The Manufacturers' Organisation

EEF LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31st DECEMBER 2021

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COMPANY INFORMATION

Directors of the Company ("The Corporate Board")

B Fletcher*
R C Fletcher
J R Greenham
R I Greenway*
Dame Judith Hackitt DBE, FREng (Chair) (Resigned 31 March 2022)
B A Holliday
Rt Hon Lord John Hutton of Furness (Chair) (Appointed 1 April 2022)
D E Jones
F G Morris
S Phipson CBE* (Chief Executive)

*Executive Directors of the Company

Company Secretary

R I Greenway

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 LLP

Solicitors

Bates Wells & Braithwaite London LLP
Russell-Cooke LLP

Company Number

05950172

CHAIR'S STATEMENT

I am delighted to take up the role of Chair of Make UK to support manufacturing at this crucial time for the UK's economic recovery. My time at the Cabinet table as Business Secretary made me acutely aware that Britain's manufacturing industries have long been one of the most important pillars on which our economy and wider society has been based. The excellence, resilience and innovation represented by UK manufacturers has helped shape our history and it will continue to do so, helping to solve the immense societal challenges we face.

Throughout the pandemic manufacturing has led the way in keeping businesses open, people in jobs, and products available to customers. 2021 saw UK manufacturing continuing to adjust to this new normal. The sector has acted to mitigate fluctuating lockdown restrictions and adapted business processes to accommodate disruptions to supply chains. Manufacturers ensured that the wheels kept turning, shelves remained stocked, and our people were able to work safely. That hard work and resilience of UK manufacturers has been recognised by the government, other sectors and the wider public.

In 2021 we saw the manufacturing sector prioritise recovery through rebuilding workforces, sustaining business growth and creating opportunities in an uncertain business environment. Alongside the more immediate challenges our members faced including supply chain disruption and labour shortages, manufacturers have also been grappling with transformative challenges such as transitioning to a net-zero future. Yet the sector continued to lead by example and is currently adopting digital technologies at a faster rate than ever before.

Despite the sector being hit hard by the impact of the pandemic, early indications already show positive signs of recovering orders, output, and employment. Building on this is critical if the sector is to have a key role to play in laying the foundations of our new economy and supporting the Government's Plan for Growth ambitions.

The early months of 2022 have imposed further challenges for business, with an increased tax burden including increases to National Insurance Contributions and Corporation Tax. This has been further compounded by other inflationary pressures such as rising energy and freight costs. Make UK is focused on working with Government to ensure that the UK remains, and is visibly seen as, a competitive place to do business.

Looking ahead, we need to create an environment in which the manufacturing sector has confidence to invest if we are to build on these encouraging signs of recovery. We need to see boardrooms making the crucial decision to invest in the UK, and not overseas. In short, business needs a long-term comprehensive plan for the future of UK industry.

Make UK is proud to represent a sector at the forefront of advanced manufacturing from world class steel production and advanced materials to the most complex systems for space exploration, training the next generation, and continuing to provide solutions to the world's biggest economic and environmental challenges. Together in 2022 Make UK will support manufacturing in:

- **Delivering sustained and stable growth.** The manufacturing sector employs 2.5 million people with wages 13% higher than the rest of the economy.
- **Transitioning to a Net-Zero economy.** Over three quarters of manufacturers plan to implement a net-zero strategy in their business within the next two years.
- **Building resilient workplaces and workforces.** Almost 9 in 10 manufacturers are concerned about skills leaving their business in 2022.
- **Operating without borders.** 4 in 5 manufacturers are exporting their goods or services across the globe.

Together this shows that by backing UK manufacturing and its people, we can increase productivity and wealth creation across every region, boosting our economy and helping to deliver the much-needed levelling up agenda.

As the representative body for manufacturing, Make UK's role is to do all we can to raise the importance of the sector and to ensure the right environment is created so that UK manufacturing not only thrives but grows.

Make UK continues its journey as a business through the pandemic, making tough choices and facing its own challenges to delivery. I am proud to take on the role of Chair of an organisation which has demonstrated its worth to its members both in its representation and business services for more than 125 years.

I take up the role of Chair from Dame Judith Hackitt at a crucial time both for Make UK and the sector as a whole. I would like to express my thanks to Dame Judith for the key role she has played at Make UK during such a challenging period as well her significant service as an ambassador for the manufacturing and engineering sectors in her career to date. I also thank Stephen and all the staff of Make UK for their work this year. And on behalf of Dame Judith I thank our Board colleagues for their commitment to Make UK.

Make UK is and always will be here to support UK manufacturers every step of the way. Their needs inform everything that we do and by working together I am confident we can ensure that UK manufacturing continues, not just to survive, but to thrive and can continue to be the backbone of the UK economy.

The Rt Hon Lord Hutton of Furness
Chair
19 May 2022

CHIEF EXECUTIVE'S REVIEW

Make UK, along with the broader manufacturing sector, prioritised its recovery in 2021. Rebuilding our workforce, securing steady business growth, and creating opportunities in an uncertain business environment, was key to an encouraging end-of-year result for us as a business.

The work we did in 2020 ensured our business was resilient and weathered the ad hoc restrictions imposed throughout 2021. We built on the benefits of digitalisation whilst re-embracing the unique opportunities of in-person delivery and events. By operating an agile delivery model, we boosted the impact of our services whilst simultaneously keeping our overheads in line with activity levels.

We continued to work closely with Government on managing the impacts of the pandemic and its restrictions on our sector. We welcomed the continued two-way constructive dialogue on supporting safe manufacturing and look forward to Government continuing to strengthen that proactive engagement in future.

Within the business, we focused on maintaining our services for members throughout the turbulence caused by the pandemic. We are grateful for the business support provided by Government to protect our sustainability. The pandemic and new ways of hybrid working has resulted in our decision to improve our cost base by closing a number of office spaces in 2020 and we continue to review our physical estate. The chronic shortage of vocational skills in the manufacturing sector, exacerbated by the pandemic, has resulted in our decision to extend support to our members by investing further in our apprentice training centre in Aston Birmingham, forming a single centre of excellence in the process. This will enhance the quality and flexibility of our apprenticeships delivering the latest in critical skills for our sector. Further details on these changes are set out in the Strategic Report on pages 14-17.

Financially it was a challenging but rewarding year for the Company. After a first quarter which delivered reduced levels of revenue, teams across all areas of the business worked hard to drive strong and steady growth to recover as much of that dampened trading as possible. Many areas were able to return to pre-pandemic trading conditions during the course of 2021, with others, such as Health, Safety & Sustainability and our Venues business hitting those levels in early 2022.

As a result of the restructuring measures taken in both 2020 and into 2021, the Company realised significant financial benefits, delivering an operating profit before exceptional items of £0.2m in the year, as contrasted to the £(1.4)m operating loss in 2020 on total revenues of £29.8m for both periods.

