheme of £4,226k and the merger with Futurelab Education Limited in the year which contributed £459k to the group's results. Both of these are detailed further below. The group's overall result was a net deficit of £5,761 (2011: surplus of £14,019k) and a reduction in overall charity funds from £21,982k to £16,221k at the balance sheet date.

The most significant issues tackled by Trustees during the year were:

- Supporting NFER's newer areas of activity through trustee/staff working groups on Fundraising (for the NFER Research Programme) and on Products and Marketing.
- The merger of FutureLab into the NFER operations
- The closure of the final salary pension scheme operated by Buckinghamshire County Council (BCC); and
- The decision to appoint additional Investment Managers to manage NFER's investments.

Merger of FutureLab Education Limited

In November 2011 the Trustees agreed to merge FutureLab Education into the operations of NFER. The two charities share complementary objectives and missions with an emphasis on using research to improve the quality of teaching and learning and, as a consequence, the lives and opportunities of young people. NFER's reputation as an authoritative independent research-based charity combined with FutureLab's creative and innovative approach creates a powerful force in education, strengthening schools' capacity to use research to impact practice in the classroom. As the merger did not require a payment by NFER, the change of control has been recognised as a gift of Futurelab's assets. These were valued at £459k at the date of the merger with NFER, and this has been recognised as income in the group Statement of Financial Activities. The composition of the

assets assumed by the group and the technical accounting treatment has been detailed in Note 4 to the accounts. At 31 March 2012, the trade and assets of Futurelab Education were transferred to NFER. Their value at that date was £293k, increasing the company's charitable reserves accordingly.

Membership of the final salary pension scheme operated by Buckinghamshire County Council

Trustees made the difficult decision that NFER was unable to maintain its defined benefit pension scheme and on 30 June 2011 the final salary scheme was closed, active membership ceased, and a new defined contribution pension scheme was implemented.

The net impact of this change, implemented on 30 June 2011, was a revaluation gain of £14,926k, in 2010-11. In 2011-12 the scheme's assets have reduced in value in line with the financial markets and this along with diminished expectations of future growth have resulted in an increase in the pension deficit from £2,489k to £6,715k at the balance sheet date. This is still a significantly smaller deficit than if the final salary scheme had remained in place.

Changes to NFER Investment Managers

The trustees conducted a review of Investment Managers and as a result of a tendering process appointed two new investment managers. Smith and Williamson were appointed to manage a proportion of the main portfolio of funds and RBC Offshore Fund Managers were appointed to invest a much smaller proportion of funds into a hedge fund to mitigate the portfolio exposure to the international share markets.

Performance of subsidiary companies

NFER Trading Limited incurred a loss of £378k (2011: surplus £246k) and remitted nil (2011: £246k) to the parent by way of Gift Aid. The loss was a result of product development costs being written off in the year. Accordingly, NFER has made provision of £365k against amounts owed from NFER Trading Limited in the company accounts, being the net deficit on its capital and reserves at the balance sheet date.

Future (financial) strategy

In terms of its overall business strategy, the NFER continues to work with a wide cross-section of government departments and agencies, local authorities charitable bodies and some private sector clients, minimising the reliance on any one source of income.

The NFER also continues to invest in the future of the organisation via the designated funds (see note 19). The purposes of these funds are set out in Note 19 and in general have four aims; firstly to aid the conduct of research or other work that could not be funded from other sources; secondly the development of the business; thirdly the recognition of potential risk and finally to recognise the relative illiquid nature of some assets.

The funds set aside for the conduct of research that could not be funded from other sources and the investment in the development of the business are aimed at supporting the NFER's charitable purpose of its research having an impact and leading to improvements in education.

Policy for reserves

Having considered the challenges and opportunities that the charity may face in the medium to longer term, the Trustees have re-affirmed 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 £3.75 million to £4.25 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 2012, the NFER's total group reserves stood at £16,221,000 (2011: £21,982,000). Of this sum, £13,013,000 has been designated for specific purposes (see note 18). The balance of £3,208,000 represents free reserves to allow the charity to manage challenges and opportunities. This sum represents 80% (2011: 77%) of the target level of £4.0 million median target range 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.

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 proactively monitor and evaluate investment performance, advised by the investment managers and an independent financial adviser.

Pension schemes

During the year, the NFER participated in three pension schemes: its own defined contribution pension scheme, the Local Government Pension Scheme (LGPS) administered by Buckinghamshire County Council, and the Teachers' Pension Scheme (TPS), administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE).

