



**The
manufacturers'
organisation**

EEF LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31st DECEMBER 2017

CONTENTS

Page

3	Company Information
4	Chair's Statement
5	Chief Executive's Review
7	Regional Directors, Regional Advisory Boards and Policy Committees
8-10	Report of the Directors
11	Statement of Directors' Responsibilities
12	Strategic Report
13-14	Report of the Independent Auditors
15	Statement of Income and Retained Earnings
16	Balance Sheet
17-18	Statement of Cash Flows
19-33	Notes to the Accounts (including Accounting Policies)

COMPANY INFORMATION

Directors of the Company

Dr H Adam
B S Blatchford (appointed 11th August 2017)
N Blenkinsop (appointed 26th July 2017)
S Bowen (appointed 31st May 2017)
D N Bramwell
A J Churchill
J C S Fell (resigned 26th July 2017)
M Flavell (resigned 26th July 2017)
C O M Gumble
Dame Judith Hackitt DBE, FREng (Chair)
S Haird CB
B Holliday
A Hough OBE
P R Jennings
P J Kite (resigned 25th January 2018)
R Marshall
S McQuillan
A P Pedder OBE
S Phipson CBE (appointed 1st December 2017) (Chief Executive)
T C Scuoler CBE (resigned 30th November 2017) (Chief Executive)
M Wright (resigned 26th July 2017)

Company Secretary

P R Jennings

Full details of the Directors serving during the year and memberships of Board Committees are given in the Report of the Directors.

Registered Office

Broadway House
Tothill Street
London
SW1H 9NQ

Bankers

Lloyds Bank plc

Statutory Auditors

haysmacintyre

Solicitors

Bates Wells & Braithwaite London LLP
Russell-Cooke LLP

Company Number

05950172

CHAIR'S STATEMENT

2017 has been another busy and challenging year for EEF as we continued with our unstinting efforts on behalf of UK Manufacturers to gain greater clarity around the Government's approach to Brexit with the date set for the UK's exit from the EU in March 2019 coming ever closer. Whilst there is no doubt that it is the NO1 issue on our agenda with Government we have also been able to influence a number of other key policy areas which matter to our sector, including development of the UK's Industrial strategy to ensure real relevance and substance and the issues that have arisen out of the introduction of the Apprenticeship Levy in April 2017.

EEF has established links and has regular senior contact with BEIS, the Treasury and the Prime Minister's office, amongst others, which is testament to our reputation for sound evidence-based advice and challenge. The General Election in June left the Government with no clear majority in Parliament which has made it all the more important for us to ensure that other parties and policy influencers are informed about the importance of UK manufacturing and build an understanding of what we see as the critical success factors for the future

Alongside our important representational work championing UK manufacturing, the changing political landscape and the pace of technological changes going on in our own sector have been at the heart of EEF's development of new ways of engaging our members, and the development of services which respond to the big current topics. We started a digital platform where members can talk directly to one another to share concerns and good ideas. We identified Trade and Freedom of Employee movement as key issues where we needed to both share thinking and raise the profile of Manufacturers' concerns with Government

We have continued to build on our own world class training capabilities with the completion of the final phase of our Technology Training Hub in the West Midlands. This centre has truly become a showcase for high quality apprentice training, up and re-skilling. We were honoured to host a visit from the HRH the Princess Royal who formally opened the Hub in March and in November the Prime Minister and Chancellor of the Exchequer also visited the location.

It has been pleasing to see a continuous growth in the number of other trade bodies who are now affiliated to/part of the EEF family. At the end of 2017 the number of affiliated organisations had risen to 18. This is a true sign of our position as the leading voice for UK manufacturing.

Terry Scuoler CBE announced his decision to step down as Chief Executive of EEF at the end of 2017 after 8 years of leading the organisation. I am delighted that we have appointed Stephen Phipson CBE as his successor. Stephen joined us in December 2017 with outstanding credentials and he is already making a huge and positive impact on the organisation. I look forward to working with Stephen as EEF faces the challenges ahead with a real confidence and enthusiasm for positive change, and an ever increasing engagement with the businesses and individuals that make up the UK's vibrant manufacturing sector.

Dame Judith Hackitt DBE, FREng
Chair

23rd May 2018

CHIEF EXECUTIVE'S REVIEW

2017 proved to be another challenging year for UK Manufacturing. The key priority for EEF was to support its members and represent the interests of UK Manufacturing.

EEF worked hard in influencing a number of significant Government policies and provided clear evidence based thought leadership for the sector. Of course whilst BREXIT dominated the agenda other significant subjects such as Industrial Policy and Skills were never far from the top of the priority list. EEF's HR Legal services assisted many businesses with the new challenges of implementing GDPR and changes to a number of HR practices. Whilst our efforts to grow our delivery of apprenticeship training reached new highs when in September we opened the second phase of our Apprentice Technology training hub; this gives EEF the capacity to train over a 1000 advanced Engineering apprentices each year, up to degree level, and a world class training facility for re skilling and up skilling established Manufacturers workforces. EEF also invested in digital training methods, giving us the capability to teach traditional specialist subject areas, such as Health and Safety through gamification. We were very pleased that EEF received a top accolade for its customer service for the fifth consecutive year. According to the UK Institute for Customer Service Satisfaction Index (UKCSI), EEF achieved a score of 88.2 (out of 100) in the Institute's independent survey of over 10,000 organisations.

