

PAUL SMITH'S FOUNDATION (FORMERLY PAUL SMITH FOUNDATION)

Registered Charity No.: 1065751

Company No.: 03346635

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**Paul Smith's Foundation (formerly Paul Smith Foundation)
Trustees' Report for the year ended 30 June 2021**

The trustees present their report along with the financial statements of the Foundation for the year to 30th June 2021. The Foundation is a registered charity with the Charity Commission for England and Wales with registered charity number 1065751 and is a registered Company in England and Wales with Company number 03346635. The Foundation is constituted by its Memorandum and Articles of Association.

Trustees	Sir Paul Smith Ashley Long Sean Baker
Secretary	Ashley Long
Registered Office	The Poplars Lenton Lane Nottingham, NG7 2PW
Bankers	Yorkshire Bank Plc 11 Smithy Row Nottingham
Accountants	Moore Kingston Smith LLP Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD

Objects, Activities and Public Benefit

The objects of the Charity are to advance the education of the public in all matters concerning design, fine arts and design movement.

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit including the guidance 'public benefit: running a charity (PB2).'

Appointment of new trustees

New trustees may be appointed by the trustees, to fill a vacancy or as an additional trustee. The Trust shall select appropriate trustees and provide them with an induction to acquaint them with the governance and policies of the Trust as well as what is expected of them in their new role. Additional training and/or information will be provided to the trustees on an ongoing basis.

Achievements, Performance and Financial Review

In the year, dividend income was received of £132,684 (2020: £98,565) from investments held in a range of investments.

Despite the continuing impact of the COVID19 pandemic this year, the trustees have made good progress during the year in developing the activities of the Foundation. The programme of grants and donations in support of and for the furtherance of the objects of the charity has continued throughout the year whilst

Paul Smith's Foundation (formerly Paul Smith Foundation) Trustees' Report for the year ended 30 June 2021

further plans for developing and promoting the Foundation have been put into place. During the year, the charity made grant payments and donations of £34,714 (2020: £18,187). All grants were given in support of and for the furtherance of the objects of the charity. Notes 3 & 4 to the financial statements provide additional information on the grants committed. The Foundation's dedicated website (paulsmithsfoundation.com) has been further developed to give helpful advice and showcase young creatives. As well as the Foundation Instagram (@paulsmithsfoundation), the Foundation is developing new ways to give helpful advice to young creative people that are on the edge of the industry.

Investments Policy

The majority of investments are shares held in a range of private companies as analysed in Note 12 to the financial statements.

The Trust will invest in and hold assets that will:

- i. Directly promote of the Objects of the charity, and or
- ii. Provide a long-term investment return to maintain the reserves of the Charity.

Grant Policy

The trustees review grant requests on a case-by-case basis in the light of the requested purpose of the grant. All grants are awarded in accordance with the objects which are to advance the education of the public in all matters concerning design, fine arts and design management.

Reserves Policy

The trustees aim to provide sufficient funds to cover the existing level of grants committed as well as provide a long term fund from which its charitable activities can be increased in the future. Total unrestricted funds at the year-end totalled £19,967,542 (2020: £26,430,630). During the year a net loss on investments of £6,278,374 (2020: £nil) was recognised in respect of its investment in Paul Smith Group Holdings Limited, the shares of which were gifted to it in 2017. This loss on investment value was as a result of a reduction in net asset value of the investment following the companies purchase of own shares during the year as well as losses incurred by the group due to the impact of the COVID19 pandemic.

Free reserves are described as those reserves, excluding fixed assets, which are readily available for use in the operations of the charity. At the year end, unrestricted free reserves totalled £553,921 (2020: £709,349). The trustees consider the level of free reserves sufficient to fund its grant programme and cover any unplanned expenditure.

Key management and remuneration policy

The trustees are not remunerated, and the Trust has no employees. The Trustees are considered to be the key management personnel.

Principle risks and uncertainties

The trustees have assessed the major risks to which the charity is exposed, in particular those related to the investments, operations and finances of the charity, and are satisfied that systems and procedures are in place to mitigate the exposure to the major risks.

