

Registered number: 03341743

# SMITH INSTITUTE

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



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## SMITH INSTITUTE

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### COMPANY INFORMATION

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<b>Directors</b>	Prof. M B Giles Dr. L O Hazelden Mr G N Hobbs Dr. R A Leese Ms. T A Lucas Mr D J Miller Dr. H Tewkesbury Dr. L A Wallen
<b>Company secretary</b>	Mr G.N. Hobbs
<b>Registered number</b>	03341743
<b>Registered office</b>	92 Park Street Camberley Surrey GU15 3NY
<b>Independent auditor</b>	Crowe U.K. LLP Aquis House 49 - 51 Blagrove Street Reading Berkshire RG1 1PL
<b>Bankers</b>	Barclays Bank PLC 34 - 36 Victoria Road Farnborough Hants GU14 7YJ

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## SMITH INSTITUTE

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## SMITH INSTITUTE

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

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The directors present their report and the financial statements for the year ended 31 March 2021.

#### Summary

The Smith Institute is one of the most credible businesses for companies and government departments to work with on the problems that others cannot solve. We bring the boundless potential of mathematical ingenuity to our customers; embracing challenges with integrity, solving them with creativity. We enable our customers to act upon unique insights to complicated problems.

Our internationally leading work in the telecommunications sector was recognised in April 2021 with a Queen's Award for Enterprise.

Despite the global pandemic, this financial year saw more significant growth in the company, across multiple measures including turnover on the previous Financial Year, cash balance, staff numbers, and profit. Looking forward we plan to extend the reach of mathematical insights to many more of the hardest challenges faced by businesses and governments by increasing the capacity and capability of our team to focus on the areas where we can bring most value to customers.

#### Governance

The Smith Institute is an independent Company Limited by Guarantee. We do not distribute profits and instead reinvest in our business, enabling us to grow. Our Board has a majority of non-executive Directors to provide a high level of scrutiny and challenge. This year we increased our Company Members to six by adding Dr Heather Tewkesbury (CEO) and Graeme Hobbs (Chair of the Board) to the existing four: Dr Bruce Smith (Founder and President), Dr Robert Leese (CTO), the University of Oxford, and the University of Cambridge. Our Board of Directors is ultimately responsible for the success of the company.

#### Customers

This Financial Year saw an increase in our work in key markets of Energy and Telecommunications. We also maintained our position in Transport, Fast Moving Consumer Goods and Security. Across our customers in business and government we recognise a common need to understand incredibly complex systems and to generate robust evidence to support decision-making. We choose to do this using mathematical approaches.

Our relationships with customers are built on trust. Our project teams work closely with our customers and are supported by direct access to senior stakeholders, which demonstrates the importance of our work to our customers.

#### Capabilities

We specialise in the technical areas of optimisation, forecasting, AI and algorithm auditing. Within each of these areas we are constantly developing new methods to address our customers' needs. The mentoring provided to our staff through our Scientific Board keeps us abreast of academic research and we embrace partnerships through our extended networks where we all benefit.

We are continuing an internal investment programme to build further our technical capabilities to be prepared for the future challenges that our customers face.

#### Our Team

This Financial Year our staff numbers increased by 34%. 43% of our staff, 71% of our Executive Group and 44% of our Board members as of May 2021 are female. Enabling diversity of thought and expertise is important to us.

Our whole team of Staff, Directors, and our Scientific Board help to shape the future of our business. We value creativity, motivation, support, integrity, and clarity.

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## SMITH INSTITUTE

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

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#### Working environment

With the pandemic, our staff have continued to work from home over the past year and have been supported by additional paid leave entitlements for health and well-being, caring for immediate family members and a company-wide day off. We have enabled greater flexibility in working hours for all and have been rewarded by incredible staff loyalty and commitment.

We are ISO9001:2015 accredited and hold Cyber Essentials Plus, enabling us to maintain quality and security of our systems.

#### Financials

Our main customers this year were in sectors representing critical infrastructure which continued apace even during the pandemic, resulting in an increase of 27% on the previous year's income. As a result we recorded profit before tax at 20% and our cash balance increased by 42% on the previous year. This gives us the ability to invest in our future capability and have the reserves to weather business turbulence as it arises.

Volatility in the pension deficit continues, but our strong cash balance is more than sufficient to meet our liability.

#### Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 company law the directors 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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**SMITH INSTITUTE**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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**Directors**

The directors who served during the year were:

Prof. M B Giles  
Dr. L O Hazelden (appointed 1 July 2020)  
Mr G N Hobbs  
Dr. R A Leese  
Ms. T A Lucas  
Mr D J Miller  
Dr. H Tewkesbury  
Dr. L A Wallen  
Dr. R C Whelan (resigned 30 September 2020)

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

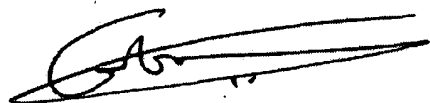
**Auditor**

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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



**Mr G N Hobbs**  
Secretary

Date: 22nd July 2021

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## SMITH INSTITUTE

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH INSTITUTE

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#### Opinion

We have audited the financial statements of Smith Institute (the 'company') for the year ended 31 March 2021, which comprise the statement of comprehensive income, the balance sheet 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 company's affairs as at 31 March 2021 and of its 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## SMITH INSTITUTE

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH INSTITUTE (CONTINUED)

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#### Other information

The directors 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.

#### 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors 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 directors' report and from the requirement to prepare a strategic report.



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## SMITH INSTITUTE

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH INSTITUTE (CONTINUED)

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#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context for the UK operations were the Companies Act 2006 and accounting standard FRS102. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statements.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, substantive testing of income, deferred income and accrued income, cut off, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

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SMITH INSTITUTE

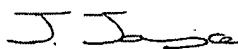
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH INSTITUTE (CONTINUED)

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**Use of our report**

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Janette Joyce (senior statutory auditor)

for and on behalf of  
**Crowe U.K. LLP**

Statutory Auditor

Aquis House  
49 - 51 Blagrove Street  
Reading  
Berkshire  
RG1 1PL  
Date: 26 July 2021

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SMITH INSTITUTE

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2021

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	2021 £	As restated 2020 £
Turnover	3,153,446	2,491,111
Cost of sales	(2,015,320)	(1,664,118)
<b>Gross profit</b>	<b>1,138,126</b>	<b>826,993</b>
Administrative expenses	(433,305)	(361,363)
	<b>704,821</b>	<b>465,630</b>
Movement on pension liability	(44,259)	175,748
Interest receivable and similar income	2,638	5,812
Interest payable and expenses	(19,921)	(27,026)
<b>Profit before tax</b>	<b>643,279</b>	<b>620,164</b>
Tax on profit	(115,344)	(126,197)
<b>Profit for the financial year</b>	<b>527,935</b>	<b>493,967</b>

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: £NIL).

The notes on pages 10 to 20 form part of these financial statements.

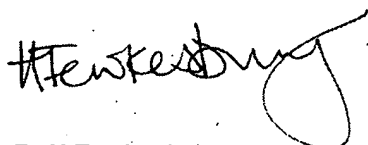
**SMITH INSTITUTE**  
**REGISTERED NUMBER: 03341743**

**BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Note	2021 £	As restated 2020 £
<b>Fixed assets</b>			
Intangible assets	5	22,234	-
Tangible assets	6	63,343	53,487
		<u>85,577</u>	<u>53,487</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	748,992	760,926
Bank and cash balances	9	2,569,729	1,810,202
		<u>3,318,721</u>	<u>2,571,128</u>
Creditors: amounts falling due within one year	10	(826,250)	(615,099)
<b>Net current assets</b>		<u>2,492,471</u>	<u>1,956,029</u>
<b>Total assets less current liabilities</b>		<u>2,578,048</u>	<u>2,009,516</u>
Pension liability	12	(499,599)	(459,002)
<b>Net assets</b>		<u>2,078,449</u>	<u>1,550,514</u>
<b>Capital and reserves</b>			
Profit and loss account		2,078,449	1,550,514
		<u>2,078,449</u>	<u>1,550,514</u>

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

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



**Dr H Tewkesbury**  
Chief Executive Officer



**Mr D J Miller**  
Chief Financial Officer

Date: 22nd July 2021

The notes on pages 10 to 20 form part of these financial statements.

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## SMITH INSTITUTE

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 1. General information

Smith Institute is a private company, limited by guarantee, and registered and domiciled in England and Wales. The company's registered number is 03341743. The registered office is 92 Park Street, Camberley, Surrey, GU15 3NY. The principal place of business is Willow Court, West Way, Minns Business Park, Oxford, OX2 0JB.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

The following principal accounting policies have been applied:

##### 2.2 Going concern

In their assessment of going concern the directors have considered the current and developing impact on the business as a result of the COVID-19 virus. This has not had an impact on the company's operations due to the agility of the business and its familiarity with remote working. At the date of approval of these financial statements, the company has cash resources and no expected requirement for external funding.

The directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future and that the going concern basis of accounting is appropriate in preparing the annual financial statements.

##### 2.3 Foreign currency translation

###### Functional and presentation currency

The company'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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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## SMITH INSTITUTE

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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## 2. Accounting policies (continued)

### 2.4 Revenue

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

#### Rendering of services

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

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

### 2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 2.7 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

### 2.8 Finance costs

Finance costs are charged to profit or loss 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.