The NFER's membership of the Buckinghamshire County Council Pension Fund 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 agreed with the scheme and the actuary.

The LGPS is accounted for as a defined benefit scheme under Financial Reporting Standard 17 Retirement Benefits (FRS 17). The pension deficit under FRS 17 on the LGPS has, as a result of the decision to cease active membership from 30 June 2011, increased to £6,715k (2011: £2,489k). The LGPS was replaced with the NFER's own defined contribution pension scheme.

The TPS is accounted for as a defined contribution scheme under Financial Reporting Standard 17 (FRS 17) Retirement Benefits.

Future developments

As part of its ongoing ambition to be the research organisation of first choice, the NFER 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 as a major priority for 2012-13 onwards, seeking to increase the range of products and services provided to schools and to seek like minded organisations and individuals to work with to raise external funds to improve the lives of learners through our proactive research.

NFER will also continue with vigour the continual review and improvement of its structures, systems and processes. The aim as always is to ensure that 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 that degree of 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.

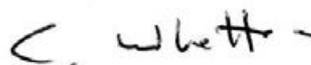
The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding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

24 October 2012

Independent Auditors 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 2012 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 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/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 2012 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; and
- 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

6 November 2012

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 2012

	Notes	Unrestricted charitable funds £'000	Restricted fund £'000	Total 2011/2012 £'000	Total 2010/2011 £'000
Incoming resources					
From generated funds					
Voluntary income	3(a)	12	-	12	22
Investment income	3(b)/11	428	-	428	415
From charitable activities	3(c)	11,744	-	11,744	13,827
Other incoming resources					
Rent receivable	3(d)	5	-	5	5
Acquisition of FutureLab	4	459	-	459	-
Total incoming resources		12,648	-	12,648	14,269
Resources expended					
Cost of generating funds					
Investment management	5(a)	44	-	44	38
Cost of charitable activities	5(b)	13,058	753	13,811	13,843
Governance	5(c)	180	-	180	103
Total resources expended		13,282	753	14,035	13,984
Net (expenditure) / income for the year before interest, transfers and exceptional items		(634)	(753)	(1,387)	285
Interest payable, transfers and exceptional items					
Mortgage interest		(242)	-	(242)	(260)
Exceptional item – pension gain on past service costs	5(d)	-	-	-	3,116
Exceptional item – reorganisation costs	5(d)	-	-	-	(1,404)
Realised (losses) / gains on investments		(100)	-	(100)	87
Net (expenditure) / income for the year after interest, transfers and exceptional items		(976)	(753)	(1,729)	1,824
Other (losses) / gains					
Finance gain/(loss) on pension deficit	19(f)	281	-	281	(270)
Unrealised gains on investments	12	130	-	130	655
Actuarial (losses) / gains on defined pension scheme	19(f)	(4,443)	-	(4,443)	11,810
Net movement in funds		(5,008)	(753)	(5,761)	14,019
Fund balances at 1 April 2011	18	21,229	753	21,982	7,963
Fund balances at 31 March 2012	18	16,221	-	16,221	21,982

All activities are continuing and there were no gains or losses other than those stated above.

Group balance sheet

as at 31 March 2012

	Notes	2012		2011	
		£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	11		7,010		7,130
Investments – traded (at market value)	12		13,564		12,209
Total fixed assets			20,574		19,339
Current assets:					
Debtors	14	2,339		2,235	
Cash at bank and in hand		8,426		10,848	
Total current assets		10,765		13,083	
Creditors:					
Amounts falling due within one year	15	(4,290)		(3,613)	
Net current assets			6,475		9,470
Total assets less current liabilities			27,049		28,809
Creditors:					
Amounts falling due after one year	15		(4,113)		(4,338)
Defined benefit pension scheme liability	19(f)		(6,715)		(2,489)
Net assets			16,221		21,982
The funds of the charity:					
Income funds					
Restricted funds	18		-		753
Unrestricted funds:					
Designated fund	18	13,013		18,149	
Undesignated	18	9,923		5,569	
Unrestricted funds excluding pension liability			22,936		23,718
Pension reserve	18	(6,715)		(2,489)	
Total unrestricted funds			16,221		21,229
Total charity funds			16,221		21,982

The financial statements on pages 18 to 42 were approved and authorised for issue by the Board of Directors on 24 October 2012 and signed on its behalf by