With the value of financial investments recovering after the initial covid shock experienced in 2020, along with reductions in impairments, the Company posted an overall £1.9m profit before tax for the year (2020 – loss of £11.2m).

The Company balance sheet has significantly improved year on year with net assets of £64.2m at the year-end (2020 - £41.0m) with improvements in the value of financial investments and, more significantly, a material change in the amount recognised in relation to the Company's defined benefit pension scheme obligations. Further details as to the impact of the change in accounting for the defined benefit pension scheme can be found in note 17 on pages 39-41.

Encouragingly, our membership retention rates continued to hold strong, which demonstrated the value of our offer.

In 2021 Make UK members continued to receive exclusive access to insight and analysis tailored for manufacturers. We embraced the return of in-person events between our members, MPs, and stakeholders to showcase our sector and support our members to connect face-to-face again with buyers, suppliers and decision makers.

Make UK has continued to engage with MPs and decision makers from across the political spectrum and across the country on a range of different issues impacting the manufacturing sector. With the return of in-person party conferences, Make UK also had a significant presence at the Labour and Conservative conferences. In 2021 we also engaged in the combined authority mayoral elections, creating regional fact cards to send to each of the candidates standing for election and inviting the winning candidates to meet our members.

The UN COP26 held in Glasgow was an opportunity for Make UK to showcase how the UK manufacturing sector is playing its part in transitioning to a net-zero carbon economy. In addition to cutting greenhouse gas emissions, the sector is already delivering the innovative products, processes, and services that will become an integral part of the green industrial revolution. Across numerous events during COP26, including at the conference itself in the Blue Zone, Make UK demonstrated how the sector is already stepping up to the challenge - demonstrating that it can be competitive while taking meaningful action on climate change.

Collectively we have made progress on these generational issues, and our sector has demonstrated to Government that it is part of the solution. Make UK led the way in our 2021 campaigns:

- **Digital and Green:** We've supported manufacturers' plans to accelerate investment in digital and green technologies and tackle the barriers to achieving this, from finance to skills to cultural change.
- **Strong Industrial Base:** By putting the UK manufacturing sector once again at the heart of our economy through a refreshed Industrial Strategy.
- **Navigating our new relationship:** Supporting manufacturers to put trade trends into practical terms for business success and ensuring UK manufacturing can compete on the global stage.
- **Start up to scale up:** Creating a business environment where manufacturers can grow and thrive to support regional communities and create good jobs.

2021 also saw the launch of our new Make UK Modular trade body, the newly formed voice of 'volumetric' modular housing. Through this we are representing the most advanced form of housing construction in the UK. Modular housing can transform UK housing, delivering better quality new homes faster and more efficiently than traditional build. Make UK Modular was founded by 5 businesses Ilke Homes, L&G Modular Homes, Top Hat, Urban Splash and Laing O'Rourke to act as the voice for the modular housing industry.

Looking ahead, in line with our sector, our focus is on sustained recovery in 2022. We are investing in our staff, our buildings, and our technology to ensure we can build our capability in line with growing demand for our services. I am confident we have the skills and resources we need to anticipate and pursue the growing demand for both our representation and services.

I would like to thank each of our members for their continued support, and especially the staff of Make UK for their determined, hard work during a challenging but rewarding year for our business.

Stephen Phipson CBE
Chief Executive
19 May 2022

NATIONAL MEMBERSHIP, REGIONAL ADVISORY BOARDS AND POLICY COMMITTEES

as at 19 May 2022 were as follows:

National Membership Board (Chair)	
Steve Hill	National
Regional Advisory Boards (Chairs)	
Phillipa Glover	North West
Nick Hurt	East of England
Simon Beech	East Midlands
Mike Evans	Wales
Sharon Lane	North East
David Goater	Yorkshire & Humber
Laura McBrown	South East
Brian Cutts	South West
Rowan Crozier	West Midlands
Steve Bramley	Affiliate Members
Policy Committees (Chairs)	
Bonnie Dean	Economic Policy Committee
Luis Sanz	UK Steel Management Committee
Mandy Ridyard	Labour Market & Skills Policy Committee
Steve George	Technology, Innovation and Sustainability Policy Committee
Shaun Lundy	Health, Safety & Wellbeing Policy Committee

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 2021.

Results

The Company reported a profit for the year before taxation amounting to £1.9m (2020 – £11.2m loss), having rationalised the cost base as a result of the COVID pandemic and benefitting from the improvement in the market value of investments as the financial markets grew in confidence from the successful rollout of the vaccine.

The Company continued to reflect on its property portfolio and as such reached a decision in late 2021 to further invest in the larger of two apprentice facilities resulting in the corresponding announcement of the closure of the smaller of the two facilities, the EEF Technical Training Centre in Nexus Point, Birmingham. Consequently £0.5m of leasehold impairments and £2.0m of exit exceptional cost provisions have been recognised in relation to the planned closure.

The Company has an ongoing multi-year project to upgrade a number of its information systems underway. There were some challenges around systems delivery in the latest phase of this project in 2021 carrying into 2022. The Directors decided after the year end to stop any further development of the latest phase which is an adjusting post balance sheet event and has resulted in £0.9m of costs previously held in the Balance Sheet becoming impaired and recognised in the profit & loss account.

Operating profits before exceptional items amounted to £0.2m (2020 - £1.4m loss) with an overall operating loss generated for the year of £1.8m (2020 - £2.2m loss).

Total comprehensive income for the year of £23.2m showed an improvement of £34.4m compared to 2020 (£11.2m loss) with £19.9m of the movement relating to the amount recognised in relation to the Company's defined benefit pension scheme and £14.5m being the change in profit/(loss) for the year. More detail on the accounting for the Company's defined benefit pension scheme can be found in note 17 on pages 39-41.

At 31st December 2021 the Company had net assets of £64.2m (2020 - £41.0m).

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.

Constitution and 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 Corporate Board of the Company consists of no fewer than six and no more than twelve Directors with executive directors comprising a minority.

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

Nomination and Remuneration Committee

Audit and Risk Committee

Finance and Investment Committee

Ethics Committee

The Directors who currently serve on the various committees are as follows:

	Membership of Committees			
Director	Audit and Risk	Nominations & Remuneration	Finance & Investment	Ethics
B Fletcher				#
R C Fletcher		Ch.#		
J R Greenham			#	
R I Greenway			#	#
Dame J Hackitt (resigned 31 March 2022)		#	#	
Rt Hon Lord J Hutton of Furness (appointed 1 April 2022)		#	#	
B A Holliday		#		
D E Jones	Ch. #			
F G Morris			Ch. #	
S Phipson CBE			#	Ch. #

Key:
- member
Ch - chairman

Mr D Bramwell, who is not a director of the company, serves as a member of the Audit and Risk committee.

