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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:	<input type="text" value="The National Farmers' Union"/>
Year ended:	<input type="text" value="31 October 2017"/>
List No:	<input type="text" value="245E"/>
Head or Main Office:	<input type="text" value="Agriculture House
Stoneleigh Park
Kenilworth
Warwickshire
CV8 2TZ"/>
Website address (if available)	<input type="text" value="www.nfuonline.co.uk"/>
Has the address changed during the year to which the return relates?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>(Tick as appropriate)</i>
General Secretary:	<input type="text" value="Ken Sutherland"/>
Contact name for queries regarding the completion of this return:	<input type="text" value="Tamsin Richards"/>
Telephone Number:	<input type="text" value="02476 858500"/>
e-mail:	<input type="text" value="Tamsin.Richards@nfu.org.uk"/>

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 0330 109 3602

The address to which returns and other documents should be sent are:

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
Lower Ground Floor, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX

For Employers' Associations based in Scotland:
Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG



List of Officers as at 31 October 2017:-

Stephen James	President NFU Wales
James Small	Member of the Governance Board
Thomas Binns	Member of the Governance Board
Angela Sargent	Member of the Governance Board
Meurig Raymond	President
Michael Sly	Member of the Governance Board
Guy Smith	Vice President
Minette Batters	Deputy President
Terry Jones	Director General
Charles Sercombe	Member of the Governance Board
Ken Sutherland	NFU Secretary

RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
81,489				81,489

OFFICERS IN POST

(see note 10)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
Member of Governance Board	William Martin	-	15 March 2017
Member of Governance Board	-	Michael Sly	15 March 2017

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year			£	£
	INCOME			
29,882,595	From Members	Subscriptions, levies, etc		30,114,728
1,620,006	Investment income	Interest and dividends (gross)	1,993,342	
77,233		Bank interest (gross)	34,818	
1,680,353		Investment property rental income	2,370,106	
				4,398,266
8,365,276	Other income	Fair value movement in listed	7,726,018	
-		Fair value gain on revaluation of investment property	760,000	
282,797		Private Medical Insurance Scheme actuarial gain	1,662,950	
-		Defined benefit pension scheme actuarial gain	12,201,643	
				22,350,611
41,908,260	TOTAL INCOME			56,863,605
	EXPENDITURE			
	Administrative expenses			
17,158,214		Remuneration and expenses of staff	18,516,456	
2,397,411		Occupancy costs	2,294,814	
596,057		Printing, Stationery, Post and telephones	611,547	
1,197,632		Legal and Professional fees	1,489,458	
1,014,798		Investment property rental costs	65,119	
172,247		Investment management fees	188,916	
2,262,622		Cost of Sales	2,445,718	
153,555		Miscellaneous expenses	175,229	
41,524	Other charges	Bank charges	-	
496,670		Depreciation and (profit)/loss on disposal of tangible fixed assets	528,929	
-		Amortisation of Goodwill	90,786	
3,750,574		Members' representation	3,533,239	
1,599,116		Promotional activities	1,389,899	
1,537,425		Grants – legal assistance scheme	1,414,528	
-		Interest payable	-	
506,063		Notional finance costs on retirement benefit schemes	687,119	
11,774,766	Defined benefit pension scheme actuarial loss	-		
603,694	Fair value deficit on revaluation of investment property	-		
				7,644,500
(2,324,338)	Taxation			4,332,118

42,937,830	TOTAL EXPENDITURE	37,763,875
(1,029,570)	Surplus/Deficit for year	19,099,730
110,683,662	Amount of fund at beginning of year	109,654,092
109,654,092	Amount of fund at end of year	128,753,822

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

BALANCE SHEET AS AT 31 OCTOBER 2017

(see notes 19 and 20)

Previous Year		£		£
-	Intangible Assets			2,632,801
	Fixed Assets (as at page 10)			
16,952,258	Tangible fixed assets			17,145,364
	Investments (as per analysis on page 10)			
68,952,234	Quoted	76,929,213		
56,630,000	Investment property	57,390,000		
	Total Investments			134,319,213
	Other Assets			
3,397,142	Sundry debtors	5,186,639		
6,598,934	Cash at bank and in hand	4,416,503		
	Total of other assets			9,603,142
152,530,568			TOTAL ASSETS	163,700,520
	Funds			
22,007,577	Revaluation of listed investments			27,733,099
39,061,446	Revaluation of investment property			39,673,930
48,585,069	Accumulated fund			61,346,793
	Liabilities			
24,877,823	Retirement benefit obligations	10,466,942		
383,629	Bank overdraft	-		
458,922	Tax payable	1,447,250		
1,493,519 #	Sundry creditors	1,769,997		
3,605,640 #	Deferred Income	3,654,651		
3,391,583 #	Accrued expenses	3,673,014		
8,665,360	Provisions	13,934,844		
42,876,476			TOTAL LIABILITIES	34,946,698
152,530,568			TOTAL ASSETS	163,700,520

As described in note 2 of the Financial Statements, 2016 comparatives have been re-presented to disclose deferred income separately on the face of the Balance Sheet.

FIXED ASSETS ACCOUNT

(see note 21)

	Freehold Property	Leasehold Property	Fixtures, Fittings & Motor Vehicles	Total
	£	£	£	£
COST OR VALUATION				
At start of period	7,159,110	13,290,803	4,216,207	24,666,120
Additions during period	179,912	195,138	345,636	720,686
Less: Disposals during period	-	19,310	14,668	33,978
Less: DEPRECIATION:				
Total to end of period	1,887,425	2,372,561	3,947,478	8,207,464
BOOK AMOUNT at end of period	5,451,597	11,094,070	599,697	17,145,364
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET				

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified) Listed Investments	68,952,234
	TOTAL QUOTED (as Balance Sheet)	76,929,213
	*Market Value of Quoted Investments	
UNQUOTED	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Unquoted Investments	

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?		YES	
If YES name the relevant companies:			
COMPANY NAMES NFU Services Limited FEC Energy Limited	COMPANY REGISTRATION NUMBERS (if not registered in England & Wales, state where registered) 03687910 04056474		
INCORPORATED EMPLOYERS' ASSOCIATIONS			
Are the shares which are controlled by the association registered in the association's name		N/A	
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		
UNINCORPORATED EMPLOYERS ASSOCIATIONS			
Are the shares which are controlled by the association registered in the names of the association's trustees?			NO
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME NFU Services Limited FEC Energy Limited	NAMES OF SHAREHOLDERS National Farmers Union Trust Company Limited NFU Services Limited		

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	30,114,728		30,114,728
From Investments	4,398,266		4,398,266
Other Income (including increases by revaluation of assets)	22,350,611		22,350,611
Total Income	56,863,605		56,863,605
EXPENDITURE (including decreases by revaluation of assets)			
Total Expenditure	37,763,875		37,763,875
Funds at beginning of year (including reserves)	109,654,092		109,654,092
Funds at end of year (including reserves)	128,753,822		128,753,822
ASSETS			
Fixed Assets			19,778,165
Investment Assets			134,319,213
Other Assets			9,603,142
		Total Assets	163,700,520
LIABILITIES			
		Total Liabilities	34,946,698
NET ASSETS (Total Assets less Total Liabilities)			128,753,822

NOTES TO THE ACCOUNTS

(see note 36)

All notes to the accounts must be entered on or attached to this part of the return.

See the attached Financial Statements for the year ended 31 October 2017.

Note 2 describes why 2016 comparatives have been re-presented to disclose deferred income separately on the face of the Balance Sheet. The net impact of this re-presentation on net assets is £nil.

Note 4 details the acquisition of FEC Energy Limited during the financial year by the NFU's subsidiary, NFU Services Limited.

ACCOUNTING POLICIES

(see notes 37 and 38)



See the attached Financial Statements for the year ended 31 October 2017.

Accounting policies are provided in Note 2 to the financial statements.

SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u> Name: Ken Sutherland Date: <u>27/03/2018</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: Minette Batters Date: <u>21/03/2018</u>
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CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	<input checked="" type="checkbox"/>	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	<input checked="" type="checkbox"/>	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 43 and 44)

YES

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 43)

YES

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in note 43)


YES

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 45)

AUDITOR'S REPORT (continued)

See the attached Financial Statements for the year ended 31 October 2017.

The audit report to the members of the National Farmers' Union is provided on pages 5-6.

Signature(s) of auditor or auditors:		
Name(s):	Nicholas Farrant PKF Francis Clark	
Profession(s) or Calling(s):	Statutory Auditor	
Address(es):	Ground Floor Blackbrook Gate 1 Blackbrook Business Park Taunton Somerset TA1 2PX	
Date:	29 th MARCH 2018	
Contact name and telephone number:	Nicholas Farrant 01823 275925	

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.

