Registered number: 00405555

THE WELDING INSTITUTE

(A Company Limited by Guarantee)

GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

THE WELDING INSTITUTE
(A Company Limited by Guarantee)

INSTITUTE INFORMATION

CHIEF EXECUTIVE	Christoph Wiesner OBE
COMPANY SECRETARY	G A Leech
REGISTERED NUMBER	00405555
REGISTERED OFFICE	Granta Park Great Abington Cambridge CB21 6AL
INDEPENDENT AUDITORS	Peters Elworthy & Moore Chartered Accountants & Statutory Auditors Salisbury House Station Road Cambridge CB1 2LA
BANKERS	Barclays Bank plc Market Place Saffron Walden Essex CB10 1HR

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Council of The Welding Institute present their strategic report and business review which includes the principal risks and uncertainties of the business, key performance indicators and future developments.

BUSINESS REVIEW

The principal activities of the Group during the year continued to be to deliver world-class services in joining materials, engineering and allied technologies to meet the needs of a global membership and its associated community. The Council intends to continue and develop such activities.

The results of the Group are set out on page 9 and show income of £71m (2016: £73m) and a profit before tax of £7.5m (2016: £3.1m). This performance exceeded the targets set at the beginning of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Council are aware of the inherent risks associated with business and these risks are regularly assessed and managed through a range of robust procedures and controls.

Project management is kept under review with the aim of continuously improving the outcomes for members and clients whilst maintaining an acceptable financial return for the Group.

The business environment in which we operate continues to be challenging with worldwide economic and political uncertainties, together with the effects of the Brexit result.

There has been an unprecedented drop in the demand for and price of oil since mid-2014 which has reduced the number of new exploration projects scheduled by several of our Industrial Members from the oil and gas sector.

Other risks include the loss of key personnel, a reduction in the availability of grant funding for projects and a fall in the level of research and development activities.

The management team regularly review these risks and their potential impact on the Group and have in place plans to mitigate these risks wherever possible.

FINANCIAL KEY PERFORMANCE INDICATORS

Our Key Performance Indicators (KPIs) are selected to monitor both financial performance and the projects that we undertake reflecting the overall strength of the Group. Each month a balanced scorecard is prepared identifying four components of success.

Financial Success
Member and Customer Service Excellence
Internal Business Processes
People and Systems

These indicators provide a detailed focus on the key elements of the business and measure progress against the Group's strategic objectives. The KPIs are reassessed annually with new targets being set.

EMPLOYEES

Council once again acknowledges the exceptional commitment from staff and thanks them for their contribution and flexibility in an ever-changing business world. TWI continues to recruit the highest-calibre personnel and offers equal opportunities to all staff.

Staff numbers have reduced to an average of 761 in 2017 from 809 in 2016 largely due to several staff being transferred to other entities as a result of outsourcing and company restructures.

Wherever possible, handicapped or disabled people are recruited and opportunities created for staff who have become disabled. Information to staff and regular communications are provided through publications and staff meetings and TWI encourages career development through appraisal and a high level of investment in staff training.

INVESTMENT IN GRANTA PARK

The value of the Group's investment in the Riverside suites, Illumina and the Phase 2 development land increased to £41m in the year.

FUTURE DEVELOPMENTS

Future developments include further expansion of TWI's activities in the Defence and Aerospace sectors and the development of the supply chain in the use of innovation relating to Direct Metal Deposition in industry.

The continued growth within the automotive sector working with key Industrial members within this area.

The establishment of a freehold premise for our Port Talbot facility.

This report was approved by the board and signed on its behalf.

G A Leech
Secretary

Date: 3 July 2018

MEMBERS OF COUNCIL'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Members of Council present their report and the financial statements for the year ended 31 December 2017.

MEMBERS OF COUNCIL'S RESPONSIBILITIES STATEMENT

The Members of Council are responsible for preparing the Group Strategic Report, the Members of Council's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Members of Council to prepare financial statements for each financial year. Under that law the Members of Council have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Institute law the Members of Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Members of Council are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Members of Council are responsible for keeping adequate accounting records that are sufficient to show and explain the Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and the Group 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 Institute and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HONORORY OFFICERS AND MEMBERS OF COUNCIL

The Members of Council who served during the year are shown at the start of the financial statements.