EEF has a core team of highly professional Policy advisors. During the year the Policy group worked to ensure UK Manufacturing was represented on key decisions. Some of the highlights of this work included;

EMPLOYMENT AND SKILLS POLICY

2017 witnessed the introduction of the new Apprentice Levy system, EEF supported Members from awareness training through to hands on support to facilitate our Members getting the best from the new approach. In addition, in response to demand from our Members we developed and implemented a Management ILM apprentice programme that is approved to be operated from levy funds. We also worked with the government to introduce generous plans for settlement for all EU arrivals before December 2020, with low-level fees, family and dependents reunion rights and helped secure £400 million of additional funding for STEM teaching.

ECONOMY

EEF successfully lobbied for an increase in the large company R&D tax credit. Working with other business groups we secured the earlier than planned switch in business rates uprating to CPI from RPI and also successfully called for a review of Government's export promotion activities.

CLIMATE & ENVIRONMENT

Industrial Electricity Prices

We continued to apply pressure on government over the disparity between UK and European industrial electricity prices. We gained a commitment in the Conservative manifesto to work towards providing the lowest electricity prices in Europe, and we ensured that there were measures in the autumn budget to manage the degree to which carbon pricing and decarbonisation subsidies can increase electricity bills into the mid-2020s.

HEALTH & SAFETY

EEF successfully campaigned for employee health to be considered as an additional pillar of the Government's Industrial Strategy in closing the productivity gap through publication of its report 'Employee Health – Making Industrial strategy work for Britain'. EEF were able to commit its support to HSE's 'Helping Great Britain work well' strategy through a range of activities

BREXIT

EEF was instrumental in influencing Government in its decision to deliver a meaningful transition period to allow industry to adapt to Brexit. We secured support from European companies and EU trade bodies to lobby their respective governments over the importance of the UK getting a fair deal from Brexit because of the closely interwoven supply chains. We ran Brexit Roadshows to raise awareness for our members of the practical implications of Brexit.

Other highlights of the year included working closely with HMG to ensure delivery of a powerful industrial strategy and the launch of a new, online Problem Solving Network which already has close to 1000 member companies registered in its first six months of operation.



UK STEEL

UK Steel Submitted the Steel Sector Deal Proposal, which was supported by the CEOs of all six UK steel making companies, as well as trade unions, to BEIS. The ambitious proposals to the government committed the sector to significant increases in capital investments, considerable expansion of capacity and production, commitments to enlarge the steel workforce, and exciting plans to embark on a bold new R&D programme with supply chain partners

A strong, swift and effective UK Trade Remedies regime, post Brexit, is a critical issue for the British steel sector. In 2017, UK Steel worked with DIT and published five detailed position papers on what a UK only regime should look like. These highly technical papers, set out in detail, a line by line account for the draft legislation, the structure of the Trade Remedies Authority and how the UK government could keep within the WTO rules and ensure a free trade environment for the UK steel sector.

NDI

I am also pleased to report that we saw growth in our membership of NDI and the development of a stronger partnership with MOD in support of Defence SMEs.

In closing we said goodbye to Terry Scuoler who had led the organisation from strength to strength over the past 8 years and as a consequence I had the great privilege of taking over as CEO in December. There is much to do and I am committed to substantially growing our membership and expanding our support to members of all sizes, being a national leader in apprentice training and being relevant to the new generation of engineers we need to make UK manufacturing a great success in the post Brexit world.

Stephen Phipson CBE

Chief Executive

23rd May 2018

REGIONAL DIRECTORS, REGIONAL ADVISORY BOARDS AND POLICY COMMITTEES

as at 23rd May 2018 were as follows:

Regional Directors

Richard Halstead	North of England
Jim Davison	South of England
Paul Byard	Wales
Charlotte Horobin	Midlands & East of England

Regional Advisory Boards (Chair Persons)

Andrea Hough OBE	North West
Andrea Rodney	East of England
David Bramwell	East Midlands
Pete Roberston	North Wales
Mike Evans	South Wales
Andrew Esson	North East
David Goater	Yorkshire & Humber
Nigel Whittingham	South East & London
Steve Hill	South West
Peter Davies	West Midlands

Policy Committee Chairpersons

Bonnie Dean	Economic
Jon Bolton	UK Steel Management Committee
Martin Flavell	Employment & Skills
Neil Pickering (Vice Chair; Vacant Chair position)	OHSWB Leadership Group
Steve George	Climate & Environment

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Annual Report comprised of the Report of the Directors and Strategic Report together with the Financial Statements for the year ended 31st December 2017.

Results

The Company reported a profit for the year after taxation amounting to £2.1m (2016 – £9.6m). At 31st December 2017 the Company had net assets of £58.1m (2016 - £55.9m).

Activities

The principal activities of the Company are to promote and further the interests of its members.

The Company represents members in the human resource, economic, legal and other spheres of business activity locally, regionally, nationally and internationally. It provides information, advice, assistance, training and other services on all matters related to human resources and the economic, legal and other spheres of business activity.

The Company regulates, where deemed appropriate, relations between members, their employees and trade unions.

Constitution & Governance

EEF is a company limited by guarantee. It is also registered with the Certification Officer as an Employers' Association under the Trade Union and Labour Relations (Consolidation) Act 1992 ("TULR(C)A"). The employers who are members of the Association are the guarantors, for £1 each, and company law members of the Company.

