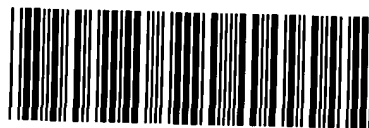


Charity Registration No. 1000971

Company Registration No. 02537035 (England and Wales)

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

TUESDAY



LD5 *L7F75J9V* 25/09/2018 #323
COMPANIES HOUSE

harwoodhutton

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
LEGAL AND ADMINISTRATIVE INFORMATION**

Trustees

Baroness R M Grender
Ms N K Horlick
J P A Readman
Baroness G P Shephard
Ms M A Sieghart
Baroness T J Jowell
Mr T Ebbutt (Appointed 19 April 2018)
Prof T Bale (Appointed 31 October 2017)
M T Phillips (Appointed 31 October 2017)
Rt Hon Dame M Hodge MP (Appointed 23 April 2018)
Rt Hon Ms N Morgan MP (Appointed 16 May 2018)
M Rodrigues (Appointed 4 June 2018)

Charity number

1000971

Company number

02537035

Registered office

11 Tufton Street
London
SW1P 3QB

Auditor

Harwood Hutton Limited
4 Devonshire Street
London
W1W 5DT

THE SOCIAL MARKET FOUNDATION (COMPANY LIMITED BY GUARANTEE) CONTENTS

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**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

The Trustees present their report and financial statements for the year ended 31 March 2018.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016)

Objectives and activities

The Social Market Foundation has a charitable objective of educating the public in the social and economic sciences. Without prejudice to the generality of that objective, the charity studies the functioning of markets in goods, services and labour, and the social context in which those markets operate, in order to originate and promote policies and ideas that can be used by politicians, policymakers and business leaders to improve the functioning of markets and thereby make Britain fairer and wealthier. The Charity seeks to use its publications and events and other activities to encourage a better-informed public debate about markets, public policy and social justice.

Strategies to achieve objectives

In 2017/18, the Charity sought to achieve its objectives by the publication of research reports on public policy and the convening of events where improvements to public policy were proposed and discussed, with politicians of all parties and other policymakers. We also use contributions to media outlets to advance our charitable objective. The themes of this work are set out here, with notable highlights from the research and events programme. Full details of all SMF events and publications are available on the Charity's website. Our research is made available to the public, free of charge, in electronic form.

Fair Markets

A significant focus for SMF research and events has been markets and their outcomes, with a view to making those outcomes fairer and thus increasing the legitimacy of markets. Research has included a report on concentration ratios in consumer markets and the effects of excessive concentration (launched by Liz Truss MP in October 2017) and the experience of "loyal" consumers in markets including energy (launched by Margot James MP also in October). In February 2018 we held a half-day conference with the Joseph Rowntree Foundation to discuss the market experience of low-income consumers, attended by several MPs including keynote speaker Tom Tugendhat MP. Speakers at other SMF "fair markets" events have included Mary Starks, chief economist at the Financial Conduct Authority.

Education and Skills

The Charity published the final report of the Commission on Inequality in Education, which was chaired by Nick Clegg. The Charity also produced work on technical education, vocational education and university retention rates, which have been debated by MPs in the House of Commons and by other policymakers.

Health

An SMF report on how outcomes-based drug pricing (July 2017) might deliver better patient outcomes at lower public cost has been closely studied in the Department of Health and elsewhere.

Academic Partnerships

The Charity continued its Impact Partnership with the Centre for Advantage in the Global Economy at Warwick University, bringing the academic expertise of economists and others to Westminster in events and publications calibrated to make them accessible to busy policy professionals. The Charity also continued to work with the Economic and Social Research Council to bring ESRC-funded scholars into the policymaking debate at Westminster.

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

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Significant activities

At the end of the year, nine full-time staff and one part-time staff member were employed to deliver the programme of work, and up to one intern. One contractor worked part-time to support the Charity on financial management. A number of SMF publications included contributions from external authors.

The Charity is consistently seen by the media and policymakers as a think-tank making an important contribution to economic and social policy and enjoys a broad range of support across political parties. This standing is reflected in the membership of the Board of Trustees and the Policy Advisory Board.

In 2017/18, staff from the Charity held meetings with a wide range of policymakers and stakeholders on these issues. SMF research was frequently covered in national media outlets and SMF staff contributed numerous oped articles and other content to newspapers and broadcasters. The Charity maintained an extensive social media presence, including through the use of live-streamed video coverage of public events.

