

REGISTERED COMPANY NUMBER: 06699468 (England and Wales)
REGISTERED CHARITY NUMBER: 1126443

**REPORT OF THE TRUSTEES AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011
FOR
THE SMITH FAMILY EDUCATIONAL FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

Gross Klem
Chartered Accountants and Statutory Auditors
6 Bream's Buildings
London
EC4A 1QL



THE SMITH FAMILY EDUCATIONAL FOUNDATION

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FOR THE YEAR ENDED 31 DECEMBER 2011**

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THE SMITH FAMILY EDUCATIONAL FOUNDATION

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2011**

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
06699468 (England and Wales)

Registered Charity number
1126443

Registered office
5 Park Town
Oxford
OX2 6SN

Trustees
M G Smith
E B Smith
C Edwards
B G Peerless
J J G Smith
K Wake
E Buchanan

The trustees listed above, who are also the directors for the purpose of company law, served during the year ended 31 December 2011

Company Secretary
M G Smith

Auditors
Gross Klein
Chartered Accountants and Statutory Auditors
6 Bream's Buildings
London
EC4A 1QL

Solicitors
Charles Russell
5 Fleet Place
London
EC4M 7RD

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2011

The trustees present their annual report and financial statements for the year ended 31 December 2011 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006 and the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005

THE SMITH FAMILY EDUCATIONAL FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is a company limited by guarantee, governed by its Memorandum and Articles of Association and is registered as a charity with the Charity Commission in England and Wales under the charity number 1126443. It was incorporated on 16 September 2008 under the name of The Smith Family Foundation. On that same day the name of the company was changed to The Smith Family Educational Foundation.

Membership is open to other individuals or organisations subject to the approval of the directors. The liability of the members is limited. Every member promises, if the charity is dissolved while he or she is a member or within twelve months after he or she ceases to be a member, to contribute such sum, not exceeding £10 as may be demanded of him or her towards the payment of the debts and liabilities of the charity incurred before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and the adjustment of rights of the contributories among themselves.

Appointment of new trustees

The trustees of the charity appoint new trustees in accordance with the Articles of Association.

Induction and training of new trustees

All new trustees are briefed on their obligations under charity and company law, the Charity Commission guidance, content of the Memorandum and Articles of Association, the trustees and decision-making process, the plans and recent financial performance of the charity. They are also introduced to the key personnel including the other trustees.

Organisation

The board of trustees administers the charity. The trustees agree the broad strategy and areas of activity for the charity including consideration of grant making, investment, reserves and risk management policies and performance. The day to day management is carried out by Martin Smith and Geraldine Conneely who is the administrator of the charity.

Martin and Elise Smith provide guidance and recommendations to the trustees about the nature of the projects and organisations that the charity wishes to support. The ultimate decision is taken by the trustees in accordance with the objects of the charity.

Related parties

All trustees give of their time freely and no trustee remuneration was paid in the period. Details of trustee expenses and related party transactions are disclosed in note 14 of the accounts. Trustees are required to disclose all relevant interest and withdraw from decisions where a conflict of interest arises unless authorised by the unconflicted trustees.

Risk management

The trustees have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure thereto.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The charity's aim and object is to advance the education of the public principally and fund academic research by making grants to and supporting educational bodies including those that work in the fields of business, enterprise and economics and the fields of conservation, protection and improvement of the physical and natural environment.

The trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charity should undertake.

The charity has been funded by donations from Martin Smith and entities related to him. Having obtained funds the board of trustees review and discuss projects to further the objects of the charity.

The main strategy is to establish the Smith School of Enterprise and the Environment, at the University of Oxford.

How our activities deliver public benefit

Our main activities and what we are trying to do is described above. These are undertaken to further our charitable purposes for the public benefit.

THE SMITH FAMILY EDUCATIONAL FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2011

ACHIEVEMENT AND PERFORMANCE

During the year a large donation was received from Martin Smith to fund the objects of the charity

The board of trustees continue to review the arrangement, dated 17 November 2008, with the University of Oxford. The purpose of the arrangement is to establish the Smith School of Enterprise and the Environment, in the Social Science Division of the University, as a research and teaching institution. This school will pioneer ways in which public and private enterprise can work jointly and individually to develop solutions to future environmental issues. The total grant payable in instalments to the school, subject to certain conditions, amounts to £9,000,000 and is payable over seven years with the last instalment payable on 31 December 2015. As at 31 December 2011, £5,000,000 was due with the balance payable over the remaining period to 31 December 2015.