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## SMITH INSTITUTE

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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## 2. Accounting policies (continued)

### 2.9 Pensions

The company participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The company is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the company therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the company has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the company recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore a positive or negative movement is recognised. The disclosure of the movement in the pension scheme for 2020 has been corrected to be shown within profit and loss rather than as other comprehensive income.

### 2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 company operates and generates 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.

### 2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

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## SMITH INSTITUTE

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 2. Accounting policies (continued)

##### 2.12 Tangible fixed assets

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

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:

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### 2.13 Debtors

Short term debtors are measured at transaction price, less any impairment.

##### 2.14 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.

##### 2.15 Creditors

Short term creditors are measured at the transaction price.

##### 2.16 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the company 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.



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## SMITH INSTITUTE

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 2. Accounting policies (continued)

##### 2.17 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

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

In the application of the company's accounting policies, which are described in note 2, directors are required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The calculation of the pension reserve provision has relied on the actuary's overall view of the funding of the scheme and Smith Institute's assumptions on future salary costs and the most appropriate discount rate to be applied. Variations in these estimates could lead to a significant change in the provision.

#### 4. Employees

The average monthly number of employees, including directors, during the year was 43 (2020 - 32).

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SMITH INSTITUTE

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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5. Intangible assets

	Development expenditure £
<b>Cost</b>	
Additions - internal costs capitalised	22,234
At 31 March 2021	<u>22,234</u>
<b>Net book value</b>	
At 31 March 2021	<u>22,234</u>
At 31 March 2020	<u>-</u>

Intangible assets represent time spent on the development of a new software product. It is anticipated that the intangible asset will be amortised over three years once brought into use.

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SMITH INSTITUTE

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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6. Tangible fixed assets

	Fixtures, fittings and IT equipment £
<b>Cost or valuation</b>	
At 1 April 2020	129,233
Additions	46,105
Disposals	(20,164)
At 31 March 2021	<u>155,174</u>
<b>Depreciation</b>	
At 1 April 2020	75,746
Charge for the year on owned assets	31,611
Disposals	(15,526)
At 31 March 2021	<u>91,831</u>
<b>Net book value</b>	
At 31 March 2021	<u><u>63,343</u></u>
At 31 March 2020	<u><u>53,487</u></u>

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**SMITH INSTITUTE**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**7. Debtors**

	2021 £	<i>As restated</i> 2020 £
Trade debtors	409,962	440,803
Other debtors	24,563	25,487
Prepayments and accrued income	26,124	28,992
Amounts recoverable on long term contracts	209,415	188,284
Deferred taxation	78,928	77,360
	<u>748,992</u>	<u>760,926</u>

**8. Deferred taxation**

	2021 £	<i>As restated</i> 2020 £
At beginning of year	77,360	115,468
Charged to profit or loss	1,568	(38,108)
<b>At end of year</b>	<u>78,928</u>	<u>77,360</u>

The deferred tax asset is made up as follows:

	2021 £	<i>As restated</i> 2020 £
Tangible fixed assets timing differences	(11,771)	(9,850)
Intangible fixed assets timing differences	(4,224)	-
Pension scheme deficit timing differences	94,923	87,210
	<u>78,928</u>	<u>77,360</u>

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**9. Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	2,569,729	1,810,202
	<u>2,569,729</u>	<u>1,810,202</u>

**10. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Corporation tax	116,912	88,089
Other taxation and social security	102,692	120,178
Other creditors	14,950	14,950
Accruals and deferred income	591,696	391,882
	<u>826,250</u>	<u>615,099</u>

**11. Prior year adjustment**

Deferred taxation had not been recognised in the previous years' financial statements. The 2020 comparatives have therefore been restated to include the deferred tax asset previously omitted.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Pension commitments**

The costs charged to the statement of comprehensive income are:

	2021	2020
	£	£
- interest in the form of discount unwind	19,921	
- movement in pension liability	44,259	
	64,180	-

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 0.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.5%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

**2018 valuation**

Mortality base table	
Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
Post retirement	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 12. Pension commitments (continued)

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

#### Pension fund deficit

The deficit recovery plan put in place as part of the 2018 valuation shows substantial unfunded liabilities, a portion of which is allocated to Smith Institute according on the number of staff in the scheme, future recruitment plans and possible future salary increases.

The increase in liability for 2021 of £44,259 and the decrease in liability for 2020 of £175,748 are as a result of the changes in bond yields and other technical assumptions, and for 2020 the impact of the March 2018 valuation being fully reflected.

This pension movement amount in accordance with FRS 102 flows through the statement of comprehensive income even though it was not incurred just in that year but has accumulated over many years.

#### 13. Commitments under operating leases

At 31 March 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	40,000	40,000
Later than 1 year and not later than 5 years	53,333	93,333
	<u>93,333</u>	<u>133,333</u>