Members of Council elected/re-elected at the Council Meeting on 20 June 2017 were:

Mr Alan Denney
Prof Steve Jones
Mr Steve Dearden

Members of Council elected/re-elected at the Council Meeting on 21 November 2017 were:

Dr Kevin Slattery

Members of Council co-opeted/re-co-opted at the Council Meeting on 20 June 2017 were:

Mr Norman Cooper

The following Council Members completed their terms of office on that date:

Dr Steve Paterson
Mr Maxwell George
Eur Ing Paul Jordinson

Finance and General Purposes Committee

Chairman

Mr Paul Tooms

Vice Chairman

Mr Nigel Knee

Members

Eur Ing Norman Cooper
Prof John Irven
Prof Scott Lockyer
Mr Graheme Nix
Prof Steve Yianni

AUDIT COMMITTEE

The Audit Committee is appointed by the Finance and General Purposes Committee and comprises two nonexecutive directors of TWI and one member of the Finance and General Purposes Committee. It meets at least twice each year and is responsible for reviewing financial and non-financial controls, evaluating areas of risk, considering regulatory and accounting requirements for the group, and overseeing relationships with external auditors. The Audit Committee reports to the Finance and General Purposes Committee.

DISCLOSURE OF INFORMATION TO AUDITORS

The Members of Council at the time when this Members of Council's Report is approved has confirmed that:

- so far as they is aware, there is no relevant audit information of which the Institute and the Group's auditors are unaware, and
- they has taken all the steps that ought to have been taken as a Members of Council in order to be aware of any relevant audit information and to establish that the Institute and the Group's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Group since the year end.

MEMBERS OF COUNCIL'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

This report was approved by the board and signed on its behalf.

G A Leech
Secretary

Date: 3 July 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF THE WELDING INSTITUTE

OPINION

We have audited the financial statements of The Welding Institute (the 'parent Institute') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of Comprehensive Income, the Group and Institute Balance Sheets, the Group Statement of Cash Flows, the Group and Institute Statement of Changes in Equity and the related notes, 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 Group's and of the parent Institute's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Institute'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 Institute'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 Institute and the Institute'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 Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Institute'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF THE WELDING INSTITUTE (CONTINUED)

OTHER INFORMATION

The Members are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Group Strategic Report and the Members of Council's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Members of Council's Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Institute and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Members of Council's 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 by the parent Institute, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Institute financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF THE WELDING INSTITUTE (CONTINUED)

RESPONSIBILITIES OF MEMBERS OF COUNCIL

As explained more fully in the Members of Council's responsibilities statement on page 3, the Members 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 Members 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 Members are responsible for assessing the Group's and the parent Institute'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 Members either intend to liquidate the Group or the parent Institute or to cease operations, or have no realistic alternative but to do so.

AUDITORS' 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 Auditors' 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 Auditors' Report.

Paul Chapman (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 10 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	4	**71,128**	72,674
Cost of sales		**(55,759)**	(54,702)
GROSS PROFIT		**15,369**	17,972
Administrative expenses		**(17,468)**	(17,185)
Other operating income	5	**10,193**	6,381
Fair value movements	17	**2,026**	1,682
Other operating charges	6	**(422)**	(3,175)
OPERATING PROFIT	6	**9,698**	5,675
Interest receivable and similar income	9	**19**	5
Interest payable and expenses	10	**(932)**	(1,084)
Other finance income	11	**(1,297)**	(1,451)
PROFIT BEFORE TAXATION		**7,488**	3,145
Tax on profit	12	**(224)**	295
PROFIT FOR THE FINANCIAL YEAR		**7,264**	3,440
Actuarial (losses)/gains on defined benefit pension scheme	29	**8,145**	(12,667)
Movement of deferred tax relating to pension surplus	29	**(1,543)**	1,562
Movement on foreign exchange reserve	26	**(947)**	3,008
Gain/(loss) on hedging instruments	26	**1,720**	(6,846)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**7,375**	(14,943)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,639**	(11,503)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent Institute		**7,264**	3,440
		7,264	3,440

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 47 form part of these financial statements.