THE NATIONAL FARMERS' UNION

FINANCIAL STATEMENTS

31 OCTOBER 2017

THE NATIONAL FARMERS' UNION

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THE NATIONAL FARMERS' UNION

OFFICERS AND PROFESSIONAL ADVISERS

OFFICERS

M D Raymond MBE	President
M B Batters	Deputy President
G H Smith	Vice President
S J L James	President of NFU Cymru

NFU GOVERNANCE BOARD

M D Raymond MBE	President
M B Batters	Deputy President
G H Smith	Vice President
S J L James	President of NFU Cymru
T J Jones	Director General
T W Binns	Chairman, North West Region
M H S Sly	Chairman, Sugar
C R Sercombe	Chairman, Livestock
J E Small	Chairman, South West Region
A Sargent	Chairman, East Midlands Region

NFU POLICY BOARD

M D Raymond MBE	President
M B Batters	Deputy President
G H Smith	Vice President
S J L James	President of NFU Cymru
T J Jones	Director General
M H S Sly	Chairman, Sugar
C R Sercombe	Chairman, Livestock
M P E Hambly	Chairman, Combinable Crops
M A Oakes	Chairman, Dairy
D N Priestner	Chairman, Poultry
R W Lister	National Pig Association
A M Capper	Chairman, Horticulture & Potatoes
H A J Clark	Director, Policy

SECRETARY OF THE NFU

K Sutherland

BANKERS

HSBC Bank plc
Penman Way
Grove Park, Enderby
Leicester
LE19 1SY

AUDITOR

PKF Francis Clark
Ground Floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

REGISTERED OFFICE

Agriculture House
Stoneleigh Park
Warwickshire CV8 2TZ

Tel: 024 7685 8500
Email: nfu@nfu.org.uk

THE NATIONAL FARMERS' UNION

FINANCIAL REPORT

The officers present their annual report on the affairs of the NFU, together with the accounts for the year ended 31 October 2017.

The NFU's financial performance has been good again this year despite continuing uncertainty in the wake of the decision for the UK to leave the EU. Membership income has remained steady and our balance sheet has performed very well. Our financial position remains strong.

Principal Activities

The principal activities of the NFU are to champion British farming and provide representation and professional services to its farmer and grower members.

Business Review

Consolidated results have been produced for the year. These results include the NFU General Fund, the NFU Legal Fund, NFU Services Limited and FEC Energy Limited.

NFU Services Limited purchased 100% of the issued share capital of FEC Energy Limited on 24 August 2017 and the results of the latter have been consolidated from that date into the NFU Group accounts. Details of the acquisition and goodwill arising can be found in note 4 to the financial statements.

During the year, the NFU Group showed an operating deficit of £2,285,089 (2016: £1,308,005 deficit) on consolidation due to reduced income and increased costs. Coupled with the surplus on investment activities, this resulted in the audited accounts showing a surplus on ordinary activities before fair value movements and taxation of £1,081,237 (2016: £376,479) for the year.

The total comprehensive income for the year is £19,099,730 (2016: £1,029,570 expenditure). This is primarily due to the inclusion under FRS 102 of the actuarial gain on the NFU staff pension scheme of £12.2 million, whereas the previous year includes an actuarial loss of £11.8 million.

Members' subscriptions and related income has increased by £0.2 million to £30.1 million (2016: £29.9 million). Within this, the actual subscription income has remained constant at £18.9 million. As at 31 October 2017, NFU membership excluding Countryside and Professional stood at 52,442 (2016: 52,943).

Income also included contributions from the NFU Mutual of £6,331,833 (2016: £6,368,000). The NFU's long standing relationship with the NFU Mutual remains extremely important to us and we place immense value on their support.

Total operating costs are £1.2 million higher than the previous year at £32.4 million (2016: £31.2 million).

Consolidated balance sheet reserves have increased by £19.1 million to £128.8 million (2016: £109.7 million).

Investments and Property

The value of our listed investments has increased over the year to £76.9 million (2016: £69.0 million). The fair value gain for the year of £7,726,018 (2016: £8,365,276) is reflected in the Statement of Comprehensive Income.

After several years of growth a number of asset classes look expensive by historic standards. While market returns for the year to 31 October were muted compared to 2016, they were still more than respectable with global equities up 14% in the period. UK returns lagged those on the continent as the dual effects of weak economic growth and Brexit held back investment by businesses. However a weaker pound and a stronger global economy is a boon for exporters. Bond markets did not fare so well, with a combination of political uncertainty, higher inflation, and the beginning of interest rate rises holding back prices. It is important to remember that yields on all bonds remain very close to historic lows. We will continue to monitor the situation closely with our fund managers, Baillie Gifford and Rathbones.

THE NATIONAL FARMERS' UNION

FINANCIAL REPORT (continued)

The yield from our quoted investment portfolios has performed well despite this volatility. Dividends and other investment income amounted to £1,993,342 (2016: £1,620,006). Rental income from our investment properties performed very strongly in the year at £2.4 million (2016: £1.7 million) due to the new lease of 25 Knightsbridge to Emirates National Bank of Dubai.

Our Knightsbridge investment properties have increased in value by £0.8 million to £57.4 million (2016: £56.6 million). These were valued by Hutchinson Morrison Childs as at 31 October 2017. This overall increase has masked a fall in value on 27/31 Knightsbridge due a high level of vacant possessions. The head lessee was purchased by a well-known property investor during the year and we would expect the property to become more actively managed in the near future. This fall has been more than offset by an increase on 25 Knightsbridge, due to the covenant of the present tenant, and on Old Barrack Yard, which was valued separately by Chestertons.

The NFU also holds operational properties in order to fulfil its commercial and representational needs.

Post retirement benefits

The defined benefit pension scheme, which is valued and accounted for in accordance with FRS 102, is disclosed in detail in note 13 to the accounts as £2.0 million (2016: £14.9 million). The NFU paid £1.0 million of pension deficit recovery payments (2016: £0.9 million) during October 2017. The main reasons for the change over the period are the inflation experience gains since the 30 June 2014 actuarial valuation, the change in the mortality assumption, better than expected investment returns and an Employer contribution, which have significantly reduced the deficit.

During the year the PMI provision fell to £8.4 million (2016: £10.0 million). The reasons for this are a combination of changes in market conditions and the mortality assumption, premium inflation significantly lower than the 12% pa assumed and more deaths than expected. The PMI provision is disclosed in detail in note 13.

Risk Management

The NFU's activities expose it to many types of business risk and risks to the farming economy as a whole. The NFU's financial, investment and other strategies seek to mitigate risk wherever practical and possible. A risk register has been approved by the Governance Board and is reviewed regularly by the Audit Committee.

The principle risks to the NFU are to its income, which is largely made up from subscriptions from farmer and grower members and contributions from the NFU Mutual. The main current uncertainty surrounds the nature of any Brexit deal and the shape of a future domestic agricultural policy. The NFU has actively engaged with members, politicians and other stakeholders to make the case for farming and highlight the potential impacts of the likely outcomes. We have also increased the scope of our London office and recruited a new EU Exit and International Trade Unit headed up by a dedicated director.

The NFU's property and investment portfolio is well diversified between real estate and listed investments. The risk to property income has been mitigated by having a blue chip tenant on a long term lease. Our investment portfolio is split between two fund managers with very different styles. In 2017 the NFU adopted a '2000 Days' Strategy to grow our representative power, share of voice, knowledge and skills, and services to members. The other key growth measure was to further diversify our sources of income. The first step to achieving this was made with the acquisition of FEC Energy Limited in August 2017.



K Sutherland
Secretary

10 January 2018

THE NATIONAL FARMERS' UNION

STATEMENT OF OFFICERS' RESPONSIBILITIES

The officers of the NFU acknowledge their responsibilities for preparing the Financial Report and the financial statements in accordance with applicable law and regulations.

The National Farmers' Union is an unincorporated employers' association registered under the Trade Union and Labour Relations (Consolidation) Act 1992. In accordance with that Act, the officers have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The officers of the NFU are required by the Act to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the NFU and of the income and expenditure of the NFU for that period. In preparing those accounts, the officers are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the NFU will continue in existence.

The officers are responsible for keeping adequate accounting records that are sufficient to show and explain the NFU's transactions and disclose with reasonable accuracy at any time the financial position of the NFU and enable them to ensure that the accounts comply with the provisions of the Trade Union and Labour Relations (Consolidation) Act 1992. They are also responsible for safeguarding the assets of the NFU and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NATIONAL FARMERS' UNION

Opinion

We have audited the financial statements of the National Farmers' Union (NFU) for the year ended 31 October 2017, which comprise the Consolidated Statement of Comprehensive Income, the Group and NFU Balance Sheet, the Group and NFU Statement of Changes in Reserves, the Group and NFU Cash Flow Statement, 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 FRS 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's and NFU's affairs as at 31 October 2017 and of the Group's 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 Trade Union and Labour Relations (Consolidated) Act 1992.