The Directors have also established a National Membership Board (NMB) which oversees a number of Regional Advisory Boards (RABs) and determined their terms of reference. These boards act in an advisory capacity, with the details of the Chairs of such Boards set out on page 8.

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 Corporate Board to consider and approve.

Members of the Executive Board as at 19 May 2022 were as follows:

Stephen Phipson CBE (Chair)*	Chief Executive
Ben Fletcher*	Chief Operating Officer
Richard Greenway*	Finance Director
Matthew Corkan	HR Director
Gareth Stace	Director General, UK Steel

Key
** Director of the Company*

Donations

The Company made charitable donations during the year totalling £Nil (2020 - £887).

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. Accordingly, the Company has signed up to the pledge to achieve net zero by 2050, and halving emissions by 2030.

UK Energy Use and Greenhouse Gas ("GHG") Emissions

The energy used by the company in business activities involving the combustion of gas and fuels, the purchase of electricity and business mileage in the years ended 31 December 2021 and 31 December 2020 was as follows:

	2021		2020	
Type of Activity	Energy Usage (kWh)	GHG emissions (tCO2e)	Energy Usage (kWh)	GHG emissions (tCO2e)
Grid electricity	1,784,266	378.9	1,644,752	383.5
Natural Gas	2,682,439	491.3	2,140,346	393.5
Transport	300,167	77.4	321,182	81.0
Total	**4,766,873**	**944.6**	**4,106,280**	**858.0**

	2021		2020	
Scope	Energy Usage (kWh)	GHG emissions (tCO2e)	Energy Usage (kWh)	GHG emissions (tCO2e)
Scope 1 (Natural Gas & Transport)	2,714,199	499.2	2,230,842	416.5
Scope 2 (Grid electricity)	1,784,266	378.9	1,644,752	383.5
Scope 3 (Transport)	268,407	66.5	230,686	58.0
Total	**4,766,873**	**944.6**	**4,106,280**	**858.0**

The Company uses an intensity ratio based on average square feet of Company buildings in use during the year due to electric and gas consumption making up the largest proportion of GHG emissions. This intensity ratio allows a comparison of energy efficiency performance over time and with similar types of organisations. The intensity ratio is as follows:

Intensity Ratio	2021	2020
Square Feet	264,368	273,275
Kg CO2e	944,600	858,000
Kg CO2e per square foot	3.57	3.14

The Company has pledged to reach carbon zero by 2050 with the aim of reducing emissions by half by 2030. In view of this the company is reducing its company car fleet and its office footprint, placing a greater reliance on video conferencing to reduce business travel and general office energy consumption.

The energy consumption for 2021 and 2020 was based on meter readings and mileage claims, applying a conversion factor taken from the 'UK Government's GHG conversion factors for Company Reporting' information. An average CV and CO2e factor have been applied to the refunded business mileage. The Kg CO2e per square foot ratio has increased year on year as a result of office opening hours increasing and more business travel being undertaken in line with increasing business volumes and the relaxation of Covid restrictions.

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 that 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 Corporate Board

R I Greenway
Secretary
19 May 2022

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 2021.

Review of the Business and Future Developments

Following on from 2020, which saw an unprecedented business impact from severe COVID related restrictions, 2021 was a mixed picture with stringent restrictions in place at the outset during quarter 1, and a gradual easing of such restrictions across quarters 2 and 3, subsequently curtailed once again with the introduction of the Omicron variant in quarter 4.

Such increasing variability and severity of COVID restrictions at varying points during 2021 resulted in a corresponding variable business performance across the year, and specifically in the final quarter of 2021 where the experience was that of a lack of customer confidence to commit to certain business activities, notably for conference hire and training activities.

Whilst such restrictions still continued to impact activity levels adversely compared to 2019 pre-pandemic volumes, actions taken by the Company in 2020 at the outset of COVID to rationalise the cost base and introduce more digital solutions reaped dividends as such impacts on the Company's financial performance were significantly mitigated.

Furthermore the continuation of government support schemes, notably the job retention scheme and access to business rates reliefs, proved invaluable and helped the company protect against such business restrictions.

The emergence of the Omicron variant in quarter 4 combined with the ongoing rollout of the vaccination programme resulted in many clients deferring activities into 2022 as opposed to outright cancellation. As a result the first quarter of 2022 has seen a significant uptick in activity levels, with March 2022 being witness to activity levels not seen since 2019 prior to the onset of the pandemic.

With the cost base having been addressed in the previous 18 months, so the increase in sales and business activity levels in early 2022 are beginning to result in small operating surpluses being generated. Whether this trend continues in the longer term with the backdrop of economic uncertainty due to increasing inflation and interest rates remains to be seen, but the Company believes it is well hedged against such immediate and direct risks with the bigger risk being any general economic downturn suppressing business activity more generally in the UK.

Nevertheless, the Company continues to consider ways to operate more efficiently and effectively and accordingly took a decision in late 2021 to concentrate on, and further invest approximately £1m, into the training facilities at the newer Technology Hub facility in Aston Birmingham, enhancing the centre's reputation as a Centre of Excellence for the provision of Apprentice training.

A programme of works is commencing in 2022 which will extend into early 2023 to consolidate the activities of the older Technology Training Centre (Nexus Point) into the single site at the Technology Hub under one roof resulting in the closure of Nexus Point in summer 2023, further delivering operational overhead savings.

The Company's forecasts and projections for the next 12 months from the date of the approval of these financial statements, take account of any expected ongoing COVID-19 risks along with inflationary and macro-economic conditions and the reasonably possible changes in trading performance as well as the mitigating actions taken by, or available to us. These forecasts and projections show that the Company will be able to continue to operate given its current and projected levels of resources.

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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

Principal Risks
As a membership organisation, one of the key risks identified relates 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.

It should be highlighted however that a key potential risk for Make UK at this time is the impact of the high inflationary, macro-economic and geo-political environment which is specifically subject to high levels of uncertainty in terms of duration and scale of indirect impact. Some of the key impacts are likely to be:

- Directly impacting on the business such as:
  - Increasing pressure on the cost base from the Company's supply chain.
  - Increasing pressure for cost-of-living increases from employees.
  - The ability or otherwise to pass such cost increases onto end customers.
- Indirectly from the wider economic impact:
  - Possible customer insolvencies and other general macro-economic conditions restricting the Company's ability to grow its products and services.
  - Downturns in financial markets impacting both the pension scheme liability and Company investments.
  - Reduced dividend income from investments due to economic reasons.