THE WELDING INSTITUTE

(A Company Limited by Guarantee)
REGISTERED NUMBER: 00405555

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
FIXED ASSETS					
Intangible assets	13		**259**		321
Tangible assets	14		**78,984**		80,428
Investments	15		**35**		35
Investment property	17		**40,955**		37,569
			120,233		118,353
CURRENT ASSETS					
Stocks	18	**270**		1,404	
Debtors: amounts falling due within one year	19	**32,855**		35,555	
Cash at bank and in hand	20	**15,424**		16,552	
		48,549		53,511	
Creditors: amounts falling due within one year	21	**(55,403)**		(49,784)	
NET CURRENT (LIABILITIES)/ASSETS			**(6,854)**		3,727
TOTAL ASSETS LESS CURRENT LIABILITIES			**113,379**		122,080
Creditors: amounts falling due after more than one year	22		**(17,985)**		(34,002)
PROVISIONS FOR LIABILITIES					
Deferred taxation	25		**(3,791)**		(3,580)
NET ASSETS EXCLUDING PENSION LIABILITY			**91,603**		84,498
Pension liability	29		**(34,813)**		(42,347)
NET ASSETS			**56,790**		42,151
CAPITAL AND RESERVES					
Revaluation reserve	26		**13,124**		13,125
Foreign exchange reserve	26		**2,608**		3,555
Cash flow hedge reserve	26		**(3,376)**		(6,846)
Profit and loss account	26		**44,434**		32,317
			56,790		42,151

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 July 2018.

Paul Tooms
Chairman of Council

The notes on pages 17 to 47 form part of these financial statements.

THE WELDING INSTITUTE

(A Company Limited by Guarantee)
REGISTERED NUMBER: 00405555

INSTITUTE BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
FIXED ASSETS					
Tangible assets	14		**19,331**		19,768
Investments	15		**10,358**		10,358
			29,689		30,126
Creditors: amounts falling due within one year	21	**(1,049)**		(4,604)	
NET CURRENT LIABILITIES			**(1,049)**		(4,604)
TOTAL ASSETS LESS CURRENT LIABILITIES			**28,640**		25,522
NET ASSETS			**28,640**		25,522
CAPITAL AND RESERVES					
Revaluation reserve	26		**13,124**		13,124
Profit and loss account			**15,516**		12,398
			28,640		25,522

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 July 2018.

Paul Tooms

Paul Tooms
Chairman of Council

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Revaluation reserve	Foreign exchange reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	13,148	547	-	39,959	53,654
Profit for the year	-	-	-	3,440	3,440
Actuarial losses on pension scheme	-	-	-	(11,105)	(11,105)
Movement on foreign exchange reserve	-	3,008	-	-	3,008
Fair value loss on hedging instruments	-	-	(6,846)	-	(6,846)
Transfer (to)/from profit and loss reserve	(23)	-	-	23	-
At 1 January 2017	13,125	3,555	(6,846)	32,317	42,151
Profit for the year	-	-	-	7,264	7,264
Actuarial gains on pension scheme	-	-	-	6,602	6,602
Movement on foreign exchange reserve	-	(947)	-	-	(947)
Fair value gain on hedging instruments	-	-	1,720	-	1,720
Realised gain on hedging instruments	-	-	1,750	(1,750)	-
Transfer (to)/from profit and loss reserve	(1)	-	-	1	-
AT 31 DECEMBER 2017	13,124	2,608	(3,376)	44,434	56,790

The notes on pages 17 to 47 form part of these financial statements.

INSTITUTE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	**13,124**	**11,399**	**24,523**
Profit for the year	**-**	**999**	**999**
At 1 January 2017	**13,124**	**12,398**	**25,522**
Profit for the year	**-**	**3,118**	**3,118**
AT 31 DECEMBER 2017	**13,124**	**15,516**	**28,640**

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £000	2016 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**7,264**	3,440
ADJUSTMENTS FOR:		
Amortisation of intangible assets	**33**	33
Depreciation of tangible assets	**3,460**	3,553
Interest paid	**932**	1,084
Interest received	**(19)**	(5)
Taxation	**(13)**	-
Decrease/(increase) in stocks	**1,134**	(382)
Decrease/(increase) in debtors	**1,666**	(6,746)
(Decrease)/increase in creditors	**(2,300)**	16,954
(Decrease) in net pension assets/liabs	**(932)**	(1,153)
Net fair value (gains) recognised in P&L	**(2,026)**	(1,682)
Corporation tax received/(paid)	**1,052**	(291)
Movement in deferred tax	**211**	36
Movement in foreign exchange reserve	**(947)**	3,008
Foreign exchange translation adjustment on fixed assets	**319**	(459)
Movement on financial instruments	**1,721**	(7,033)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**11,555**	10,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	**-**	(182)
Purchase of tangible fixed assets	**(2,307)**	(6,279)
Purchase of investment properties	**(1,360)**	(221)
Interest received	**19**	5
NET CASH FROM INVESTING ACTIVITIES	**(3,648)**	(6,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
New secured loans	**-**	5,000
Repayment of loans	**(9,785)**	(3,500)
Other new loans	**312**	-
Interest paid	**(932)**	(1,084)
NET CASH USED IN FINANCING ACTIVITIES	**(10,405)**	416
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,498)**	4,096
Cash and cash equivalents at beginning of year	**11,371**	7,275
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**8,873**	11,371