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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Trade Union and Labour Relations (Consolidation) Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept in accordance with the requirements of section 28 of the Act; or
- a satisfactory system of control over transactions has not been maintained in accordance with the requirements of that Section; or
- the accounts to which the report relates do not agree with the accounting records.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NATIONAL FARMERS' UNION

Responsibilities of officers

As explained more fully in the Statement of Officers' Responsibilities set out on page 4, the officers 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 officers 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 officers either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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



.....
Nicholas Farrant BA MSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Ground Floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

29th JANUARY 2018

THE NATIONAL FARMERS' UNION

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2017**

	Note	2017	2016
		£	£
MEMBERS' SUBSCRIPTION AND RELATED INCOME	5	30,114,728	29,882,595
OPERATING COSTS			
Cost of sales		2,445,718	2,262,622
Members' representation	6	3,533,239	3,750,374
Promotional activities	7	1,389,899	1,599,116
Staff costs	8	18,516,456	17,158,214
Legal assistance scheme	9	1,414,528	1,537,425
Administrative costs	10	2,276,234	1,988,768
Establishment costs	11	2,823,743	2,894,081
		<u>(32,399,817)</u>	<u>(31,190,600)</u>
OPERATING DEFICIT		(2,285,089)	(1,308,005)
INVESTMENT ACTIVITIES			
Investment property rental income		2,370,106	1,680,353
Investment property rental costs		(65,119)	(1,014,798)
Interest on term deposits		34,818	77,233
Dividends and other investment income		1,993,342	1,620,006
Investment management costs		(188,916)	(172,247)
Amortisation of goodwill		(90,786)	-
		<u>4,053,445</u>	<u>2,190,547</u>
SURPLUS ON INVESTMENT ACTIVITIES		4,053,445	2,190,547
INTEREST			
Notional finance costs of defined benefit pension and private medical insurance schemes	13	(687,119)	(506,063)
		<u>(687,119)</u>	<u>(506,063)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE FAIR VALUE MOVEMENTS AND TAXATION (carried forward)		1,081,237	376,479

THE NATIONAL FARMERS' UNION

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
YEAR ENDED 31 OCTOBER 2017**

	Note	2017 £	£	2016 £	£
SURPLUS ON ORDINARY ACTIVITIES BEFORE FAIR VALUE MOVEMENTS AND TAXATION (brought forward)			1,081,237		376,479
FAIR VALUE MOVEMENTS					
Fair value gains/(deficit) on revaluation of investment property	18	760,000		(603,694)	
Fair value gains on revaluation of listed investments	18	7,726,018		8,365,276	
			<u>8,486,018</u>		<u>7,761,582</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER FAIR VALUE MOVEMENTS AND BEFORE TAXATION			9,567,255		8,138,061
Taxation	15		(1,935,227)		379,187
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION			7,632,028		8,517,248
OTHER COMPREHENSIVE INCOME					
Private Medical Insurance Scheme:					
Actuarial gain	13	1,662,950		282,797	
Current tax on actuarial gain		(322,612)		(56,559)	
Defined benefit pension scheme:					
Actuarial gain/(loss)	13	12,201,643		(11,774,766)	
Deferred tax on actuarial gain/(loss)		(2,074,279)		2,001,710	
			<u>11,467,702</u>		<u>(9,546,818)</u>
TOTAL COMPREHENSIVE INCOME/ (EXPENDITURE) FOR THE YEAR			19,099,730		(1,029,570)


The surplus for the year arises from the NFU's continuing operations.


THE NATIONAL FARMERS' UNION

**CONSOLIDATED BALANCE SHEET
31 OCTOBER 2017**

	Note	2017 £	2016 (*) £
FIXED ASSETS			
Intangible assets	16	2,632,801	-
Tangible fixed assets	17	17,145,364	16,952,258
Investments			
Property	18	57,390,000	56,630,000
Other	18	76,929,213	68,952,234
		<u>154,097,378</u>	<u>142,534,492</u>
CURRENT ASSETS			
Debtors	19	5,186,639	3,397,142
Cash at bank and in hand		4,416,503	6,598,934
		<u>9,603,142</u>	<u>9,996,076</u>
CREDITORS: amounts falling due within one year	20	<u>(6,890,261)</u>	<u>(5,727,653)</u>
NET CURRENT ASSETS		<u>2,712,881</u>	<u>4,268,423</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		156,810,259	146,802,915
DEFERRED INCOME	22	(3,654,651)	(3,605,640)
PROVISIONS FOR LIABILITIES	23	(13,934,844)	(8,665,360)
NET ASSETS EXCLUDING RETIREMENT BENEFIT OBLIGATIONS		139,220,764	134,531,915
RETIREMENT BENEFIT OBLIGATIONS	13	(10,466,942)	(24,877,823)
NET ASSETS INCLUDING RETIREMENT BENEFIT OBLIGATIONS		<u>128,753,822</u>	<u>109,654,092</u>
RESERVES		<u>128,753,822</u>	<u>109,654,092</u>

The accounts on pages 7 to 43 were approved and authorised for issue by the Board of Officers on 10 January 2018 and are signed on its behalf by:


M D Raymond MBE
President


T J Jones
Director General

(*) As described in note 2, 2016 comparatives have been re-presented to disclose deferred income separately on the face of the Balance Sheet.

THE NATIONAL FARMERS' UNION

**NFU BALANCE SHEET
31 OCTOBER 2017**

	Note	2017 £	2016 (*) £
FIXED ASSETS			
Tangible fixed assets	17	17,098,543	16,952,258
Investments			
Property	18	57,390,000	56,630,000
Other	18	77,679,213	69,702,234
		<u>152,167,756</u>	<u>143,284,492</u>
CURRENT ASSETS			
Debtors	19	4,650,148	3,523,057
Cash at bank and in hand		3,303,107	3,966,131
		<u>7,953,255</u>	<u>7,489,188</u>
CREDITORS: amounts falling due within one year	20	(6,540,462)	(5,659,365)
		<u>1,412,793</u>	<u>1,829,823</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		153,580,549	145,114,315
DEFERRED INCOME	22	(3,472,455)	(3,534,392)
PROVISIONS FOR LIABILITIES	23	(12,727,040)	(8,665,360)
NET ASSETS EXCLUDING RETIREMENT BENEFIT OBLIGATIONS		137,381,054	132,914,563
RETIREMENT BENEFIT OBLIGATIONS	13	(10,466,942)	(24,877,823)
NET ASSETS INCLUDING RETIREMENT BENEFIT OBLIGATIONS		<u>126,914,112</u>	<u>108,036,740</u>
RESERVES		<u>126,914,112</u>	<u>108,036,740</u>

The accounts on pages 7 to 43 were approved and authorised for issue by the Board of Officers on 10 January 2018 and are signed on its behalf by:

M. D. Raymond
M D Raymond MB
President

T. J. Jones
T J Jones
Director General

(*) As described in note 2, 2016 comparatives have been re-presented to disclose deferred income separately on the face of the Balance Sheet.

THE NATIONAL FARMERS' UNION

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 OCTOBER 2017**

	Revaluation reserve - listed investments £	Revaluation reserve - investment property £	Accumulated fund £	Total reserves £
AT 1 NOVEMBER 2015	15,001,044	38,465,140	57,217,478	110,683,622
Surplus for the year	7,698,503	596,306	222,439	8,517,248
Other comprehensive income:				
Defined benefit pension scheme:				
- Actuarial loss	-	-	(11,774,766)	(11,774,766)
- Deferred tax on actuarial loss	-	-	2,001,710	2,001,710
Private Medical Insurance Scheme:				
- Actuarial gain	-	-	282,797	282,797
- Current tax on actuarial gain	-	-	(56,559)	(56,559)
Transfer of realised gains on investments	(691,970)	-	691,970	-
	<u>7,006,533</u>	<u>596,306</u>	<u>(8,632,409)</u>	<u>(1,029,570)</u>
AT 31 OCTOBER 2016	<u>22,007,577</u>	<u>39,061,446</u>	<u>48,585,069</u>	<u>109,654,092</u>
Surplus for the year	6,226,398	612,484	793,146	7,632,028
Other comprehensive income:				
Defined benefit pension scheme:				
- Actuarial gain	-	-	12,201,643	12,201,643
- Deferred tax on actuarial gain	-	-	(2,074,279)	(2,074,279)
Private Medical Insurance Scheme:				
- Actuarial gain	-	-	1,662,950	1,662,950
- Current tax on actuarial gain	-	-	(322,612)	(322,612)
Transfer of realised gains on investments	(500,876)	-	500,876	-
	<u>5,725,522</u>	<u>612,484</u>	<u>12,761,724</u>	<u>19,099,730</u>
AT 31 OCTOBER 2017	<u>27,733,099</u>	<u>39,673,930</u>	<u>61,346,793</u>	<u>128,753,822</u>
NFU – General Fund	22,533,076	39,673,930	53,506,332	115,713,338
NFU – Legal Assistance Scheme	5,200,023	-	5,927,588	11,127,611
NFU Services Limited	-	-	1,897,438	1,897,438
FEC Energy Limited	-	-	15,435	15,435
AT 31 OCTOBER 2017	<u>27,733,099</u>	<u>39,673,930</u>	<u>61,346,793</u>	<u>128,753,822</u>

A description of these reserves is provided in note 25.