The principal risk for the Foundation at this early stage in its development is not meeting the objects of the charity. The trustees are fully aware of this and are ensuring that the Foundation is becoming more active with the launch of its own dedicated website with regularly updated archive of advice, insights and inspiration.

Paul Smith's Foundation (formerly Paul Smith Foundation)
Trustees' Report for the year ended 30 June 2021

Future Plans

Having established the reserves of the Foundation with the initial income from donations received from the Paul Smith Discretionary Trust, the trustees continue to increase the visibility and activities of the charity with a modest level of growth in grant and donation activity whilst focussing on generating income from its investments for longer term allocation to causes that further its objectives. The trustees will continue to increase the level of awareness of the Foundation through its own dedicated website (launched during the year) initially providing advice, insights and inspiration to a new generation of creatives.

Statement of Trustees' Responsibilities

The trustees (who are also directors of the Paul Smith's Foundation) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the Trust for that period. In preparing these financial statements, the trustees are required to:

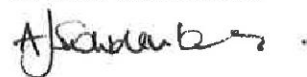
- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

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

Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

On behalf of the Trustees



Ashley Long

Date: 26/04/2022

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

I report to the charity trustees on my examination of the accounts of the Company for the year ended 30th June 2021.

Responsibilities and basis of report

As the charity's trustees of the Company (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the 2011 Act.

Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the Company as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities [applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)].

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Moore Kingston Smith LLP

Shivani Kothari, FCCA, DChA
For and on behalf of Moore Kingston Smith LLP

Devonshire House
60 Goswell Road
London, EC1M 7AD

Date: 26th April 2022.

**Independent Examiner's Report to the Trustees of
Paul Smith's Foundation (formerly Paul Smith Foundation)**

		2021 Unrestricted £	2020 Unrestricted £
Income from:	Note		
Investment income	2	132,684	98,565
Total		<u>132,684</u>	<u>98,565</u>
Expenditure on:			
<i>Charitable Activities:</i>	3		
Grants and donations payable in furtherance of objects	4	34,714	18,187
Sponsorship	5	-	3,031
Website expenditure	6	241,966	-
Archive costs	7	25,826	30,460
Legal & Professional	8	680	-
Advertising costs	9	14,212	-
Total		<u>317,398</u>	<u>51,678</u>
Net loss on investments	15	(6,278,374)	-
Net movement in funds		(6,463,088)	46,887
Total funds brought forward		26,430,630	26,383,743
Total funds carried forward		<u>19,967,542</u>	<u>26,430,630</u>

The notes on pages 7 to 13 form part of the financial statements.

**Independent Examiner's Report to the Trustees of
Paul Smith's Foundation (formerly Paul Smith Foundation)**

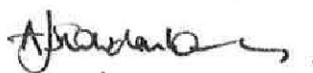
	Note	2021 £	2021 £	2020 £	2020 £
Fixed Assets					
Intangible fixed assets	16				79,287
Investments	15		19,413,620		25,641,994
Current Assets					
Cash at bank		610,986		736,265	
Other debtors					
		<u>610,986</u>		<u>736,265</u>	
Creditors: Amounts falling due within one year	17	(57,065)		(26,916)	
		<u>(57,065)</u>		<u>(26,916)</u>	
Net Current Assets			<u>553,921</u>		<u>709,349</u>
Total Assets less current liabilities			<u>19,967,542</u>		<u>26,430,630</u>
Total Net Assets			<u>19,967,542</u>		<u>26,430,630</u>
Funds					
Unrestricted Funds			<u>19,967,542</u>		<u>26,430,630</u>

The notes on pages 7 to 13 form part of the financial statements.

