

# **New Economics Foundation**

## **Annual Report and Financial statements**

30 June 2018

Charity Registration No:  
1055254

Company Limited by Guarantee  
Company Registration No:  
3193399 (England and Wales)

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## Reference and administrative information Year to 30 June 2018

<b>Trustees</b>	Tess Gill (Chair) Keren Jones Mike Tuffrey (Treasurer) Mary Riddell Ian Christie Ciaran Driver Margaret Gardner Jules Peck Jeremy Till Fiona Weir Rebecca Willis David McCoy (Resigned 21 February 2018) Gurnek Bains (Resigned 14 June 2018) Rosannagh Rogers (Resigned 29 January 2018) Rukayah Sarumi (Resigned 4 September 2018)
<b>Secretary</b>	Marc Stears (Chief Executive Officer) (until 4 April 2017) Maureen Cole-Burns (Director of Finance and Operations) (until 3 May 2018) Jonathan Bell (Director of Finance and Operations) (from 3 May 2018)
<b>Chief Executive Officer</b>	Miatta Fahnbulleh (from 13 November 2017) Marc Stears (until 23 October 2017)
<b>Registered office and operational address</b>	New Economics Foundation 10 Salamanca Place London, SE1 7HB
<b>Website</b>	<a href="http://www.neweconomics.org">www.neweconomics.org</a>
<b>Charity registration number</b>	1055254
<b>Company registration number</b>	3193399 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London, EC2V 6DL
<b>Banker</b>	Handelsbanken London Bridge Branch 11-15 Borough High Street London, SE1 9SE
<b>Solicitor</b>	Bates, Wells and Braithwaite 10 Queen Street Place London EC4R 1BE

## Chair's statement Year to 30 June 2018

This has been a year of enormous energy at the New Economics Foundation as we have built on recent important changes in how we have an impact in society.

By June 2017 the redesign of our budgeting and financial management systems in 2016 had brought in new sources of funding and put NEF on a firm financial basis and strengthened our ability to work in partnership with others to deliver our mission.

Following the departure of our CEO, Marc Stears, to relocate to Australia we were very pleased to recruit Miatta Fahnbulleh who joined us as Chief Executive Officer in November 2017. Miatta brought a renewed purpose and vigour to our work and I was particularly impressed in the way she united the staff and the Board in jointly agreeing a refresh of our strategy before she departed on maternity leave in May 2018. Along with her passion for social and environmental justice and impressive record of delivering change to improve people's lives, Miatta has helped us interpret our strategy in a way which has renewed resonance across the organisation and beyond.

In her absence all went well, with the capable assistance of Ben Hughes, our interim CEO, together with our very capable and dedicated senior management team. I am glad to report that Miatta returned in September 2018 with her usual energy and commitment and our finances have continued to improve at pace and are on track to have completed the turnaround we planned by the end of the 2018/2019 financial year.

Our refreshed strategy has its focus on continuing our work with communities on the ground to make change here and now while also developing and campaigning for policy solutions inspired and informed by new economic practice we have helped to deliver on the ground. We are clearer than ever before about our theory of change and the priorities we must deliver both within the New Economics Foundation and beyond it to confront with urgency the economic and environmental problems facing our society. This has helped us to create a distinctive voice in the media and sustain the significant improvement we've made in our media profile.

We have always believed that our work is necessary, urgent and valued by the people who are adversely affected by our current economic systems. We are conscious though that demonstrating the impact of our work is challenging. We now plan to build on our refreshed strategy and theory of change by becoming clearer and more structured about how we measure and communicate our impact.

Our remarkable team at the New Economics Foundation has achieved a tremendous amount over the period. I am deeply grateful to both trustees and colleagues in the staff team whose commitment, expertise and energy has made these achievements possible.

Tess Gill

Chair of the Trustees

## **Trustees' report (incorporating the strategic report) Year to 30 June 2018**

### **Introduction**

The trustees present their statutory report together with the financial statements of New Economics Foundation (NEF) for the year ended 30 June 2018. The report, which constitutes a trustees' report for the purposes of charity legislation and a directors' report for the purposes of company legislation, has been prepared in accordance with Part 8 of the Charities Act 2011.

The financial statements have been prepared in accordance with the accounting policies set out on pages 20 to 23 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

### **Overview**

NEF was set up in 1986 by the leaders of the first TOES (The Other Economic Summit). As an independent 'think-and-do' tank to promote a transition to a new economic system. Our activities include innovative research, policy and advocacy work, public campaigns, developing tools and institutions for change, and delivering practical projects in communities in the UK and beyond.

### **Objectives and activities**

The objectives, as set out in the Memorandum and Articles of Association, for which the organisation is established, are:

- a) To advance education and undertake research for the benefit of the public (and to publish the useful results of such research), particularly in economics, citizenship, and environmental, social and political sciences; and
- b) To promote sustainable development for the benefit of the public by:
  - i. the preservation, conservation and the protection of the environment and the prudent use of resources
  - ii. the relief of poverty and improvement of the conditions of life in socially and economically disadvantaged communities
  - iii. pursuing such other related charitable purposes as the Trustees may determine.

By 'sustainable development', we mean "development which meets the needs of the present without compromising the ability of future generations to meet their own needs."

### **Public benefit**

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning its future activities. To further our charitable objectives for public benefit, all of our work is directed towards promoting the wellbeing of individuals and communities, ensuring this is achieved in a fair and socially just manner, and achieving this within ecological limits.

**Public benefit** (continued)

NEF achieves public benefit for the population as a whole through advancing knowledge and education about economic, social and environmental issues. In addition, some aspects of our work achieve public benefit through supporting targeted sections of population - for example, by supporting enterprise development in low income communities or by supporting public service users to become more involved in shaping the services which are designed to support them.

**Summary of activities and achievements in 2017/18**

We are pleased to report the continuing success of the strategy we set out in last year's report. The restructuring we undertook and explained last year, together with the re-alignment of our fundraising approach, financial model and organisational structure, have provided the foundations for a year of significant progress and achievement.