THE NATIONAL FARMERS' UNION

**NFU STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 OCTOBER 2017**

	Revaluation reserve - listed investments £	Revaluation reserve - investment property £	Accumulated fund £	Total reserves £
AT 1 NOVEMBER 2015	15,001,044	38,465,140	55,852,886	109,319,070
Surplus for the year	7,698,503	596,306	(30,321)	8,264,488
Other comprehensive income:				
Defined benefit pension scheme:				
- Actuarial loss	-	-	(11,774,766)	(11,774,766)
- Deferred tax on actuarial loss	-	-	2,001,710	2,001,710
Private Medical Insurance Scheme:				
- Actuarial gain	-	-	282,797	282,797
- Current tax on actuarial gain	-	-	(56,559)	(56,559)
Transfer of realised gains on investments	(691,970)	-	691,970	-
	<u>7,006,533</u>	<u>596,306</u>	<u>(8,885,169)</u>	<u>(1,282,330)</u>
AT 31 OCTOBER 2016	<u>22,007,577</u>	<u>39,061,446</u>	<u>46,967,717</u>	<u>108,036,740</u>
Surplus for the year	6,226,398	612,484	570,788	7,409,670
Other comprehensive income:				
Defined benefit pension scheme:				
- Actuarial gain	-	-	12,201,643	12,201,643
- Deferred tax on actuarial gain	-	-	(2,074,279)	(2,074,279)
Private Medical Insurance Scheme:				
- Actuarial gain	-	-	1,662,950	1,662,950
- Current tax on actuarial gain	-	-	(322,612)	(322,612)
Transfer of realised gains on investments	(500,876)	-	500,876	-
	<u>5,725,522</u>	<u>612,484</u>	<u>12,539,368</u>	<u>18,877,372</u>
AT 31 OCTOBER 2017	<u>27,733,099</u>	<u>39,673,930</u>	<u>59,507,083</u>	<u>126,914,112</u>
NFU – General Fund	22,533,076	39,673,930	53,579,495	115,786,501
NFU – Legal Assistance Scheme	5,200,023	-	5,927,588	11,127,611
AT 31 OCTOBER 2017	<u>27,733,099</u>	<u>39,673,930</u>	<u>59,507,083</u>	<u>126,914,112</u>

A description of these reserves is provided in note 25.

THE NATIONAL FARMERS' UNION

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 OCTOBER 2017**

	Note	2017 £	2016 £
OPERATING ACTIVITIES			
Cash used in operations	26	(3,373,645)	(1,366,424)
Investment income		4,144,231	2,190,547
Tax repaid		-	494,674
Tax paid		(140,918)	(234,306)
		<u>629,668</u>	<u>1,084,491</u>
NET CASH FROM OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Purchase of business (net of cash acquired)	4	(1,684,494)	-
Purchase of tangible fixed assets		(675,011)	(1,062,036)
Purchase of investment property additions		-	(4,377,194)
Purchase of investments		(4,873,473)	(4,437,439)
Proceeds on disposal of investments		4,804,508	4,138,402
		<u>(2,428,470)</u>	<u>(5,738,267)</u>
NET CASH USED IN INVESTING ACTIVITIES			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(1,798,802)</u>	<u>(4,653,776)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		<u>6,215,305</u>	<u>10,869,081</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>4,416,503</u>	<u>6,215,305</u>
Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		4,416,503	6,598,934
Overdrafts included in creditors: amounts falling due within one year		-	(383,629)
		<u>4,416,503</u>	<u>6,215,305</u>

THE NATIONAL FARMERS' UNION

**NFU CASH FLOW STATEMENT
YEAR ENDED 31 OCTOBER 2017**

	Note	2017 £	2016 £
OPERATING ACTIVITIES			
Cash used in operations	26	(3,553,233)	(1,543,471)
Investment income		4,143,448	2,184,822
Tax repaid		-	477,562
Tax paid		(140,918)	(287,218)
		<u>449,297</u>	<u>831,695</u>
NET CASH FROM OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(659,727)	(1,062,036)
Purchase of investment property additions		-	(4,377,194)
Purchase of investments		(4,873,473)	(4,437,439)
Proceeds on disposal of investments		4,804,508	4,138,402
		<u>(728,692)</u>	<u>(5,738,267)</u>
NET CASH USED IN INVESTING ACTIVITIES			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(279,395)</u>	<u>(4,906,572)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		<u>3,582,502</u>	<u>8,489,074</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>3,303,107</u>	<u>3,582,502</u>
Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		3,303,107	3,966,131
Overdrafts included in creditors: amounts falling due within one year		-	(383,629)
		<u>3,303,107</u>	<u>3,582,502</u>

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

1. BASIS OF ACCOUNTS

The financial statements include the income and expenditure, assets and liabilities of the National Farmers' Union (NFU).

The principal activities of the NFU are to champion British farming and provide representation and professional services to its farmer and grower members. The NFU is a public benefit entity.

The NFU is an unincorporated employers' association. As such, the NFU is not permitted to hold property and investments in its own name. Such assets are required to be held in the name of the trustees in trust for it. The NFU's properties and investments are therefore held in the name of the NFU Trust Co Limited acting as bare trustee for the NFU. These assets are nevertheless fully accounted for in these accounts.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Trade Union and Labour Relations (Consolidation) Act 1992.

The accounts are prepared under the historical cost convention, with the exception that fixed asset listed investments and investment property are included at fair value.

Basis of consolidation

The Group financial statements consolidate the accounts of the NFU and its subsidiaries, NFU Services Limited and FEC Energy Limited, made up to 31 October 2017. All intra-group transactions, balances and unrealised gains on transactions between group undertakings are eliminated on consolidation.

Subsidiaries are included using the acquisition method of accounting. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Details of subsidiary and related undertakings are summarised in note 18 and 27.

2. ACCOUNTING POLICIES

Revenue recognition

Subscription income

Subscription income receivable is allocated as income to the periods to which the subscriptions relate.

Contributions from the NFU Mutual Insurance Society Limited

Contributions from the NFU Mutual Insurance Society Limited are recognised as income in the period to which the contributions relate.

Other income

Sales are recognised at the fair value of the consideration received or receivable for the sale of goods and services when the risks and rewards of the transaction have been transferred to the customer.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

2. ACCOUNTING POLICIES (Continued)

Foreign currencies

The consolidated accounts are presented in sterling, which is the functional currency. Transactions in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling at the balance sheet date, or if the asset or liability is measured at fair value the rate when that fair value was determined. All differences arising on the translation of such items are dealt with in the surplus or deficit for the year, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related transaction gains or loss is also recognised there.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful economic life.

Amortisation is provided on all intangible assets so as to write off the cost, less any estimated residual value, over their useful life, as follows:

Goodwill	5 years
----------	---------

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land. The rates are calculated to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

Freehold property	66 years
Leasehold property	Lower of 66 years and the length of the lease
Fixtures and equipment	3-5 years
Vehicles	25% reducing balance

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and on the condition expected and the end of its useful life.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

2. ACCOUNTING POLICIES (Continued)

Impairments

Fixed assets are reviewed for impairment at each balance sheet date if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards in which case the NFU estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment losses are recognised within the surplus or deficit for the year in the Statement of Comprehensive Income.

Investment property

Investment property is shown at fair value and is revalued annually by chartered surveyors. The aggregate surplus or deficit on revaluation is recognised within the surplus or deficit for the year in the Statement of Comprehensive Income.

Investments

Investments listed on a recognised stock exchange are classified as financial instruments and stated at their fair value at the balance sheet date. Gains or losses are recognised within the surplus or deficit for the year in the Statement of Comprehensive Income. Although the investments are actively traded within the portfolio, the portfolio is not expected to be realised in the foreseeable future and is therefore classified as a fixed asset investment.

In the accounts of the NFU as an entity, the interest in subsidiaries is initially measured at cost and subsequently at cost less impairment losses. These investments are assessed for impairment at each reporting date and any such loss is recognised within the surplus or deficit for the year in the Statement of Comprehensive Income.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease. Rent free periods are recognised on a straight line basis over the lease term.

Rent receivable

Rental income from investment properties leased out under operating leases is recognised within the surplus or deficit in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Rent free periods or other lease incentives are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

2. ACCOUNTING POLICIES (Continued)

Retirement benefits

Defined benefit pension schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by an independent qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

Obligations arising in respect of other post-retirement defined benefit schemes, such as the private medical insurance scheme, are valued annually by an independent qualified actuary. The expected costs of these benefits are accounted for using the same methodology as used for defined benefit pension schemes.

Gains or losses recognised within the surplus or deficit in the Statement of Comprehensive Income:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

For defined contribution schemes the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Legal opinion has been taken in respect of certain voluntary pensions paid by the NFU to past employees, which advised that a constructive obligation exists for the future related pension costs. Accordingly full provision for the estimated future costs has been made within the defined benefit pension scheme liability.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

2. ACCOUNTING POLICIES (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the balance sheet date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allowed for tax in a future period except where the NFU is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value, deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited within the surplus or deficit in the Statement of Comprehensive Income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or reserves.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the NFU has a present obligation as a result of a past event and it is probable it will result in an outflow of economic benefits that can be reliably estimated.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

2. ACCOUNTING POLICIES (Continued)

Financial instruments

The NFU has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the NFU becomes a party to the contractual provisions of the instrument, and are offset only when the NFU currently has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

Trade and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Such debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the NFU after deducting all of its liabilities.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Voluntary change in accounting policy

A voluntary change in accounting policy has been made to present deferred income (being member subscriptions received in advance) separately on the face of the group and NFU balance sheets, as the officers believe that this presents a fairer representation of the financial position of the group and NFU to its members. Comparative financial information for the year ended 31 October 2016 has been restated accordingly.