The directors state:

- (a) For the year ended 30th June 2021 the charitable company was entitled to exemption under Section 477 of the Companies Act 2006.
- (b) No notice from Trustees requiring an audit has been deposited under Section 476 of the Companies Act 2006
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the charitable company keeps accounting records which comply with Section 386 of the Companies Act 2006, and
 - (ii) preparing financial statements which give a true and fair view of the state of affairs of the charitable company as at the end of the financial year, and of its income and expenditure for the financial year, in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the charitable company.
- (d) The accounts have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and in accordance with the provisions of the Financial Reporting Standard 102.

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



Trustee - Ashley Long
26/04/2022
Company number: 03346635

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

1 Accounting policies

Basis of accounting

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investments being measured at fair value through income and expenditure within the Statement of Financial Activities.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The charitable company is a public benefit entity for the purposes of FRS 102 and therefore the charitable company also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP), the Companies Act 2006 and the Charities Act 2011.

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

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Going Concern Basis

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast doubt on the ability of the charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular the trustees have considered the charity's forecasts and projections and have taken account of pressures on donation income, dividend income and the impact of the coronavirus on the valuation of the investment portfolio and income generation from the fund. After making enquiries the trustees have concluded that any impact on investment income due to the Coronavirus will be short term and that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

Income

Income is credited to the Statement of Financial Activities on an accruals basis when there is entitlement to the funds, the receipt is probable and the amount can be measured reliably. Donated investments are valued at their market value on the date of transaction. Investment income and bank interest are accounted for on a receivable basis.

Expenditure

Expenditure is charged on an accruals basis. Grants payable are included in the Statement of Financial Activities when approved by trustees and offered to the grantee.

Investments

In valuing investments the trustees have had due regard to Section 11 Paragraph 17 of the SORP. Investments are accounted at their fair value. Those unlisted investments for where fair value cannot be established using a valuation technique are accounted at cost. Investments are reviewed each year for impairment with any write off included in the Statement of Financial Activities. Realised and unrealised gains and losses on investments are included within the funds.

Creditors

Contractual arrangements are recognised as goods and services are supplied. Other grant payments are recognised when a constructive obligation arises.

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

1 Accounting policies (continued)

Governance costs

This expenditure includes the independent examination fee, services provided by the charity's legal advisors and any other expenditure related to governance or the strategic direction of the charity.

Unrestricted funds

These resources arise from unrestricted purposes and from accumulated surpluses and deficits in the operations for charitable purposes and are expendable at the discretion of the Trustees.

Intangible fixed assets

The amortisation policy is as follows:

Website	5 years straight line
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Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand and short term deposits with a maturity date of three months or less.

Financial instruments

The Foundation has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

With the exceptions of prepayments and deferred income all other debtor and creditor balances are considered to be basic financial instruments under FRS 102.

Critical accounting estimates and areas of judgement

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Impairment and Valuation of Fixed Asset Investments

The trustees have reviewed the appropriateness of methods used in valuing the unlisted shares of the Company's investments. The trustees believe the investment value is supported by the underlying assets held in the companies of those shares.

Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOFA.

b. Amortisation of Intangible Assets

The intangible assets held are all in respect of website development costs. Therefore the trustees consider an amortisation policy of 5 years straight line to be reasonable where it meets the criteria for capitalisation under FRS102.

**Independent Examiner's Report to the Trustees of
Paul Smith's Foundation (formerly Paul Smith Foundation)**

2 Investment income	2021	2020
	£	£
Dividend from Colston Property Partners Limited	132,684	98,565
	<u>132,684</u>	<u>98,565</u>

3 Charitable activities				2021			
	Grants & donations - note 4	Sponsorship - note 5	Website costs - note 6	Archive costs - note 7	Legal & Professional - note 8	Advertising costs - note 9	Total
	£	£	£	£	£	£	£
Direct charitable expenditure	25,000	-	174,256	18,599	490	10,235	228,580
Allocation of support costs - note 10	9,714	-	67,710	7,227	190	3,977	88,818
	<u>34,714</u>	<u>-</u>	<u>241,966</u>	<u>25,826</u>	<u>680</u>	<u>14,212</u>	<u>317,398</u>

