

Registration number: 01249803

Numerical Algorithms Group Limited

(A company limited by guarantee)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2023

Wenn Townsend
Chartered Accountants and Statutory Auditor
30 St Giles'
Oxford
OX1 3LE



Numerical Algorithms Group Limited

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Numerical Algorithms Group Limited

Company Information

Directors Prof C Bischof
Mr J P Davies
Mr J B Elmer
Ms K A Robb
Mr A Tate
Prof S M Watt
Mr D J W Ulmer

Company secretary Mr J C Higgs

Registered office 30 St Giles'
Oxford
OX1 3LE

Auditors Wenn Townsend
Chartered Accountants and Statutory Auditor
30 St Giles'
Oxford
OX1 3LE

Numerical Algorithms Group Limited

Strategic Report for the Year Ended 31 March 2023

The Directors present their strategic report for the year ended 31 March 2023.

Our business and principal activities

NAG provides industry-leading numerical software and technical services to banking and finance, energy, engineering, and market research, as well as academic and government institutions. World renowned for the NAG® Library - the most rigorous and robust collection of numerical algorithms available - NAG also offers Automatic Differentiation, Machine Learning, and Mathematical Optimization products, as well as world-class technical consultancy across HPC and Cloud HPC, code porting and optimization, and other areas of numerical computing. Founded more than 50 years ago from a multi-university venture, NAG is headquartered in Oxford, UK with offices in the UK, US, EU and Asia.

NAG has built trust in numerous sectors over decades, by the application of its robust, performant software and reliable service capability to problems of a scientific, mathematical, or highly technical nature. The direction at NAG remains exactly aligned with this - we focus on a unique combination of product/software and service/people onto problems that enable clients to improve performance, robustness of risk awareness in critical settings.

Recent strategic developments at NAG have sought to simultaneously strengthen NAG's core business around HPC Services and Automatic Differentiation, while building significant forward-looking machinery for exploration of innovative next-generation products and services. In the last year we have accelerated the exploration activities by the hiring of a Chief Innovation Officer and the building of a side of the business dedicated to this exploration. Three functions sit within this new exploration organisation:

- Innovation (organic generation of new business ideas)
- Research (technical exploration)
- Business Development and Investment (exploring the potential for inorganic growth through M&A activity)

Our exploration activities are focused in three broad sectors - HPC, AI and Advanced Analytics.

Fair review of the business

NAG has performed satisfactorily from an operational perspective with a varied mix of service, consultancy and product-based business enabling strong recurrent licencing and support income, although the reported result has been impacted by an Exceptional Item. While COVID-19 risks have finally subsided, they have been replaced with increased uncertainty due to war in Ukraine. This has impacted new product business, but we are seeing further opportunities emerge particularly in the HPC services space and managed services.

The exceptional item that impacts the accounts relates to our membership of the Universities Superannuation Scheme (USS). In order to reflect our share of the funding deficit we have decreased our provision by £0.689m to £1.805m (2022 £2.494m). This has had a material impact on the result for the year. Further details of the provision can be found in Note 21 Pension and other schemes on pages 31 to 32.

Numerical Algorithms Group Limited

Strategic Report for the Year Ended 31 March 2023

The Group's key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Surplus for the financial year	£	1,901,720	8,397,884
Cash reserves*	£	3,666,264	6,943,834
Net assets	£	15,474,438	13,557,960

* An additional £14,779,725 is held with banks on fixed term deposits

We ended the year with a surplus of £1,901,720 compared to a surplus of £8,397,884 in 2021-22. The 2021-22 surplus before exceptional items would have been £331,920.

Business and product strategy

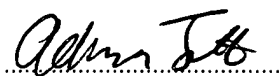
A combination of complimentary products across various target sectors is important to NAG's sustainable business plans. The core business sees most growth opportunity in the areas of AD, both in finance and in new markets, and in HPC services that are supporting the Cloud Service Providers in migration of large industrial clients. Growth in both areas is modest and is only achieved with investment into R&D, marketing and sales. NAG Library renewals remain strong.