The financial impact of this restatement on the Group as of 31 October 2016 was to decrease creditors falling due within one year by £3,605,640 and increase net current assets by £3,605,640. The aggregate impact on net assets was £nil.

The financial impact of this restatement on the NFU as of 31 October 2016 was to decrease creditors falling due within one year by £3,534,392 and increase net current assets by £3,534,392. The aggregate impact on net assets was £nil.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

In the application of the NFU's accounting policies management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Investment Properties

The Knightsbridge investment property was valued on a fair value basis at £57,390,000 (2016: £56,630,000) on 31 October 2017 by Hutchinson Morrison Childs, Chartered Surveyors using the income and investment method of valuation. The historical cost of this property at 31 October 2017 was £11,705,554 (2016: £11,705,554).

25 Knightsbridge, London SW1 was let to Emirates National Bank of Dubai in July 2016, for a term of 20 years without break options, at a rent of £2,050,000 per annum. The lease is subject to rent free during the eleventh year of the term. The freehold interest in the building, subject to the lease, has been valued by external valuers having regard to current rental values and investment yields for central London offices.

27/31 Knightsbridge, London SW1 is leased to Bbay (Knightsbridge) Ltd under a lease expiring in 2142, subject to a rent gearing amounting to 10% of rents received from subleases. At the present time, a large proportion of the building is vacant, and some refurbishment by Bbay (Knightsbridge) is underway. The freehold interest in the building, subject to the long lease, has been valued by external valuers, who have had regard to current open market rental values and investment yields, and who have made assumptions as to a number of factors including rental voids.

Goodwill

Goodwill arising on the acquisition of FEC Energy Limited is capitalised and amortised over its estimated useful economic life which is considered to be five years. The carrying value of goodwill at the balance sheet date is £2,632,801 (2016: £nil). The carrying value is included on the judgement that this will be recovered, based upon an assessment of impairment indicators which are reviewed by management on an annual basis.

Contingent consideration

Included in provisions for liabilities are amounts payable to the former shareholders of FEC Energy Limited following the acquisition made by the group during the year (see note 4). The carrying amount is £1,200,000 (2016: £nil). These amounts are contingent on the trading results of FEC Energy Limited in each of the 12 month periods ending 31 October 2018 and 31 October 2019.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (Continued)

Defined Benefit Pension Scheme

The scheme deficit included in the balance sheet is £2,045,026 (2016: £14,874,638). The key sensitivity is to the discount rate assumption. The rate used is based on the yield on the Merrill Lynch Nominal AA Corporate spot curve with a duration of 17 years, which broadly matches the duration of the Scheme's liabilities. Further details on the principal assumptions used to calculate scheme assets and liabilities at the balance sheet date are given in note 13.

Private Medical Insurance scheme

The principal assumptions used to calculate the liability at the balance sheet date of £8,421,916 (2016: £10,003,185) are given in note 13.

If the assumed annual healthcare premium increase is varied down by one percent to 11% (2016: 10%), the liability would be £7,336,281 (2016: £8,611,171).

4. ACQUISITION OF BUSINESS

On 24 August 2017, the NFU's subsidiary, NFU Services Limited, acquired 100% of the issued share capital of FEC Energy Limited. The principal activity of FEC Energy Limited is the provision of energy consultancy services. The acquired business contributed revenue of £325,190 and net profits before taxation of £23,917 to the Group for the period ended 31 October 2017.

Effect of acquisition

Acquiree's net assets at the acquisition date:	£
Tangible fixed assets	45,675
Trade and other debtors	574,322
Cash	939,944
Trade and other creditors	(453,981)
Deferred taxation	(5,109)
	<hr/>
Net identifiable assets and liabilities	1,100,851
	<hr/>
Total cost of business combination:	
<i>Consideration paid</i>	
Initial cash price paid	2,418,125
Contingent consideration	1,200,000
Fees paid on acquisition	206,313
	<hr/>
Total consideration	3,824,438
	<hr/>
Goodwill on acquisition	2,723,587
	<hr/>

The opinion of the directors is that the book values accurately reflect the fair values at the date of acquisition. The expected useful economic life of goodwill arising on this acquisition is 5 years.

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

5. MEMBERS' SUBSCRIPTIONS AND RELATED INCOME

	2017	2016
	£	£
Income from members:		
Subscriptions	18,909,415	18,866,371
Legal assistance scheme subscriptions	1,247,151	1,251,859
	<u>20,156,566</u>	<u>20,118,230</u>
Other income:		
Sales	2,614,025	2,210,617
Rental income	470,712	450,725
Contributions and other income from the		
NFU Mutual Insurance Society	6,331,833	6,368,000
Contributions from other organisations	363,813	544,706
Other income	177,779	190,317
	<u>9,958,162</u>	<u>9,764,365</u>
	<u>30,114,728</u>	<u>29,882,595</u>

6. MEMBERS' REPRESENTATION

	2017	2016
	£	£
Meetings and associated expenses	1,881,256	1,889,432
Elected officers' remuneration	309,666	296,994
Overseas visits	82,531	72,934
COPA and other subscriptions	633,296	573,836
Membership retention and recruitment	342,386	287,173
Animal Health and Welfare	284,104	630,005
	<u>3,533,239</u>	<u>3,750,374</u>

7. PROMOTIONAL ACTIVITIES

	2017	2016
	£	£
Advertising campaigns	229,936	630,710
National shows and events	150,291	220,182
Regional shows and events	523,991	274,975
Public affairs	292,450	289,903
Production costs – publications	156,296	170,387
Information services	36,935	12,959
	<u>1,389,899</u>	<u>1,599,116</u>

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

8. STAFF COSTS	2017 £	2016 £
Staff remuneration	13,572,154	12,571,224
Personnel costs (NIC, pension contributions, voluntary pensions and welfare)	3,046,593	2,827,215
Staff recruitment and training	405,424	273,049
Staff expenses	1,090,464	1,050,529
Group secretary expenses	401,821	436,197
	<u>18,516,456</u>	<u>17,158,214</u>
9. LEGAL ASSISTANCE SCHEME	2017 £	2016 £
Grants to members	1,414,528	1,537,425
	<u>1,414,528</u>	<u>1,537,425</u>
10. ADMINISTRATIVE COSTS	2017 £	2016 £
Audit fees (current auditor):		
NFU	24,200	-
NFU Services Limited	4,000	-
FEC Energy Limited	3,250	-
Audit fees (previous auditor):		
NFU	-	56,482
NFU Services Limited	-	4,100
Professional fees:		
Property	159,419	78,133
Pension administrative costs	287,802	198,895
Other	1,010,787	860,022
Printing and stationery	179,363	149,927
Telephone	340,089	336,720
Postage and carriage	92,095	109,410
Other	175,229	195,079
	<u>2,276,234</u>	<u>1,988,768</u>

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

11. ESTABLISHMENT COSTS

	2017	2016
	£	£
Repairs and maintenance:		
Property	142,994	232,612
Other	569,716	629,999
Depreciation	518,947	496,670
Deficit on disposal of fixed assets	9,982	-
Accommodation costs:		
Net rent	395,011	341,626
Rates	395,728	405,867
Light and heat	157,791	149,876
Other	341,891	334,825
General insurance costs	291,683	302,606
	<hr/>	<hr/>
	2,823,743	2,894,081
	<hr/>	<hr/>

12. STAFF NUMBERS

The average number of persons employed by the NFU during the year was:

	2017	2016
	No.	No.
Headquarters	278	256
Regions	100	91
Group secretaries	379	375
	<hr/>	<hr/>
	757	722
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017

13. RETIREMENT BENEFIT OBLIGATIONS

GROUP & NFU		2017	2016
		£	£
Amounts recognised in the balance sheet			
Defined benefit pension scheme	a)	2,045,026	14,874,638
Private medical insurance scheme	b)	8,421,916	10,003,185
		10,466,942	24,877,823

a) **Defined benefit scheme**

The NFU Staff Pension Scheme was an insured scheme until 30 June 1987, the insurer being the NFU Mutual Insurance Society. With effect from 1 July 1987, it became a self-administered scheme with a separately invested fund managed by the NFU Mutual Investment Services Ltd on behalf of the Trustee, NFU Staff Pension Trust Company Limited. It is a defined benefit scheme, funded by contributions from both members and employer. The contribution rates are determined by the NFU and the Trustee in accordance with the recommendations included in regular actuarial valuations by an independent professionally qualified actuary.

In addition to funded pensions, the NFU had, in the past, approved the payment of additional voluntary pensions to certain of its pensioners to alleviate the worst effects of inflation. These additional pensions are included within the direct pensions funded through the pension scheme.

The NFU Staff Pension Scheme was closed to new entrants with effect from 31 October 2000 and was closed to future accrual with effect from 30 June 2008.

The NFU has met its statutory obligation to identify a stakeholder pension provider for staff not eligible to join the occupational scheme.

The valuation has been based on the actuarial valuation at 30 June 2014 and updated by Barnett Waddingham LLP to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 October 2017. Scheme assets are stated at their fair value at 31 October 2017.