**Strategy**

In October 2016 the New Economics Foundation relaunched with a bold new agenda. Since Miatta Fahnbulleh's appointment as Chief Executive, we have completed the task of turning our bold strategic agenda into a set of aims, supported by a theory of change linking practice on the ground with the development of distinctive policy solutions to deliver a thriving "mixed new economy" with:

- a thriving and healthy environment at its core
- better and more equal living standards
- greater co-operative and common ownership
- progressive businesses
- a decentralised, active state and
- empowered, active communities.

Our work is underpinned by a simple approach to bring together new economic analysis with the lived experience of people in society. This enables us and others to develop new economic solutions and to learn from new economics practice to develop radical policy ideas for systemic change.

We apply this approach across five areas where there is an urgency for change, appetite for an alternative, and the potential to develop new economic solutions that shift the economy closer to our ambition:

- **Environment:** securing a transition that puts the preservation, conservation and protection of the environment at the core of the economy
- **Work & pay:** reducing inequality by increasing wages and giving workers greater power
- **Economic policy:** replacing austerity with a new approach that enables investment in the transition to a new economy
- **Housing & land:** tackling the housing crisis with new models of ownership and local power
- **Social policy:** delivering the basics for a decent quality of life through people powered public services (focus on health, social care and childcare)

**Summary of activities and achievements in 2017/18** (continued)

***Strategy*** (continued)

We have developed the practice areas led by our directors to achieve this change across these five areas. These are now Policy & Advocacy, Organising & Movement Building and Programmes & Practice. These practice areas bring particular expertise in achieving impact and change in different ways to our five main areas of focus.

***Work programmes***

We continue to emphasise cross-cutting, impact-focused work across our subject areas of focus. Often our programmes of work are sustained and intensive. They can therefore lead naturally to further policy formation, more movement building, deeper analysis and greater learning alongside the people and communities affected most by the challenges presented by our current economic systems.

Last year, we chose to put a spotlight on our **Blue New Deal for Coastal Communities**, our innovative **housing and land programme** and our work on the **digital economy and the future of work**. All three of these continue to hold our keen attention. We have made considerable strides in each of these areas and the latest news can be found on our website.

This year, we have chosen to highlight three example areas of our work which demonstrate in different ways how our theory of change enables practice on the ground to inform the development of radical policy ideas (and vice versa) in a virtuous circle.

Last year, Lucie Stephens (our Head of Co-production) appeared on BBC Radio 4's Woman's Hour and BBC World Service to speak about new approaches to **parent-led childcare**. Several other national media outlets also covered the cause we were advocating. Since then, Lucie has been working assiduously in partnership with other organisations to bring the idea into reality alongside a parents, children and childcare professionals on the ground.

We're delighted to have secured funding from Trust for London and the GLA London Family Fund and are now working in partnership with Coram Family Childcare and Peabody Housing Association to pilot the venture. Peabody is providing (at reduced cost) a building which is currently empty but previously used as a nursery. Having built a financial model, we'll now test the theory with practice. We'll be working alongside parents and families in Deptford, South London to create and sustain a not-for-profit parent-led nursery with an aim to provide a model which can be replicated across the country.

This project brings together our approach to developing and advocating for policy change at a local and national level, and combining it with a deep connection with communities to support them in exploring for themselves what genuinely works. Learning from that, we'll be able to re-visit the policy change and know that we've made the case for an approach that works on the ground, has sound outcomes and is sustainable. It's a great example too of our convening power – bringing together communities, resources, expertise and know-how, and organising them to test and share potential solutions to challenges identified by our research and analysis.

**Summary of activities and achievements in 2017/18 (continued)**

***Work programmes (continued)***

In March 2018, we worked with the East End Trades Guild to publish research showing that rent increases of 200–300% were forcing **small businesses based in railway arches** in East London out of the capital. The arches are home to a huge variety of trades – furniture restorers, metal-shop workers, café owners, hairdressers, tyre sellers, brewers, distillers, community spaces, galleries, specialist food stores, artists, gyms, motorbike repair shops and everything in between. They power our economy and sit at the heart of our communities.

This work was initially covered in The Guardian. Since then, in collaboration with the East End Trades Guild, we have helped found Guardians of the Arches, a tenants' group fighting to protect their livelihoods under the threat of Network Rail selling off the arches to private investors. In June 2018 Guardians of the Arches spoke in Parliament to launch the #SaveOurArches campaign. Our work to support the Guardians of the Arches in securing a fair deal for arches tenants continues.

This undertaking exemplifies how we successfully link our work alongside communities on the ground with economic research and analysis, build movements for change and use our media profile and expertise in advocacy with government to gain the attention and traction that a cause like this deserves. All the more so for being largely unplanned and requiring responsiveness and speed of action.

Our **public sector land campaign** has combined our research and analysis on public land with organising communities on the ground all over the country to advocate for public land in their area not to be sold – and to be used instead for affordable housing. To support this, we've delivered a national campaign with a public land map highlighting exactly where public land is for sale or has been sold.

We've secured considerable media coverage for the campaign and have been supporting grassroots campaigners on particular sites. In May, for example, we worked with some of Birmingham's most exciting housing activists. Together, we explored a broken housing system and developed alternatives. It was the perfect place to share our new guide for community groups, showing how to get access to public land for affordable housing.

These three examples demonstrate the value of our approach and the strength we gain from working in close partnership with a wide variety of organisations, activists, groups and communities right across the country.