The Board of the Company consists of not less than ten and not more than eighteen Directors. There are three categories of Directors:

- Directors elected by the members ("member directors") must at all times constitute a majority of the Board.
- The Board has the power to co-opt Directors, but the co-opted Directors shall never constitute more than 30% of the total number of Directors.
- The Board can appoint up to three Executive Directors.

The Directors have established the following committees and determined appropriate terms of reference:

- Nomination and Remuneration Committee
- Audit and Risk Committee
- Investment Committee

The Directors who served and held positions on various committees during the year were as follows:

Director	Membership of Committees		
	Audit and Risk	Remuneration & Nominations	Investment
D N Bramwell	Ch. #		
A J Churchill		#	
S Haird CB (appointed 25 th January 2017)		#	
A Hough OBE	#		
P R Jennings			#
P J Kite (resigned 28 th January 2018)			#
S McQuillan	#		
A P Pedder OBE		Ch. #	Ch. #
S Phipson CBE (appointed 1 st December 2017)			#
T C Scuoler CBE (resigned 30 th November 2017)			#
Dame J Hackitt		#	#

Key:

- member

Ch - chairman

Notes

Unless indicated, the Directors have held their positions on Committees for their periods of service as Directors.

Mr R Phillips, who is not a Director, is a member of the Audit and Risk Committee.

Unless otherwise shown, Directors served throughout the year.

The Directors have also established Regional Advisory Boards (RABs) and determined their terms of reference. The Regional Advisory Boards act in an advisory capacity. Details of the Chairs of the Regional Advisory Boards are set out on page 7.

The Directors have delegated day-to-day management of the Company to an Executive Board and determined terms of reference for it.

The Executive Board is chaired by the Chief Executive and manages the Company by implementing the policy and strategy adopted by and within a budget approved by the Directors. Certain matters are specifically reserved to the full Board to consider and approve.

Members of the Executive Board as at 23rd May 2018 were as follows:

Stephen Phipson CBE (Chair)*	Chief Executive
Paul Jennings*	Chief Financial Officer
Caroline Gumble*	Chief Operating Officer
Mark Bernard	Chief Strategy and Corporate Development Officer
Ben Fletcher	Director of External Affairs
Charles Garfit	Membership Engagement Director
Gareth Stace	Director, UK Steel
Adrian Thompson	Business Development Director

Key

* Director of the Company

Donations

The Company made charitable donations during the year totalling £5,387 (2016 - £1,704).

Environmental Policies

We recognise the value of good environmental performance in managing the cost-base of the business and in minimising any harmful impact of our activities on ecosystems. As a supplier of environmental advice, consultancy and training it is incumbent upon us to demonstrate our commitment through continually developing the sophistication of our environmental management systems.

Employment Policies

The Company has established employment policies to encourage an environment that promotes high productivity, good communications, effective employee consultation in management processes and harmonious working relationships. We aim to recruit and to retain excellent, highly-qualified and motivated staff with staff training a priority and a commitment.

Employees are kept informed of the performance and objectives of the Company through the established methods of general and personal briefings and through regular meetings.

The Company is committed to ensuring that its recruitment and employment policies are without discrimination in the form of race, creed, gender, disability or otherwise. The Company is committed to ensuring that its employees share in the success of the business.

It is the policy of the Company that disabled persons shall be considered for employment, training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees. The services of any existing employee who becomes disabled are retained wherever possible.

Relevant Audit Information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

P R Jennings
Secretary
23rd May 2018



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, Strategic Report, and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and accounting 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 the going-concern basis unless it is inappropriate to presume that the Company will continue in business; and
- take responsibility for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31st December 2017.

Review of the Business and Future Developments

During the year, the business further invested in expanding existing building facilities in order to provide additional capacity to train a greater number of Apprentices, as well as making further investments to develop and enhance membership offerings.

Investments of such scale are infrequent in nature, but to fund such investments the company disposed of equity investments totalling £3m in order to fund the £2m property expansion along with costs of developing membership offerings. Such a disposal of investments was enabled in part by the favourable market conditions whereby the listed investments held by EEF grew by £2.3m in value during the period.

This growth in value contributed to EEF reporting a £2.1m profit after tax, after allowing for £1.8m of exceptional costs, which included a £0.1m fair value adjustment relating to the pension deficit liability.

Further information on the business and future developments are contained in the Chairman's Statement, Chief Executive's Review and Policy & Representation Review, which contain details of the activities carried out on behalf of members.

The Company has established governance and constitutional structures and procedures to assure effective risk management.

Principal risks

As a membership organisation, the key risks identified relate to the potential loss of members should the Company's services to, or representation of, its members not be performed satisfactorily.

Net membership attrition is routinely reviewed by the Board in order to ensure that any risk of membership loss is recognised at an early stage.

Key Performance Indicators

The Board reviews a number of key performance indicators throughout the course of the year, including:

- membership attrition rates in order to assess revenue risk, and the relative growth rate of the business;
- staff utilisation rates within the training and consultancy business to ensure spare capacity is addressed; and
- gross and net margin by business unit, including variances against budget to ensure financial performance shortfalls are identified and discussed.