FINANCIAL REVIEW

During the year, donations receivable from Martin Smith and entities related to him, together with any Gift Aid claim, amounted to £435,897 (2010 £858,974). The other income is the interest receivable of £9,816 (2010 £40,868).

Donations payable for the year to the University of Oxford amounted to £1,000,000 (2010 £1,944,471). The only other costs were the governance costs amounting to £2,400 (2010 £3,575).

The net expenditure for the year amounted to £556,687 (2010 net expenditure of £1,048,204).

As at 31 December 2011, the unrestricted funds of the charity amounted to £1,818,358 (2010 £2,404,968).

Reserves policy

It is the policy of the charity that unrestricted funds should be maintained at a level equivalent to between three and six months' expenditure, not allowing for special projects, amounting to an estimated figure of £9,500. The trustees consider that reserves at this level will ensure that they will be able to continue while consideration is given to ways in which additional funds may be raised. This level of resource has been maintained throughout the period.

Funding sources

The principal funding source are the donations receivable from Martin Smith and/or entities related to him.

Investment policy

The trustees, having regard to grants payable to the University of Oxford and to the reserves policy, have operated a policy of keeping sufficient funds in interest-bearing deposit accounts to meet its financial commitments for at least one year. The charity earned £9,816 (2010 £40,868) on these funds. During the period, the charity invested £500,039 of its funds with two investment management firms. As at 31 December 2011, the market value of these investments was £470,116.

PLANS FOR THE FUTURE

The charity has a long term commitment with a grant payable to the University of Oxford. The trustees will review quarterly reports from the University and attend an annual review meeting. Other projects will be considered but will depend upon donations received. Any surplus funds held will be kept in deposit accounts or invested until they are required.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

AUDITORS

The auditors, Gross Klein, will be proposed for re-appointment at the forthcoming Annual General Meeting.

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2011**

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'M G Smith', is written over the printed name.

M G Smith - Trustee

10 October 2012

THE SMITH FAMILY EDUCATIONAL FOUNDATION

STATEMENT OF TRUSTEES RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2011

The trustees (who are also the directors of The Smith Family Educational Foundation for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charity SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SMITH FAMILY EDUCATIONAL FOUNDATION

We have audited the financial statements of The Smith Family Educational Foundation for the year ended 31 December 2011 on pages eight to fifteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE SMITH FAMILY EDUCATIONAL FOUNDATION**

Matters on which we are required to report by exception

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

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

Howard Gross (Senior Statutory Auditor)
for and on behalf of Gross Klein
Chartered Accountants and Statutory Auditors
6 Bream's Buildings
London
EC4A 1QL

10 October 2012

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2011**

		31 12 11 Unrestricted funds £	31 12 10 Total funds £
INCOMING RESOURCES	Notes		
Incoming resources from generated funds			
Donations receivable	2	435,897	858,974
Investment income	3	9,816	40,868
Total incoming resources		445,713	899,842
 RESOURCES EXPENDED			
Charitable activities	4		
Donations payable		1,000,000	1,944,471
Governance costs	6	2,400	3,575
Total resources expended		1,002,400	1,948,046
 NET INCOME/(EXPENDITURE) FOR THE YEAR		(556,687)	(1,048,204)
Unrealised gains/losses on investment assets		(29,923)	-
Net movement in funds		(586,610)	(1,048,204)
 RECONCILIATION OF FUNDS			
Total funds brought forward		2,404,968	3,453,172
 TOTAL FUNDS CARRIED FORWARD		1,818,358	2,404,968

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities

INCOME AND EXPENDITURE ACCOUNT

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006

The notes form part of these financial statements

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**BALANCE SHEET
AT 31 DECEMBER 2011**