The Company is looking to mitigate such risks as far as possible by continuing to monitor the direct impacts on its cost base as a result of inflation and consider to what extent price adjustments to members and customers are required including a potential mid-year increase in standard rate cards for services. Furthermore KPI's which are already monitored, such as attrition, will continue to be closely monitored to establish whether an increasing trend of resignations emerges.

Additionally, given the uncertainty, the Company continues to carefully monitor its cost base, notably ensuring headcount is controlled and any recruitment is subject to stringent business cases.

In relation to any changes in the market value of investments which impacts both the carrying value of equity investments held by the Company, and additionally the position of the defined benefit pension scheme, these items are considered by the Finance and Investment and Audit and Risk Committees as appropriate, as well as the Corporate Board.

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.
- gross and net margin by business unit, including variances against budget to ensure financial performance shortfalls are identified and discussed.
- Cashflow forecasts to ensure that the Company has sufficient access to working capital along with ongoing liquid net asset assessment.

Section 172(1) statement

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters to):

- the likely consequences of any decisions in the long term.
- the interests of the Company's employees.
- the need to foster the company's business relationships with suppliers, customers and others.
- the impact of the company's operations on the community and environment.
- the desirability of the company maintaining a reputation for high standards of business conduct; and

- the need to act fairly between members of the company.

The current Directors of the Company have all been provided with a briefing on their duties and in addition any new Directors are briefed as part of any induction process. They are entitled to seek professional advice on their duties, either from the Company Secretary, or if judged necessary from an independent adviser.

It is important to note that the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company and details of this can be found in the Directors Report on pages 9-11.

The Directors of the Company consider its key stakeholders to be:

- Employees,
- Members & Customers,
- Apprentices,
- Suppliers,
- HM Government,
- Media,
- Pension Scheme trustees & members,
- Manufacturing sector, and
- Local Communities.

The following summarises how the Directors have fulfilled their obligations with consideration to the key strategic decisions taken during the year.

Use of government support & other COVID related schemes

As a result of the varying impacts from COVID on the business which resulted in complete or partial closures of certain business functions for differing periods of time, so the Company has taken advantage of those support schemes available to it which were felt most relevant, including:

- Job Retention Scheme, and
- Business rates reliefs (where available).

In relation to the Job Retention Scheme, the scheme was adopted for varying periods of time for varying amounts dependent on the extent of the business areas impacted by the pandemic restrictions.

Such decisions were made in conjunction with ongoing consultations with the National Staff Forum, and the establishment of an 'Implementation Board' for the specific purpose of dealing with the COVID response.

Following these consultations, a number of proposals that were put forward by staff, and on consideration of the hardship experienced by staff over the prior 12 months, the Company agreed to top up staff pay for the 2021 financial year to 100% for those that were furloughed for any period of time.

The Directors have ensured that at all times, Government support schemes in particular have been utilised where relevant and applicable to do so, and fully in line with the rules and guidance surrounding use of such schemes. Given the material financial impact of COVID on the Company, the Directors believe that the use of such schemes was fully warranted and ethically in line with wider community expectations.

Premises re-openings/basis of operating

As the Company has a number of different premises utilised for vastly differing purposes, so each premise was individually risk assessed to ensure a COVID secure environment.

Whilst for office-based staff, working from home continued to be the default for much of the year, this has now morphed into a more hybrid way of working as restrictions ease, with many staff now working a minimum of 2 days from the office.

For the Apprentice Centres and Venues premises, COVID secure approaches to physical facilities as well as behavioural elements aligned to the ongoing changes to rules were implemented with continual assessment and adjustment at each point government guidance changed, or indeed with any local issues which emerged to ensure staff, students and customers were protected as far as possible.

Investment in and consolidation of Apprentice training premises

The Company decided in late 2021 to inject additional capital investment into the newer and larger of the Apprentice training premises, the Technology Hub, resulting in the announcement of the closure of the smaller and older of the two training centres, The Technology Training Centre at Nexus Point.

The Company engaged with staff at the outset of the planned decision, firstly through the National Staff Forum, and secondly through dedicated onsite meetings with staff who operate out of those facilities. Staff were consulted with respect to the planned changes, rationale, and assured that headcount was unaffected by such changes. Furthermore staff are being kept abreast of the project at various stages through routine management updates.

Apprentice training impacts are deemed to be positive such that students will be centred on one site, thus enhancing collaborative learning and ensuring stronger safeguarding and health & safety protocols are in place. Local site management actively engaged with sponsoring employers of the students on the proposed plans to deal with any concerns in relation to the changes.

By Order of the Corporate Board

R I Greenway
Secretary
19 May 2022

REPORT OF THE INDEPENDENT AUDITORS

Independent auditor's report to the members of EEF Limited

Opinion

We have audited the financial statements of EEF Limited for the year ended 31st December 2021 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the 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 Company's affairs as at 31 December 2021 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.

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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Matters on which we are required to report by exception

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

• adequate accounting records have not been kept, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Based on our understanding of the company and sector, we identified that the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management and the Audit Committee including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

- Evaluating management's controls designed to prevent and detect irregularities;

- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and

- Challenging assumptions and judgements made by management and approved by the directors in their critical accounting estimates

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.

Use of our report

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

George Crowther
Senior Statutory Auditor
For and on behalf of Haysmacintyre LLP
Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

19 May 2022

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
TURNOVER					
Subscriptions	2	14,787		15,226	
Other income	3	15,034		14,546	
			29,821		29,772
COST OF SALES			(14,845)		(15,931)
GROSS PROFIT			14,976		13,841
ADMINISTRATION COSTS					
Ongoing Administrative Expenses		(14,765)		(15,220)	
Exceptional Costs	4	(1,961)		(826)	
			(16,726)		(16,046)
OPERATING PROFIT/(LOSS)					
Before exceptional costs		211		(1,379)	
Exceptional costs	4	(1,961)		(826)	
Total operating loss			(1,750)		(2,205)
Income from investments	5		1,003		919
Gain on disposal of fixed assets	6		-		322
Impairments	12		(1,339)		(2,969)
Other Interest receivable and similar income	7i		418		213
Gain/(Loss) on listed investments at fair value through profit and loss account			3,778		(7,332)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE AND TAX			2,110		(11,052)
Interest payable and similar charges	7ii		(178)		(192)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	8		1,932		(11,244)
TAX ON ORDINARY ACTIVITIES	11		1,295		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			3,227		(11,244)

The accounting policies and notes on pages 27-43 form part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			3,227		(11,244)
Other comprehensive income/(expense):					
Remeasurement of Post-Employment Benefits: Opening Balance Adjustment due to change of basis	17	6,120		-	
Remeasurement of Post-Employment Benefits: Actuarial gain for the year	17	15,116		-	
Total tax on components of other comprehensive income/(expense)	11	(1,295)		-	
Other comprehensive income for the year, net of tax			19,941		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			23,168		(11,244)

The accounting policies and notes on pages 27-43 form part of these Financial Statements.