Principal risks and uncertainties

There will always be risks to NAG's continued growth and development. Those that are most prominent presently include:

- COVID-19 related economic impacts and the war in Ukraine have created increased uncertainty around budgets in most sectors. This has impacted sales of both products and services.
- Customer risk. We have several large customers whose loss would severely impact our business.
- Increased provision requirements to the Universities Superannuation Scheme could severely impact our Balance Sheet strength.
- Increased services business comes with a degree of volatility. Over or under provision of capacity both present risk.
- New product innovations and other exploration activities come at a significant cost without a complete guarantee of commercial success.

Approved by the Board on 19 July 2023 and signed on its behalf by:



Mr A Tate

Numerical Algorithms Group Limited

Directors' Report for the Year Ended 31 March 2023

The Directors present their report and the consolidated financial statements for the year ended 31 March 2023.

Directors of the Group

The Directors who held office during the year were as follows:

Prof C Bischof
Mr J P Davies (appointed 14 December 2022)
Mr J B Elmer
Dr C Lucas (resigned 13 April 2022)
Ms K A Robb
Mr A Tate
Prof S M Watt
Prof S J Todd (resigned 10 November 2022)
Mr D J W Ulmer

Dividend policy

The distribution of dividends is prohibited by our constitution. We hold a prudent level of reserves and re-invest profits to further the advancement of mathematics by developing new solutions and providing funding for innovations through our support of academia.

Employment

NAG's success depends on our ability to attract and retain world-class experts and continuing to build on our status as an employer-of-choice. We continuously try to improve the way we work to ensure that staff feel valued and perform to the best of their ability.

Quality and environment

NAG has maintained its strong commitment to quality and to the environment through its certification under ISO 9001 and 14001.

We continually strive to improve the way we work, which in turn improves the quality of what we produce and review our use of fossil fuels, water and the waste we send to landfill to minimise any negative impact on our environment.

Governance

NAG's Board of Directors usually includes a Staff Representative Director as well as a mixture of co-opted and elected non-executive Directors evidencing our wish to meet and exceed best practice in all areas of our work.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 19 July 2023 and signed on its behalf by:



Mr A Tate

Numerical Algorithms Group Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and of the Company and of the surplus or deficit of the Group and of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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; and
- 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Numerical Algorithms Group Limited

Independent Auditor's Report to the Members of Numerical Algorithms Group Limited

Opinion

We have audited the financial statements of Numerical Algorithms Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2023 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 auditor 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's 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 Group's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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.

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.

Numerical Algorithms Group Limited

Independent Auditor's Report to the Members of Numerical Algorithms Group Limited

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 matter 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Numerical Algorithms Group Limited

Independent Auditor's Report to the Members of Numerical Algorithms Group Limited

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 design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which our procedures are capable of detecting irregularities, including fraud are detailed below:

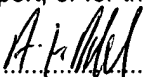
- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.


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Ajay Bahl FCA (Senior Statutory Auditor)
For and on behalf of Wenn Townsend, Statutory Auditor
30 St Giles'
Oxford
OX1 3LE

19 July 2023

Numerical Algorithms Group Limited

Consolidated Income and Expenditure Account for the Year Ended 31 March 2023

	Note	2023 Total £	2022 Excluding one-off service £	2022 One-off service £	2022 Total £
Turnover	3	9,142,953	8,735,876	11,414,676	20,150,552
Cost of sales		<u>(5,040,491)</u>	<u>(5,298,626)</u>	<u>(406,777)</u>	<u>(5,705,403)</u>
Gross surplus		4,102,462	3,437,250	11,007,899	14,445,149
Distribution costs		(1,799,785)	(1,819,341)	-	(1,819,341)
Administrative expenses		(1,960,907)	(1,473,943)	(699,145)	(2,173,088)
Other operating income	4	<u>106,607</u>	<u>77,240</u>	-	<u>77,240</u>
Operating surplus	5	<u>448,377</u>	<u>221,206</u>	<u>10,308,754</u>	<u>10,529,960</u>
Other interest receivable and similar income	6	260,642	567	-	567
Exceptional item - movement on pension provision	11	688,440	(1,067,265)	-	(1,067,265)
Interest payable and similar charges	7	<u>546,316</u>	<u>85,779</u>	-	<u>85,779</u>
		1,495,398	(980,919)	-	(980,919)
Share of (deficit)/surplus of equity accounted investees		<u>(16,898)</u>	<u>72,742</u>	-	<u>72,742</u>
Surplus/(deficit) before tax		1,926,877	(686,971)	10,308,754	9,621,783
Taxation	12	<u>(25,157)</u>	<u>87,375</u>	<u>(1,311,274)</u>	<u>(1,223,899)</u>
Surplus/(deficit) for the financial year		<u>1,901,720</u>	<u>(599,596)</u>	<u>8,997,480</u>	<u>8,397,884</u>
Surplus/(deficit) attributable to:					
Members		<u>1,901,720</u>	<u>(599,596)</u>	<u>8,997,480</u>	<u>8,397,884</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