D A L Whitbread
Treasurer



R D C Bunker
Chairman

Company number 00900899

The notes on pages 22 to 42 form part of the financial statements

Company balance sheet

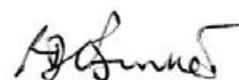
as at 31 March 2012

		2012		2011	
	Note	£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	11		7,010		7,130
Investments – traded (at market value)	12		13,564		12,209
Total fixed assets			20,574		19,339
Current assets:					
Debtors	14	1,974		4,054	
Cash at bank and in hand		6,197		6,838	
Total current assets		8,171		10,892	
Creditors:					
Amounts falling due within one year	15	(1,696)		(1,435)	
Net current assets			6,475		9,457
Total assets less current liabilities			27,049		28,796
Creditors:					
Amounts falling due after one year	15		(4,113)		(4,338)
Defined benefit pension scheme liability	19(f)		(6,715)		(2,489)
Net assets			16,221		21,969
The funds of the charity:					
Income funds					
Restricted funds	18		-		753
Unrestricted funds:					
Designated fund	18	13,013		18,149	
Undesignated	18	9,923		5,556	
Unrestricted funds excluding pension liability			22,936		23,705
Pension reserve	18	(6,715)		(2,489)	
Total unrestricted funds			16,221		21,216
Total charity funds			16,221		21,969

The financial statements on pages 18 to 42 were approved and authorised for issue by the Board of Directors on 24 October 2012 and signed on its behalf by



D A L Whitbread
Treasurer



R D C Bunker
Chairman

Consolidated cash flow statement

for the year ended 31 March 2012

	2012		2011	
	£'000	£'000	£'000	£'000
Net deficit for the year before interest, investment income and gains/losses on investments		(1,815)		(130)
Tangible assets and investments acquired with Futurelab		(193)		-
Exceptional item – reorganisation costs		-		(1,404)
Decrease in stocks	-		6	
(Increase)/ decrease in debtors	(104)		3,269	
Increase/ (decrease) in creditors due:				
- within one year	665		(492)	
- after more than one year	-		28	
Impact of movement in pension scheme liability	65		529	
Depreciation/ amortisation/ impairment	217		288	
Net working capital movements		843		3,628
Net cash (outflow) / inflow from operating activities		(1,165)		2,094
Returns on investment and servicing of finance				
Investment income	428		415	
Mortgage interest	(242)		(260)	
		186		155
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(89)		(4)	
Purchase of investments	(6,806)		(1,103)	
Disposal of investments	5,666		1,764	
Net cash (outflow) / inflow from investing activities		(1,229)		657
Net cash (outflow) / inflow before financing		(2,208)		2,906
Financing:				
Mortgage repayments	(214)		(199)	
Net financing		(214)		(199)
(Decrease) / increase in cash during the year		(2,422)		2,707
Cash at bank and in hand at the start of the year		<u>10,848</u>		<u>8,141</u>
Cash at bank and in hand at the end of the year		<u>8,426</u>		<u>10,848</u>

The notes on pages 22 to 42 form part of the financial statements

Notes to the financial statements

for the year ended 31 March 2012

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.

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 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 research salaries and expenditure directly incurred in respect of projects. Research salaries are allocated to specific projects based on the time spent on those projects by the researchers.

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 research 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.

2. Accounting policies (continued)

d) Research and product development

NFER invests in our own research and development activity. Research expenditure on both the NFER Research Programme and individual projects through the Research Development Fund (RDF) 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 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) 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 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.

h) Fund Accounting

Unrestricted funds represent research projects funded by different sponsors 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.

i) 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.

j) 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 SOFA.

k) Realised gains and losses

All gains and losses are taken to the SOFA as they arise. Realised gains and losses on investments are calculated as the difference between the sale proceeds and opening market value (or purchase date if later). Unrealised gains and losses are calculated as the difference between the market value at the year end and opening market value (or purchase date if later).

3. Income

		Group	
a)	Voluntary income	2012 £'000	2011 £'000
	Subscriptions	10	22
	Donations	<u>2</u>	<u>-</u>
		<u>12</u>	<u>22</u>
b)	Investment income	2012 £'000	2011 £'000
	Dividends	417	321
	Interest on cash deposits	<u>11</u>	<u>94</u>
		<u>428</u>	<u>415</u>

c) Charitable activities

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 products 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

d) Rent receivable

Rent receivable represents the rent, including service charge.