The principal assumptions used to calculate scheme assets and liabilities at the balance sheet date were:

	2017	2016
Discount rate	2.75%	2.80%
Inflation rate RPI	3.60%	3.70%
Inflation rate CPI	2.60%	2.70%
Expected long term rate of return on scheme asset	2.75%	3.70%
Salary increases	3.60%	3.70%

	2017	2016
Post retirement mortality assumption	S2NA adjusted by 85% with CMI 2016 projections with a long term rate of rate of improvement of 1.5% p.a.	S1NA adjusted by 93% for males and 88% for females with CMI 2013 projections with a long term rate of improvement of 1.5% p.a.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

13. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Under FRS 102, the 'expected return on assets' is no longer used. The finance cost has been replaced by a 'net interest' entry, calculated using the discount rate applying at the start of the accounting period (ie the returns available on high quality corporate bonds) with no allowance made for any out-performance expected from the scheme's actual assets holding.

The revaluation in deferment assumption is based on Consumer Price Index (CPI) inflation rather than RPI inflation. Unlike RPI, there is currently a limited market implied measure of CPI inflation. Historically, CPI has increased at a slower rate than RPI and it is generally accepted that differences in the make-up and calculation method used for the two indices mean that this is likely to continue in future. The assumption for CPI is set by deducting 1% pa from the RPI assumption, which is the same approach as was adopted last year.

The discount rate assumption of 2.75% pa adopted is based on the yield on the Merrill Lynch Nominal AA Corporate spot curve with a duration of 17 years, which broadly matches the duration of the Scheme's liabilities. This is the same basis that was adopted last year.

The average life expectancy for a pensioner retiring at 65 at the balance sheet date is:

	2017	2016
	Years	Years
Male	23.8	23.3
Female	25.7	26.3

The average life expectancy for an employee retiring at 65 that is aged 45 at the balance sheet date is:

	2017	2016
	Years	Years
Male	25.5	25.5
Female	27.5	28.6

Amounts recognised within surplus or deficit in the Statement of Comprehensive Income in respect of the defined benefit scheme are as follows:

	2017	2016
	£	£
Net interest on the net defined benefit pension liability	<u>412,031</u>	<u>126,572</u>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

13. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Changes in the present value of the defined benefit obligation:

	2017 £
Defined benefit obligation at 1 November 2016	115,998,753
Interest cost	3,189,527
Change in value of annuity asset	(704,511)
Changes to demographic assumptions	(2,475,014)
Experience (gain)/loss on defined benefit obligation	(4,774,899)
Changes to financial assumptions	(918,222)
Benefits paid	(4,203,145)
	<hr/>
Defined benefit obligation at 31 October 2017	106,112,489
	<hr/>

Changes in the fair value of scheme assets:

	2017 £
Scheme assets at 1 November 2016	101,124,115
Interest income	2,777,496
Employer contributions	1,040,000
Return on plan assets (excluding net interest on the net defined benefit liability)	4,033,508
Changes in value of annuity asset	(704,511)
Benefits paid	(4,203,145)
	<hr/>
Scheme assets at 31 October 2017	104,067,463
	<hr/>

The actual return on scheme assets was £6,811,004 (2016: £ (14,313,200)).

The analysis of the scheme assets at the balance sheet date were as follows:

	2017 Fair value £	2016 Fair value £
Equity	19,772,818	45,505,852
Bonds	71,182,145	53,393,533
Other	11,655,556	-
Cash	1,456,944	2,224,730
	<hr/>	<hr/>
	104,067,463	101,124,115
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

13. RETIREMENT BENEFIT OBLIGATIONS (Continued)

	2017 £	2016 £
Scheme assets	104,067,463	101,124,115
Scheme liabilities	(106,112,489)	(115,998,753)
	<hr/>	<hr/>
Amount recognised in the balance sheet	(2,045,026)	(14,874,638)
	<hr/>	<hr/>

b) Private medical insurance scheme

The NFU operates a scheme which provides medical insurance for certain senior staff and office-holders, in employment and subsequently in retirement. As at 31 October 2017, 56 (2016: 56) retired individuals currently benefit and none (2016: none) others will be eligible upon retirement. As a result of changes in personnel policy and staff contracts, this benefit will not extend into retirement for new staff appointments made since 1994 and office-holder appointments made since 1996.

The valuation has been undertaken by Barnett Waddingham LLP to take account of the requirements of FRS 102 in order to assess the liability of the scheme at 31 October 2017.

The principal assumptions used to calculate the liability at the balance sheet date were:

	2017	2016
Discount rate	2.60%	2.75%
Increase in healthcare premiums	12.00%	11.00%

Movement in the private medical insurance scheme obligation:

	2017 £	2016 £
At beginning of the period	(10,003,185)	(10,119,771)
Notional finance costs of private medical insurance scheme	(275,088)	(379,491)
Benefits paid	193,407	213,280
Actuarial gain	1,662,950	282,797
	<hr/>	<hr/>
Amount recognised in the balance sheet	(8,421,916)	(10,003,185)
	<hr/>	<hr/>

c) Notional finance costs of defined benefit pension and private medical insurance schemes

	2017 £	2016 £
Net interest on the net defined benefit pension liability	412,031	126,572
Notional finance costs of private medical insurance scheme	275,088	379,491
	<hr/>	<hr/>
	687,119	506,063
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

14. **LEASING AGREEMENTS**

As lessee:

The NFU has entered into a number of operating leases. The lease rentals charged in the year were:

	2017	2016
	£	£
Motor vehicles, office equipment, computer hardware and software	451,257	385,056
Land and buildings	430,405	423,866
	<u> </u>	<u> </u>

The total future maximum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Motor vehicles, office equipment, computer hardware and software:		
Expiring within 1 year	292,275	305,538
Expiring between 2 and 5 years	432,448	397,462
Land and buildings:		
Expiring within 1 year	64,744	416,787
Expiring between 2 and 5 years	836,350	1,356,245
Expiring after 5 years	393,420	459,784
	<u> </u>	<u> </u>
	2,019,237	2,935,816
	<u> </u>	<u> </u>

As lessor:

At the year end the NFU has contracted with tenants under non-cancellable operating leases, for the following minimum lease payments:

	2017	2016
	£	£
Amounts receivable:		
In less than one year	1,406,176	1,586,724
In one to five years	8,832,577	9,439,154
After five years	25,893,642	27,013,671
	<u> </u>	<u> </u>
	36,132,394	38,039,549
	<u> </u>	<u> </u>

The operating leases represent rental of properties to third parties. These are negotiated over terms of 1 to 20 years (2016: 1 to 20 years) and rentals are fixed for 1 to 20 years (2016: 1 to 20 years).

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017

15. TAXATION

The taxation charge/(credit) is made up as follows:

	2017	2016
	£	£
UK Corporation tax	149,553	(56,559)
Adjustments in respect of prior year	-	(107,351)
	<hr/>	<hr/>
Current tax charge/(credit)	149,553	(163,910)
Deferred tax:		
Timing differences, origination and reversal	86,985	131,645
Pension scheme liability	106,755	135,733
Fair value gains	1,591,934	938,700
Effect of decrease in tax rate on opening liability	-	(1,421,355)
	<hr/>	<hr/>
	1,785,674	(215,277)
	<hr/>	<hr/>
Total tax charge/(credit)	1,935,227	(379,187)
	<hr/>	<hr/>

Factors affecting the tax charge/(credit) for the year:

	2017	2016
	£	£
Surplus on ordinary activities before taxation (and after fair value gains)	9,567,255	8,138,061
	<hr/>	<hr/>
Tax at 19.41% (2016: 20.0%) thereon	1,857,004	1,627,612
<i>Effects of:</i>		
Chargeable disposals	103,997	79,059
Expenses not deductible for tax purposes	87,864	83,413
Capital allowances in excess of depreciation	3,294	48,324
Dividend income	(274,971)	(249,949)
Retirement benefit schemes	106,755	17,341
Other tax adjustments	51,284	(348,606)
Effects of changes in tax rates	-	(1,636,381)
	<hr/>	<hr/>
Total tax charge/(credit)	1,935,227	(379,187)
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

16. **INTANGIBLE ASSETS**

GROUP

	Goodwill £
<i>Cost</i>	
At 1 November 2016	-
Arising from a business combination (see note 4)	2,723,587
	<hr/>
At 31 October 2017	2,723,587
	<hr/>
<i>Amortisation</i>	
At 1 November 2016	-
Charge for the year	90,786
	<hr/>
At 31 October 2017	90,786
	<hr/>
<i>Net book value</i>	
At 31 October 2017	2,632,801
	<hr/>
At 31 October 2016	-
	<hr/>

17. **TANGIBLE FIXED ASSETS**

GROUP

	Freehold Property £	Leasehold Property £	Furniture Equipment and Vehicles £	Total £
<i>Cost</i>				
At 1 November 2016	7,159,110	13,290,803	4,216,207	24,666,120
Acquired in a business combination	-	10,414	35,261	45,675
Additions	179,912	184,724	310,375	675,011
Disposals	-	(19,310)	(14,668)	(33,978)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2017	7,339,022	13,466,631	4,547,175	25,352,828
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At 1 November 2016	1,797,754	2,178,397	3,737,711	7,713,862
Charge for the year	89,671	205,902	223,374	518,947
Disposals	-	(11,738)	(13,607)	(25,345)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2017	1,887,425	2,372,561	3,947,478	8,207,464
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 October 2017	5,451,597	11,094,070	599,697	17,145,364
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2016	5,361,356	11,112,406	478,496	16,952,258
	<hr/>	<hr/>	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