By Order of the Board



P R Jennings
Secretary
23rd May 2018

REPORT OF THE INDEPENDENT AUDITORS

Independent Auditors' report to the members of EEF Limited

Opinion

We have audited the financial statements of EEF Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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.

This report is made solely to the 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 company's members those matters 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 anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

George Crowther (Senior Statutory Auditor)
For and on behalf of Haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG


23rd May 2018

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31st DECEMBER 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
TURNOVER					
Subscriptions	2	16,280		16,834	
Other income	3	23,293		20,573	
			39,573		37,407
COST OF SALES					
			(21,005)		(19,334)
GROSS PROFIT					
			18,568		18,073
ADMINISTRATION COSTS					
Ongoing Administrative Expenses		(19,172)		(18,005)	
Exceptional Costs	4	(1,833)		(1,637)	
			(21,005)		(19,642)
OPERATING (LOSS)/PROFIT					
Before exceptional costs		(604)		68	
Exceptional costs	4	(1,833)		(1,637)	
Total operating loss			(2,437)		(1,569)
Income from investments	5		2,821		2,602
Loss on disposal of fixed assets	6		(1)		-
Other Interest receivable and similar income	7i		3		12
Gain on listed investments at fair value through profit and loss account			2,296		9,186
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE AND TAX					
			2,682		10,231
Interest payable and similar charges	7ii		(540)		(602)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	8		2,142		9,629
TAX ON ORDINARY ACTIVITIES	11		-		-
PROFIT FOR THE FINANCIAL YEAR			2,142		9,629
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD					
			55,937		46,308
PROFIT AND LOSS ACCOUNT CARRIED FORWARD					
			58,079		55,937

The accounting policies and notes on pages 19 to 33 form part of these Financial Statements.


BALANCE SHEET AS AT 31st DECEMBER 2017

Company number 05950172

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
FIXED ASSETS					
Tangible Assets	12	26,304		24,391	
Investments	13	53,919		54,623	
			80,223		79,014
CURRENT ASSETS					
Stock		13		20	
Debtors	14	10,360		10,702	
Cash at bank and in hand		4,718		4,652	
		15,091		15,374	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(16,420)		(15,862)	
NET CURRENT LIABILITIES			(1,329)		(488)
TOTAL ASSETS LESS CURRENT LIABILITIES			78,894		78,526
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(19,026)		(20,605)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(1,789)		(1,984)
NET ASSETS			58,079		55,937
RESERVES					
Profit and Loss Account			58,079		55,937

The accounting policies and notes on pages 19 to 33 form part of these Financial Statements

Approved by the Board of EEF on 23rd May 2018 and signed on its behalf by:


Stephen Phipson CBE
CHIEF EXECUTIVE


Paul Jennings
CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017	2017	2016	2016
Reconciliation of net profit to net cash inflow from operating activities	£'000	£'000	£'000	£'000
Profit for the year		2,142		9,629
Investment income	(2,821)		(2,602)	
Loss on the sale of fixed assets	1		-	
Net finance costs	537		590	
Change in fair value of listed investments	(2,334)		(8,688)	
Loss/(Gain) on Sale of Investment	38		(498)	
Change in fair value of pension scheme liability	90		579	
(Decrease)/Increase in provisions	(195)		1,028	
Depreciation	1,856		1,461	
Decrease/(Increase) in trade and other debtors	342		(2,598)	
Decrease in stocks	7		4	
Increase in trade and other creditors	505		1,437	
	<hr/>	(1,974)	<hr/>	(9,287)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<hr/> 168		<hr/> 342
CASH FROM FINANCING ACTIVITIES				
Repayment of loan amounts	(247)		(247)	
Interest paid	(56)		(53)	
	<hr/>	(303)	<hr/>	(300)
CASH USED BY INVESTING ACTIVITIES				
Investment income proceeds	2,821		2,842	
Net proceeds from sale of investments	3,000		5,000	
Interest received	3		12	
Payments to acquire tangible fixed assets	(3,770)		(6,258)	
Payments to defined benefit pension schemes	(1,853)		(1,808)	
	<hr/>	201	<hr/>	(212)
NET INCREASE/(DECREASE) IN CASH		<hr/> 66		<hr/> (170)

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31st DECEMBER 2017 (continued)
Reconciliation of net cash flow to movement in net debt

	2017	2016
	£'000	£'000
NET INCREASE/(DECREASE) IN CASH	66	(170)
Cash at bank and in hand less overdrafts at beginning of the year	4,652	4,822
Cash at bank and in hand less overdrafts at end of the year	4,718	4,652

	As at 1st January 2017 £'000	Cash flows £'000	As at 31st December 2017 £'000
Analysis of change in net debt			
Cash at bank	4,652	66	4,718
Debt due within one year	(247)	-	(247)
Debt due after more than year	(2,283)	247	(2,036)
Total net debt outstanding	2,122	313	2,435

The accounting policies and notes on pages 19 to 33 form part of these Financial Statements

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017

1. ACCOUNTING POLICIES

Company Information

EEF is an Employers Association registered with the Certification officer under the Trade Union and Labour Relations (Consolidation) Act 1992 (the "Act"). It was incorporated in the United Kingdom and its registered office is Broadway House, Tothill Street, London SW1H 9NQ.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles, including Financial Reporting Standard 102 ('FRS 102') and with the Companies Act 2006.