The Charity held a wide range of events in and around Westminster which debated a diverse range of topics including immigration, technology, behavioural science and EU reform. These events were open to the public and free of charge. In addition, the organisation hosted 20 events across four national party conferences where politicians including ministers and shadow ministers attended and spoke.

Public benefit

The Trustees confirm that they referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives of the charity and in planning future activities. In particular the trustees consider that the activities carried out, summarised in the Aims, Objectives and Activities section of this report, provide benefit to the community.

Financial review

The Charity disclosed net incoming resources of £66,699 compared to net outgoing resources of £159,039 for the preceding period. As a result, total funds at the disposition of the Charity, changed from a deficit of £51,452 to a surplus of £15,247 with net current assets decreasing from £54,128 deficit to £14,071 surplus.

We had a number of funders who provided sponsorship over the course of the year. The Charity is grateful for the support of these organisations, all of whom are critical in enabling the Charity to undertake its research and host public debates.

Reserves policy and going concern

A reserve fund covers the charity for fluctuations in income throughout the year, current liabilities and unplanned expenditure due to:

- funding being dependent on short term contracts that are subject to fluctuation.
- requiring protection against, and the ability to continue operating, despite adverse circumstances.

The Foundation aims for a reserve fund of at least 12 weeks' core running costs, which amounts to at least £100,000. At the end of the period covered by this report, reserves fell short of that level but the Charity's management and trustees were confident that increased revenues and prudent management of costs will allow the Charity to build and maintain reserves at an appropriate level in the near future.

Trustees are responsible for ensuring the Charity remains a going concern. After facing some financial challenges in the year ending 31 March 2017, the Charity has this year seen a substantial increase in income and a modest reduction in expenditure, producing a net positive movement in funds of £66,699, equivalent of more than 7% of total income. That improvement reflects the Charity's higher political and media profile, something that is set to continue. Owing to the substantial challenges the Charity faced in the previous financial year, the Charity still showed a modest deficit on its unrestricted fund on the end date of 2017/18. Significant deferred income (including a research grant of more than £80,000) and a strong programme of contracted revenues for the early months of 2018/19 mean that the Charity's future financial prospects at the end of 2017/18 were extremely positive. On the basis of the financial performance of the Charity during this year and management plans for the future, we confirm that the Charity is a going concern with good prospects.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Principal Financial Management Policies

The Charity prepares budgets annually which are approved by the Board. Activities are managed in line with the approved budget with a view to ensuring that significant unplanned surpluses or deficits do not arise. Cash balances in excess of the Charity's immediate requirements are placed on the highest interest rate immediate-access account available.

Major Risks

The key risks faced by the charity are financial. Most of the funding is linked to projects and hence short-term in nature. The charity has a 26-year history of successfully raising sufficient funds to support its activities. The trustees review financial performance regularly and contingency plans are in place for reducing the cost base should this ever become necessary. A further significant risk is regulatory: if the charity were to become overly involved in partisan political activity, this might run contrary to its charitable objectives. This risk is managed through the membership of the board of trustees, which includes members of three major political parties and others who are members of none; and all projects are reviewed by senior management to ensure that there is no overall partisanship across the charity's work or the perception of it.

Transparency

Given that they operate in proximity to public figures, think-tanks can be at reputational risk of being seen to advance the political or other interests of their financial supporters. The SMF maintains a strict policy of keeping editorial independence over all its outputs. It publishes the names and contributions of all its sponsors on an annual basis, and all publications are clearly marked to identify the sponsor. It does not accept anonymous donations or payments of any kind. All sponsors sign agreements accepting that the Charity retains editorial independence and that the Charity does not in any way guarantee or promise that any public figure will participate in any project or event.

Future plans

The Charity will continue to advance the education of the public to promote a social market agenda, by producing and disseminating policy reports, and holding debates and discussions across the policy areas described earlier in this report.

- To advance the education of the public in public policy, all our reports will continue to be available free of charge for public download via the internet and events will be free to attend.
- We will continue to attempt to influence policy development in areas where we carry out research and events, in order to promote a social market approach to public policy.

Structure, governance and management

The Social Market Foundation's governing document is its Memorandum and Articles of Association dated 30th July 1990. Under the Memorandum and Articles, the liability of each member is limited to £1. The Subscribers to the Memorandum of Association are members of the Foundation as are others admitted to membership in accordance with the Articles of Association, having been approved by the directors.