Numerical Algorithms Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Surplus for the year		1,901,720	8,397,884
Foreign currency translation gains/(losses) on consolidation		<u>14,758</u>	<u>33,185</u>
Total comprehensive income for the year		<u>1,916,478</u>	<u>8,431,069</u>
Total comprehensive income attributable to:			
Members		<u>1,916,478</u>	<u>8,431,069</u>

The notes on pages 17 to 33 form an integral part of these financial statements.
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Numerical Algorithms Group Limited
(Registration number: 01249803)
Consolidated Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	13	41,035	64,268
Investments	14	594,008	632,833
Other financial assets	15	<u>1</u>	<u>1</u>
		<u>635,044</u>	<u>697,102</u>
Current assets			
Stocks	16	794	2,206
Debtors	17	2,860,394	14,251,771
Investments	18	14,779,275	-
Cash at bank and in hand		<u>3,666,264</u>	<u>6,943,834</u>
		21,306,727	21,197,811
Creditors: Amounts falling due within one year	20	<u>(4,382,961)</u>	<u>(5,514,955)</u>
Net current assets		<u>16,923,766</u>	<u>15,682,856</u>
Total assets less current liabilities		17,558,810	16,379,958
Creditors: Amounts falling due after more than one year	20	(279,014)	(328,200)
Provisions for liabilities		<u>(1,805,358)</u>	<u>(2,493,798)</u>
Net assets		<u>15,474,438</u>	<u>13,557,960</u>
Reserves			
Other reserves		100,000	100,000
Retained earnings		<u>15,374,438</u>	<u>13,457,960</u>
Attributable to owners of the company		<u>15,474,438</u>	<u>13,557,960</u>
Surplus		<u>15,474,438</u>	<u>13,557,960</u>

Approved and authorised by the Board on 19 July 2023 and signed on its behalf by:



Mr A Tate
Director

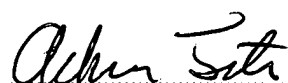
Numerical Algorithms Group Limited

(Registration number: 01249803)
Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	13	34,867	54,741
Investments	14	<u>162,775</u>	<u>162,775</u>
		<u>197,642</u>	<u>217,516</u>
Current assets			
Debtors	17	2,269,274	13,446,783
Investments	18	14,779,275	-
Cash at bank and in hand	19	<u>2,718,182</u>	<u>6,042,151</u>
		19,766,731	19,488,934
Creditors: Amounts falling due within one year	20	<u>(3,243,726)</u>	<u>(4,242,087)</u>
Net current assets		<u>16,523,005</u>	<u>15,246,847</u>
Total assets less current liabilities		16,720,647	15,464,363
Creditors: Amounts falling due after more than one year	20	(95,553)	(220,649)
Provisions for liabilities		<u>(1,805,358)</u>	<u>(2,493,798)</u>
Net assets		<u>14,819,736</u>	<u>12,749,916</u>
Capital and reserves			
Capital fund		100,000	100,000
Income and expenditure account		<u>14,719,736</u>	<u>12,649,916</u>
Members' funds		<u>14,819,736</u>	<u>12,749,916</u>

The Company made a profit after tax for the financial year of £2,069,820 (2022 - profit of £8,576,576).