BALANCE SHEET AS AT 31st DECEMBER 2021

Company number 05950172

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
FIXED ASSETS					
Tangible Assets	12	17,313		19,098	
Investments	13	44,865		41,087	
			62,178		60,185
CURRENT ASSETS					
Stock		10		6	
Debtors	14	8,762		8,047	
Cash at bank and in hand		2,866		4,460	
		11,638		12,513	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(11,568)		(15,402)	
NET CURRENT ASSETS/(LIABILITIES)			70		(2,889)
TOTAL ASSETS LESS CURRENT LIABILITIES			62,248		57,296
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(1,296)		(16,294)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(1,961)		-
POST-EMPLOYMENT BENEFITS	17		5,179		-
NET ASSETS			64,170		41,002
CAPITAL AND RESERVES					
Retained Earnings			64,170		41,002
TOTAL EQUITY			64,170		41,002

The accounting policies and notes on pages 27-43 form part of these Financial Statements.

Approved by the Corporate Board of EEF Limited on 19 May 2022 and signed on its behalf by:

Stephen Phipson CBE
Chief Executive

Richard Greenway
Finance Director

STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2021

	Retained Earnings £'000	Total Equity £'000
BALANCE AT 1 JANUARY 2020	52,246	52,246
(Loss) for the year	(11,244)	(11,244)
Other comprehensive income for the year	-	-
BALANCE AT 31 DECEMBER 2020 AND 1 JANUARY 2021	41,002	41,002
Profit for the year	3,227	4,087
Other comprehensive income for the year	19,941	19,941
BALANCE AT 31 DECEMBER 2021	64,170	65,030

The accounting policies and notes on pages 27-43 form part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2021

Reconciliation of net profit to net cash inflow from operating activities	**2021 £'000**	**2021 £'000**	**2020 £'000**	**2020 £'000**
Profit/(Loss) for the year		3,227		(11,244)
Tax on ordinary activities	(1,295)		-	
Investment income	(1,003)		(919)	
Gain on the sale of fixed assets	-		(322)	
Net finance costs	(240)		(21)	
Change in fair value of listed investments	(3,778)		3,203	
Loss on Sale of Investments	-		4,129	
Change in fair value of pension scheme liability	-		826	
Pension fund administration expenses	490		-	
Increase in provisions	1,961		-	
Depreciation & Impairment	2,467		4,572	
(Increase)/Decrease in trade and other debtors	(714)		4,730	
(Increase)/Decrease in stocks	(4)		2	
(Decrease) in trade and other creditors	(328)		(2,056)	
		(2,445)		14,144
NET CASH INFLOW FROM OPERATING ACTIVITIES		782		2,900
CASH FROM FINANCING ACTIVITIES				
Repayment of loan amounts	(184)		(62)	
Interest paid	(29)		(45)	
		(213)		(107)
CASH USED BY INVESTING ACTIVITIES				
Investment income proceeds	1,003		919	
Net proceeds from sale of fixed assets	-		1,220	
Interest received	418		213	
Payments to acquire tangible fixed assets	(683)		(146)	
Payments to defined benefit pension schemes	(2,901)		(1,761)	
		(2,163)		445
NET (DECREASE)/INCREASE IN CASH		(1,594)		3,238

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31st DECEMBER 2021 (continued)

Reconciliation of net cash flow to movement in net debt

	2021 £'000	2020 £'000
NET (DECREASE)/INCREASE IN CASH	(1,594)	3,238
Cash at bank and in hand less overdrafts at beginning of the year	4,460	1,222
Cash at bank and in hand less overdrafts at end of the year	2,866	4,460

	As at 1st January 2021 £'000	Cash flows £'000	As at 31st December 2021 £'000
Analysis of change in net debt			
Cash at bank	4,460	(1,594)	2,866
Debt due within one year	(185)	(62)	(247)
Debt due after more than year	(1,542)	246	(1,296)
Total net debt outstanding	2,733	(1,410)	1,323

The accounting policies and notes on pages 27-43 form part of these Financial Statements

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2021

1. ACCOUNTING POLICIES

Company Information

EEF Limited 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 unless otherwise stated within these accounting policies 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 2021, EEF had the following wholly owned subsidiaries:

- Northern Defence Industries Limited (Dormant)
- NDI (UK) Limited (Dormant)

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:

- **Post-Employment Benefits**

The company operates a multi-employer defined benefit scheme. At 31 December 2020 the company was unable to identify its share of the assets and liabilities of the scheme and so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the financial statements as creditors falling within and more than one year.

As a result of additional information becoming available, the company is now able to split the pension liability by employer which has resulted in the scheme being accounted for as a Defined Benefit scheme at 31 December 2021. In accordance with FRS 102, paragraphs 28.11B and 28.11C, no restatement of prior year figures has been made in these financial statements with the opening balance adjustment at 1 January 2021 recorded in Other Comprehensive Income (OCI).

The FRS 102 valuation involves making assumptions about discount rates, inflation, 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. The mortality rate is based on publicly available mortality tables for the UK. Future pension increases are based on expected future inflation rates for the UK.

The company has applied paragraph 28.11 of FRS 102 and it is considered that it has an unconditional right to a refund of surplus from the Fund.

1. ACCOUNTING POLICIES (continued)

- **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 calculations are 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 calculations are based on a discounted cash flow model over an appropriate time 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 relevant time period. Changes to any of these can significantly affect the recoverable amount.

As a result of the associated impact on specific areas of the business due to the COVID pandemic, the Company has performed impairment tests in two notable areas, namely our Venues and Apprentice centres.

With respect to our Venues, strong future order books (equivalent to pre-pandemic levels) has led the Directors to believe that the Venues business will return to pre-pandemic profitability levels over the course of the next twelve months and beyond. Based upon the expected net recoverable amount the Directors do not believe there is an impairment impact.

In respect of the Apprentice centres, the full carrying value of £0.5m relating the EEF Technical Training Centre in Nexus Point, Birmingham has been impaired due to the company announcing its closure during 2021. The company's apprentice centre will continue operations from the EEF Technology Hub in Noble Way, Birmingham. The company has also planned an injection of additional investment into the Technology Hub. An impairment review was undertaken on the Technology Hub and the Directors have considered the expected long run average apprentice intake over the past 5 financial years, excluding the 2020 intake in the immediate aftermath of COVID which materially supressed apprentice numbers. 2021 saw a sharp increase in intake compared to 2020 and the Directors expectation is that the long run average intake, whilst subject to fluctuation, is a suitable and reasonable assumption when considering the impairment review and because of this review, there is no impairment impact on the carrying value of the Technology Hub.