As at 31st December 2017, EEF had the following wholly-owned subsidiaries:

- EEF Insurance Services Ltd (Dormant)
- EEF SPF Trustees Ltd (Dormant)
- EEF Trustees Ltd (Dormant)
- EEF (WM) One Ltd (Dormant)
- EEF (WM) Two Ltd (Dormant)
- Employers Federation Ltd (Dormant)
- Employers Organisation Ltd (Dormant)
- Engineering Employers Federation Cymru Wales Ltd (Dormant)
- Northern Defence Industries Limited (Dormant from July 1st 2017)
- NDI (UK) Limited (Dormant from July 1st 2017)

Consolidated financial statements have not been prepared, as the subsidiaries are considered not material in aggregate in accordance with section 402 of the Companies Act 2006.

Significant Judgements and Estimates

The preparation of the financial statements requires management to make significant judgements and estimates that affect the amounts reported within the balance sheet and profit or loss account.

The following are the company's key sources of estimation uncertainty:

- **Multi-employer defined benefit pension scheme liability**

The cost of funding the multi-employer defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of AA corporate bonds denominated in Great British pound sterling, with a bond maturity similar in duration to the defined benefit funding obligation.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective country.

The Company has included a liability within the financial statements to reflect its own future funding obligations based upon a discounted cash flow basis. The discounted cash flow has been calculated by using a long-term inflation rate of 2.83% and a discount rate of 2.4%, which has reduced from the discount rate of 2.6% used as at 31st December 2016, reflecting the market change on corporate bond yields.

- **Impairment of non-financial assets**

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model over a 5-year period in order to determine the net recoverable amount. The recoverable amount is most sensitive to the discount rate used, the expected cash flows generated and growth assumptions over the 5-year period. Changes to any of these can significantly affect the recoverable amount.

Subscriptions

Subscription income represents the amount receivable, excluding VAT, for the year after providing for associated doubtful debts.

Consultancy & Training

Income is recognised on a receivable basis where entitlement to the income and the amount can be measured with reasonable certainty. It is reported gross of related expenditure.

Government funded training

Income is recognised on a percentage of completion basis as determined by the delivery profile per apprentice programme, and the associated funding applicable for that programme.

Other income

Other income is recognised on a receivable basis where entitlement to the income and the amount can be measured with reasonable certainty. It is reported gross of related expenditure.

Grants receivable are recognised at the same time as the expenditure which they subsidise. Capital grants are offset against the cost of the asset in the balance sheet, and depreciation charged on the net amount. Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

Tangible fixed assets and depreciation

Depreciation of tangible fixed assets other than freehold and leasehold land and buildings is calculated to write off the cost less estimated residual value of fixed assets over their estimated useful lives as follows:

Building improvements	2%-6.67%	per annum on cost
Freehold car park	10.00%	per annum on cost
Plant and equipment	10%-33.30%	per annum on cost
Other office equipment	15%-33.30%	per annum on cost
Computer equipment	20%-33.30%	per annum on cost

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

The cost of long leasehold premises are written off by equal instalments over the last 50 years of the lease. All other leasehold premises are written off by equal instalments over the life of the lease.

Freehold buildings are maintained in such a state of repair that their residual value is at least equal to their net book value, with maintenance costs being charged to profit and loss in the year incurred. As a result, it is considered that depreciation would be immaterial and is not charged in the accounts.

Listed Investments

Listed Investments held as fixed assets are recognised at fair value and the changes in fair value, as compared to the fair value at the beginning of the accounting period, are recognised in the Statement of Income and Retained Earnings.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Pension Costs and other Post Retirement Benefits

EEF provides pensions for its employees through participation in the Engineering Employers' Federation Staff Pension Fund (the Fund). The Fund has defined benefit and defined contribution elements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)
1. ACCOUNTING POLICIES (continued)
Defined Benefit Scheme

As a participating employer to the scheme, EEF Limited has recognised its share of the defined benefit scheme deficit on the balance sheet as a liability on a discounted cash flow basis. EEF Limited's estimated liability as at 31st December 2017 is £18.9m and is recalculated each year, with movements in the liability reflected in the Statement of Income and Expenditure and the element relating to the unwinding of the discount included in interest payable. Annual payments to reduce the deficit amount to £1.8m for the year to March 2018, with annual indexation applied based on RPI each year. The repayment plan continues until 2027.

The Company is liable for its own funding obligations and is also liable for those of the other sponsoring employers, should those sponsoring employers default on their obligations.

Defined Contribution Schemes

Pension costs charged to the profit and loss account represent the contributions payable by the Company in respect of the year under the rules of the scheme.

Lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the profit and loss account on a straight line basis over the period of the lease.