**Summary of activities and achievements in 2017/18 (continued)**

***In the media***

We have continued to focus on securing an improved media profile. Some highlights from the year (in addition to those covered above) include:

- Miatta Fahnbulleh appeared on the BBC's Question Time and put across clear and distinctive takes on the government's programme and on Brexit. Miatta also gave several high-profile interviews as guest of the day on the Daily Politics show, and in the New Statesman and The Independent.
- Our briefing on selling off NHS land (No Homes for Nurses) was covered widely, including by The Mirror, The Guardian, The Independent, Huffington Post, New Statesman and lots of trade press. It was the lead story on BBC London. Hanna Wheatley, one of our researchers, appeared on London Live and Joe Beswick, our Head of Housing & Land was interviewed for BBC London.
- Our extensive work on fisheries received significant mainstream coverage throughout the year. Griffin Carpenter, one of our senior researchers, wrote a widely-shared op-ed for The Guardian and spoke on Sky News. He also commented on the state of British fishing for BBC News Scotland.
- Our research on the negative economic impact of Heathrow's third runway was covered in The Times and CityAM. Andrew Pendleton (our Director, Policy & Advocacy) appeared on Sky News to explain why the economic case for Heathrow expansion doesn't make sense.
- Our multi-year project with NEON, PIRC and the Frameworks Institute on Framing the Economy was covered by The Guardian, Vice UK and OpenDemocracy.

**Plans for the future**

Our main focus for the year ahead is to build on the momentum gained since adopting our new strategy. This means delivering the range of programmes for which we have secured funding, continuing to work alongside communities and other agents of change to deliver our charitable mission and securing funding to enable our plans for following years. We also plan to scope out and develop a sixth area of focus: the digital economy.

Alongside this we plan to complete the necessary task of rebuilding our reserves to secure the more stable financial footing that will give us confidence to act boldly in the future. We will continue to secure a strong media profile to advocate clearly and boldly for the change we want to see.

Over the next five years we will develop & campaign for radical solutions to the urgent problems people face today inspired by new economics practice which we enable on the ground. To support this, we have developed a set of organisational objectives to ensure we have the scale of impact we want to achieve.

## **Financial review**

### ***Principal funding sources***

Our funding sources are diverse. We receive grants and donations from trusts, foundations, local, regional and national government, NGOs, and individuals. We also work with a similarly broad range of clients through consultancy contracts.

### ***Results & financial position***

This was another challenging but successful year for the New Economics Foundation. Having continued to develop and refine our financial and operating model and by continuing to attract excellent colleagues to work with us, the New Economics Foundation's financial position strengthened further during the year, with total funds increasing by £174,854 for the year ended 30 June 2018 (2016/17 - £231,947).

Income for the year 2017/18, at £3,517,791, was about the same as in the previous year (2017 - £3,519,786), though the sources of that income shifted slightly. Somewhat less was received from donations and legacies and slightly more was generated through our trading activities.

Headcount, and FTE, reduced to 55 and 47.8 respectively (59 and 50.6 in 2016/17), partly as a consequence of the restructuring programme which continued into the first few months of the previous year and partly as a result of modest changes to teams arising from the natural course of change in an organisation of our size.

The 2017/18 financial year was a good year for NEF Consulting Limited in terms of trading, although income declined slightly by £53,308, which was associated with a reduction in FTE by 0.9. NEF Consulting Limited made an operating profit of £38,580 (2016/17: £65,538) after contributing a royalty payment of £36,307 to the New Economics Foundation.

**Financial review** (continued)

***Remuneration policy for key management personnel***

The trustees consider that they, together with the Chief Executive Officer, the Director of Finance and Operations and the Senior Management Team, constitute the key management personnel for reporting purposes. The Senior Management Team is comprised of the Director of Communications, the Directors of practice areas and the Managing Director of NEF Consulting Limited. The remuneration of these individuals is determined by the Remuneration Committee giving due regard to pay bands informed by current market rates, and formal performance appraisals

The New Economics Foundation is committed to ensuring a balance between (1) paying its staff fairly to attract and retain good people and (2) careful management of overall funding. Pay bands have been in place for a number of years, and are continuously reviewed. The organisation remains committed to ensuring internal parity.

As part of a wider pay structure review the Board established a formal Remuneration Committee during the course of the 2017/18 financial year, which further enhanced the Governance arrangements with regards to pay.

The Trustee Board are actively involved in two key elements of remuneration policy:

1. Senior staff pay
2. Annual "cost of living" salary review

The Remuneration Committee agrees salary reviews for senior level positions annually. The Finance Audit and Risk Committee, as part of the annual budget setting process, considers any annual cost of living increase for affordability, before it is referred to the wider Board for final approval. The Board delegates decisions on performance related pay increases (excluding senior staff) to the Chief Executive Officer.

***Reserves policy and going concern***

Trustees have considered the amounts that the New Economics Foundation needs to hold in reserve to ensure financial sustainability in an era of income volatility within the sector. In developing this policy, the Trustees have considered:

- The reasons why the charity needs reserves;
- The level of reserves the Trustees believe the charity needs;
- How the charity is going to establish the level of reserves required; and
- How the Trustees monitor and review the policy and the actual reserves.

The charity needs reserves in order to protect continuity of operations during the peaks and troughs of funding cycles and to maintain core activities as individual projects finish and new ones start. In addition to such operational reserves, a fund of accumulated reserves allows the charity the potential to invest in seed funding of new strategic initiatives.

**Financial review** (continued)

***Reserves policy and going concern*** (continued)

The Trustees have therefore concluded that there are three levels of reserves to be considered:

1. Long-term asset. The New Economics Foundation owns its office space, which has a net value of £2.1m (asset less outstanding mortgage). This is not an operational asset, as the charity can function from any office space and has the option if required to dispose of this asset and move to rented accommodation. The Trustees consider that this asset, though illiquid, underpins the long term financial health of the charity
2. Operational Cash. In order to ensure that the organisation can meet its current financial commitments, the policy of the Trustees is to maintain at least three months' cover as cash at bank for all operational costs at any time. The finance team monitors cash flow on a weekly basis and Trustees review this as part of the monthly KPIs. Three months' operational costs equate to £600,000; group cash at bank at the year-end was £537,002 (2016/17 - £831,294).
3. Accumulated liquid reserves. The Trustees believe the charity should maintain a reserve fund of approximately £600,000 from accumulated surpluses in order to provide working capital and allow seed funding of new strategic initiatives. Beginning with financial year 2016/17, it is the intention of the Trustees to rebuild reserves to this level within three years. At the end of 2016/17, we were pleased to announce that the first year of rebuilding the reserves has gone according to plan. At the end of 2017/18 the general reserves have improved further, broadly in line with plan, and the level stood at £403,398 (2016/17: £251,512).