Approved and authorised by the Board on 19 July 2023 and signed on its behalf by:



Mr A Tate
Director

Numerical Algorithms Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2023

Equity attributable to the Parent Company

	Capital fund	Income and expenditure account	Total
	£	£	£
At 1 April 2022	100,000	13,457,960	13,557,960
Surplus for the year	-	1,901,720	1,901,720
Other comprehensive income	-	14,758	14,758
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	1,916,478	1,916,478
	<hr/>	<hr/>	<hr/>
At 31 March 2023	<u>100,000</u>	<u>15,374,438</u>	<u>15,474,438</u>

	Capital fund	Income and expenditure account	Total
	£	£	£
At 1 April 2021	100,000	5,026,891	5,126,891
Surplus for the year	-	8,397,884	8,397,884
Other comprehensive income	-	33,185	33,185
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	8,431,069	8,431,069
	<hr/>	<hr/>	<hr/>
At 31 March 2022	<u>100,000</u>	<u>13,457,960</u>	<u>13,557,960</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

Numerical Algorithms Group Limited

Statement of Changes in Equity for the Year Ended 31 March 2023

	Capital fund £	Income and expenditure account £	Total £
At 1 April 2022	100,000	12,649,916	12,749,916
Surplus for the year	-	2,069,820	2,069,820
Total comprehensive income	-	2,069,820	2,069,820
At 31 March 2023	<u>100,000</u>	<u>14,719,736</u>	<u>14,819,736</u>

	Capital fund £	Income and expenditure account £	Total £
At 1 April 2021	100,000	4,073,340	4,173,340
Surplus for the year	-	8,576,576	8,576,576
Total comprehensive income	-	8,576,576	8,576,576
At 31 March 2022	<u>100,000</u>	<u>12,649,916</u>	<u>12,749,916</u>

Numerical Algorithms Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Surplus for the year		1,901,720	8,397,884
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	28,148	35,029
Deficit/(surplus) on disposal of tangible assets		16,922	(158)
Finance income	6	(260,642)	(567)
Foreign exchange (gains) / losses	7	(546,316)	(85,779)
Share of profit of equity accounted investees		16,898	(72,742)
Income tax expense	12	25,157	1,223,899
		<u>1,181,887</u>	<u>9,497,566</u>
Working capital adjustments			
Decrease/(increase) in stocks	16	1,412	(37)
Decrease/(increase) in trade debtors	17	11,412,313	(11,783,709)
Increase/(decrease) in trade creditors	20	5,572	(46,636)
(Decrease)/increase in retirement benefit obligation	21	(688,440)	1,067,265
(Decrease)/increase in accruals and deferred income		<u>(795,370)</u>	<u>1,060,477</u>
Cash generated from operations		11,117,374	(205,074)
Income taxes paid		<u>(458,878)</u>	<u>(631,502)</u>
Net cash flow from operating activities		<u>10,658,496</u>	<u>(836,576)</u>
Cash flows from investing activities			
Interest received	6	260,642	567
Acquisitions of tangible assets	13	(23,981)	(29,069)
Proceeds from sale of tangible assets		2,757	374
Dividend income	14	43,330	43,330
Acquisitions of other investments		<u>(14,779,275)</u>	<u>-</u>
Net cash flows from investing activities		<u>(14,496,527)</u>	<u>15,202</u>
Net decrease in cash and cash equivalents		(3,838,031)	(821,374)
Cash and cash equivalents at 1 April		6,943,834	7,646,579
Effect of exchange rate fluctuations on cash held		<u>560,461</u>	<u>118,629</u>
Cash and cash equivalents at 31 March		<u><u>3,666,264</u></u>	<u><u>6,943,834</u></u>

The notes on pages 17 to 33 form an integral part of these financial statements.

Numerical Algorithms Group Limited

Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Surplus for the year		2,069,820	8,576,576
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	20,885	27,435
Deficit/(surplus) on disposal of tangible assets		15,799	(158)
Finance income		(259,747)	(423)
Foreign exchange (gains) / losses		(543,950)	(91,105)
Income tax expense	12	<u>(111,518)</u>	<u>1,076,423</u>
		1,191,289	9,588,748
Working capital adjustments			
Decrease/(increase) in trade debtors	17	11,289,026	(12,238,146)
(Decrease)/increase in trade creditors	20	(49,154)	160,897
(Decrease)/increase in retirement benefit obligation	21	(688,440)	1,067,265
(Decrease)/increase in accruals and deferred income		<u>(700,105)</u>	<u>907,868</u>
Cash generated from operations		11,042,616	(513,368)
Income taxes paid		<u>(374,197)</u>	<u>(373,339)</u>
Net cash flow from operating activities		<u>10,668,419</u>	<u>(886,707)</u>
Cash flows from investing activities			
Interest received		259,747	423
Acquisitions of tangible assets	13	(19,591)	(29,069)
Proceeds from sale of tangible assets		2,781	374
Acquisitions of other investments		<u>(14,779,275)</u>	<u>-</u>
Net cash flows from investing activities		<u>(14,536,338)</u>	<u>(28,272)</u>
Net decrease in cash and cash equivalents		(3,867,919)	(914,979)
Cash and cash equivalents at 1 April		6,042,151	6,866,025
Effect of exchange rate fluctuations on cash held		<u>543,950</u>	<u>91,105</u>
Cash and cash equivalents at 31 March		<u><u>2,718,182</u></u>	<u><u>6,042,151</u></u>