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	£000	£000
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	**15,424**	16,552
Bank overdrafts	**(6,551)**	(5,181)
	8,873	11,371

The notes on pages 17 to 47 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Institute has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The Institute has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

The following principal accounting policies have been applied:

1.2 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.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 Group 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.

Revenue from contracts is recognised by the stage of completion on each contract.

1.5 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of ten years.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 TANGIBLE FIXED ASSETS

Tangible fixed assets, other than investment properties, are stated at 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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:

Freehold property	- 2%
Plant, machinery and motor vehicles	- 10%, 20% or 33.33%
Fixtures, fittings and office equipment	- 20%
Computer equipment	- 50%

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 Consolidated Statement of Comprehensive Income.

Items of equipment purchased for specific research projects are not depreciated but are charged to revenue expenditure in full in the year of acquisition.

1.7 INVESTMENT PROPERTY

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

1.8 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1. ACCOUNTING POLICIES (CONTINUED)

1.9 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.10 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.11 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 FINANCIAL INSTRUMENTS

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

1. ACCOUNTING POLICIES (CONTINUED)

1.14 HEDGE ACCOUNTING

The Group uses foreign currency forward contracts to manage its exposure to cash flow risk on its project income. These derivatives are measured at fair value at each balance sheet date.

The Group uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its loans. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

1.15 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

1.16 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

1. ACCOUNTING POLICIES (CONTINUED)

1.17 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

DEFINED BENEFIT PENSION PLAN

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

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

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

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

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

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

1. ACCOUNTING POLICIES (CONTINUED)

1.18 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Institute's functional and presentational currency is GBP.

Transactions and balances

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 Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to income are recognised in turnover. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other operating charges'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

1.19 INTEREST INCOME

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

1.20 FINANCE COSTS

Finance costs are charged to the Consolidated Statement of Comprehensive Income 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.

1.21 BORROWING COSTS

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.22 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 balance sheet date in the countries where the Institute and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.23 RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred. Any tax credit receivable under the large company R & D tax scheme is included as operating income.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Depreciation on fixed assets - Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

No other significant judgements have been made by management in preparing the financial statements.

3. GENERAL INFORMATION

The Welding Institute is a company limited by guarantee incorporated in England & Wales. The Company's registered office is disclosed on the company information page.

The Welding Institute is governed by the Council Members and is not under the control of any one individual.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Subscriptions	**9,368**	7,585
Contracts	**41,482**	45,514
Training, examination, certification and other	**20,278**	19,575
	71,128	72,674

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	**32,560**	40,469
Rest of Europe	**12,902**	12,963
Rest of the world	**25,666**	19,242
	71,128	72,674

5. OTHER OPERATING INCOME

	2017 £000	2016 £000
R&D expenditure credit	**1,405**	1,245
Net rents receivable	**1,549**	1,343
Profit on disposal of lease	**-**	1,500
Profit on disposal of intellectual property	**4,946**	-
Government grants released	**2,293**	2,293
	10,193	6,381

6. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £000	2016 £000
Research & development charged as an expense	**12,769**	12,642
Depreciation of tangible fixed assets	**3,460**	3,553
Amortisation of intangible assets, including goodwill	**33**	33
Exchange differences	**-**	(224)
Exchange differences recognised in turnover	**-**	(878)
Exchange difference recognised in other operating charges	**422**	3,175
Defined contribution pension cost	**894**	917
Defined benefit pension cost	**4,971**	4,627

7. AUDITORS' REMUNERATION

	2017 £000	2016 £000
FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
Audit of the Group's annual accounts	**15**	15
Audit of the Subsidiaries' annual accounts	**65**	71
Other assurance services	**23**	21
Other services relating to taxation	**20**	19
All other services	**11**	7
	134	133

8. EMPLOYEES

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	**28,718**	29,495
Share in success	**444**	-
Social security costs	**2,566**	2,717
Cost of defined benefit scheme	**4,891**	4,627
Cost of defined contribution scheme	**974**	917
	37,593	37,756

During the year, no Members of Council received any emoluments (2016 - £NIL).