The Trustees are also required to consider whether there are significant doubts about the charity's ability to continue as a going concern and to disclose whether there are any material uncertainties looking forward for at least one year. The Trustees have considered the strategic plans of the charity for 2018/19, and have reviewed anticipated funding, detailed cash flow projections, and the underlying trading position of NEF Consulting. They are satisfied that the New Economics Foundation remains a going concern.

***Principal risks and uncertainties***

The Trustees actively review both the strategic and operational risks that the New Economics Foundation faces. These cover both short and long-term risks and in particular concern financial sustainability and reputation. The Trustees confirm that they are satisfied that strategies, systems and controls are, as far as possible, in place to mitigate any significant risk.

Although the New Economics Foundation continues to have good success rates in securing project funding, this is within the context of an ever-challenging funding environment. The New Economics Foundation is aware that careful management is required to mitigate against this, which includes the review of project budgeting and costing procedures and ensuring adequate monitoring and reporting procedures.

**Financial review** (continued)

***Principal risks and uncertainties*** (continued)

Risks to the New Economics Foundation's reputation are mitigated by ensuring that senior staff monitor all projects, working closely on appropriate dissemination strategies, and ensuring that the quality and rigour is regularly monitored in terms of output and impact.

The Finance, Audit & Risk Committee of the Board of Trustees regularly reviews NEF's risk register and undertakes a detailed review of a particular area of the register at each of its meetings. The Committee's principal role is one of oversight and scrutiny and it does not relieve the Board of its responsibilities for the monitoring and management of risk.

**Structure governance and management**

NEF is constituted through Articles of Association and registered as a Limited Company. Recruitment of new trustees is informed by a trustee skills audit, which is regularly undertaken. The induction process for new trustees includes meetings with staff from NEF's programmes and provision of more general information about the role and responsibilities of charity trustees. All new trustees are subject to a probationary period.

The Board of Trustees meets five to six times a year and guides the strategic direction of the organisation. The trustees delegate the day-to-day running of the charity to the Chief Executive, and the management team.

The Chief Executive, who reports to the Board of Trustees, carries out the overall management of the Charity. The Chief Executive is particularly responsible for managing the programme portfolio and acts as the figurehead of the organisation. The Director of Finance and Operations (who is also Company Secretary of the charity) runs the administration of the organisation and also reports to the Trustees.

Decisions are made according to the levels of delegated authority defined in the organisation's policies and procedures and according to job descriptions and commensurate levels of authority for different grades of staff. The major risks to which the organisation is exposed are consistently reviewed at the request of the Board and where necessary amended, and risk management policies, strategies, actions and procedures identified and implemented to minimise these risks. The Director of Finance and Operations is charged with keeping the risk register continually updated.

The Board has a small number of sub committees. The Finance Audit and Risk Committee meets six times a year, consists of Trustees with appropriate experience, and is chaired by the Treasurer. It operates under specific terms of reference, which delegate certain functions from the Trustees. A Remuneration Committee meets annually to consider the pay of senior staff. A General Purposes Committee, is convened from time to time, with power to act on all day-to-day matters not within the province of any other committee of the Board of Trustees. It has executive powers to deal with matters of importance which would normally be referred to the Board of Trustees, but which are agreed by the Chair of the Board to require decisions as a matter of urgency, such decisions to be reported to the next meeting of the Board.

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up.

## Trustees' report (incorporating the strategic report) Year to 30 June 2018

### Structure governance and management (continued)

#### **Trustees**

The trustees, who are the directors of the company for the purposes of company law, who served during the year and up to the date of this report were:

<b>Trustees</b>	<b>Appointed / resigned</b>
Tess Gill (Chair)	
Keren Jones (Deputy Chair)	Appointed 19 September 2018
Mike Tuffrey (Treasurer)	
Gurnek Bains	Resigned 14 June 2018
Ian Christie	
Ciaran Driver	
Margaret Gardner	
David McCoy	Resigned 21 February 2018
Jules Peck	
Mary Riddell	
Rosannagh Rogers	Resigned 29 January 2018
Rukayah Sarumi	Resigned 4 September 2018
Jeremy Till	
Fiona Weir	
Rebecca Willis	

#### **NEF Consulting Limited**

NEF Consulting Limited is a wholly-owned trading subsidiary of the charity. The subsidiary was established both to generate funds for the charity and as a vehicle to demonstrate the many and varied practical applications of NEF's ideas. Its results are consolidated within the group financial statements (see note 12 for further details).

#### **Fundraising**

The charity aims to achieve best practice in the way in which it communicates with donors and other supporters. It takes care with both the tone of its communications and the accuracy of its data to minimise the pressures on supporters. The charity is registered with the Fundraising Regulator and adheres to the Code of Fundraising Practice. It applies best practice to protect supporters' data and never sells data, it never swaps data, and ensures that supporters' and donors' communication preferences can be changed at any time. The charity manages its own fundraising activities and does not employ the services of Professional Fundraisers. The charity undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During the year ended 30 June 2018, the charity received no complaints about its fundraising activities.

## Trustees' report (incorporating the strategic report) Year to 30 June 2018

### Structure governance and management (continued)

#### ***Statement of trustees' responsibilities***

The trustees (who are also directors of New Economics Foundation for the purposes of company law) are responsible for preparing the trustees' report and 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 which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure, of the 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the trustees confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 5 December 2018 and signed on its behalf by:

Tess Gill  
Chair of Trustees

**Independent auditor's report to the members of New Economics Foundation**

**Opinion**

We have audited the financial statements of New Economics Foundation (the 'charitable company') for the year ended 30 June 2018 which comprise the consolidated statement of financial activities, the group and parent balance sheet, the consolidated statement of cash flows and notes to the financial statements, 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 group and parent charitable company's affairs as at 30 June 2018 and of 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.