The Directors believe that in determining the discount rate for such impairment reviews, the most appropriate rate is that of the long run expected return from the Company's financial investment portfolio, often utilised for capital investments and assessment of business cases to support such investments.

The Company has an ongoing multi-year project to upgrade a number of its information systems underway. There were some challenges around systems delivery in the latest phase of this project in 2021 carrying into 2022. The Directors decided after the year end to stop any further development of the latest phase which is an adjusting post balance sheet event and has resulted in £0.9m of costs previously held in the Balance Sheet becoming impaired and recognised in the profit & loss account.

Subscriptions

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

Consultancy and 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.

1. ACCOUNTING POLICIES (continued)

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%	per annum on cost
Plant and equipment	10%-33.3%	per annum on cost
Other office equipment	15%-33.3%	per annum on cost
Computer equipment	20%-33.3%	per annum on cost

The cost of long leasehold premises is 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 includes 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.

1. ACCOUNTING POLICIES (continued)

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) for ex defined benefit members and in a money purchase Master Trust scheme for current defined contribution members.

Post-Employment Benefits (Defined Benefit Pension Scheme)

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation in accordance with FRS 102. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit obligation'.

The administration cost of the defined benefit plan is recognised in profit or loss as ongoing administrative expenses.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'interest payable and similar charges'.

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

	2021 £'000	2020 £'000
Make UK Members' subscriptions	14,045	14,526
Steel levy income	742	700
	14,787	15,226

3. OTHER INCOME

	2021 £'000	2020 £'000
Consultancy	1,339	1,356
Training	3,521	3,289
Conference hire	3,543	2,820
Government funded training	4,309	4,493
Government Grant income	579	1,177
Other income	1,743	1,411
	15,034	14,546

4. EXCEPTIONAL COSTS

Changes in fair value of pension scheme liability	-	826
Onerous lease provision costs	926	-
Dilapidation provision costs	1,035	-
	1,961	826

5. INCOME FROM INVESTMENTS

Dividend income	856	640
Management Fee Rebate	147	279
	1,003	919

6. GAIN ON THE SALE OF FIXED ASSETS

Gain on the sale of freehold property	-	322
	-	322

7. INTEREST RECEIVABLE AND PAYABLE

i) INTEREST RECEIVABLE

	2021 £'000	2020 £'000
Bank and other interest receivable	-	11
Interest received from Investments	418	202
	418	213

ii) INTEREST PAYABLE AND SIMILAR CHARGES

Bank, other loans, and overdrafts	29	45
Interest on defined pension scheme	149	147
	178	192

8. PROFIT ON ORDINARY ACTIVITIES

The profit/(loss) on ordinary activities is stated after charging/(crediting):		
Depreciation & Impairment on Tangible Fixed Assets	2,467	4,572
Hire of plant and machinery	212	208
Fee payable to auditors:		
Audit	43	39
Non-audit	19	15
Changes in fair value of pension scheme liability	-	826
Pension fund administration expenses	490	-
Changes in fair value of listed investments	(3,778)	3,203

9. EMPLOYEE COSTS

Employee costs for the year were as follows:		
Wages and salaries	14,498	15,779
Social security costs	1,549	1,638
Other pension costs	785	859
Other employee costs	142	160
	16,974	18,436

9. EMPLOYEE COSTS (continued)

In addition to the above the Company made a payment of £2,901k (2020: £1,761k) to the multi-employer defined benefit scheme (see *Note 17 page 39)*.

Key Management personnel include members of the Executive Board, and remuneration in the year was £1,133k (2020: £1,221k).

Redundancy costs of £16k (2020: £516k) 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	9	9
Operations	259	323
Administration	47	74
	315	406

10. DIRECTORS' REMUNERATION

	2021	**2020**
	£'000	**£'000**
Remuneration	817	763
Contributions to money purchase pension schemes	38	33
Total directors' remuneration	855	796

Retirement benefits were accruing for three directors throughout the year (2020: three directors)

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

Remuneration	286	286
Total remuneration - highest paid director	286	286

11. CORPORATION TAX

The taxation charge for the year comprises:
(a) Analysis of charge in the year

Tax included in profit and loss account		
Current tax:		
UK corporation tax based upon the results for the year at 19% (2020 – 19%)	-	-
Deferred tax:		
Originating and reversing temporary differences	(1,295)	-
Tax charge / (credit) for the year	(1,295)	-
Tax included in other comprehensive income		
Deferred tax:		
Originating and reversing temporary differences	(1,295)	-
Total tax income/(expense) included in other comprehensive income	(1,295)	-

(b) Reconciliation of effective tax rate:

Net profit/(loss) on ordinary activities before taxation	1,932	(11,244)
Net profit/(loss) on ordinary activities at rate of tax	367	(2,136)
Fixed asset differences	209	830
Expenditure not allowed for taxation purposes	3	9
Income not taxable for tax purposes	(756)	-
Adjustments to brought forward values	(2,318)	-
Amounts relating to other comprehensive income or otherwise transferred	6,352	-
Exempt dividend income	(163)	(121)
Chargeable gains/(losses)	754	56
Deferred tax not recognised	(2,393)	2,397
Deferred tax relating to other comprehensive income	(1,295)	-
Remeasurement for deferred tax for changes in tax rates	(2,055)	(1,035)
Movement on investments	-	-
Tax charge / (credit) for the year	(1,295)	-

12. FIXED ASSETS

	Freehold Land & Buildings £'000	Short Leasehold Property £'000	Long Leasehold Property £'000	Plant & Machinery, Equipment & Systems £'000	Total £'000
COST					
At 1st January 2021	11,923	8,372	1,300	15,588	37,183
Additions	208	-	-	474	682
Disposals	-	-	-	-	-
AT 31st DECEMBER 2021	12,131	8,372	1,300	16,062	37,865
DEPRECIATION					
At 1st January 2021	209	5,847	-	12,029	18,085
Charge for the year	28	228	-	872	1,128
Impairment	-	479	-	860	1,339
Disposals	-	-	-	-	-
AT 31st DECEMBER 2021	237	6,554	-	13,761	20,552
NET BOOK VALUE					
AT 31st DECEMBER 2021	11,894	1,818	1,300	2,301	17,313
AT 1st JANUARY 2021	11,714	2,525	1,300	3,559	19,098

During the year, the Company announced the consolidation of its apprentice training centres in Aston, Birmingham resulting in additional investment committed to upgrading the EEF Technology Hub, but also resulting in the closure of the EEF Technical Training Centre (TTC). This leasehold property could not support the carrying value of the leasehold asset. As a result of this announcement, the carrying value was fully impaired by £0.48m in the year.