Trustee recruitment and retention is reviewed annually. The body of trustees appoints new trustees and nominates the chair of trustees. When recruiting a new trustee, all members are circulated with invitations to nominate trustees prior to the relevant Board meeting. When considering co-opting trustees, the Board has regard to the requirement for any specialist skills needed.

The management structure of the Social Market Foundation is as follows:

- Up to 10 Directors/Trustees
- Chief Executive (referred to as the "Director"), company secretary, other members of the senior management
- team and up to 10 permanent staff.
- A policy advisory board of around 25 members who are consulted from time to time for ideas about topics for future research projects.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

The Board met six times during the year, twice by way of teleconference. Its work is informed and supported by the Director, the senior management team and by the operation of ad hoc committees constituted to consider specific issues. The Charity's research and events programmes are delegated to the Director, subject to the provision of regular updates to the Board. Contracts for funding these activities are negotiated by the Director and senior management team based on standardised contracts as approved by the Board.

The Trustees, who are also the directors for the purpose of company law, and who served during the year were:

M D'Ancona	(Resigned 28 May 2018)
Baroness R M Grender	
Ms N K Horlick	
Sir B W Pomeroy	(Resigned 20 April 2018)
Mr J P A Readman	
Baroness G P Shephard	
Ms M A Sieghart	
Baroness T J Jowell	
Prof T Bale	(Appointed 31 October 2017)
M T Phillips	(Appointed 31 October 2017)

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Induction and training of new trustees

New trustees will be provided with detailed information on their legal obligations under charity law and what the role will entail. Their training needs will be assessed, and training provided if required. In addition, new trustees will be provided with copies of:

- the Memorandum and Articles of Association of the Charity
- Board papers from the last year including research programme and business plan and accounts
- Statements of policy including the SMF constitution

Key management

The salary for key management is decided by the trustees taking into account the skills and experience required, the management responsibilities, the overall budget constraints and a view of what is appropriate as compared to similar roles in the sector in which we work.

Auditor

In accordance with the company's articles, a resolution proposing that Harwood Hutton Limited be reappointed as auditor of the company will be put at a General Meeting.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Disclosure of Information to auditor

Each of the Trustees 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 auditor is aware of such information.

The Trustees' report was approved by the Board of Trustees.


Ms M A Sieghart

Dated: 12 September 2018

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2018**

The Trustees, who are also the directors of The Social Market Foundation for the purpose of company law, are responsible for preparing the Trustees' Report 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 Charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the Trustees are required to:

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

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

THE SOCIAL MARKET FOUNDATION (COMPANY LIMITED BY GUARANTEE) INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOCIAL MARKET FOUNDATION

Opinion

We have audited the financial statements of The Social Market Foundation (the 'Charity') for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the Charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report has been prepared in accordance with applicable legal requirements.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF THE SOCIAL MARKET FOUNDATION**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report.

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

- adequate accounting records have not been kept, or 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the directors of the Charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the 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.


Yuen Man Anna Bulmer (Senior Statutory Auditor)
for and on behalf of Harwood Hutton Limited

12 September 2018

**Chartered Accountants
Statutory Auditor**

4 Devonshire Street
London
W1W 5DT

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
<u>Income from:</u>					
Donations and legacies	3	29,478	40,000	69,478	82,900
Charitable activities	4	689,454	-	689,454	424,515
Other trading activities	5	132,186	-	132,186	117,118
Investments	6	9	-	9	120
Total income		851,127	40,000	891,127	624,653
<u>Expenditure on:</u>					
Raising funds	7	108,370	2,656	111,026	102,817
Charitable activities	8	713,402	-	713,402	680,875
Total resources expended		821,772	2,656	824,428	783,692
Net income/(expenditure) for the year/ Net movement in funds		29,355	37,344	66,699	(159,039)
Fund balances at 1 April 2017		(51,452)	-	(51,452)	107,587
Fund balances at 31 March 2018		(22,097)	37,344	15,247	(51,452)

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

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

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET**

AS AT 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	12		1,176		2,676
Current assets					
Debtors	14	228,832		220,770	
Cash at bank and in hand		171,085		16,374	
		<u>399,917</u>		<u>237,144</u>	
Creditors: amounts falling due within one year	15	<u>(385,846)</u>		<u>(291,272)</u>	
Net current assets/(liabilities)			14,071		(54,128)
Total assets less current liabilities			<u>15,247</u>		<u>(51,452)</u>
Income funds					
Restricted funds	18		37,344		-
Unrestricted funds			(22,097)		(51,452)
			<u>15,247</u>		<u>(51,452)</u>

The financial statements were approved by the Trustees on 12 September 2018

M A Sieghart

Ms M A Sieghart
Trustee

Company Registration No. 02537035

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		154,702		(23,718)
Investing activities					
Interest received		9		120	
Net cash generated from investing activities			9		120
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			154,711		(23,598)
Cash and cash equivalents at beginning of year			16,374		39,972
Cash and cash equivalents at end of year			<u>171,085</u>		<u>16,374</u>

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1 Accounting policies

Charity information

The Social Market Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 11 Tufton Street, London, SW1P 3QB.