**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 charitable 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent charitable 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 trustees 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 trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report has 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 group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' 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; or
- the financial statements are not in agreement with the accounting records; 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.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees 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 trustees 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 trustees are responsible for assessing the group and parent charitable 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 trustees either intend to liquidate the group or parent charitable 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of this report**

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 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott, 18 December 2018

Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Consolidated statement of financial activities Year to 30 June 2018

	Note	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
<b>Income and expenditure</b>					
<b>Income from</b>					
Donations and legacies	1	101,184	—	<b>101,184</b>	144,917
Charitable activities					
. Programmes	2	520,067	1,951,719	<b>2,471,786</b>	2,445,937
Other trading activities	3	944,823	—	<b>944,823</b>	928,887
Investments		—	—	—	45
<b>Total income</b>		<b>1,566,074</b>	<b>1,951,719</b>	<b>3,517,793</b>	<b>3,519,786</b>
<b>Expenditure on</b>					
Raising funds	4				
. Costs of generating donations		64,730	—	<b>64,730</b>	61,611
. Costs of trading activities		846,190	—	<b>846,190</b>	919,118
Charitable activities					
. Programmes		434,993	1,997,024	<b>2,432,017</b>	2,307,110
<b>Total expenditure</b>		<b>1,345,913</b>	<b>1,997,024</b>	<b>3,342,937</b>	<b>3,287,839</b>
<b>Net income (expenditure) for the year before transfers between funds</b>	5	220,161	(45,305)	<b>174,856</b>	231,947
Transfers between funds	18	(45,305)	45,305	—	—
<b>Net income (expenditure) and net movement in funds</b>		<b>174,856</b>	—	<b>174,856</b>	231,947
<b>Reconciliation in funds</b>					
Fund balances brought forward at 1 July		2,377,084	—	<b>2,377,084</b>	2,145,137
Fund balances carried forward at 30 June	18	<b>2,551,940</b>	—	<b>2,551,940</b>	2,377,084

All the above results are derived from continuing activities.

## Balance sheets As at 30 June 2018

	Notes	Group		Charity	
		2018 £	2017 £	2018 £	2017 £
<b>Fixed assets</b>					
Tangible fixed assets	10	<b>3,360,920</b>	3,397,662	<b>3,360,920</b>	3,397,662
Investments	11	<b>—</b>	—	<b>1</b>	1
		<b>3,360,920</b>	3,397,662	<b>3,360,921</b>	3,397,663
<b>Current assets</b>					
Debtors	13	<b>685,312</b>	682,112	<b>665,593</b>	726,587
Cash at bank and in hand		<b>537,002</b>	831,294	<b>440,619</b>	704,753
		<b>1,222,314</b>	1,513,406	<b>1,106,212</b>	1,431,340
<b>Liabilities</b>					
Creditors: amounts falling due within one year	14	<b>(988,122)</b>	(1,439,754)	<b>(868,103)</b>	(1,315,191)
<b>Net current assets</b>		<b>234,192</b>	73,652	<b>238,109</b>	116,149
Creditors: amounts falling due after one year	16	<b>(1,043,172)</b>	(1,094,230)	<b>(1,043,172)</b>	(1,094,230)
<b>Total net assets</b>		<b>2,551,940</b>	2,377,084	<b>2,555,858</b>	2,419,582
<b>The funds of the charity:</b>					
<b>Funds and reserves</b>					
Restricted funds		—	—	—	—
Unrestricted funds					
. Designated funds		<b>2,148,542</b>	2,125,482	<b>2,148,542</b>	2,125,482
. General funds		<b>407,316</b>	294,100	<b>407,316</b>	294,100
. Non-charitable trading funds		<b>(3,918)</b>	(42,498)	<b>—</b>	—
Total unrestricted funds		<b>2,551,940</b>	2,377,084	<b>2,555,858</b>	2,419,582
<b>Total funds</b>	18	<b>2,551,940</b>	2,377,084	<b>2,555,858</b>	2,419,582

Approved by the trustees on 5 December 2018 and signed on its behalf by:

Tess Gill

Chair of Trustees

## Consolidated statement of cash flows Year to 30 June 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities:</b>			
Net cash (used in) provided by operating activities	A	(222,682)	186,374
<b>Cash flows from investing activities:</b>			
Dividends and interest from investments		—	45
Purchase of property plant and equipment		(20,552)	(29,289)
<b>Net cash used in investing activities</b>		<b>(20,552)</b>	<b>(29,244)</b>
<b>Cash flows from financing activities:</b>			
Repayments of borrowing		(51,058)	(48,190)
<b>Net cash used in financing activities</b>		<b>(51,058)</b>	<b>(48,190)</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(294,292)</b>	108,940
Cash and cash equivalents at the beginning of the year	B	831,294	722,354
<b>Cash and cash equivalents at the end of the reporting period</b>	B	<b>537,002</b>	831,294

### Notes to the cash flow statement for the year to 30 June:

#### A Reconciliation of net movement in funds to net cash flow from operating activities

	2018 £	2017 £
<b>Net income for the reporting period (as per the statement of financial activities)</b>	<b>174,856</b>	231,947
Depreciation charges	57,294	58,475
Dividends and interest from investments	—	(45)
Increase in debtors	(3,200)	(188,308)
(Decrease) increase in creditors	(451,632)	84,305
<b>Net cash (used in) provided by operating activities</b>	<b>(222,682)</b>	186,374

#### B Analysis of cash and cash equivalent

	2018 £	2017 £
<b>Total cash and cash equivalents: Cash at bank and in hand</b>	<b>537,002</b>	831,294

## **Principal accounting policies** Year to 30 June 2018

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below. These financial statements are presented in sterling and rounded to the nearest pound.