				2020			
	Grants & donations - note 4	Sponsorship - note 5	Website costs - note 6	Archive costs - note 7	Legal & Professional - note 8	Advertising costs - note 9	Total
	£	£	£	£	£	£	£
Direct charitable expenditure	15,000	2,500	-	25,123	-	-	42,623
Allocation of support costs - note 10	3,187	531	-	5,337	-	-	9,055
	<u>18,187</u>	<u>3,031</u>	<u>-</u>	<u>30,460</u>	<u>-</u>	<u>-</u>	<u>51,678</u>

In 2021 and 2020, support costs have been allocated across the charitable expenditure streams based on total costs.

4 Grants & donations	2021	2020
	£	£
Royal Academy of Arts	25,000	15,000
	<u>25,000</u>	<u>15,000</u>

5 Sponsorship	2021	2020
	£	£
Gold Sponsor of Menswear Design Award at FASHANNE	-	2,500
	<u>-</u>	<u>2,500</u>

6 Expenditure on website	2021	2020
	£	£
Expenditure on website	174,256	-
	<u>174,256</u>	<u>-</u>

**Independent Examiner's Report to the Trustees of
Paul Smith's Foundation (formerly Paul Smith Foundation)**

7	Archive costs	2021	2020
		£	£
	Costs incurred organising and auditing Paul Smith's archive for use by the foundation	18,599	25,123
		<u>18,599</u>	<u>25,123</u>
8	Legal & Professional		
	Review of Charitable Company Constitution and change of company	490	-
		<u>490</u>	<u>-</u>
9	Advertising costs		
	Digital advertising costs	10,235	-
		<u>10,235</u>	<u>-</u>
10	Support costs	2021	2020
		£	£
	Governance costs - note 10	9,514	9,055
	Bank charges	17	-
	Impairment	79,287	-
		<u>88,818</u>	<u>9,055</u>
		<u>88,818</u>	<u>9,055</u>
11	Governance costs	2021	2020
		£	£
	Independent examiner fees	4,570	4,220
	Accounting services	4,944	4,835
		<u>9,514</u>	<u>9,055</u>
		<u>9,514</u>	<u>9,055</u>

12 Transactions with Trustees

No trustee received any remuneration for services as a trustee (2020: £Nil), nor any reimbursement of expenditure (2020: £Nil).

Key management personnel are the trustees.

13 Employees

The Foundation has no employees.

14 Taxation

The Foundation has suffered no tax charge, as it is not subject to UK corporation tax on its charitable activities.

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

15 Investments	Unlisted 2021 £	Unlisted 2020 £
Fair value at 1st July 2020	25,641,994	25,641,994
Additions in the year	50,000	-
Revaluation loss	(6,278,374)	-
	<u>19,413,620</u>	<u>25,641,994</u>
Fair value at 30th June 2021		
	<u>19,413,620</u>	<u>25,641,994</u>
Historical cost as at 30th June 2020	<u>25,641,994</u>	<u>25,661,511</u>

At 30th June 2021 the following investment holdings represent 5% or more of the fair value of the total portfolio:

	Share class	Shareholding	Country of incorporation
Lecture in Progress Ltd	25 Ordinary shares	20.00%	England & Wales
Colston Property Partners Ltd	5,043 Ordinary C shares	11.60%	England & Wales
Paul Smith Group Holdings Ltd	5,043 Ordinary A shares	12.89%	England & Wales
Partnership - 9 St Thomas Street	Not applicable	11.24%	Unincorporated

Detailed breakdown of investments

	Fair Value Total 2021 £
Lecture in Progress Ltd	50,000
Colston Property Partners Ltd	6,856,872
Paul Smith Group Holdings Ltd	11,325,770
Partnership - 9 St Thomas Street	1,180,978
	<u>19,413,620</u>

Market risks

The Foundation's exposure to market risks is restricted to the specific markets of companies the Foundation invests in; there is no direct exposure to general market risks. The specific markets include Paul Smith Group Holdings Ltd in Fashion wholesale and retail and CPP Ltd in Property. The Fashion wholesale and retail market has faced challenges during Covid-19 but not to the extent that it would challenge the carrying value of the investment in the accounts. The Property company is well funded and generally maintains a consistent dividend policy. As with risk, the Foundation's portfolio has limited direct exposure to general market performance and instead is impacted by specific markets performance.