1.1 Accounting convention

The financial statements have been prepared in accordance with the Charity's [governing document], the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016). The Charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the Charity.

1.4 Incoming resources

Income is recognised when the Charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the Charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the Charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

1 Accounting policies

(Continued)

1.5 Resources expended

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Support costs relating to staff costs are allocated across the activities using an apportionment rate calculated using turnover of the activities. Other support costs are allocated across the activities using an apportionment rate based on direct costs of the activities.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	10 years
Computers	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

1.7 Impairment of fixed assets

At each reporting end date, the Charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic financial Instruments" to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances are measured at transaction price less any provision for impairment. Loans receivable are measured initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest method, less any provision for impairment.

**THE SOCIAL MARKET FOUNDATION
(COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Charity's contractual obligations expire or are discharged or cancelled.

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Critical accounting estimates and judgements

In the application of the Charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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3 Donations and legacies

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
Donations and gifts	29,478	40,000	69,478	82,900
For the year ended 31 March 2017	82,900	-		82,900
Donations and gifts				
Donations	-	40,000	40,000	52,000
Corporate sponsorships	28,178	-	28,178	25,000
Other voluntary income	1,300	-	1,300	5,900
	29,478	40,000	69,478	82,900

4 Income from charitable activities

	2018 £	2017 £
Conference & event sponsorship	187,178	118,300
Research project sponsorship	502,276	306,215
	689,454	424,515

5 Income from other trading activities

	2018 £	2017 £
Rental income	131,926	116,865
Publication income	260	253
Other trading activities	132,186	117,118

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6 Investments

	2018	2017
	£	£
Interest receivable	9	120

7 Raising funds

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
<u>Fundraising and publicity</u>				
Premises and office costs	101,512	-	101,512	95,887
Other fundraising costs	1,283	-	1,283	1,317
Staff costs	4,845	2,656	7,501	4,483
Support costs	730	-	730	1,130
	<u>108,370</u>	<u>2,656</u>	<u>111,026</u>	<u>102,817</u>
Fundraising and publicity	108,370	2,656	111,026	102,817
	<u>108,370</u>	<u>2,656</u>	<u>111,026</u>	<u>102,817</u>
For the year ended 31 March 2017				
Fundraising and publicity	102,817	-		102,817

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8 Charitable activities

	2018	2017
	£	£
Staff costs	477,100	481,254
Conference and Event Sponsorship	55,730	49,080
Publications	26,568	10,133
Research Projects Sponsorship	22,883	28,502
	<u>582,281</u>	<u>568,969</u>
Share of support costs (see note 9)	122,983	106,810
Share of governance costs (see note 9)	8,138	5,096
	<u>713,402</u>	<u>680,875</u>
Analysis by fund		
Unrestricted funds	<u>713,402</u>	
	<u>713,402</u>	
For the year ended 31 March 2017		
Unrestricted funds		<u>680,875</u>
		<u>680,875</u>

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9 Support costs

	Support costs	Governance costs	2018	2017	Basis of allocation
	£	£	£	£	
Premises and office costs	74,935	-	74,935	92,060	
IT and website costs	9,722	-	9,722	11,139	
Operating leases	(1,329)	-	(1,329)	3,241	
Depreciation	1,500	-	1,500	1,500	
Interest, penalties and overdue taxes	38,885	-	38,885	-	
Audit fees	-	4,500	4,500	4,550	Governance
Legal and professional	-	3,638	3,638	546	Governance
	<u>123,713</u>	<u>8,138</u>	<u>131,851</u>	<u>113,036</u>	
Analysed between					
Fundraising	730	-	730	1,130	
Charitable activities	122,983	8,138	131,121	111,906	
	<u>123,713</u>	<u>8,138</u>	<u>131,851</u>	<u>113,036</u>	

10 Trustees

None of the Trustees (or any persons connected with them) received any remuneration or benefits from the Charity during the year.