### **Basis of preparation**

These financial statements have been prepared for the year to 30 June 2018 with comparative information presented for the year ended 30 June 2017.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

### **Critical accounting estimates and areas of judgement**

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the liability for multi-year project grant commitments, including how much income to defer or accrue and how much income to recognise from the project grant to cover overhead costs;
- ◆ estimating the useful economic life of tangible fixed assets; and
- ◆ allocating expenditure between funds based on an estimate of staff time.

### **Assessment of going concern**

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. They have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the group and the charity to continue as a going concern. They are of the opinion that the group and the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above.

## Principal accounting policies Year to 30 June 2018

### **Basis of consolidation**

The consolidated statement of financial activities, consolidated statement of cash flows and group balance sheet consolidate each reporting line of the financial statements of New Economics Foundation and its subsidiary company, NEF Consulting Limited, made up at the balance sheet date. A separate statement of financial activities, or income and expenditure account, has not been presented for the charity because the charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

### **Income recognition**

Income is recognised in the period in which the group and the charity has entitlement to income, the amount of the income can be measured reliably and it is probable that the income will be received.

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably. Income is deferred where it relates to specific future periods either via explicit or implicit time conditions within the grant agreement.

Income earned under a contract for services is recognised in the financial statements as entitlement is earned through completion of the contract. Deferred income from the sales of goods is recognised once the good has been delivered. Income from the sales of goods and services is the amount derived from ordinary activities (net of VAT).

Income received by way of subscriptions and donations are included in full in the statement of financial activities when receivable.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

### **Expenditure recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the group or charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure is comprised of direct costs and support costs. Direct costs are allocated to a specific activity. The classification between activities is as follows:

- a) Expenditure on raising funds includes all expenditure associated with raising funds for the charity and the operating costs of NEF Consulting Limited

## Principal accounting policies Year to 30 June 2018

### Expenditure recognition (continued)

- b) Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Expenditure on charitable activities includes both direct costs and indirect support costs.

All expenditure is inclusive of irrecoverable VAT.

### Allocation of support costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment. Expenditure is allocated to activities based on an estimate of staff time spent on each activity.

### Leases

Payments under operating leases are charged to the statement of financial activities in equal annual installments over the period of the leases.

### Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

### Tangible fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and included at cost together with any incidental costs of acquisition.

Depreciation is provided, where required, on tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its estimated useful life, as follows:

- ◆ Freehold buildings - 50 years
- ◆ Fixtures and fittings - 10 years
- ◆ Computer software & equipment - 4 years

Assets are depreciated when they are brought into use.

Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

### Investments in subsidiaries

Investments in subsidiaries are included at cost less any impairment.



## **Principal accounting policies** Year to 30 June 2018

### **Debtors**

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

### **Cash and cash equivalents**

Cash and cash equivalents represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

### **Creditors and provisions**

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the group and the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

### **Pension costs**

Contributions in respect of the charity's defined contribution pension scheme are charged to the statement of financial activities when they are payable to the scheme. The charity's contributions are restricted to the contributions disclosed in note 6. There were no outstanding contributions at the year end. The charity has no liability beyond making its contributions and paying across the deductions for the employees' contributions.

### **Foreign exchange**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at rates ruling at the date of transactions. Exchange differences are taken into account in arriving at the net incoming resources for the year.

### **Unrestricted general funds**

These are funds which can be used for any purpose within the charitable objects of the group.

### **Designated funds**

These are funds set aside by the trustees out of unrestricted funds for specific future purposes.

### **Restricted funds**

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

**Notes to the financial statements** Year to 30 June 2018

**1 Income from donations and legacies**

	Unrestricted funds	
	2018 Total £	2017 Total £
Regular giving and individual donations	<b>101,184</b>	144,917

**2 Income from charitable activities – Programmes**

Grants receivable funded work in the following programme areas:

	Unrestricted funds £	Restricted funds £	2018 Total £	2017 Total £
<b>Grants receivable</b>				
Economy	21,802	259,826	<b>281,628</b>	401,218
Environment	140,996	266,971	<b>407,967</b>	363,266
Future of Work	22,670	18,193	<b>40,863</b>	29,357
Great Transition	165,605	—	<b>165,605</b>	192,860
Health & Social Policy	60,534	783,938	<b>844,472</b>	480,098
Housing & Land	400	190,303	<b>190,703</b>	119,189
Inequality	—	—	<b>—</b>	190,426
Organising & Movements	87,600	353,844	<b>441,444</b>	468,461
Wellbeing	20,460	78,644	<b>99,104</b>	201,062
<b>2017 Total</b>	<b>520,067</b>	<b>1,951,719</b>	<b>2,471,786</b>	<b>2,445,937</b>
2016 Total	689,707	1,756,230	<b>2,445,937</b>	

**3 Income from other trading activities**

	Unrestricted funds	
	2018 Total £	2017 Total £
Consulting	<b>749,443</b>	826,144
Books and publications	<b>4,893</b>	7,492
Licensee income	<b>190,487</b>	95,251
	<b>944,823</b>	928,887

Notes to the financial statements Year to 30 June 2018

4 Total expenditure

	Direct costs		Support costs £	2018 Total £	2017 Total £
	Staff costs (note 6) £	Other costs £			
Costs of raising funds					
. Strategic fundraising	32,708	21,160	10,862	64,730	61,611
. NEF Consulting	478,166	63,905	304,119	846,190	919,118
Costs of charitable activities					
. Programmes	1,030,261	744,642	657,114	2,432,017	2,307,110
<b>2018 Total funds</b>	<b>1,541,135</b>	<b>829,707</b>	<b>972,095</b>	<b>3,342,937</b>	<b>3,287,839</b>
2017 Total funds	1,534,515	663,216	1,090,108	3,287,839	

	2018 Total £	2017 Total £
<b>Support costs</b>		
Staff costs (note 6)	593,058	540,212
Communications	43,263	19,751
Depreciation	57,293	58,475
Legal and professional	8,108	114,675
Premises	93,865	86,053
Human resources	9,005	25,089
Office running costs	110,686	154,589
Information technology	36,257	72,263
Irrecoverable VAT	20,560	19,001
	<b>972,095</b>	<b>1,090,108</b>