In addition, the company has recognised provisions for an onerous contract and dilapidations relating to the closure of the TTC. The provision for an onerous contract is an estimate of unavoidable costs to be incurred until the lease break clause comes into effect in August 2023 and the dilapidation provision is an estimate of costs required to reinstate the property to its original state at the commencement of the lease. These are shown in note 16.

12. FIXED ASSETS (CONTINUED)

The Company has an ongoing multi-year project to upgrade a number of its information systems underway. There were some challenges around systems delivery in the latest phase of this project in 2021 carrying into 2022. The Directors decided after the year end to stop any further development of the latest phase which is an adjusting post balance sheet event and has resulted in £0.9m of costs previously held in the Balance Sheet becoming impaired and recognised in the profit & loss account.

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. A long lease expiring in 2131.
- St James's House and adjacent conference centre, Frederick Road, Edgbaston. A long lease expiring in 2053.
- EEF Technology Training Centre, Unit 3 Nexus Point, Gavin Way, Birmingham, B6 7AF. A lease expiring in 2028.
- The EEF Technology Hub, Noble Way, Birmingham, B6 7EU. A lease expiring in 2032.

During the year the Company has granted an uncapped charge in in favour of the Trustees of the EEF Staff Pension Fund over Broadway House, Tothill Street, London, included in the Balance Sheet at 31st December 2021 at £2.2m, as explained in Note 17.

The Company has granted legal charges over Woodland Grange included in the Balance Sheet at 31st December 2021 at £8.8m, as explained in Note 15 and in note 17.

During the year the Company has granted an uncapped secondary legal charge over Woodland Grange in favour of the Trustees of the EEF Staff Pension Fund. The primary but capped legal charge already in place at the balance sheet date was in favour of any outstanding bank loans as referenced in Note 15.

During the year the Company granted in favour of the Trustees of the EEF Staff Pension Fund an uncapped charge over Engineers House, Clifton Downs, Bristol, included in the Balance Sheet at 31st December 2021 at £0.2m, as shown in Note 17.

13. LISTED INVESTMENTS

	2021 £'000	2020 £'000
At 1st January	41,087	48,419
Disposal of listed investments at opening fair value	-	(14,425)
Additions	-	10,296
Fair value adjustment	3,778	(3,203)
At 31st December	44,865	41,087

The Company has granted a floating charge of £15m over listed investments, as shown in Note 17 on page 39, and a further £5m against any overdraft facility it may arrange. As of 31 December 2021, an overdraft facility of £2m was in place but unutilised.

14. DEBTORS

Amounts falling due within one year:		
Trade debtors	4,083	3,665
Other debtors	69	62
Prepayments and other accrued income	4,610	4,320
	8,762	8,047

15. CREDITORS

Amounts falling due within one year:		
Bank loans	247	185
Trade creditors	1,106	1,329
Other taxation and social security	910	1,257
Other creditors	482	147
Accruals and deferred income	8,823	8,916
Post-Employment Benefits	-	3,568
	11,568	15,402
Amounts falling due after one year:		
Bank loans	1,296	1,542
Post-Employment Benefits	-	14,752
	1,296	16,294

15. CREDITORS (continued)

Bank loans and overdrafts

Bank 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. Interest was charged at a rate of 1.35% over LIBOR until 31 December 2021. From 1 January 2022 interest will be charged using the Sterling Overnight Index Average (SONIA), a Cessation Sterling Adjustment Spread and an applicable margin. It is secured by a legal charge over Woodland Grange.

	2021 £'000	2020 £'000
Capital will be repaid as follows:		
Within one year	247	185
Between 1 and 5 years	1,296	987
Over 5 years	-	555
	1,543	1,727

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2021	2020
Onerous Lease	926	-
Dilapidations	1,035	-
	1,961	-

	Deferred Taxation	Onerous Lease	Dilapidations	Total
At 1st January 2021	-	-	-	-
Profit and loss account	(1,295)	926	1,035	666
Taxation on components of other comprehensive income	1,295	-	-	1,295
At 31st December 2021	-	926	1,035	1,961

The timing of any resulting tax payments is not known.

A deferred tax liability has been recognised in other comprehensive income on the Pension fund surplus recognised in 2021. An equal asset has been recognised in the profit and loss account as the company has sufficient tax losses available to be utilised.

During the year the company announced the consolidation of its apprentice training centres in Aston, Birmingham resulting in planned additional investment in the EEF Technology Hub and the closure of the EEF Technical Training Centre (TTC). The company has raised an onerous lease provision for all unavoidable costs relating to the closure of the TTC, net of anticipated income, to the effective date of the lease break clause in August 2023 and this provision is expected to be utilised over this remaining term.

As part of the company's leasing arrangements for the TTC, there is an obligation to reinstate the property to its original state at the commencement of the lease. The full estimated cost has been charged to profit and loss and the provision is expected to be utilised over the remaining term of the lease until the break clause is effective in August 2023.

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Due to the difficulties in predicting expenditure that will be required on return of a property to the landlord, the dilapidations provision is considered a source of significant estimation uncertainty. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates.

17. POST-EMPLOYMENT BENEFITS

The company operates a multi-employer defined benefit scheme. 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 for defined benefit members and a separate Master Trust for defined contribution members. The Fund was established to enable several autonomous but related employers to operate a scheme through the sharing of risk within a wider membership base. 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. It should be noted that the defined benefit scheme was closed to all future accruals during 2011.

For the year ended 31st December 2020, it was not possible for an underlying employer to identify its share of the underlying assets and liabilities. For multi-employer schemes where this is the case, paragraph 28.40A of FRS 102 requires that EEF Limited account for its share of the present value of the agreed pension contributions payable to the scheme and where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit to EEF Limited. The present value of the agreed pension fund contributions as of 31st December 2020 was a deficit of £18.3m and was recognised in creditors falling within one year and more than one year. This deficit was calculated using the 2017 triennial actuarial valuation.

The Company finalised the triennial pension deficit actuarial valuation using a spot point date of 31st March 2020 in July 2021. This valuation enabled the Company to identify its share of the underlying assets and liabilities. The spot date was a point in time when the COVID-19 pandemic was responsible for a significant shock in financial markets. As a result of the significant fall in financial markets, and a corresponding fall in bond yields, the actuarial pension deficit increased materially and significantly as disclosed in the 2020 financial statements as a non-adjusting post balance sheet date event.

To address this increase in the actuarial deficit, the Company negotiated a long-term outcome with the Trustee of the pension scheme such that the deficit repair contributions are maintained at an affordable level over a longer sustained period up to 2038. The company is paying £2.3m annually from 1st April 2021 until 31st March 2038. This amount increases by 2% every April and the company continues to meet its obligations under this plan.

Additionally, the Company has granted the pension Trustee uncapped security over additional freehold buildings as referenced in note 12, as well as additional contingent payments based upon achieving certain profit levels in future years. The Company has granted a charge to the Trustee of the Fund, over freehold properties included in the Balance Sheet at 31st December 2021 at £11.0m (see note 12), and a floating charge of £15m over the Company's investments (see note 13).