2. SUBSCRIPTION INCOME

	2017	2016
	£'000	£'000
EEF Members' subscriptions	15,536	16,145
Steel levy income	744	689
	<hr/>	<hr/>
	16,280	16,834
	<hr/>	<hr/>

3. OTHER INCOME

Consultancy	2,119	2,208
Training	7,748	7,185
Conference hire	6,188	5,780
Government funded training	4,832	3,332
Other income	2,406	2,068
	<hr/>	<hr/>
Total other income	23,293	20,573
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

4. EXCEPTIONAL COSTS

	2017	2016
	£'000	£'000
Strategic reorganisation costs	923	948
Systems implementations	820	66
New corporate website	-	44
Changes in fair value of pension scheme liability (<i>Note 1</i>)	90	579
	<hr/>	<hr/>
	1,833	1,637
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME FROM INVESTMENTS

Dividend income	2,159	1,988
Management Fee Rebate	662	614
	<hr/>	<hr/>
	2,821	2,602
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS ON THE SALE OF FIXED ASSETS

Loss on the sale of fixed assets	1	-
	<hr/>	<hr/>
	1	-
	<hr/> <hr/>	<hr/> <hr/>

7. INTEREST RECEIVABLE AND PAYABLE

i) INTEREST RECEIVABLE

Bank interest receivable	-	11
Other finance income	3	1
	<hr/>	<hr/>
	3	12
	<hr/> <hr/>	<hr/> <hr/>

ii) INTEREST PAYABLE AND SIMILAR CHARGES

Bank, other loans and overdrafts	56	61
Interest on defined pension liability	484	541
	<hr/>	<hr/>
	540	602
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

8. PROFIT ON ORDINARY ACTIVITIES

	2017	2016
	£'000	£'000
The profit on ordinary activities is stated after charging:		
Depreciation	1,856	1,461
Hire of plant and machinery	372	422
Fee payable to auditors:		
Audit	36	35
Non-audit	6	6
Changes in fair value of pension scheme liability	(90)	(579)
Changes in fair value of listed investments	2,296	9,186
Amount of stock recognised as an expense	429	681
	<u> </u>	<u> </u>

9. EMPLOYEE COSTS

Employee costs for the year were as follows:

Wages and salaries	19,101	18,156
Social security costs	2,194	2,007
Other pension costs	1,008	953
Other employee costs	216	225
	<u>22,519</u>	<u>21,341</u>

In addition to the above the Company made a payment of £1,853k (2016: £1,808k) to the multi-employer defined benefit scheme (see *Note 17 page 30*).

Key Management personnel include members of the Executive Board, and remuneration in the year was £1,867k (2016: £1,648).

Redundancy costs of £129k (2016: £93k) were also incurred during the year. These costs are not shown in the above table of employee costs.

The average number of employees, including executive directors, employed by the Company during the year was:

Management	7	6
Operations	317	323
Administration	124	125
	<u>448</u>	<u>454</u>

10. DIRECTORS' REMUNERATION

Remuneration	1,021	948
Contributions to money purchase pension schemes	32	35
Total directors' remuneration	<u>1,053</u>	<u>983</u>

Retirement benefits were accruing for three directors throughout the year (2016: two directors)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

10. DIRECTORS' REMUNERATION (continued)

The remuneration of directors presented above includes the following amounts attributable to the highest paid director:

	2017	2016
	£'000	£'000
Remuneration	400	392
Total remuneration - highest paid director	<u>400</u>	<u>392</u>

11. CORPORATION TAX

The taxation charge for the year comprises:

(a) Analysis of charge in the year

Current year:

UK corporation tax based upon the results for the year at 19% (2016 – 20%)

(b) Reconciliation of effective tax rate:

Net profit on ordinary activities before taxation	2,140	9,629
Net profit on ordinary activities at rate of tax	407	1,926
Fixed asset differences	187	107
Expenditure not allowed for taxation purposes	14	16
Exempt dividend income	(410)	(398)
Deferred tax not recognised	(31)	(1,323)
Movement on investments	(167)	(328)
Tax charge for the year	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

12. FIXED ASSETS

	Freehold Land & Buildings £'000	Short Leasehold Property £'000	Long Leasehold Property £'000	Plant & Machinery, Equipment & Systems £'000	Total £'000
COST					
At 1 st January 2017	12,198	6,169	2,009	11,772	32,148
Additions	-	2,163	-	1,607	3,770
Disposals	-	-	-	(3)	(3)
	<u>12,198</u>	<u>8,332</u>	<u>2,009</u>	<u>13,376</u>	<u>35,915</u>
AT 31st DECEMBER 2017	<u>12,198</u>	<u>8,332</u>	<u>2,009</u>	<u>13,376</u>	<u>35,915</u>
DEPRECIATION					
At 1 st January 2017	94	952	-	6,711	7,757
Charge for the year	29	426	-	1,401	1,856
Disposals	-	-	-	(2)	(2)
	<u>123</u>	<u>1,378</u>	<u>-</u>	<u>8,110</u>	<u>9,611</u>
AT 31st DECEMBER 2017	<u>123</u>	<u>1,378</u>	<u>-</u>	<u>8,110</u>	<u>9,611</u>
NET BOOK VALUE					
AT 31st DECEMBER 2017	<u>12,075</u>	<u>6,954</u>	<u>2,009</u>	<u>5,266</u>	<u>26,304</u>
AT 1st JANUARY 2017	<u>12,104</u>	<u>5,217</u>	<u>2,009</u>	<u>5,061</u>	<u>24,391</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

12. FIXED ASSETS (CONTINUED)

The freehold land and buildings comprise:

- Broadway House, Tothill Street, London, SW1H 9NQ
- Engineers House, The Promenade, Clifton Downs, Bristol, BS8 3NB
- Mount Pleasant, Glazebrook, Warrington, WA3 5BN
- Woodland Grange, Old Milverton Lane, Leamington Spa CV32 6RN

Leasehold property comprises:

- EEF House, Gateshead NE11 0NX. This is a long lease expiring in 2131.
- St James's House and adjacent conference centre, Frederick Road, Edgbaston. A long lease expiring in 2053.
- 2030 Cambourne Business Park, Cambourne, CB23 6DW. A lease expiring in 2019.
- EEF Technology Training Centre, Unit 3 Nexus Point, Gavin Way, Birmingham, B6 7AF. A lease expiring in 2028.
- Advantage House, Poplar Way, Catcliffe, Rotherham, S60 5TR. A lease expiring in 2018.
- The EEF Technology Hub, Noble Way, Birmingham, B6 7EU. A lease expiring in 2032.