4. Merger of FutureLab

Incoming resources arising from merger with Futurelab Education Limited

On 8 November 2011, a special resolution was passed by Futurelab Education Limited, a charitable company incorporated in England and Wales, appointing NFER as the sole member of the charity. In accordance with the SORP, at this point control was considered to have passed to NFER and Futurelab Education has thereafter been treated as a subsidiary of NFER and consolidated in the financial statements. As control has been acquired by NFER during the period this combination has been accounted for using acquisition accounting.

As the transfer of control was at nil consideration, the excess of the fair value of the assets acquired have been recognised as income in the year in line with the Statement of Principles for Financial Reporting for Public Benefit Entities.

The fair value of the assets acquired and liabilities as at the date of acquisition, and the gain therefore recognised is summarised as follows:

	Book value immediately before acquisition £'000	Fair value adjustments £'000	Fair values at date of acquisition £'000
Net assets acquired :			
Tangible fixed assets	8	-	8
Debtors	19	-	19
Cash at bank and in hand	740	-	740
Investments	185	-	185
Creditors: Amounts falling due within one year	(493)	-	(493)
	<u>459</u>	<u>-</u>	<u>459</u>

For the period since acquisition, Futurelab Education contributed incoming resources of £75k, resources expended of £239k and a net deficit in group funds of £166k. These amounts are included with the consolidated statement of financial activities.

5. Resources expended

a) Investment management

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

b) Cost of charitable activities

	2012	2011
	Total	Total
	£'000	£'000
Direct project salaries	6,426	8,158
Direct project costs	4,272	2,527
Support costs (Note 6)	<u>3,337</u>	<u>3,158</u>
Total	<u>14,035</u>	<u>13,843</u>

c) Governance

	Group	
	2012	2011
	£'000	£'000
Board and board committee expenses	29	15
Audit & legal fees	103	43
Insurance	<u>48</u>	<u>45</u>
	<u>180</u>	<u>103</u>

d) Exceptional Items

The figures totalling £1,404k relate to restructuring and pension costs incurred during 2011. In addition, a gain of £3,116k in respect of past service costs was recognised in the prior year in relation to NFER's withdrawal from active membership in the Buckinghamshire County Council defined benefit pension scheme.

6. Support costs

	2012	2011
	£'000	£'000
Salary and pension costs	1,983	1,986
Property expenses	417	385
Legal & professional	15	113
Depreciation	220	284
Training	63	38
Recruitment	107	28
Staff restaurant	110	62
Other infrastructure costs	<u>422</u>	<u>262</u>
	<u>3,337</u>	<u>3,158</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	
Other costs:	2012	2011
	£'000	£'000
Auditors' remuneration (incl. VAT)		
- as auditors	33	30
- for other services	19	13
Depreciation and amortisation	217	288
Operating lease rentals – land and buildings	<u>71</u>	<u>71</u>

9. Employees

Staff costs during the year:

	Group	
	2012	2011
	£'000	£'000
Wages and salaries	6,377	8,450
Social security costs	571	591
Other pension costs	<u>522</u>	<u>1,103</u>
	<u>7,470</u>	<u>10,144</u>

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

Group and Company	2012		2011	
	FTE	Head count	FTE	Head count
Full time	142	157	199	216
Part time	<u>36</u>	<u>61</u>	<u>27</u>	<u>45</u>
	<u>178</u>	<u>218</u>	<u>226</u>	<u>261</u>
Research	103	126	140	153
Support staff	<u>75</u>	<u>92</u>	<u>86</u>	<u>108</u>
	<u>178</u>	<u>218</u>	<u>226</u>	<u>261</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:

	2012	2011
	Number	Number
£60,001–£70,000	2	4
£70,001– £80,000	0	1
£80,001– £90,000	2	1
£120,001–£130,000	2	1

The number of higher paid staff to whom retirement benefits are accruing under defined benefit pension schemes was 5 (2011: 7). The total contribution in respect of these employees was £76,859 (2011: £97,654).

10. Members of the Board

Trustees' and committee meeting expenses representing reimbursement of travel and subsistence costs to 15 Trustees (2011:12) incurred on behalf of the Foundation amounted to £3,918 (2011: £4,541).