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11 Employees

Number of employees

The average monthly number employees during the year was:

2018 Number	2017 Number
10	11
<u>10</u>	<u>11</u>

Employment costs

	2018 £	2017 £
Wages and salaries	431,385	435,114
Social security costs	43,485	44,295
Other pension costs	9,731	6,328
	<u>484,601</u>	<u>485,737</u>

The key management personnel of the Charity are those persons having authority and responsibility for planning, directing and controlling the activities of the Charity, directly and indirectly, including any Trustee of the Charity. In addition to the Trustees, key management personnel includes the Chief Executive. Aggregate remuneration and benefit paid to key management personnel during the year amounted to £85,615 (2017 - £84,000).

The number of employees whose annual remuneration was £60,000 or more were:

	2018 Number	2017 Number
£60,001 - £70,000	1	-
£80,001 - £90,000	1	1
	<u>1</u>	<u>1</u>

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12 Tangible fixed assets

	Fixtures and fittings £	Computers £	Total £
Cost			
At 1 April 2017	20,160	87,432	107,592
At 31 March 2018	20,160	87,432	107,592
Depreciation and impairment			
At 1 April 2017	20,160	84,756	104,916
Depreciation charged in the year	-	1,500	1,500
At 31 March 2018	20,160	86,256	106,416
Carrying amount			
At 31 March 2018	-	1,176	1,176
At 31 March 2017	-	2,676	2,676

13 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	189,931	207,082
Carrying amount of financial liabilities		
Measured at amortised cost	70,580	90,224

14 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	188,938	147,354
Other debtors	993	59,728
Prepayments and accrued income	38,901	13,688
	228,832	220,770

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15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Other taxation and social security		204,499	140,785
Deferred income	16	110,767	60,263
Trade creditors		40,806	66,989
Other creditors		5,753	6,235
Accruals and deferred income		24,021	17,000
		<u>385,846</u>	<u>291,272</u>

In August 2016, HMRC informed the Charity that its activities were outside the scope of Vat and the Charity should deregister for Vat. In November 2017, HMRC accepted that this conclusion was mistaken and that actions taken by the Charity following that instruction should be reversed. The result is a Vat liability arising from past revenues that will be met by the relevant sponsors. Discussions between HMRC and SMF to clarify the Charity's Vat status and liabilities concluded in March 2018. The Charity remains Vat-registered.

16 Deferred income

	2018 £	2017 £
Deferred income	80,345	-
Deferred rental income	30,422	60,263
	<u>110,767</u>	<u>60,263</u>

17 Retirement benefit schemes

Defined contribution schemes

The Charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £9,731 (2017 - £6,328).

18 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 April 2017 £	Movement in funds		Balance at 31 March 2018 £
		Incoming resources £	Resources expended £	
Unbound Philanthropy	-	40,000	(2,656)	37,344

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19 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2018 are represented by:			
Tangible assets	1,176	-	1,176
Current assets/(liabilities)	(23,273)	37,344	14,071
	<u>(22,097)</u>	<u>37,344</u>	<u>15,247</u>

20 Operating lease commitments

At the reporting end date the Charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	1,262	3,700
Between two and five years	137,500	27,307
	<u>138,762</u>	<u>31,007</u>

At the reporting end date the total future minimum sublease payments expected to be received under non-cancellable subleases was £109,498 per annum (2017 - £109,498)

21 Related party transactions

There were no disclosable related party transactions during the year (2017 - none).

22 Cash generated from operations

	2018 £	2017 £
Surplus/(deficit) for the year	66,699	(159,039)
Adjustments for:		
Investment income recognised in statement of financial activities	(9)	(120)
Depreciation and impairment of tangible fixed assets	1,500	1,046
Movements in working capital:		
(Increase) in debtors	(8,062)	(16,188)
Increase in creditors	44,070	106,284
Increase in deferred income	50,504	44,299
Cash generated from/(absorbed by) operations	<u>154,702</u>	<u>(23,718)</u>

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23 Going Concern

At the year-end date, the Charity's unrestricted funds had a £22,907 deficit. During 2017/18, the Trustees stood ready to support the Charity with personal loans during any cashflow difficulties that might have arisen from earlier years' challenges, though this support was never required. The Charity ended 2017/18 with a strong programme of contracted revenues and deferred income for the following year and management forecasts show the Charity on course to continue operating successfully during 2018/19.