Analysis of expenditure by fund	Unrestricted funds	Restricted funds	2018 Total funds	Unrestricted funds	Restricted funds	2017 Total funds
	£	£	£	£	£	£
Costs of raising funds						
. Strategic fundraising	64,730	—	64,730	61,611	—	61,611
. NEF Consulting	846,190	—	846,190	919,118	—	919,118
Costs of charitable activities						
. Programmes	434,993	1,997,024	2,432,017	536,600	1,770,510	2,307,110
	<b>1,345,913</b>	<b>1,997,024</b>	<b>3,342,937</b>	<b>1,517,329</b>	<b>1,770,510</b>	<b>3,287,839</b>

## Notes to the financial statements Year to 30 June 2018

### 5 Net income (expenditure) for the year

This is stated after charging:

	2018 £	2017 £
Depreciation	57,294	58,475
Interest payable	33,636	35,099
Operating lease rentals	11,640	11,640
Auditor's remuneration		
. Statutory Audit	10,250	10,000
. Other services	—	1,825
Foreign exchange gains or losses	73	28

### 6 Staff costs and trustees' remuneration

Staff costs were as follows:

	2018 £	2017 £
Salaries and wages	1,884,315	1,836,316
Redundancy and termination costs	2,726	—
Social security costs	194,784	185,340
Pension costs	52,368	53,071
	<b>2,134,193</b>	<b>2,074,727</b>

Included within redundancy and termination costs are ex-gratia payments totalling £2,726 (2017 - £nil) to one employee.

The following number of employees whose total remuneration, on an annual equivalent basis, was in excess of £60,000 during the year were as follows:

	2018 No.	2017 No.
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£90,001 - £100,000	1	1

The total employee benefits, including employers national insurance and pension contributions, of the key management personnel were £560,215 (2017 - £522,094). The increase in costs was due to an organisational restructure which created a bigger leadership team.

No trustees received emoluments during the year for services provided to the charity (2017 - £nil).

No expenses were reimbursed to Trustees during the year (2017 - £nil).

## 7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was as follows:

	Headcount		FTE	
	2018 £	2017 £	2018 £	2017 £
Strategic fundraising	1	1	0.4	0.4
NEF Consulting	11	14	11.2	12.1
Programmes	30	32	24.2	26.2
Support	12	11	10.9	10.3
Governance	1	1	1.1	1.6
	<b>55</b>	<b>59</b>	<b>47.8</b>	<b>50.6</b>

## 8 Related party transactions

Donations totalling £4,600 were made to the charity by trustees during the year. These donations contributed to core costs and ongoing projects.

## 9 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary NEF Consulting Limited gift aids available profits to the parent charity. Accordingly, no provision for current or deferred tax is required.

## 10 Tangible fixed assets

Group and charity	Freehold land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 July 2017	3,329,171	115,839	87,862	<b>3,532,872</b>
Additions in the year	—	—	20,552	<b>20,552</b>
At 30 June 2018	<b>3,329,171</b>	<b>115,839</b>	<b>108,414</b>	<b>3,553,424</b>
<b>Depreciation</b>				
At 1 July 2017	59,812	26,064	49,334	<b>135,210</b>
Charge for the year	26,584	11,584	19,126	<b>57,294</b>
At 30 June 2018	<b>86,396</b>	<b>37,648</b>	<b>68,460</b>	<b>192,504</b>
<b>Net book values</b>				
At 30 June 2018	<b>3,242,775</b>	<b>78,191</b>	<b>39,954</b>	<b>3,360,920</b>
At 30 June 2017	<b>3,269,359</b>	<b>89,775</b>	<b>38,528</b>	<b>3,397,662</b>

Freehold land and buildings includes land with a value of £2,000,000 which is not depreciated.

## 11 Investments

Investments, at cost, comprise:

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Investment in wholly owned trading subsidiary	—	—	1	1

## 12 Subsidiary undertaking

The charitable company owns the whole of the issued ordinary share capital of NEF Consulting Limited, a company registered in England. The subsidiary was established both to generate funds for the charity and as a vehicle to demonstrate the many and varied practical applications of NEF's ideas. All activities have been consolidated on a line by line basis in the statement of financial activities. Available profits are gift aided to the charitable company. A summary of the results of the subsidiary is shown below:

	2018 Total £	2017 Total £
Turnover	799,481	852,789
Cost of sales	(284,696)	(317,477)
Gross profit	514,785	535,311
Operating expenses	(476,205)	(469,774)
Profit for the financial year	38,580	65,538
Gift aid to parent undertaking	—	—
Accumulated deficit at 30 June 2017	(42,498)	(108,036)
<b>Accumulated deficit at 30 June 2018</b>	<b>(3,918)</b>	<b>(42,498)</b>

## 13 Debtors

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	523,253	441,282	391,855	297,730
Amounts due from subsidiary	—	—	138,690	228,771
Prepayments	49,584	51,890	49,584	49,980
Accrued income	107,307	188,940	80,730	150,106
Other Debtors	5,168	—	4,734	—
	685,312	682,112	665,593	726,587

**14 Creditors: amounts falling due within one year**

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Bank loans (note 16)	51,061	49,554	51,061	49,554
Trade creditors	116,010	169,652	100,807	158,679
Taxation and social security	97,897	63,089	53,196	52,899
Other creditors	6,698	393	700	393
Accruals	103,188	143,004	99,458	134,209
Deferred income (note 15)	613,268	1,014,062	562,881	919,457
	<b>988,122</b>	<b>1,439,754</b>	<b>868,103</b>	<b>1,315,191</b>

**15 Deferred income**

All restricted grants for the delivery of projects have been treated as performance related grants. Income on these grants has been recognised on the basis of the level of performance delivered by the year-end. Any amounts received in excess of the level of performance delivered have been recognised as deferred income for recognition in future accounting periods.