		31 12 11 Unrestricted funds £	31 12 10 Total funds £
FIXED ASSETS	Notes		
Investments	9	470 116	-
CURRENT ASSETS			
Debtors	10	188	499
Cash at bank		1 600,454	3,406 869
		<u>1 600 642</u>	<u>3,407,368</u>
CREDITORS			
Amounts falling due within one year	11	(252,400)	(1,002 400)
NET CURRENT ASSETS		<u>1,348,242</u>	<u>2 404,968</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1 818,358</u>	<u>2,404 968</u>
NET ASSETS		<u><u>1,818 358</u></u>	<u><u>2,404,968</u></u>
FUNDS	12		
Unrestricted funds		<u>1 818 358</u>	<u>2 404 968</u>
TOTAL FUNDS		<u><u>1,818,358</u></u>	<u><u>2,404,968</u></u>

The financial statements were approved by the Board of Trustees on 10 October 2012 and were signed on its behalf by



M G Smith - Trustee

The notes form part of these financial statements

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

		31 12 11 £	31 12 10 £
Net cash (outflow)/inflow from operating activities	Notes 15	(1,316,192)	65,499
Returns on investments and servicing of finance	16	9,816	40,868
Capital expenditure and financial investment	16	(500,039)	-
(Decrease)/increase in cash in the period		<u>(1,806,415)</u>	<u>106,367</u>
Reconciliation of net cash flow to movement in net debt			
	17		
(Decrease)/increase in cash in the period		<u>(1,806,415)</u>	<u>106,367</u>
Change in net debt resulting from cash flows		<u>(1,806,415)</u>	<u>106,367</u>
Movement in net debt in the period		<u>(1,806,415)</u>	<u>106,367</u>
Net debt at 1 January		<u>3,406,869</u>	<u>3,300,502</u>
Net debt at 31 December		<u><u>1,600,454</u></u>	<u><u>3,406,869</u></u>

The notes form part of these financial statements

THE SMITH FAMILY EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, as modified by the revaluation of certain assets and in accordance with applicable accounting standards the Companies Act 2006 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities

Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy

Tax recoverable from voluntary income received under Gift Aid is recognised when the related income is receivable and is allocated to the income category to which the income relates

No amounts are included in the financial statements for services donated by volunteers

Interest on funds held on deposit is included when receivable by the charity

Resources expended

Expenditure is recorded when a liability is incurred Funding provided through contractual agreements are recognised when the contractual obligation arises

Governance costs represent those costs of the strategic management of the charity and of complying with constitutional and statutory requirements These costs include audit fees, legal advice for trustees, preparation of the annual report and costs associated with constitutional and statutory requirements

Any irrecoverable VAT is charged to the relevant category of the outgoing resource in the Statement of Financial Activities

Fixed asset investments

Investments are stated at market value as at the balance sheet date The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year

Unrealised and realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (purchase date if later) Unrealised gains and losses are calculated as the difference between the market value at the year end and opening market value (or purchase date if later) Realised and unrealised gains are not separated in the Statement of Financial Activities Grants offered subject to conditions which have not been met at the year end date are noted as a commitment but not accrued as expenditure

Fund accounting

Unrestricted funds are general funds that are available for use at the trustees' discretion in furtherance of the objectives of the charity

Legal status of the company

The company is limited by guarantee and has no share capital Every member promises, if the charity is dissolved while he or she is a member or within twelve months after he or she ceases to be a member, to contribute such sum, not exceeding £10 as may be demanded of him or her towards the payment of the debts and liabilities of the charity incurred before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and the adjustment of rights of the contributories among themselves

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. DONATIONS RECEIVABLE

	31 12 11	31 12 10
	£	£
Donations and gifts	<u>435,897</u>	<u>858,974</u>

3. INVESTMENT INCOME

	31 12 11	31 12 10
	£	£
Interest receivable	<u>9,816</u>	<u>40,868</u>

4. CHARITABLE ACTIVITIES COSTS

	Grant funding of activities (See note 5)	Totals
	£	£
Donations payable	<u>1,000,000</u>	<u>1,000,000</u>

5. GRANTS PAYABLE

	31 12 11	31 12 10
	£	£
Donations payable	<u>1,000,000</u>	<u>1,944,471</u>

The grant payable of £1,000,000 as at 31 December 2011 was to the University of Oxford (31 December 2010 £1,944,471)