The notes on pages 17 to 33 form an integral part of these financial statements.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 General information

The Company is a company limited by guarantee incorporated in United Kingdom.

The address of its registered office is:

30 St Giles'

Oxford

OX1 3LE

These financial statements were authorised for issue by the Board on 19 July 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities.

Contract revenue is recognised on the following basis. Revenue represents the value of work done in the period at the agreed rate, comprising the consideration received or receivable for services provided. To the extent that this value is in excess of the amount invoiced, this is recognised as accrued income.

Licence fee income is recognised as income in the year in which the licence is issued unless the licence is for two years or more in which case it is recognised straight line over the period to which it relates. The maintenance element of licences is recognised over the term of the maintenance agreement.

Grants are credited to the income and expenditure account as related expenditure is incurred.

Rental income receivable under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Income relating to future periods is carried forward as deferred income.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2023.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the Group income and expenditure account and statement of cashflows include the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside the Group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

No income and expenditure account is presented for the Company as permitted by Section 408 of the Companies Act 2006. Its surplus for the financial year was £2,069,820 (2022: £8,576,576).

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

Judgements

FRS 102 makes the distinction between a Group Pension Plan and a Multi-Employer Pension Plan. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A Multi-Employer Plan is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a Multi-Employer Pension Plan where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The Directors are satisfied that the scheme provided by USS meets the definition of a Multi-Employer Pension Plan and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Key sources of estimation uncertainty

The Directors are required to make assumptions on future staffing levels when calculating the USS pension scheme liability. These are included as best estimates at the date of calculation, but present a significant risk in potentially causing a material adjustment to the balance sheet. The carrying amount is £1,805,358 (2022: £2,493,798).

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date.

All exchange differences are included in the income and expenditure account except those arising on consolidation.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Asset class	Expected useful life
Plant and machinery	5 years
Fixtures and fittings	Over length of lease
Computer equipment	3 - 5 years

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Investments

Investments in subsidiary undertakings are valued at cost less provision for impairment.

Investments in associated undertakings are stated at the amount of the Company's share of net assets. The income and expenditure account includes the Company's share of the associated Company's profits after taxation using the equity accounting basis.

Other investments are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities. Trade creditors are recognised at the transaction price.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Assets held for use in operating leases are included as a separate category in fixed assets at cost and depreciated over their useful life.

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Defined contribution pension obligation

The Group operates two defined contribution pension schemes and the pension charge in respect of these schemes represents the amounts payable by the Group to the funds in the year.

A defined contribution scheme is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Multi-Employer Pension Plan

The Company participates in the Universities Superannuation Scheme ("USS") on behalf of its staff. The scheme is a contributory defined benefit scheme (i.e. it provides benefits based on length of service and pensionable salary). The assets of USS are held in separate trustee-administered funds. USS is a multi-employer scheme and the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, as required by FRS 102, the Company accounts for the scheme as if it were a defined contribution scheme with a separate adjustment in respect of the net present value of agreed deficit funding contributions. USS have put in place an agreement for additional contributions to fund their past service deficits. In accordance with the provisions of FRS 102, the Company has therefore recognised a liability for the future contributions that it estimates will be payable as a result of these deficit funding agreements.