17. TANGIBLE FIXED ASSETS (Continued)

NFU	Freehold Property £	Leasehold Property £	Furniture Equipment and Vehicles £	Total £
<i>Cost</i>				
At 1 November 2016	7,159,110	13,290,803	4,216,207	24,666,120
Additions	179,912	184,724	295,091	659,727
At 31 October 2017	7,339,022	13,475,527	4,511,298	25,325,847
<i>Accumulated depreciation</i>				
At 1 November 2016	1,797,754	2,178,397	3,737,711	7,713,862
Charge for the year	89,671	203,977	219,794	513,442
At 31 October 2017	1,887,425	2,382,374	3,957,505	8,227,304
<i>Net book value</i>				
At 31 October 2017	5,451,597	11,093,153	553,793	17,098,543
At 31 October 2016	5,361,356	11,112,406	478,496	16,952,258

18. FIXED ASSET INVESTMENTS

GROUP AND NFU

Investment property	£
Fair value at 1 November 2016	56,630,000
Revaluation	760,000
Fair value at 31 October 2017	57,390,000

The Knightsbridge investment properties were valued on a fair value basis at £57,390,000 (2016: £56,630,000) on 31 October 2017 by independent chartered surveyors. The historical cost of these properties at 31 October 2017 was £11,705,554 (2016: £11,705,554).

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

18. **FIXED ASSET INVESTMENTS (Continued)**

GROUP

Other fixed asset investments	Listed investments £
<i>Fair value</i>	
At 1 November 2016	68,952,234
Purchases	4,873,473
Revaluation	7,726,018
Disposals	(4,622,512)
	<hr/>
<i>Carrying amount</i>	
At 31 October 2017	76,929,213
	<hr/>

NFU

Other fixed asset investments	Listed investments £	Investment in subsidiary £	Total £
<i>Fair value/cost</i>			
At 1 November 2016	68,952,234	750,000	69,702,234
Purchases	4,873,473	-	4,873,473
Revaluation	7,726,018	-	7,726,018
Disposals	(4,622,512)	-	(4,622,512)
	<hr/>	<hr/>	<hr/>
<i>Carrying amount</i>			
At 31 October 2017	76,929,213	750,000	77,679,213
	<hr/>	<hr/>	<hr/>

The listed investments at fair value have an historical cost of £44,689,816 (2016: £43,874,754).

Details of the investments in which the NFU holds 20% or more of the nominal value of any class of share capital are as follows:

NFU Services Limited. 100% interest in the ordinary share capital (and voting rights) of that company, held directly. The company provides membership services. Its principal place of business is Agricultural House, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TZ.

FBC Energy Limited. 100% interest in the ordinary share capital (and voting rights) of that company, held indirectly. The company provides energy consultancy services, and was acquired by NFU Services Limited on 24 August 2017. Its principal place of business is 10th Street, Stoneleigh, Kenilworth, Warwickshire, CV8 2LS.

Each of the subsidiary undertakings is incorporated in England and Wales. The registered office of both companies is Agricultural House, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TZ.

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

19. DEBTORS

GROUP	2017	2016
	£	£
Amounts paid in advance	2,168,262	1,559,712
Trade debtors	862,711	581,529
Amounts due from affiliated entities	59,519	4,116
VAT refund	26,703	180,257
Other debtors	1,768,576	911,578
Corporation tax	300,868	159,950
	<hr/>	<hr/>
	5,186,639	3,397,142
	<hr/>	<hr/>

NFU	2017	2016
	£	£
Amounts paid in advance	2,134,799	1,550,692
Trade debtors	567,066	575,526
Amounts due from subsidiaries	31,543	140,938
Amounts due from affiliated entities	59,519	4,116
VAT refund	-	180,257
Other debtors	1,556,353	911,578
Corporation tax	300,868	159,950
	<hr/>	<hr/>
	4,650,148	3,523,057
	<hr/>	<hr/>

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP	2017	[restated] 2016
	£	£
Bank overdraft	-	383,629
Trade creditors	1,525,890	1,241,466
Amounts due to branches	17,256	17,256
Amounts due to affiliated entities	226,851	234,797
Corporation tax	610,096	52,912
Other taxes and social security	837,154	406,010
Other creditors and accruals	3,673,014	3,391,583
	<hr/>	<hr/>
	6,890,261	5,727,653
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

NFU	[restated]	
	2017	2016
	£	£
Bank overdraft	-	383,629
Trade creditors	1,460,898	1,241,466
Amounts due to subsidiaries	110,742	-
Amounts due to branches	17,256	17,256
Amounts due to affiliated entities	226,851	234,797
Corporation tax	416,528	-
Other taxes and social security	741,251	397,220
Other creditors and accruals	3,566,936	3,384,997
	<u>6,540,462</u>	<u>5,659,365</u>

The NFU's banker, HSBC Bank plc has the right of set off between all accounts held with them.

As described in note 2, deferred income has been re-presented on the face of the Balance Sheet and removed from Creditors: amounts falling due within one year.

21. FINANCIAL INSTRUMENTS

The carrying amount of the Group's and NFU's financial instruments at 31 October were:

GROUP	[restated]	
	2017	2016
	£	£
Financial assets:		
- Debt instruments measured at amortised cost	2,690,806	1,497,223
- Listed investments measured at fair value through surplus or deficit in the Statement of Comprehensive Income	77,679,213	68,952,234
	<u>80,370,019</u>	<u>70,449,457</u>
Financial liabilities:		
- Measured at amortised cost	5,443,011	5,268,731
	<u>5,443,011</u>	<u>5,268,731</u>
NFU	[restated]	
	2017	2016
	£	£
Financial assets:		
- Debt instruments measured at amortised cost	2,214,481	1,632,158
- Listed investments measured at fair value through surplus or deficit in the Statement of Comprehensive Income	77,679,213	68,952,234
	<u>79,893,694</u>	<u>70,584,392</u>
Financial liabilities:		
- Measured at amortised cost	5,382,683	5,262,145
	<u>5,382,683</u>	<u>5,262,145</u>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

22. DEFERRED INCOME

GROUP	Subscriptions received in advance £	Contributions from NFU Mutual £	Total £
At 1 November 2016	2,540,473	1,065,167	3,605,640
Received during the year	2,601,318	1,053,333	3,654,651
Released to profit during the year	(2,540,473)	(1,065,167)	(3,605,640)
	<u>2,601,318</u>	<u>1,053,333</u>	<u>3,654,651</u>
At 31 October 2017	2,601,318	1,053,333	3,654,651
	<u>2,601,318</u>	<u>1,053,333</u>	<u>3,654,651</u>
NFU	Subscriptions received in advance £	Contributions from NFU Mutual £	Total £
At 1 November 2016	2,469,225	1,065,167	3,534,392
Received during the year	2,419,122	1,053,333	3,472,455
Released to profit during the year	(2,469,225)	(1,065,167)	(3,534,392)
	<u>2,419,122</u>	<u>1,053,333</u>	<u>3,472,455</u>
At 31 October 2017	2,419,122	1,053,333	3,472,455
	<u>2,419,122</u>	<u>1,053,333</u>	<u>3,472,455</u>

23. PROVISIONS FOR LIABILITIES

GROUP	Legal assistance scheme grants £	Contingent consideration £	Deferred tax £	Total £
At 1 November 2016	1,406,657	-	7,258,703	8,665,360
Provisions made during the year	1,233,746	1,200,000	-	2,433,746
Utilised in the year	(1,029,324)	-	-	(1,029,324)
Transfer from Statement of Comprehensive Income	-	-	3,859,953	3,859,953
Acquired in a business combination	-	-	5,109	5,109
	<u>1,611,079</u>	<u>1,200,000</u>	<u>11,123,765</u>	<u>13,934,844</u>
At 31 October 2017	1,611,079	1,200,000	11,123,765	13,934,844
	<u>1,611,079</u>	<u>1,200,000</u>	<u>11,123,765</u>	<u>13,934,844</u>
NFU	Legal assistance scheme grants £	Contingent consideration £	Deferred tax £	Total £
At 1 November 2016	1,406,657	-	7,258,703	8,665,360
Provisions made during the year	1,233,746	-	-	1,233,746
Utilised in the year	(1,029,324)	-	-	(1,029,324)
Transfer from Statement of Comprehensive Income	-	-	3,857,258	3,857,258
	<u>1,611,079</u>	<u>1,200,000</u>	<u>11,115,961</u>	<u>12,727,040</u>
At 31 October 2017	1,611,079	1,200,000	11,115,961	12,727,040
	<u>1,611,079</u>	<u>1,200,000</u>	<u>11,115,961</u>	<u>12,727,040</u>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

23. PROVISIONS FOR LIABILITIES (Continued)

Legal assistance scheme grants

These represent outstanding awards at the balance sheet date made under the national legal assistance scheme (see note 29).

Contingent consideration

This represents amounts due in respect of the acquisition of FEC Energy Limited on 24 August 2017 (see note 4). The amounts are payable in instalments on 31 October 2018 and 31 October 2019, and are dependent upon the trading results of FEC Energy Limited over that period.