The company has granted a fixed charge over property included in the Balance Sheet at 31st December 2017 at £1.93m, as shown in Note 17 on page 30.

The company has granted a legal charge over Woodland Grange included in the Balance Sheet at 31st December 2017 at £8.9m, as shown in Note 15 on page 29.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)
13. LISTED INVESTMENTS

	2017	2016
	£'000	£'000
At 1st January	54,623	50,437
Disposal of listed investments at opening fair value	(7,938)	(6,190)
Additions	5,000	2,000
Fair value adjustment	2,234	8,376
	<hr/>	<hr/>
At 31st December	53,919	54,623
	<hr/> <hr/>	<hr/> <hr/>

The Company has granted a floating charge over £10m of listed investments, as shown in Note 17 on page 29, and a further £10m against any overdraft facility it may arrange. As of 31 December 2017 no overdraft facilities were in use.

14. DEBTORS

Amounts falling due within one year:		
Trade debtors	4,888	5,572
Other debtors	233	202
Amounts owed by subsidiary	-	617
Prepayments and other accrued income	3,450	2,420
Deferred tax asset (see note 16 on page 29)	1,789	1,891
	<hr/>	<hr/>
	10,360	10,702
	<hr/> <hr/>	<hr/> <hr/>

The timing of any resulting tax payments or receipts is not known.

15. CREDITORS

Amounts falling due within one year:		
Bank loans	247	247
Trade creditors	2,006	1,376
Other taxation and social security	1,248	1,534
Other creditors	187	4
Accruals and deferred income	10,866	10,888
Pension deficit liability	1,866	1,813
	<hr/>	<hr/>
	16,420	15,862
	<hr/> <hr/>	<hr/> <hr/>
Amounts falling due after one year:		
Bank loans	2,036	2,283
Pension deficit liability	16,990	18,322
	<hr/>	<hr/>
	19,026	20,605
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)
15. CREDITORS (continued)
Bank loans and overdrafts

Loans consist of a loan originally arranged in 2005 by EEF West Midlands to fund development work at Woodland Grange. The loan was transferred to EEF Limited as part of the amalgamation process, and it is repayable over a total period of 22 years at an interest rate of 1.35% over LIBOR. It is secured by a legal charge over Woodland Grange.

	2017	2016
	£'000	£'000
Capital will be repaid as follows:		
Within one year	247	247
Between 1 and 5 years	987	987
Over 5 years	1,049	1,296
	<u>2,283</u>	<u>2,530</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

Post-retirement Health Benefits (see Note 17 on page 30)	-	93
Deferred Taxation	1,789	1,891
	<u>1,789</u>	<u>1,984</u>
	Deferred tax asset	Deferred tax liability
At 1 January 2017	1,891	(1,891)
Profit and loss account	(102)	102
At 31st December 2017	<u>1,789</u>	<u>(1,789)</u>

The timing of any resulting tax payments or receipts is not known.

An additional deferred tax net asset of £1.4m (2016 - £1.6m) in relation to the pension deficit liability and capital allowances of £1.3m (2016 - £0.9m) have not been recognised, as the availability of suitable profits to utilise the losses carried forward is not presently foreseen.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

17. PENSIONS

The company provides pensions for its employees through participation in the Engineering Employers' Federation Staff Pension Fund (the Fund), which is administered by a Trustee and maintained independently of the company's finances. The Fund has a defined benefit section which was established to enable a number of autonomous but related employers to operate a scheme through the sharing of risk within a wider membership base.

2014 Valuation

At the date of the last completed valuation of the Fund (31 March 2014), the market value of the Fund's assets amounted to £157.7m. The valuation was carried out by an independent qualified actuary adopting a market-based approach using the projected unit method and the following main assumptions:

	% per Annum
Rate of investment return (return-seeking portfolio)	5.8
Rate of investment return (low-risk portfolio)	3.9
Rate of price inflation	3.6 (RPI)/2.85 (CPI)
Rate of increase in salaries	n/a
Rate of pension increases:	
RPI up to 5%	3.4
RPI up to 5%: minimum 3%	3.8
CPI up to 5%	2.85
CPI up to 2.5%	2.15

As at the valuation date these assets were insufficient, on the assumptions adopted, to meet the cost of the Fund's accrued liabilities. The Fund had a deficit of £25.2m on an ongoing funding basis.

Subsequently, participating employers agreed a contribution schedule with the Trustee which is expected to be sufficient to eliminate the Fund's deficit over a period acceptable to the Trustee. Under this agreement the company is liable to make the following contributions in respect of members in the defined benefits section:

- an annual sum of £1,775,600 payable monthly from 1 April 2014 to 30 November 2027 inclusive. This will be increased in line with the increase in the RPI (on a preceding December to December basis) with the first increase occurring on 1 April 2015. This contribution schedule has been recognised as a liability, as disclosed in *Note 1*.