3 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2023	2022
	£	£
Sale of goods and services	<u>9,142,953</u>	<u>20,150,552</u>

The analysis of the Group's turnover for the year by market is as follows:

	2023	2022
	£	£
Sales, UK	2,084,242	14,081,335
Sales, United States of America and Canada	5,591,655	4,318,865
Sales, Japan	265,480	424,302
Sales, Europe and Rest of World	<u>1,201,576</u>	<u>1,326,050</u>
	<u>9,142,953</u>	<u>20,150,552</u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

4 Other operating income

The analysis of the Group's other operating income for the year is as follows:

	2023 £	2022 £
Rental income	411	-
Other operating income	<u>106,196</u>	<u>77,240</u>
	<u>106,607</u>	<u>77,240</u>

5 Operating surplus

Arrived at after charging/(crediting):

	2023 £	2022 £
Depreciation expense	28,148	35,029
Research and development cost	1,168,258	1,650,793
Loss/(profit) on disposal of property, plant and equipment	<u>16,922</u>	<u>(158)</u>

6 Other interest receivable and similar income

	2023 £	2022 £
Interest received	<u>260,642</u>	<u>567</u>

7 Interest payable and similar expenses

	2023 £	2022 £
Foreign exchange losses / (gains)	<u>(546,316)</u>	<u>(85,779)</u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

8 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2023	2022
	£	£
Wages and salaries	5,003,717	6,029,831
Social security costs	452,375	592,473
Pension costs, defined contribution scheme	82,952	69,906
Pension costs, defined benefit scheme	415,158	598,553
	<u>5,954,202</u>	<u>7,290,763</u>

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Administration and support	12	11
Research and development	27	44
Distribution	13	15
	<u>52</u>	<u>70</u>

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2023	2022
	£	£
Remuneration	333,133	509,966
Company contributions paid to defined benefit schemes	48,780	55,497
	<u>381,913</u>	<u>565,463</u>

During the year the number of Directors who were receiving pensions benefits was as follows:

	2023	2022
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid Director:

	2023	2022
	£	£
Remuneration	282,125	418,688
Company contributions to defined benefit pension schemes	<u>48,098</u>	<u>39,437</u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

10 Auditors' remuneration

	2023 £	2022 £
Audit of these financial statements	<u>19,350</u>	<u>18,250</u>
Other fees to auditors		
Taxation compliance services	900	3,725
All other non-audit services	<u>9,425</u>	<u>2,183</u>
	<u>10,325</u>	<u>5,908</u>

11 Exceptional items

One-off service

During the prior year, the Group carried out a one-off service on behalf of a client that gave rise to non-recurring revenue of £11,414,676 and expenditure of £1,105,921.

Due to the size of the transaction and its non-recurring nature, the Directors have considered it necessary to separately disclose this transaction as an exceptional item.

Movement in pension provision

There was a material decrease to the Company's pension provision for the year ended 31 March 2023 which is further detailed in Note 21.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

12 Taxation

Tax charged/(credited) in the income statement

	2023 £	2022 £
Current taxation		
UK corporation tax	-	374,198
UK corporation tax adjustment to prior periods	(210,811)	855,782
Foreign tax	158,078	155,250
	<u>(52,733)</u>	<u>1,385,230</u>
Share of associate's current tax	<u>(21,403)</u>	<u>(7,774)</u>
Total current income tax	(74,136)	1,377,456
Deferred taxation		
Arising from origination and reversal of timing differences	<u>99,293</u>	<u>(153,557)</u>
Tax expense in the income statement	<u><u>25,157</u></u>	<u><u>1,223,899</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are reconciled below:

	2023 £	2022 £
Surplus before tax	<u>1,926,877</u>	<u>9,621,783</u>
Corporation tax at standard rate	366,107	1,828,139
Decrease from effect of joint-ventures and associates results reported net of tax	(21,403)	(7,774)
Effect of revenues exempt from taxation	3,211	(13,821)
Effect of expense not deductible in determining taxable profit (tax loss)	17,146	5,381
Effect of foreign tax rates	(8,045)	57,975
Increase/(decrease) from tax losses for which no deferred tax asset was recognised	5,510	(1,140,631)
Increase in UK and foreign current tax from adjustment for prior periods	-	855,782
Tax decrease from effect of capital allowances and depreciation	(3,620)	-
Tax decrease from other short-term timing differences	(302,934)	(407,746)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(30,815)</u>	<u>46,594</u>
Total tax charge	<u><u>25,157</u></u>	<u><u>1,223,899</u></u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Deferred tax

Group and Company

Deferred tax assets and liabilities

	Asset £	Liability £
2023		
Accelerated capital allowances	-	2,384
Defined benefit pension provision	261,777	-
	261,777	2,384
2022		
Accelerated capital allowances	-	2,915
Defined benefit pension provision	361,601	-
	361,601	2,915