Since the finalisation of the 2020 actuarial valuation, the pension scheme fund investments have performed significantly better than expected which has in turn improved the actuarial deficit position as of 31st December 2021. As a result of the Company now being able to identify its share of the underlying assets and liabilities of the pension scheme, it has now accounted for it as a Defined Benefit Scheme under FRS 102 at 31st December 2021. In accordance with FRS 102, paragraphs 28.11B and 28.11C no restatement of prior year figures has been made in these financial statements with the opening balance adjustment at 1 January 2021 being recorded in Other Comprehensive Income.

The FRS 102 valuation is based upon a best estimate of the liabilities rather than the more prudent actuarial basis, and whilst there would have been an actuarial deficit as at 31 December 2021, there was a surplus under FRS 102, and in accordance with paragraph 28.11 of FRS 102 and applying IFRIC 14, the Company as a participating employer to the scheme has included a surplus within the financial statements of £5.1m.

17. POST-EMPLOYMENT BENEFITS (continued)

The table below summarises the movement in the net defined benefit asset/(obligation):

	£'000
Liability as previously calculated based on the net present value of defined contributions payable at 31st December 2020	(18,320)
Opening balance Adjustment on change of basis to other comprehensive income	6,120
Liability Restated using the full valuation method at 31st December 2020	(12,200)
Scheme expenses recognised in the profit and loss account	(490)
Net financing cost recognised in the profit and loss account	(149)
Employer Contributions	2,901
Actuarial Gain to Other Comprehensive Income	15,117
Net defined benefit asset at 31st December 2021	5,179

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
Opening Balance at 1 January 2021	184,420	(196,620)	(12,200)
Benefits paid	(6,796)	6,796	-
Employer contributions	2,901	-	2,901
Expenses paid	(490)	-	(490)
Interest income/(expense)	2,460	(2,609)	(149)
Remeasurement gains/(losses)		8,289	8,289
Return on plan assets excluding interest income	6,828	-	6,828
At 31 December 2021	189,323	(184,144)	5,179

Fair value of scheme assets in each category	**Quoted market price in active market**	
	2021 £'000	**2020 £'000**
Absolute Return Bonds	40,128	21,003
Liability Driven Investment	50,779	56,706
Synthetic Leveraged Equity	-	23,141
Alpha Opportunities	16,835	1,516
Infrastructure Equity	24,697	25,537
Private Market Credit	15,362	17,101
Direct Lending	13,434	12,772
Semi-liquid Credit	25,508	25,447
Cash	2,580	1,197
Total	189,323	184,420

17. POST-EMPLOYMENT BENEFITS (continued)

The net benefit asset/(obligation) moved over the period from a deficit of £12.2m to a surplus of £5.1m. The main drivers of the movement over the period are:

- An increase in corporate bond yields underlying the discount rate assumption leading to a discount rate that is 0.50% higher as at 31 December 2021 compared to 31 December 2020. This will have had the effect of reducing the value placed on the defined benefit obligation over the period.
- Positive investment returns, which exceeded the expected return based on corporate bond yields.
- These positive factors were partially offset by an increase in the RPI and CPI inflation assumptions and related pension increases due to market movements.

Key assumptions:	**2021**	**2020**	**Sensitivity**	**Potential impact on Pension Obligation**
Discount rate	1.85% p.a.	1.35% p.a.	+0.25%	-£7.1m
Inflation:			+0.25%	+£4.3m
RPI inflation	3.30% p.a.	2.90% p.a.	+0.25%	+£4.1m
CPI inflation	2.75% p.a.	2.35% p.a.	+0.25%	+£0.1m
Nominal rate of increase in salaries	0.00% p.a.	0.00% p.a.	+0.25%	No effect
Nominal rate of increase in pensions In payment	0.00% p.a.	0.00% p.a.		
Pension increases				
• Fixed 3%	3.00% p.a.	3.00% p.a.		
• CPI max 2.5%	2.15% p.a.	1.90% p.a.		
• CPI max 5%	2.75% p.a.	2.35% p.a.		
• RPI max 5%	3.20% p.a.	2.85% p.a.		
• RPI min 3%, max 5%	3.65% p.a.	3.50% p.a.		
Mortality				
• Life expectancy (male aged 63)	86.4	86.4	All Increased by 1 year	+£9.9m
• Life expectancy (male aged 43)	87.4	87.4		
• Life expectancy (female aged 63)	89.1	89.1		
• Life expectancy (female aged 43)	90.2	90.2		

18. OPERATING LEASES

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:

	2021 £'000	2020 £'000
Amounts payable:		
Within one year	665	910
In two to five years	2,441	2,511
Greater than five years	2,806	3,410
Total payable	5,912	6,831

	2021 £'000	2020 £'000
Amounts receivable (sublet rental income):		
Within one year	107	125
In two to five years	295	44
Greater than five years	79	-
Total receivable	481	169

19. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

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.

The performance of the company's 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 Finance and 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.

20. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk
The Company includes on its balance sheet its defined benefit pension scheme, which is revalued every year in accordance with FRS 102. The valuation is influenced by several factors including interest rates which affect future funding requirements 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

	2021 £'000	2020 £'000
Financial assets measured at fair value through profit or loss		
Investments	44,865	41,087
Financial assets measured at amortised cost		
Trade debtors	4,083	3,665
Other debtors	68	62
Accrued income	3,579	3,099
Financial Asset measured at fair value through other comprehensive income		
Post-Employment Benefits	5,179	-
Financial liabilities measured at fair value through profit or loss		
Post-Employment Benefits	-	(18,320)
Financial liabilities measured at amortised cost		
Bank loans	(1,543)	(1,727)
Trade creditors	(1,106)	(1,329)
Accruals	(4,146)	(2,956)
Other creditors	(1,392)	(1,404)

22. CAPITAL COMMITMENTS

At 31 December, the company had the following capital commitments:

	2021 £'000	2020 £'000
Contracts for future capital expenditure not provided in the financial statements – Fixed Assets	1,000	-

The capital commitment relates to the company's announcement of the consolidation of its apprentice training centres in Aston, Birmingham resulting in additional investment committed to the upgrade of the EEF Technology Hub.

23. 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.

24. POST BALANCE SHEET EVENTS

The Company has an ongoing multi-year project to upgrade a number of its information systems underway. There were some challenges around systems delivery in the latest phase of this project in 2021 carrying into 2022. The Directors decided after the year end to stop any further development of the latest phase which is an adjusting post balance sheet event and has resulted in £0.9m of costs previously held in the Balance Sheet becoming impaired and recognised in the profit & loss account.