Movements on deferred income were as follows:

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Deferred income brought forward	1,014,062	938,481	919,457	903,429
Amount released to income in the year	(942,837)	(811,876)	(898,495)	(776,824)
Amount deferred in the year	542,043	887,457	541,919	792,852
<b>Balance at the end of the year</b>	<b>613,268</b>	<b>1,014,062</b>	<b>562,881</b>	<b>919,457</b>

**16 Creditors: amounts falling due after one year**

	Group and charity	
	2018 £	2017 £
Bank loans	1,043,172	1,094,230

Bank loans are repayable as follows:

	Group and charity	
	2018 £	2017 £
Bank loans		
. Payable within one year (note 14)	51,061	49,554
. Payable one to five years	220,260	218,492
. Payable more than five years	822,912	875,738
	<b>1,094,233</b>	<b>1,143,784</b>

The charity has a loan from Triodos Bank which is secured by a charge on 10 Salamanca Place, London, SE1 7HB. The total loan amount was £1.25 million, repayable over 20 years. Interest is charged at the greater of 3% or the Bank of England base rate plus 2.5%.

**17 Analysis of group net assets between funds**

	General unrestricted £	Designated funds £	Total funds £
Tangible fixed assets	118,145	3,242,775	<b>3,360,920</b>
Net current assets	285,253	(51,061)	<b>234,192</b>
Long term liabilities	—	(1,043,172)	<b>1,043,172</b>
<b>Net assets at the end of the year</b>	<b>403,398</b>	<b>2,148,542</b>	<b>2,551,940</b>

**18 Movements in funds**

	1 July 2017 £	Income £	Expenditure £	Transfers £	At 30 June 2018 £
<b>Unrestricted funds</b>					
. Designated funds	2,125,482	—	(60,220)	83,280	2,148,542
. General funds	294,100	766,593	(524,792)	(128,585)	407,316
. Non-charitable trading	(42,498)	799,481	(760,901)	—	(3,918)
<b>Total unrestricted funds</b>	<b>2,377,084</b>	<b>1,566,074</b>	<b>(1,345,913)</b>	<b>(45,305)</b>	<b>2,551,940</b>
Restricted funds (analysis below)	—	1,951,719	(1,997,024)	45,305	—
<b>Total restricted funds</b>	<b>—</b>	<b>1,951,719</b>	<b>(1,997,024)</b>	<b>45,305</b>	<b>—</b>
<b>Total funds</b>	<b>2,377,086</b>	<b>3,517,794</b>	<b>(3,342,937)</b>	<b>—</b>	<b>2,551,940</b>

**Purposes of designated funds**

Designated funds relate to the net book value of the freehold land and building less the loan on 10 Salamanca Place as these funds do not represent liquid reserves available for charitable purposes by NEF.

**Purpose of restricted funds**

The restricted funds are balances of grants given to NEF to carry out specific projects. Please see our website ([www.neweconomics.org](http://www.neweconomics.org)) for more information about our work.

**Non-charitable trading**

This fund represents the accumulated losses of NEF's wholly owned trading subsidiary NEF Consulting Limited.



**18 Movements in funds (continued)**

Movements on restricted funds for the year were in relation to the following funders:

	1 July 2017 £	Income £	Expenditure £	Transfers £	30 June 2018 £
<b>Restricted funds</b>					
Adessium Foundation	—	37,360	(43,124)	5,764	—
Barrow Cadbury Trust	—	3,228	(6,555)	3,327	—
Calouste Gulbenkian Foundation	—	95,195	(95,195)	—	—
Centre for Local Economic Strategies	—	16,474	(16,817)	343	—
Changing Lives	—	2,637	(2,722)	85	—
Cooperatives UK Limited	—	11,058	(11,058)	—	—
Economic and Social Research Council	—	10,500	(10,500)	—	—
Friends Provident Foundation	—	18,835	(18,835)	—	—
KR Foundation	—	219,108	(238,796)	19,688	—
Local Trust	—	9,425	(9,425)	—	—
Marine Conservation Society	—	(3,500)	(1,034)	4,534	—
Mind	—	3,299	(3,499)	200	—
NESTA	—	18,193	(18,193)	—	—
NHS England	—	234,919	(234,919)	—	—
Oak Foundation	—	222,265	(222,265)	—	—
Open Society Institute	—	90,425	(90,419)	(6)	—
People's Health Trust	—	403,203	(403,203)	—	—
Politics & Economics Research Trust	—	(3,800)	(1,200)	5,000	—
Power to Change Trustee Ltd.	—	29,260	(29,461)	201	—
R H Southern Trust	—	53,336	(53,336)	—	—
Partners for a New Economy	—	70,421	(70,421)	—	—
The AIM Foundation	—	20,206	(23,222)	3,016	—
The Hadley Trust	—	22,963	(22,963)	—	—
The Joseph Rowntree Charitable Trust	—	60,313	(60,313)	—	—
The Nationwide Foundation	—	68,472	(71,505)	3,033	—
The Pew Charitable Trusts	—	4,000	(4,000)	—	—
The Pickwell Foundation	—	10,000	(10,000)	—	—
The Tedworth Charitable Trust	—	16,757	(16,757)	—	—
The Tubney Charitable Trust	—	13,908	(13,997)	89	—
The Tudor Trust	—	53,843	(53,843)	—	—
The University of Liverpool	—	55,139	(55,170)	31	—
The Waterloo Foundation	—	26,952	(26,952)	—	—
Trust for London	—	57,325	(57,325)	—	—
<b>Total restricted funds</b>	—	<b>1,951,719</b>	<b>(1,997,024)</b>	<b>45,305</b>	—

**Transfers between funds**

Transfers have been made from unrestricted reserves to subsidise restricted funds in deficit at the year end where no further match funding or donor contributions are expected.

**19 Operating lease commitments**

The group and charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Equipment	
	2018 £	2017 £
Within one year	<b>11,640</b>	11,640
Between two to five years	<b>22,310</b>	33,950
	<b>33,950</b>	45,590

**20 Legal status of the charity**

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.