The average monthly number of employees during the year was as follows:

	2017 No.	2016 No.
Employees	**761**	809

9. INTEREST RECEIVABLE

	2017 £000	2016 £000
Other interest receivable	**19**	5

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Bank interest payable	**932**	1,084

11. OTHER FINANCE COSTS

	2017 £000	2016 £000
Interest on defined benefit obligation (note 30)	**1,297**	1,451

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Adjustments in respect of previous periods	-	(549)
FOREIGN TAX		
Foreign tax on income for the year	13	291
Total current tax	13	(258)
Deferred tax		
Changes to tax rates	-	(211)
Capital gains	211	174
Total deferred tax	211	(37)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	224	(295)

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	**7,264**	3,145
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**1,398**	629
EFFECTS OF:		
Fixed asset differences	**10**	399
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**49**	1,075
Capital allowances for year in excess of depreciation	**364**	(602)
Utilisation of tax losses	**(432)**	(165)
Adjustments to tax charge in respect of prior periods	**-**	(549)
Other timing differences leading to an increase (decrease) in taxation	**(1,146)**	(951)
Non-taxable income	**(390)**	(385)
Changes in provisions leading to an increase (decrease) in the tax charge	**147**	-
Foreign tax	**13**	291
Movement on deferred tax	**211**	(37)
TOTAL TAX CHARGE FOR THE YEAR	**224**	(295)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

As a research organisation the Institute falls wholly within Statutory Instrument 3426/2007 and is required to self-assess its eligibility to exemption from Corporation Tax and certify itself as such. The Members of the Council are satisfied this exemption applies.

The Finance Act 2017 (No. 2) , which provides for a reduction in the main rate of corporation tax from 20% to 18% effective from 1 April 2018 and to 17% effective from 1 April 2020, was substantively enacted on 16 November 2017. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

13. INTANGIBLE ASSETS

Group and Institute

	Goodwill £000
COST	
At 1 January 2017	354
Foreign exchange movement	(29)
At 31 December 2017	325
AMORTISATION	
At 1 January 2017	33
Charge for the year	33
At 31 December 2017	66
NET BOOK VALUE	
At 31 December 2017	259
At 31 December 2016	321

14. TANGIBLE FIXED ASSETS

Group

	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Total £000
COST OR VALUATION					
At 1 January 2017	**78,478**	**30,046**	**-**	**2,503**	**111,027**
Additions	**178**	**2,020**	**-**	**109**	**2,307**
Disposals	**-**	**(705)**	**(5)**	**(92)**	**(802)**
Exchange adjustments	**1**	**(292)**	**-**	**-**	**(291)**
At 31 December 2017	**78,657**	**31,069**	**(5)**	**2,520**	**112,241**
DEPRECIATION					
At 1 January 2017	**4,430**	**23,896**	**-**	**2,272**	**30,598**
Charge for the period on owned assets	**1,496**	**1,679**	**-**	**285**	**3,460**
Disposals	**-**	**(705)**	**(5)**	**(91)**	**(801)**
At 31 December 2017	**5,926**	**24,870**	**(5)**	**2,466**	**33,257**
NET BOOK VALUE					
At 31 December 2017	**72,731**	**6,199**	**-**	**54**	**78,984**
At 31 December 2016	74,047	6,150	-	231	80,428

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. TANGIBLE FIXED ASSETS (CONTINUED)

Institute

	Freehold property £000
COST OR VALUATION	
At 1 January 2017	**21,878**
At 31 December 2017	**21,878**
DEPRECIATION	
At 1 January 2017	**2,110**
Charge for the year on owned assets	**437**
At 31 December 2017	**2,547**
NET BOOK VALUE	
At 31 December 2017	**19,331**
At 31 December 2016	19,768

15. FIXED ASSET INVESTMENTS

Group

	Unlisted investments £000
COST OR VALUATION	
At 1 January 2017	**35**
At 31 December 2017	**35**
NET BOOK VALUE	
At 31 December 2017	**35**
At 31 December 2016	35

Institute

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2017	**10,358**
At 31 December 2017	**10,358**
NET BOOK VALUE	
At 31 December 2017	**10,358**
At 31 December 2016	10,358

16. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Institute:

Name	Country of incorporation	Shares	Holding	Principal activity
TWI Limited	England	Ordinary	100%	The provision of contract research and development and consultancy services to industry.
The Test House (Cambridge) Limited	England	Ordinary	100%	The provision of metallurgical facilities to industry.
Plant Integrity Limited	England	Ordinary	100%	The development and provision of inspection techniques and services.
Granta Centre Limited	England	Ordinary	100%	The provision of catering and conferencing facilities.
TWI Certification Limited	England	Ordinary	100%	To develop, establish, promote and operate certification schemes for the assessment and certification of personnel and companies involved in joining, inspection and non-destructive testing.
TWI Technology Centre (Yorkshire) Limited	England	Ordinary	100%	Dormant
TWI Technology Centre (Wales) Limited	England	Ordinary	100%	Dormant
Granta Park Estates Limited	England	Ordinary	100%	Site and business development and services associated therewith.
Abington Park Limited	England	Ordinary	100%	Dormant
Waverley Technology Limited	England	Ordinary	100%	Dormant
Barrikade Limited	England	Ordinary	100%	Dormant
Vitresyn Limited	England	Ordinary	100%	Dormant
NSIRC Limited	England	Ordinary	100%	Dormant
SIRF Limited	England	Ordinary	100%	Dormant

SUBSIDIARY UNDERTAKINGS (continued)

Name	Country of incorporation	Shares	Holding	Principal activity
TWI (Scots) Limited	England	Ordinary	100%	Dormant
GPE 1 Limited	England	Ordinary	100%	Dormant
TWI Technology (S E Asia) Sdn Bhd	Malaysia	Ordinary	100%	The provision of training and consultancy in South East Asia
TWI Services Sdn Bhd	Malaysia	Ordinary	100%	The provision of training, certification and consultancy in South East Asia
TWI Middle East FZ	UAE	Ordinary	100%	The provision of training and certification in the Middle East
TWI Gulf WLL	Bahrain	Ordinary	100%	The provision of training and certification in the Middle East
TWI North America LLC	USA	Ordinary	100%	The provision of training and certification in North America
TWI (India) Private Ltd	India	Ordinary	100%	The provision of training and certification in India
TWI (Australia) PTY Ltd	Australia	Ordinary	100%	The provision of training and certification in Australia
TWI Training and Services Company Ltd	Thailand	Ordinary	100%	The provision of training and certification inThailand
TWI Turkey Muhendislik Tic. Ltd.sti	Turkey	Ordinary	100%	The provision of training and certification in Turkey
TWI Technology Engineering (Private) Ltd	Pakistan	Ordinary	100%	The provision of training and certification in Pakistan
TWI Training and Consultancy Ltd	Canada	Ordinary	100%	The provision of training and certification in Canada

17. INVESTMENT PROPERTY

Group

	Freehold investment property £000
VALUATION	
At 1 January 2017	**37,569**
Additions at cost	**1,360**
Surplus on revaluation	**2,026**
AT 31 DECEMBER 2017	**40,955**

The 2017 valuations were made by Bidwells LLP, on an open market value for existing use basis.

18. STOCKS

	Group 2017 £000	Group 2016 £000	Institute 2017 £000	Institute 2016 £000
Raw materials and consumables	**20**	1,111	-	-
Finished goods and goods for resale	-	43	-	-
Work in progress (development land)	**250**	250	-	-
	270	1,404	-	-

Stock recognised in cost of sales during the year as an expense was £1,134,000.

19. DEBTORS

	Group 2017 £000	Group 2016 £000	Institute 2017 £000	Institute 2016 £000
Trade debtors	**18,114**	22,505	-	-
Other debtors	**2,187**	2,879	-	-
Prepayments and accrued income	**2,484**	1,951	-	-
Amounts recoverable on long term contracts	**6,687**	5,190	-	-
Tax recoverable	**3,383**	3,030	-	-
	32,855	35,555	-	-

20. CASH AND CASH EQUIVALENTS

	Group 2017 £000	Group 2016 £000	Institute 2017 £000	Institute 2016 £000
Cash at bank and in hand	**15,424**	16,552	-	-
Less: bank overdrafts	**(6,551)**	(5,181)	-	-
	8,873	11,371	-	-

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £000	Group 2016 £000	Institute 2017 £000	Institute 2016 £000
Bank overdrafts	**6,551**	5,181	-	-
Bank loans	**6,499**	4,500	-	-
Payments received on account	**14,595**	11,642	-	-
Trade creditors	**13,349**	13,531	-	-
Amounts owed to group undertakings	-	-	**1,049**	4,604
Other taxation and social security	**2,524**	1,004	-	-
Other creditors	**1,767**	3,733	-	-
Accruals and deferred income	**9,085**	7,942	-	-
Financial instruments	**1,033**	2,251	-	-
	55,403	49,784	**1,049**	4,604