The Foundation's exposure ties into its investment objectives as the investments either continue to directly promote the objects and profile of the charity or provide a long-term investment return for the charity. Sir Paul Smith, as a Trustee and Ambassador for the charity, has direct interest and influence in managing the risk of the investments. The charity is also currently considering the option to appoint new independent trustees.

The Foundation acquired its shares in PSGH Ltd and CPP Ltd by way of a gift to the Foundation from Sir Paul Smith's Trust. The charity invested funds in LIP Ltd as it directly promotes the objectives of the charity in supporting new talent in the creative industries. The charity co-funded alongside Sir Paul Smith, the purchase and restoration of the 9 St Thomas Street building as a long-term investment. No revaluation has been

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

15 Investments (continued)

Market risks (continued)

The Foundation's investments are considered reasonably liquid as Itochu Corporation or Sir Paul Smith could acquire the shares in PSGH Ltd at any time if required. Sir Paul Smith and the other shareholders can also potentially acquire the shares in CPP Ltd if the need arose. The building of 9 St Thomas Street can be sold for more than the carrying value to increase liquidity.

The long-term aim of the Foundation involving the investments is to gain dividend income and capital growth from PSGH Ltd, CPP Ltd and St Thomas Street. The long-term aim of LIP Ltd is to continue promoting the objectives of the charity. Due to Covid-19 PSGH has been impacted the most in the short term however it is not sufficient to risk the carrying value in the Foundation's account.

Currency risks

All of the Foundation's investments are held in GBP and therefore the Foundation is not exposed to currency risk.

Credit risks

The carrying amounts stated above represent the Foundation's maximum exposure to credit risk. Management is not aware of any further credit risks and therefore further disclosure is not required.

16 Intangible fixed assets

	Website development
Cost at 1 July 2020	79,287
Additions	-
Cost at 30 June 2021	<u>79,287</u>
Accumulated amortisation at 1 July 2020	-
Impairment charge for the year	<u>79,287</u>
Accumulated amortisation at 30 June 2021	<u>79,287</u>
Net book value as at 30 June 2021	<u><u>-</u></u>
Net book value as at 30 June 2020	<u><u>79,287</u></u>

Independent Examiner's Report to the Trustees of Paul Smith's Foundation (formerly Paul Smith Foundation)

17 Creditors: amounts falling due within one year

	2021 £	2020 £
Grant accruals	10,000	15,000
Accruals	9,586	8,956
Deferred dividend income	33,171	-
Other creditors	4,308	2,960
	<u>57,065</u>	<u>26,916</u>

18 Financial and capital commitments

The Foundation has no outstanding financial or capital commitments.

19 Related parties

The charity held the following investments at year end in which Paul Smith (and his wife), a trustee of Paul Smith's Foundation has a controlling interest; Colston Property Partners Ltd, Partnership - 9 St Thomas Street and Paul Smith Group Holdings Ltd.

During the year the Foundation received a dividend of £132,684 (2020: 98,565) from Colston Property Partners Limited of which Paul Smith and Ashley Long are directors.

Included within other creditors is a balance of £140 (2020: £140) due to Paul Smith Limited in which a number of trustees of the Paul Smith's Foundation are also directors of Paul Smith Limited.

Included in other creditors is a balance of £600 (2020: £600) owed to Paul Smith, a trustee of Paul Smith's Foundation.

20 Statement of movement on reserves

	2021 £	2020 £
Reserves brought forward	26,430,630	26,383,743
Surplus/(deficit) for the year	(6,463,088)	46,887
Reserves carried forward	<u>19,967,542</u>	<u>26,430,630</u>

The charity's reserves consists of unrestricted general reserves only.