24. DEFERRED TAX

GROUP

	Defined benefit pension scheme £	Fair value gains £	Accelerated capital allowances £	Other timing differences £	Total £
At 1 November 2016	(2,528,688)	8,961,000	833,917	(7,526)	7,258,703
Transfer from Statement of Comprehensive Income	2,181,034	1,591,934	89,044	(2,059)	3,859,953
Acquired in a business combination	-	-	5,109	-	5,109
	<u>(347,654)</u>	<u>10,552,934</u>	<u>928,070</u>	<u>(9,585)</u>	<u>11,123,765</u>

NFU

	Defined benefit pension scheme £	Fair value gains £	Accelerated capital allowances £	Other timing differences £	Total £
At 1 November 2016	(2,528,688)	8,961,000	833,917	(7,526)	7,258,703
Transfer from Statement of Comprehensive Income	2,181,034	1,591,934	86,349	(2,059)	3,857,258
	<u>(347,654)</u>	<u>10,552,934</u>	<u>920,266</u>	<u>(9,585)</u>	<u>11,115,961</u>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

25. RESERVES

Accumulated fund

The accumulated fund represents the cumulative surplus excluding revaluation reserves.

Revaluation reserve – listed investments

The reserves represent the unrealised fair value gain on the investments other than investment properties.

Revaluation reserve – investment property

The revaluation reserve represents the cumulative fair value gain in respect of the investment properties.

**26. RECONCILIATION OF SURPLUS ON ORDINARY ACTIVITIES
TO NET CASH GENERATED USED IN OPERATIONS**

GROUP	2017	2016
	£	£
Surplus on ordinary activities after tax	7,632,028	8,517,248
Depreciation of tangible fixed assets	518,947	496,670
Deficit on sale of tangible fixed assets	8,633	-
Amortisation of intangible assets	90,786	-
(Surplus)/deficit on disposal of investments	(181,996)	56,227
Fair value gains on fixed asset investments	(8,486,018)	(7,817,809)
Decrease/(increase) in retirement benefit obligations	81,681	(493,528)
Increase in pension liabilities	(627,969)	(632,217)
Property rental income (net)	(2,304,987)	(665,555)
Interest on term deposits	(34,818)	(77,233)
Dividends and other investment income	(1,993,342)	(1,620,006)
Investment fees	188,916	172,247
Taxation	2,020,246	(379,187)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(3,087,893)	(2,443,143)
Increase in trade and other debtors	(1,074,257)	(677,396)
Increase in trade and other creditors	739,494	1,721,674
Increase in deferred income	49,011	32,441
	<hr/>	<hr/>
Cash used in operations	(3,373,645)	(1,366,424)
	<hr/>	<hr/>

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017

26. RECONCILIATION OF SURPLUS ON ORDINARY ACTIVITIES
TO NET CASH GENERATED USED IN OPERATIONS (Continued)

NFU	2017 £	2016 £
Surplus on ordinary activities after tax	7,409,670	8,264,488
Depreciation of tangible fixed assets	513,442	496,670
(Surplus)/deficit on disposal of investments	(181,996)	56,227
Fair value gains on fixed asset investments	(8,486,018)	(7,817,809)
Decrease/(increase) in retirement benefit obligations	81,681	(493,528)
Increase in pension liabilities	(627,969)	(632,217)
Property rental income (net)	(2,304,987)	(665,555)
Interest on term deposits	(34,035)	(71,508)
Dividends and other investment income	(1,993,342)	(1,620,006)
Investment fees	188,916	172,247
Taxation	(1,876,895)	(442,374)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(3,557,743)	(2,753,365)
Increase in trade and other debtors	(986,173)	(609,708)
Increase in trade and other creditors	1,052,620	1,780,099
(Decrease)/increase in deferred income	(50,103)	39,503
	<hr/>	<hr/>
Cash used in operations	(3,553,233)	(1,543,471)
	<hr/>	<hr/>

27. RELATED UNDERTAKINGS

The related undertakings of the NFU are as follows:

	Activity	Ownership
Related undertakings not consolidated:		
(i)	Unincorporated trust funds:	
	NFU Beet Growers Account	Control & use of voluntary industry levy 100%
	This fund has not been consolidated because the NFU national organisation has no rights in, or control over the assets.	
(ii)	Unincorporated specialist branch funds	Investment & property income 100%
	These accounts have not been consolidated because the NFU national organisation has no rights in, or control over, the locally owned assets of its specialist branches.	
(iii)	Companies incorporated in England, limited by guarantee, control exercised by membership, membership by nominees and/or the appointment of directors:	
	Pig Disease Eradication Fund Ltd	Administration of statutory levy 50%
	Cornwall NFU Company Limited	Administration of funds 100%

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

27. RELATED UNDERTAKINGS (continued)

The Pig Disease Eradication Fund has not been consolidated because it is a quasi statutory body for which the NFU provides management services but in which the NFU has no financial interest except on a winding up. Also there are severe restrictions on the use of the funds.

Cornwall NFU Company Limited, in which the NFU has no financial interest, was incorporated to administer funds on behalf of NFU members in Cornwall.

- (iv) Companies incorporated in England, limited by guarantee, control exercised by membership, membership by nominees and/or the appointment of directors:

NFU Trust Co Ltd	Non-trading trust Company	100%
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28. RELATED PARTY TRANSACTIONS

Related party transactions which have taken place during the financial year are noted below. Details of the related parties and the relevant interests of the NFU are shown in note 27.

Administration fees charged to related parties in the year were:

	2017 £	2016 £
(i) NFU Beet Growers Account Administration fees and salaries charged to Beet Growers	404,136	260,734
(ii) Pig Disease Eradication Fund Ltd Administration fees charged to Pig Disease Eradication Fund Ltd	4,116	833

In November 2016 the NFU loaned an amount of £404,000 to NFU Beet-Growers. The loan was repaid in full in December 2016.

At 31 October 2017, the following balances were due to and from related parties:

	2017 £	2016 £
(i) NFU Beet Growers Account Amounts Owed to the NFU	12,528	26,279
(ii) Pig Disease Eradication Fund Ltd Amounts owed to the NFU	8,232	4,116

At the 31 October 2017, £1,494 (2016: £2,760) was being held on behalf of The Cornwall NFU Company Limited by the NFU.

In accordance with FRS 102, transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group, do not require to be disclosed.

Remuneration paid to key management personnel during the year amounted to £720,872 (2016: £667,476). Key Management Personnel are defined as the Officers of the NFU and members of the NFU Governance and NFU Policy Boards.

THE NATIONAL FARMERS' UNION

NOTES TO THE CONSOLIDATED ACCOUNTS YEAR ENDED 31 OCTOBER 2017

29. LEGAL ASSISTANCE SCHEME

The NFU operates a national legal assistance scheme which was launched on 1 November 1987 to replace various local schemes previously operated by county branches. The scheme is funded by members' additional voluntary subscriptions.

The scheme is included with the General Fund of the NFU in these accounts.

Separate detailed accounts are provided to the Legal Board of the NFU which has responsibility for the administration of the scheme. In summary, the transactions of the scheme in the year ended 31 October 2017 were as follows:

	£	2017 £	£	2016 £
Income and expenditure account:				
Income				
Members' subscriptions		1,247,151		1,251,859
Operating costs				
Grants to members	1,414,528		1,537,425	
Administration costs	350,017		354,087	
		<u>(1,764,545)</u>		<u>(1,891,512)</u>
Operating deficit		(517,394)		(639,653)
Investment activities				
- Interest on term deposits	22,304		29,174	
- Dividend and other investment income	418,758		363,824	
- Investment fees	<u>(46,201)</u>		<u>(41,926)</u>	
Surplus on investment activities		<u>394,861</u>		<u>351,072</u>
Deficit on ordinary activities before fair value movements and taxation		(122,533)		(288,581)
Fair value gains on revaluation of listed investments		<u>1,408,646</u>		<u>1,227,570</u>
Surplus on ordinary activities after fair value movements and before taxation		1,286,113		938,989
Taxation		<u>(242,926)</u>		<u>(58,000)</u>
Surplus on ordinary activities after taxation		1,043,187		880,989
Accumulated fund brought forward		<u>10,084,424</u>		<u>9,203,435</u>
Accumulated fund carried forward		<u>11,127,611</u>		<u>10,084,424</u>

THE NATIONAL FARMERS' UNION

**NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 OCTOBER 2017**

29. **LEGAL ASSISTANCE SCHEME (Continued)**

	2017 £	2016 £
Represented by:		
Fixed assets:		
Listed investments at market value (cost: £7,507,902; 2016: £7,507,902)	13,712,569	12,573,996
Current assets:		
Amount due from NFU General Fund	115,568	83,104
Cash and cash equivalents	52,917	-
Other debtors	45,548	23,002
	<u>214,033</u>	<u>106,106</u>
Current liabilities:		
Other creditors	(221,494)	(112,392)
Bank overdraft	-	(383,629)
	<u>(221,494)</u>	<u>(496,021)</u>
Provisions:		
Grants payable	(1,611,079)	(1,406,657)
Deferred taxation	(966,418)	(693,000)
Accumulated fund	<u>11,127,611</u>	<u>10,084,424</u>