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2017 £000	Group 2016 £000	**Institute 2017 £000**	Institute 2016 £000
Bank loans	**7,091**	18,875	**-**	-
Other loans	**312**	-	**-**	-
Accruals and deferred income	**8,239**	10,532	**-**	-
Financial instruments	**2,343**	4,595	**-**	-
	17,985	34,002	**-**	-

Bank loans are secured by a mortgage over part of the Institute's freehold property and by a floating charge over other assets. The loans bear interest at between 0.95% and 2.5% above LIBOR.

Other loans of £312,000 (2016 - £NIL) are unsecured and interest free. Repayments are due to commence on 1 January 2020.

23. LOANS

Analysis of the maturity of loans is given below:

	Group 2017 £000	Group 2016 £000	**Institute 2017 £000**	Institute 2016 £000
Bank loans falling due within one year	**6,499**	4,500	**-**	-
Bank loans falling due 1-2 years	**1,500**	1,500	**-**	-
Other loans falling due 2-5 years	**312**	-	**-**	-
Bank loans falling due 2-5 years	**4,500**	7,500	**-**	-
Bank loans falling due after more than five years	**1,091**	9,875	**-**	-

24. FINANCIAL INSTRUMENTS

	Group 2017 £000	Group 2016 £000	Institute 2017 £000	Institute 2016 £000
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	**15,459**	**16,587**	-	-
Financial assets that are debt instruments measured at amortised cost	**20,296**	**25,383**	-	-
FINANCIAL LIABILITIES				
Derivative financial instruments measured at fair value	**(3,376)**	**(6,846)**	-	-
Financial liabilities measured at amortised cost	**(40,368)**	**(50,759)**	(8,546)	(4,604)

Financial assets measured at fair value comprise cash and cash equivalents and financial instruments.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings.

Derivative financial liabilities measured at fair value comprise financial instruments.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings, accruals and bank loans and overdrafts.

Derivative financial instruments - forward contracts

The Group enters into foreign currency contracts to give predictability of cash flows and to protect its income. At 31 December 2017, the outstanding contracts mature every three months up until 30 September 2020. The Group is committed to sell $3,000,000 and receive a fixed sterling amount. The Group is also committed to sell €3,000,000 and receive a fixed sterling amount if the spot rate is within a specified window.

The fair value of the contracts at the year end amount to £3,199,000 and this amount has been recognised in other comprehensive income for the period.

Derivative financial instruments - interest rate swap

The Group has entered into an interest rate swap on a notional loan balance of £5,437,500 at the year end. The interest swap matures on 31 March 2020. The fair value of the swap at the year end amounted to £177,000 and this amount has been recognised in other comprehensive income for the period.

25. DEFERRED TAXATION

Group

	2017 **£000**	2016 £000
At beginning of year	**3,580**	3,617
Charged to profit or loss	**211**	(37)
AT END OF YEAR	**3,791**	3,580

	Group 2017 £000	Group 2016 £000
Capital gains	**3,791**	3,580

26. RESERVES

Revaluation reserve

This includes past historic revaluations on the Group's freehold property and other tangible fixed assets.

Foreign exchange reserve

This reserve comprises translation differences arising from the translation of financial statements of the Group's foreign entities into sterling.

Cash flow hedge reserve

This reserve represents the cumulative gain or loss on hedging instruments in place at the year end.

Profit & loss account

This reserve includes all current and prior period retained profits and losses.

27. PARENT INSTITUTE PROFIT FOR THE YEAR

The Institute has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Institute for the year was £3,118,000 (2016 - £999,000)).

28. CAPITAL COMMITMENTS

At 31 December 2017 the Group and Institute had capital commitments as follows:

	Group 2017 £000	Group 2016 £000
Contracted for but not provided in these financial statements	**199**	328

29. PENSION COMMITMENTS

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution pension scheme in the UK. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by Group to the funds and amounted to £894 (2016 - £917,000). Contributions totalling £119,000 (2016 - £123,000) were payable to the funds at the balance sheet date and are included in other creditors.

There were 420 active members of the Defined Contribution Pension Scheme as at the end of 2017 (2016 - 419).