During the year, insurance costing £4,739 (2011: £6,090) 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 2011	700	7,736	2,379	1,778	12,593
Additions in year	-	-	89	-	89
Additions on Acquisition	-	-	8	-	8
Disposals	-	-	(2,140)	(1,562)	(3,702)
31st March 2012	700	7,736	336	216	8,988
Depreciation					
1st April 2011	-	1,413	2,281	1,769	5,463
Charge for year	-	154	56	7	217
Disposals	-	-	(2,140)	(1,562)	(3,702)
31st March 2012	-	1,567	197	214	1,978
Net book amount					
31st March 2012	700	6,169	139	2	7,010
1st April 2011	700	6,323	98	9	7,130
Company					
	Land	Freehold property	IT equipment	Other equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 April 2011	700	7,736	2,379	1,778	12,593
Additions in year	-	-	89	-	89
Additions on Acquisition	-	-	5	-	5
Disposals	-	-	(2,140)	(1,562)	(3,702)
31st March 2012	700	7,736	333	216	8,985
Depreciation					
1st April 2011	-	1,413	2,281	1,769	5,463
Charge for year	-	154	53	7	214
Disposals	-	-	(2,140)	(1,562)	(3,702)
31st March 2012	-	1,567	194	214	1,975
Net book amount					
31st March 2012	700	6,169	139	2	7,010
1st April 2011	700	6,323	98	9	7,130

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. Listed investments

	Company 2012	Group 2012	Group 2011
	£'000	£'000	£'000
Market value at 1 April	12,209	12,209	12,128
Less: Disposals at opening book value	(5,765)	(5,765)	(1,677)
Add: Acquisitions at cost	6,806	6,806	1,103
Add: Addition on acquisition	208	184	-
Net gain on revaluation at 31 March	106	130	655
Market value at 31 March	13,564	13,564	12,209
Historical cost as at 31 March	11,595	11,595	10,026

Investments can be analysed as follows:

Investment assets in the UK (at market value):

Fixed interest	1,443	1,106
Direct investments	6,418	6,959
Property	142	834
Hedge funds	1,072	314
Liquid investments	49	0
	9,124	9,213

Investment assets outside the UK:

Fixed interest	508	268
Direct investments	3,932	2,728
	4,440	2,996

Total investments (as above)	13,564	12,209
-------------------------------------	---------------	---------------

Note: Unit Trusts by their very nature are pooled investments, and all the funds, including fixed interest stocks, are listed in the UK. Only the overseas direct investments are not traded in the UK. Investments with a book value of £5,765,390 (2011: £1,676,544) were disposed of during the year, realising £5,665,751 (2011: £1,764,000) and yielding a loss of £99,639 (2011: gain of £17,436).

As at 31 March 2012, NFER held 136 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:

	2012 £'000	2011 £'000
UK		
Equities	211	201
Property	57	44
Fixed interest	99	53
Total UK	<u>367</u>	<u>298</u>
Overseas		
Equities	49	17
Pooled investments	-	1
Fixed interest	1	4
Total overseas	<u>50</u>	<u>22</u>
Other interest	11	159
Total dividends + interest for company	428	479
Intra company elimination	-	(64)
Total dividends + interest for group	<u>428</u>	<u>415</u>

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 deficit on its capital and reserves of £365k (2011: £12k surplus) due to losses incurred in the year. Audited accounts will be filed at Companies House by the due date.

NFER Trading Limited summary results were:

	2012 £'000	2011 £'000
Sales	8,025	7,013
Cost of sales	<u>(8,378)</u>	<u>(4,959)</u>
Gross profit	(353)	2,054
Administrative expenses	(25)	(1,808)
Interest received	<u>-</u>	<u>-</u>
Trading (loss) / profit	(378)	246
Gift Aid	-	(246)
Corporation tax	<u>-</u>	<u>-</u>
Retained profit after tax	<u>-</u>	<u>-</u>

FutureLab Education Limited

As detailed in Note 4 to the accounts, NFER is deemed to have controlled FutureLab Education from 8th November 2011.

FutureLab Education Limited summary results were:

	2012 £'000	2011 £'000
Total incoming resources	133	1,504
Total resources expended	<u>(1,111)</u>	<u>(2,131)</u>
Net (outgoing) resources before transfers and exceptional items	(978)	(627)
Transfer of business to NFER	<u>(293)</u>	<u>-</u>
Net (outgoing) resources and net movement in funds	(1,271)	(627)
Balance brought forward at 1 April 2011	<u>1,271</u>	<u>1,898</u>
Balance carried forward at 31 March 2012	<u>-</u>	<u>1,271</u>

i-nfer assessment Limited

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

14. Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	1,344	1,210	501	434
Other debtors	118	3	118	3
Prepayments and accrued income	71	55	71	55
Amounts recoverable on contracts	806	967	548	384
Subsidiary undertakings	-	-	737	2,932
Gift Aid	-	-	-	246
	<u>2,339</u>	<u>2,235</u>	<u>1,975</u>	<u>4,054</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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year				
Mortgage loan	222	212	222	212
Trade creditors	127	19	107	19
Other taxation and social security	681	215	454	479
Deferred income and payments on account	1,729	2,546	537	261
Accruals	<u>1,531</u>	<u>621</u>	<u>376</u>	<u>464</u>
	<u>4,290</u>	<u>3,613</u>	<u>1,696</u>	<u>1,435</u>
Amounts falling due more than 1 year:				
Mortgage Loan	4,056	4,281	4,056	4,281
Provision for pensions	<u>57</u>	<u>57</u>	<u>57</u>	<u>57</u>
	<u>4,113</u>	<u>4,338</u>	<u>4,113</u>	<u>4,338</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 2012 was 50.7% (2011: 53.3%)

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 2012:

	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Expiring:				
Between two to five years	52	-	52	-
	<u>52</u>	<u>-</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.

	2012 £'000	2011 £'000
Within one year	222	212
Between two and five years	1,033	965
More than 5 years	<u>3,023</u>	<u>3,316</u>
Total	<u>4,278</u>	<u>4,493</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 2012 the NFER had approved capital commitments of £nil (2011: £nil).

18. Statement of movement in Reserve Funds: 1 April 2011 to 31 March 2012

Group	Unrestricted funds					Restricted funds	TOTAL			
	<u>Designated</u>						<u>Undesignated</u>	LGECSR	2012	2011
	Research Development Fund	Fixed Assets Fund	Pension Reserve Fund	Business Development Fund	Building Fund		Accumulated Fund (including pension liability)			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Funds										
Balance brought forward at 1 April 2011	215	7,023	7,511	3,000	400	3,080	753	21,982	7,963	
Net movement in resources	(77)	-	-	(603)	-	(4,328)	(753)	(5,761)	14,019	
Transfers between funds	-	(13)	(4,443)	-	-	4,456	-	-	-	
Balance carried forward at 31 March 2012	138	7,010	3,068	2,397	400	3,208	-	16,221	21,982	
Represented by:										
Fixed assets	-	7,010	3,068	-	-	10,496	-	20,574	19,339	
Current assets	138	-	-	2,397	400	7,830	-	10,765	13,083	
Creditors falling due within one year	-	-	-	-	-	(4,290)	-	(4,290)	(3,613)	
Creditors falling due after one year	-	-	-	-	-	(4,113)	-	(4,113)	(4,338)	
Defined benefit pension liability	-	-	-	-	-	(6,715)	-	(6,715)	(2,489)	
	138	7,010	3,068	2,397	400	3,208	-	16,221	21,982	

Company

	Unrestricted funds					Restricted funds	TOTAL				
	Designated		Pension Reserve Fund	Business Development Fund	Building Fund		Accumulated Fund (including pension liability)	LGECSR Fund	2012		2011
	Research Development Fund	Fixed Assets Fund							£'000	£'000	£'000
Balance brought forward at 1 April 2011	215	7,023	7,511	3,000	400	3,067			753	21,969	7,862
Net movement in resources	(77)	-	-	(603)	-	(4,315)	(753)	(5,748)	14,107		
Transfers between funds	-	(13)	(4,443)	-	-	4,456	-	-	-		
Balance carried forward at 31 March 2012	138	7,010	3,068	2,397	400	3,208	-	16,221	21,969		
Represented by:											
Fixed assets	-	7,010	3,068	-	400	10,096	-	20,574	19,339		
Current assets	138	-	-	2,397	-	5,636	-	8,171	11,038		
Creditors falling due within one year	-	-	-	-	-	(1,696)	-	(1,696)	(1,581)		
Creditors falling due after one year	-	-	-	-	-	(4,113)	-	(4,113)	(4,338)		
Defined benefit pension liability	-	-	-	-	-	(6,715)	-	(6,715)	(2,489)		
	138	7,010	3,068	2,397	400	3,208	-	16,221	21,969		

The notes on pages 22 to 42 form part of the financial statements

18. Statement of movement in Reserve Funds: 1 April 2011 to 31 March 2012 (continued)

Designated funds

Research Development Fund – This fund has been created to support research and development activities that we believe will support the achievement of the NFER’s strategic objectives and are unlikely to be funded externally. These include small-scale research projects in new areas and methodological developments. Each year Trustees consider the allocation of additional funds to support the work of this fund. This allocation is made from the accumulated (undesignated) fund and shown under the heading “Transfer between funds” in note 18 above. The fund balance is £138k after £77k of the fund was utilised in the year.