13 Tangible assets

Group

	Land and buildings £	Fixtures and fittings £	Plant and machinery £	Total £
Cost or valuation				
At 1 April 2022	18,978	23,715	168,359	211,052
Additions	-	-	23,981	23,981
Disposals	(18,978)	-	(65,889)	(84,867)
Foreign exchange movements	-	1,548	773	2,321
At 31 March 2023	-	25,263	127,224	152,487
Depreciation				
At 1 April 2022	6,805	19,764	120,215	146,784
Charge for the year	1,583	4,301	22,264	28,148
Eliminated on disposal	(8,388)	-	(56,800)	(65,188)
Foreign exchange movements	-	1,198	510	1,708
At 31 March 2023	-	25,263	86,189	111,452
Carrying amount				
At 31 March 2023	-	-	41,035	41,035
At 31 March 2022	12,173	3,951	48,144	64,268

Included within the net book value of land and buildings above is £Nil (2022 - £12,173) in respect of short leasehold land and buildings.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Company

	Land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 April 2022	18,978	153,995	172,973
Additions	-	19,591	19,591
Disposals	<u>(18,978)</u>	<u>(62,008)</u>	<u>(80,986)</u>
At 31 March 2023	<u>-</u>	<u>111,578</u>	<u>111,578</u>
Depreciation			
At 1 April 2022	6,805	111,427	118,232
Charge for the year	1,583	19,302	20,885
Eliminated on disposal	<u>(8,388)</u>	<u>(54,018)</u>	<u>(62,406)</u>
At 31 March 2023	<u>-</u>	<u>76,711</u>	<u>76,711</u>
Carrying amount			
At 31 March 2023	<u>-</u>	<u>34,867</u>	<u>34,867</u>
At 31 March 2022	<u>12,173</u>	<u>42,568</u>	<u>54,741</u>

Included within the net book value of land and buildings above is £Nil (2022 - £12,173) in respect of short leasehold land and buildings.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

14 Investments

Group

Details of undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2023	2022
Subsidiaries				
Numerical Algorithms Group Inc	USA	Ordinary	100%	100%
Nihon Numerical Algorithms Group KK	Japan	Ordinary	100%	100%
Associate				
VSN International Limited	UK	Ordinary	24%	24%

Subsidiary undertakings

Numerical Algorithms Group Inc

The principal activity of Numerical Algorithms Group Inc is computer software and services.

Nihon Numerical Algorithms Group KK

The principal activity of Nihon Numerical Algorithms Group KK is computer software and services.

Investment in associates

	2023	2022
	£	£
At 1st April	632,833	595,647
Share of profit/(loss)	4,505	80,516
Dividends received	(43,330)	(43,330)
At 31st March	594,008	632,833

Associate

The principal activity of VSN International Limited is software and services.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Company

	2023 £	2022 £
Shares in Group undertakings and participating interests	3,112	3,112
Investment in Associate	<u>159,663</u>	<u>159,663</u>
	<u><u>162,775</u></u>	<u><u>162,775</u></u>

15 Other financial assets

Group

	Financial assets at cost less impairment £	Total £
Non-current financial assets		
Cost or valuation		
At 1 April 2022	57,161	57,161
Foreign exchange movements	<u>3,731</u>	<u>3,731</u>
At 31 March 2023	<u>60,892</u>	<u>60,892</u>
Impairment		
At 1 April 2022	57,160	57,160
Foreign exchange movements	<u>3,731</u>	<u>3,731</u>
At 31 March 2023	<u>60,891</u>	<u>60,891</u>
Carrying amount		
At 31 March 2023	<u><u>1</u></u>	<u><u>1</u></u>

16 Stocks

	Group		Company	
	2023 £	2022 £	2023 £	2022 £
Other inventories	<u>794</u>	<u>2,206</u>	<u>-</u>	<u>-</u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

17 Debtors

	Note	Group		Company	
		2023	2022	2023	2022
Current		£	£	£	£
Trade debtors		1,919,801	2,167,893	900,939	1,213,139
Amounts owed by related parties	23	-	-	512,799	269,428
Other debtors		23,730	40,134	5,741	5,574
Prepayments		454,177	270,382	296,528	185,280
Accrued income		83,064	11,414,676	83,064	11,414,676
Deferred tax assets	12	259,393	358,686	259,393	358,686
Income tax asset	12	120,229	-	210,810	-
		<u>2,860,394</u>	<u>14,251,771</u>	<u>2,269,274</u>	<u>13,446,783</u>