DEFINED BENEFIT PENSION SCHEME

The Group operates a defined benefit pension scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 December 2013 and updated to 31 December 2016 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation showed a deficit of £34.8m. The Group has agreed with the trustees that it will aim to eliminate the deficit over a period of 11 years from 1 April 2015 by the payment of monthly contributions of £225,333 in respect of the deficit, increasing at a rate of 4% p.a. In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will pay 22.3% of pensionable salaries in respect of accruing benefits, including an allowance for administrative expenses. In addition, the Group will meet the cost of levies to the Pension Protection Fund. Member contributions are payable in addition at the rate of 10% of pensionable salaries.

There were 126 active members of the Defined Benefit Pension Scheme as at the end of 2017 (2016 - 150).

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability):

	2017	2016
	£000	£000
Fair value of plan assets	**126,361**	119,551
Present value of plan liabilities	**(168,304)**	(170,571)
Deferred tax	**7,130**	8,673
NET PENSION SCHEME LIABILITY	**(34,813)**	(42,347)

29. PENSION COMMITMENTS (CONTINUED)

Composition of plan assets:

	2017 £000	2016 £000
LDI	**38,079**	36,442
Equities	**7,187**	6,689
Bonds	**20,915**	19,948
Diversified Growth Funds	**46,087**	42,431
Property	**9,950**	8,712
Cash	**4,143**	5,329
TOTAL PLAN ASSETS	**126,361**	119,551

None of the fair values of the assets shown above include any direct investments in the Group's own financial instruments of any property occupied by, or other assets used by, the Group.

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Current service cost	**2,103**	1,986
Interest on obligation	**1,297**	1,451
Expenses	**56**	37
TOTAL	**3,456**	3,474

The amounts recognised in other comprehensive income are as follows:

	2017 £000	2016 £000
Return on plan assets (excluding amounts included in net interest cost) - (Loss)/gain	**4,221**	15,582
Experience gains and losses arising on the plan liabilities - Gain/(loss)	**2,656**	392
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - Gain/(loss)	**1,268**	(28,641)
	8,145	(12,667)

29. PENSION COMMITMENTS (CONTINUED)

Reconciliation of opening and closing balances of the defined benefit obligation were as follow:

	2017 **£000**	2016 £000
At the beginning of the year	**170,571**	138,967
Current service cost	**2,103**	1,986
Expenses	**56**	37
Interest cost	**4,399**	5,244
Actuarial gains/losses	**(3,924)**	28,249
Contributions paid by plan participants	**825**	780
Benefits paid	**(5,726)**	(4,692)
AT THE END OF THE YEAR	**168,304**	170,571

Reconciliation of opening and closing balances of the fair value of plan assets were as follows:

	2017 **£000**	2016 £000
At the beginning of the year	**119,551**	99,461
Interest income	**3,102**	3,793
Actuarial gains/losses	**4,221**	15,582
Contributions by the company	**4,388**	4,627
Contributions by plan participants	**825**	780
Benefits paid	**(5,726)**	(4,692)
AT THE END OF THE YEAR	**126,361**	119,551

The actual return on the plan assets over the period ended 31 December 2017 was £7,323,000.

29. PENSION COMMITMENTS (CONTINUED)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	**2.55**	2.60
Inflation (RPI)	**3.25**	3.35
Inflation (CPI)	**2.25**	2.35
Salary growth	**2.50**	2.50
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.25**	2.35
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.45**	3.55
Allowance for commutation of pension for cash at retirement	**100% of Post A Day**	100% of Post A Day

The mortality assumptions adopted at 31 December 2017 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2017	**21.9**
Female retiring in 2017	**23.7**
Male retiring in 2037	**23.0**
Female retiring in 2037	**25.0**

The Group expects to contribute £4,650,000 to its defined benefit pension scheme in 2018.

30. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Group and the Institute had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
LAND AND BUILDINGS		
Not later than 1 year	**723**	684
Later than 1 year and not later than 5 years	**2,535**	2,637
Later than 5 years	**4,170**	4,791
	7,428	8,112

	Group 2017 £000	Group 2016 £000
OTHER		
Not later than 1 year	**108**	118
Later than 1 year and not later than 5 years	**132**	-
	240	118

31. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group undertakings.

Key management personnel are considered to be the Chief Executive and members of the Executive Team. The total remuneration (including salaries and other benefits) of key management personnel in the year was £1,293,000 (2016 - £1,461,000).

During the year retirement benefits were accruing to 5 members of the Executive Team (2016 - 5) in respect of defined benefit pension schemes.