

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018

SMITH INSTITUTE
(A Company Limited by
Guarantee)



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SMITH INSTITUTE

(A Company Limited by Guarantee)

REGISTERED NUMBER:3341743

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018


	Note	2018 £	2017 £
Fixed assets			
Tangible assets	6	26,175	26,370
		<u>26,175</u>	<u>26,370</u>
Current assets			
Debtors: amounts falling due within one year	7	474,957	869,487
Cash at bank and in hand		1,294,236	1,078,881
		<u>1,769,193</u>	<u>1,948,368</u>
Creditors: amounts falling due within one year	8	(269,715)	(416,841)
Net current assets		<u>1,499,478</u>	<u>1,531,527</u>
Total assets less current liabilities		<u>1,525,653</u>	<u>1,557,897</u>
Pension liability		(286,942)	(297,975)
Net assets		<u>1,238,711</u>	<u>1,259,922</u>
Capital and reserves			
Profit and loss account		1,238,711	1,259,922
		<u>1,238,711</u>	<u>1,259,922</u>

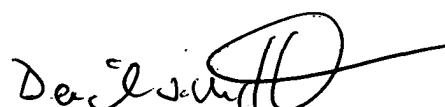
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


.....
Dr H. Tewkesbury
Director


.....
Mr D.J. Miller
Director

The notes on pages 2 to 8 form part of these financial statements.

SMITH INSTITUTE

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. General information

Smith Institute is a private company limited by guarantee, registered in England and Wales. The address of its registered office is Surrey Technology Centre, Surrey Research Park, Guildford, Surrey, GU2 7YG.

The principal activity of the company during the year comprised promoting and undertaking research and technical services in the fields of industrial mathematics and system engineering.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

3.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

SMITH INSTITUTE

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Accounting policies (continued)

3.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	- 20 - 33.3% straight line.
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

3.4 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3.5 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

3.6 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

SMITH INSTITUTE

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Accounting policies (continued)

3.8 Pensions

The Company participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Company is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the Company therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Income and Retained earnings represents the contributions payable to the scheme. Since the Company has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the Company recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

3.9 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

3.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

3.11 Taxation

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

3.12 Research and development

Research and development expenditure is written off in the year in which it is incurred.

SMITH INSTITUTE

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

4. Judgments in applying accounting policies and key sources of estimation uncertainty

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group pension plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102.

The Directors are satisfied that the scheme provided by the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

5. Employees

The average monthly number of employees, including directors, during the year was 26 (2017 - 22).

6. Tangible fixed assets

	Fixtures, Fittings and IT £
Cost or valuation	
At 1 April 2017	37,266
Additions	12,949
At 31 March 2018	50,215
Depreciation	
At 1 April 2017	10,896
Charge for the year on owned assets	13,144
At 31 March 2018	24,040
Net book value	
At 31 March 2018	26,175
At 31 March 2017	26,370

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(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. Debtors

	2018 £	2017 £
Trade debtors	267,946	540,296
Other debtors	9,028	431
Prepayments and accrued income	13,001	19,378
Amounts recoverable on long term contracts	184,982	309,382
	<u>474,957</u>	<u>869,487</u>

8. Creditors: Amounts falling due within one year

	2018 £	2017 £
Corporation tax	-	56,858
Other taxation and social security	80,701	98,416
Other creditors	-	(491)
Accruals and deferred income	189,014	262,058
	<u>269,715</u>	<u>416,841</u>

9. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

SMITH INSTITUTE

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. Pension commitments

The total cost charged to the statement of income and retained earnings is £156,427 (2017: £137,320).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the company cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount Rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% pa.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.4	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

11. Related party transaction

The Directors consider there to be no controlling party.

During the year, Gordon & Co., a business owned by Dr B.G. Smith, invoiced the company £14,256 (2017: £26,052) with respect to office facilities made available to the company. Dr B.G. Smith was a Director of the company.

During the year the company was charged £Nil, (2017: £5,660) by Dr R.C. Whelan for consultancy services. Dr R.C. Whelan is a Director of the company.

During the year the company was charged £42,633 (2017: £39,867) by Mr D. Miller for accountancy services. Mr D Miller is a Director of the company.

12. Auditors' information

The auditors' report on the financial statements for the year ended 31 March 2018 was unqualified.

The audit report was signed on by Amy Askew FCA (Senior Statutory Auditor) on behalf of Menzies LLP.