Fixed Assets Fund – This fund has been created to in part recognise that funds are required to be set aside to cover outstanding mortgage obligations but also to recognise that relative illiquid nature of the assets. The fund was adjusted in the year so that the fund now represents the balance of the foundations fixed assets of £7,010k.

Pension Reserve Fund – This fund has been set aside to recognise the potential liability faced by the organisation if it wished to leave the Buckinghamshire County Council Pension Scheme immediately as opposed to remaining as a deferred member for a period up to 15 years. This estimated potential liability is based upon the estimates of two actuaries. This fund has been reduced to reflect the increased defined benefit pension scheme liability in the balance sheet.

Business Development Fund – This fund has been set aside in recognition of the NFER’s needs in the coming years to further invest in the development of the business, in particular the development of new products and services as part of an income diversification strategy. At the date of approval of this financial statement approximately 60% of this fund had been provisionally committed to specific new projects. The fund balance remaining is £2,397k after £603k was invested in the year.

Building Fund – This fund has been created to provide for improvements to the facilities at The Mere and Milestone House buildings in Slough.

Undesignated funds

Accumulated Fund – This represents the accumulated surplus.

Restricted funds

The Local Government Education and Children’s Services Research Programme (LGECSR) fund represents the cumulative balance in respect of research projects and services that were agreed each year with the Local Government Association that administer the LGECSR for England and Wales. This is funded through the Rate Support Grant on the recommendation of the Local Government Board.

19. Pension benefits

As at 31 March 2012 the NFER participated in three pension schemes:

- Defined contributions Scheme
- Teachers’ Pension Scheme administered by Teachers’ Pensions on behalf of the Department for Education and
- The Buckinghamshire County Council Pension Fund, a defined benefit pension scheme;

Basis of Preparation

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

Defined Contributions Scheme

During the year NFER introduced a defined contribution pension scheme to replace its previous membership of the BCC pension 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.

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.

The actuary applied the following financial assumptions: -

Financial Assumption	2010 Valuation	2007 Valuation
Investment returns		
• Equities	7.5%	7.6%
• Gilts	4.6%	4.7%
• Bonds and Property	5.6%	5.4%
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.

19. Pensions (continued)

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 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.

This scheme is accounted for as a defined contribution scheme under Financial Reporting Standard 17 (FRS 17) Retirement Benefits. The actuarial valuation has been updated on an approximate basis to 31 March 2012 as set out below.

a) Assumptions

i) Demographic

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

	Retiring today (March 2012) Years	Retiring in 20 years (March 2032) Years
Males	20.0	22.0
Females	24.0	25.9

ii) Financial

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

	At 31 March 2012	At 31 March 2011	At 31 March 2010
Price increases (RPI)	3.1%	3.5%	3.7%
Price increases (CPI)	2.3%	2.7%	n/a
Rate of increase in salaries	2.3%	2.7%	4.7%
Rate of increase in pensions	2.3%	2.7%	3.7%
Discount rate	4.8%	5.5%	5.7%

19. Pension benefits (continued)

b) Expected rate of return on assets by asset class

	Assets as at 31 March 2012 %pa	Assets as at 31 March 2011 %pa	Assets as at 31 March 2010 %pa
Equities	7.0%	7.7%	7.8%
Property	6.5%	7.2%	7.3%
Gilts	3.3%	4.4%	4.5%
Other bonds	4.8%	5.5%	5.5%
Cash	3.0%	3.0%	3.0%
Alternative assets	7.0%	7.7%	7.8%

c) Net pension liability

	As at 31 March 2012 £000's	As at 31 March 2011 £000's	As at 31 March 2010 £000's
Present value of funded obligations	30,960	28,684	39,755
Fair value of scheme assets (bid value)	<u>(24,308)</u>	<u>(26,258)</u>	<u>(23,204)</u>
Net liability	6,652	2,426	16,551
Present value of unfunded obligation	<u>63</u>	<u>63</u>	<u>65</u>
Net Liability in Balance Sheet	<u>6,715</u>	<u>2,489</u>	<u>16,616</u>

d) Statement of financial activities costs for the year:

The amounts recognised in the statement of financial activities are:

	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Current service cost	168	932
Interest on obligation	1,553	2,027
Expected return on scheme assets	(1,834)	(1,757)
Past service cost	-	(3,116)
Loss on curtailments and settlements	31	398
Total	<u>(82)</u>	<u>(1,516)</u>
Actual return on scheme assets	<u>(834)</u>	<u>2,173</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 2012 £000's	Year to 31 March 2011 £000's
Opening defined benefit obligation	28,747	39,820
Service Cost	168	932
Interest Cost	1,553	2,027
Actuarial (gain)/ loss	1,775	(10,422)
Losses on curtailments	31	398
Estimated benefits paid (net of transfers in)	(1,317)	(1,231)
Past service cost	-	(3,116)
Contributions by scheme participants	71	341
Unfunded pension payments	(5)	(2)
Closing defined benefit obligation	<u>31,023</u>	<u>28,747</u>

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

	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Opening fair value of scheme assets	26,258	23,204
Expected return on scheme assets	1,834	1,757
Actuarial (loss) / gain	(2,668)	1,388
Contributions by employer including unfunded benefits	135	801
Contributions by scheme participants	71	341
Estimated benefits paid including unfunded benefits	<u>(1,322)</u>	<u>(1,233)</u>
Fair value of scheme assets at end of period	<u>24,308</u>	<u>26,258</u>

f) Reconciliation of opening and closing surplus

Year to 31 March	2012 £000's	2011 £000's
Deficit at beginning of the year	(2,489)	(16,616)
Current Service Cost	(168)	(932)
Employer Contributions	130	799
Unfunded pension payments	5	2
Past Service Costs	-	3,116
Other Finance Income	281	(270)
Settlements/Curtailments	(31)	(398)
Actuarial (losses) / gains	<u>(4,443)</u>	<u>11,810</u>
Deficit at end of the year	<u>(6,715)</u>	<u>(2,489)</u>

19. Pension benefits (continued)

g) Projected Pension Expense

Year to 31 March	2013 £000's
Service Cost	-
Interest Cost	1,460
Return on assets	<u>(1,516)</u>
Total	<u>(56)</u>
Employer Contributions	<u>-</u>

h) Amounts for the current and previous periods

Amounts for the current and previous four periods	Year to March 2012 £ 000's	Year to March 2011 £ 000's	Year to March 2010 £ 000's	Year to March 2009 £ 000's	Year to March 2008 £ 000's
Defined benefit obligation	(31,023)	(28,747)	(39,820)	(27,673)	(29,408)
Scheme assets	<u>24,308</u>	<u>26,258</u>	<u>23,204</u>	<u>16,767</u>	<u>19,911</u>
(Deficit)	<u>(6,715)</u>	<u>(2,489)</u>	<u>(16,616)</u>	<u>(10,906)</u>	<u>(9,497)</u>
Experience adjustments on scheme liabilities	-	3,674	-	-	(2,492)
Percentage of liabilities	-	12.8%	0%	0%	8.5%
Experience adjustments on scheme assets	(2,688)	1,388	4,571	(5,006)	(1,737)
Cumulative actuarial gain/(loss)	(11.0%) 3,330	5.3% 7,773	19.7% (4,037)	(29.9%) 1,347	(8.7%) 1,520

19. Pension benefits (continued)

i) Statement of recognised gains and losses (STRGL)

	Year to March 2012 £ 000's	Year to March 2011 £ 000's
Actual return less expected return on pension scheme assets	(2,668)	417
Experience (loss) / gain	-	4,645
Changes in assumptions underlying the present value of the scheme liabilities	<u>(1,775)</u>	<u>6,748</u>
Actuarial (loss)/ gain in pension scheme	(4,443)	11,810
Increase/ (decrease) in irrecoverable surplus	-	-
Actuarial (loss) / gain recognised in STRGL	<u>(4,443)</u>	<u>11,810</u>

20. Analysis of net funds

	At 1 April 2011 £'000	Cash flows £'000	Non-cash movements 2011 £'000	At 31 March 2012 £'000
Cash at bank	10,848	(2,422)	-	8,426
Debt – due within one year	(212)	212	(222)	(222)
Debt – due after more than one year	(4,281)	3	222	(4,056)
	6,355	(2,207)	-	4,148

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 2012 was a net deficit of £5,748k (2011: surplus £14,106k).



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