In addition, the company has granted a fixed charge to the Trustee of the Fund, over property included in the Balance Sheet at 31st December 2017 at £1.93m, and a floating charge of £10m over the company's investments. It should be noted that the defined benefit scheme was closed to all future accruals during 2011.

Post-Retirement Benefits

Following the amalgamation the post-retirement benefit scheme of EEF West Midlands was assumed as a liability by EEF Limited. The scheme is closed to new entrants and all participants in the scheme are retired. The liability was estimated at three years premiums but was released during the year as it was no longer felt necessary to retain such a provision, and so accordingly a liability of £Nil (2016 - £93k) has been provided in these financial statements as shown in Note 16 on page 29.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)
18. OPERATING LEASE COMMITMENTS

The company has entered into leases for the use of property, motor vehicles and plant and equipment. Future minimum lease and rental payments due under these leases are as follows:

	2017 £'000	2016 £'000
Amounts payable:		
Within one year	1,144	1,104
In two to five years	2,307	2,785
Greater than five years	3,858	4,021
Total payable	<u>7,309</u>	<u>7,910</u>

19. RELATED PARTY TRANSACTIONS

During the year the company recorded the following transactions with related parties:

Related party entity	2017		2016		2017		2016	
	Debtor (creditor) balance	Debtor (creditor) balance	Sales	Purchases	Sales	Purchases	Sales	Purchases
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NDI Limited	-	288	-	-	-	-	-	-
NDI (UK) Limited	-	329	-	-	-	-	-	-
Collingwood Health Limited	95	128	10	-	45	-	-	-

EEF Limited own the full share capital of NDI Limited and NDI (UK) Limited. Stephen Phipson, Chief Executive Officer of EEF, and Paul Jennings, Chief Financial Officer of EEF, are joint directors of both companies. During the year-ended 31st December 2017, EEF provided NDI Limited and NDI (UK) Limited with resource employed by EEF Limited to assist in the operational running of the business, as well as some working capital funding. As of 1st July 2017, the trades of both NDI Limited and NDI (UK) Limited were transferred into EEF Limited at fair value. Both NDI Limited and NDI (UK) Limited became dormant from that date with associated inter-company balances between EEF Limited and both NDI companies being written off.

EEF Limited own 10% of the share capital of Collingwood Health Limited, of which Paul Jennings, Chief Financial Officer of EEF is also a joint director of the company. EEF provided membership services to Collingwood Health Limited during the year. Furthermore EEF have provided a structured loan to Collingwood Health Limited, which is repayable over 2 years. £22,313 is outstanding and included in other debtors.

20. FINANCIAL RISK MANAGEMENT

The company considers it faces four main areas of financial risk: stock market exposure, liquidity risk, customer credit exposure and interest rate risk.

Stock Market Exposure

The company is exposed to significant movements in the stock market in both the short and long term in relation to Investments held as an asset on the balance sheet, and also the defined benefit pension scheme liability.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)
20. FINANCIAL RISK MANAGEMENT (continued)

The performance of investments in relation to the stock market is managed on a day to day basis by a corporate fund manager, with governance of that performance being overseen by a specifically formed Investment Committee.

The performance of investments within the context of the defined benefit scheme is managed on a day-to-day basis by investment fund managers with governance of that performance being overseen by an independent board of trustees.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations, the company has the ability to draw down on equity investments or utilise bank related credit facilities. The company is, however, in a position to meet its commitments and obligations as they fall due.

Customer credit exposure

The company may offer credit terms to its customers that allow payment of the debt after delivery of the services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by embedding strong customer relationship management throughout the company.

Interest rate risk

The company includes on its balance sheet its pension scheme liability, which is revalued every three years. The size of the pension scheme deficit is influenced by several factors including interest rates which affect future funding requirements in order to meet future liabilities. Whilst the company cannot control interest rates, the pension scheme Trustees monitor investment performance within the fund to ensure that any risk is mitigated as far as possible.

21. FINANCIAL ASSETS AND LIABILITIES

	2017	2016
	£'000	£'000
Financial assets measured at fair value through profit or loss		
Investments	53,919	54,623
Financial assets measured at amortised cost		
Trade Debtors	4,888	5,572
Other Debtors	233	202
Amounts owed by subsidiary	-	617
Accrued income	2,485	1,451
Financial liabilities measured at fair value through profit or loss		
Pension deficit liability	(18,856)	(20,135)
Financial liabilities measured at amortised cost		
Bank Loans	(2,283)	(2,530)
Trade Creditors	(2,006)	(1,376)
Accruals	(3,841)	(4,137)
Other creditors	(1,435)	(1,538)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2017 (CONTINUED)

22. COMPANY STATUS

The Company is a private company limited by guarantee and consequently does not have share capital.

The subscribers to the memorandum of association of the Company (Limited by Guarantee and not having Share Capital) are the members. Each member's liability is limited to £1.00.

THE UNIVERSITY OF TENNESSEE KNOXVILLE

DEPARTMENT OF

THE UNIVERSITY OF TENNESSEE KNOXVILLE

THE UNIVERSITY OF TENNESSEE KNOXVILLE