6. GOVERNANCE COSTS

	31 12 11	31 12 10
	£	£
Accountancy fees	1,200	1,200
Audit fees	1,200	1,200
Legal and professional	-	1,175
	<u>2,400</u>	<u>3,575</u>
	£	£
Fees payable to the auditor for the audit of the charity's financial statements	1,200	1,200
Fees payable to the auditor and its associates for other services		
Accountancy and tax services	1,200	1,200

THE SMITH FAMILY EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2011

7. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 December 2011 nor for the year ended 31 December 2010. Fees payable to persons connected with the trustees are detailed in note 14.

Trustees' Expenses

There were no trustees' expenses paid for the year ended 31 December 2011 nor for the year ended 31 December 2010.

8. EMPLOYEES

There were no employees during the year.

9. FIXED ASSET INVESTMENTS

	Listed investments £
MARKET VALUE	
Additions	500,039
Revaluations	(29,923)
At 31 December 2011	<u>470,116</u>
 NET BOOK VALUE	
At 31 December 2011	<u>470,116</u>
At 31 December 2010	<u>-</u>

There were no investment assets outside the UK.

10. DEBTORS

	31 12 11 £	31 12 10 £
Prepayments and accrued income	<u>188</u>	<u>499</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 11 £	31 12 10 £
Grants payable	250,000	1,000,000
Accruals	<u>2,400</u>	<u>2,400</u>
	<u>252,400</u>	<u>1,002,400</u>

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2011**

12. MOVEMENT IN FUNDS

	At 1/1/11 £	Net movement in funds £	At 31/12/11 £
Unrestricted funds			
General fund	2,404,968	(586,610)	1,818,358
TOTAL FUNDS	<u>2,404,968</u>	<u>(586,610)</u>	<u>1,818,358</u>

Net movement in funds, included in the above are as follows

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	445,713	(1,002,400)	(29,923)	(586,610)
TOTAL FUNDS	<u>445,713</u>	<u>(1,002,400)</u>	<u>(29,923)</u>	<u>(586,610)</u>

13. CAPITAL COMMITMENTS

The charity has an agreement with University of Oxford to make a total grant of £9,000,000. This grant is payable in instalments over a period to 31 December 2015. As at 31 December 2011, the amount not yet payable amounts to £4,000,000. The amount payable in the year ending 31 December 2012 amounts to £1,000,000 (2011: £1,000,000). The trustees have received assurances that donations will be received to meet this commitment.

14. RELATED PARTY DISCLOSURES

During the period the donations receivable from Martin G. Smith, who is a trustee, and other sources connected with him, amounted to £435,897 (2010: £858,974) including the Gift Aid claim.

B. G. Peerless, who is a trustee, is also a partner at the firm of solicitors Charles Russell LLP. He is not remunerated for his role as a trustee. No fees (2010: £1,175) were paid to Charles Russell LLP for any professional services rendered to the charity.

15. RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	31 12 11 £	31 12 10 £
Net outgoing resources	(556,687)	(1,048,204)
Interest received	(9,816)	(40,868)
Decrease in debtors	311	154,521
(Decrease)/increase in creditors	(750,000)	1,000,050
Net cash (outflow)/inflow from operating activities	<u>(1,316,192)</u>	<u>65,499</u>

THE SMITH FAMILY EDUCATIONAL FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2011**

15. RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES - continued

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 12 11 £	31 12 10 £
Returns on investments and servicing of finance		
Interest received	9,816	40,868
Net cash inflow for returns on investments and servicing of finance	<u>9,816</u>	<u>40,868</u>
 Capital expenditure and financial investment		
Purchase of fixed asset investments	(500,039)	-
Net cash outflow for capital expenditure and financial investment	<u>(500,039)</u>	<u>-</u>

17. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/11 £	Cash flow £	At 31/12/11 £
Net cash			
Cash at bank	3,406,869	(1,806,415)	1,600,454
 Total	<u>3,406,869</u>	<u>(1,806,415)</u>	<u>1,600,454</u>