18 Current asset investments

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Other investments	<u>14,779,275</u>	<u>-</u>	<u>14,779,275</u>	<u>-</u>

19 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash on hand	248	156	79	75
Cash at bank	<u>3,666,016</u>	<u>6,943,678</u>	<u>2,718,103</u>	<u>6,042,076</u>
	<u>3,666,264</u>	<u>6,943,834</u>	<u>2,718,182</u>	<u>6,042,151</u>

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

20 Creditors

	Note	Group		Company	
		2023 £	2022 £	2023 £	2022 £
Due within one year					
Trade creditors		151,330	143,353	79,019	112,053
Social security and other taxes		274,133	240,535	256,712	237,271
Other payables		58,726	94,729	51,994	87,555
Accruals and deferred income		3,898,772	4,644,956	2,856,001	3,431,010
Income tax liability	12	-	391,382	-	374,198
		<u>4,382,961</u>	<u>5,514,955</u>	<u>3,243,726</u>	<u>4,242,087</u>
Due after one year					
Deferred income		<u>279,014</u>	<u>328,200</u>	<u>95,553</u>	<u>220,649</u>

21 Pension and other schemes

Defined contribution pension scheme

The Group operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £82,952 (2022 - £69,906).

Defined benefit pension schemes

Universities Superannuation Scheme

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £415,158 (2022 - £598,554).

The total movement on the provision relating to defined benefit schemes for the year was £(688,440) (2022 - £1,067,265).

Multi-employer plans

The Company participates in the Universities Superannuation Scheme, a defined benefit scheme. The liabilities are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the Group benefits from the employees' service.

The Universities Superannuation Scheme is accounted for as if the scheme were a defined contribution scheme as the Group is unable to identify its share of the underlying assets and liabilities in the scheme. The scheme has put in place agreements for additional contributions to fund their past service deficits. In accordance with the provisions of FRS 102, the Group has recognised a liability for the future contributions that it estimates will be payable as a result of these deficit funding agreements.

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

The 2020 actuarial valuation of the scheme was finalised during the previous accounting period and reported that total assets of the scheme were £66.5bn, with total liabilities of £80.6bn – meaning a past service shortfall of £14.1bn and a funding level of 83%.

This position has significantly worsened compared to the 2018 valuation, which had a funding level of 95%, and as a result a new deficit recovery plan was agreed. This new plan requires deficit payments of 6.2% of salaries from 1 April 2022 to 31 March 2024 and then payments of 6.3% of salaries from 1 April 2024 to 30 April 2038. This was a significant increase on the 6% contribution due until March 2028 under the 2018 valuation.

Employee contribution rates are set at 9.8%. Employer contribution rates are set at 21.6% from 1 April 2022 to 31 March 2026, and 21.4% from 1 April 2026 to 30 April 2038.

In line with FRS 102 paragraph 28.11A, the Company has recognised a provision of £1,805,358 at 31 March 2023 (2022: £2,493,798) for the present value of the estimated future deficit funding element of the contributions payable under the agreement in place at year end. In determining the level of this provision it has been assumed that the Company will continue to have a constant level of employee participation in this scheme and that the relevant earnings of these employees will increase in line with the actuary's projected long-term salary rate increases.

A copy of the full actuarial valuation report and other further details on the scheme are available on the USS website www.uss.co.uk.

USS have provided a modeller for employers to calculate the net present value of future contributions under the deficit funding scheme. Certain assumptions relating to future pay increases for staff and the number of employees active in the scheme are used to calculate this liability which is disclosed as a provision.

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023	2022
	£	£
Not later than one year	77,975	149,922
Later than one year and not later than five years	<u>1,636</u>	<u>98,833</u>
	<u>79,611</u>	<u>248,755</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £164,606 (2022 - £139,532).

Numerical Algorithms Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

Company

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	34,464	95,754
Later than one year and not later than five years	-	67,833
	<u>34,464</u>	<u>163,587</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £107,556 (2022 - £88,911).

23 Related party transactions

Group and Company

Summary of transactions with other related parties

Independent Directors

During the year the Company paid £24,630 (2022: £15,000) in respect of Director services provided.