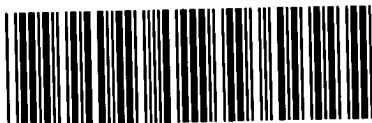


REGISTERED NUMBER: 04361684 (England and Wales)

**STFC INNOVATIONS LIMITED**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

TUESDAY



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COMPANIES HOUSE

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For The Year Ended 31 March 2017**

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**COMPANY INFORMATION**  
**For The Year Ended 31 March 2017**

|                                  |                                                                                                                                             |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTORS:</b>                | T Bestwick<br>A Taylor<br>P B Kaziewicz<br>M A R Affonso                                                                                    |
| <b>SECRETARY:</b>                | Aldwych Secretaries Limited                                                                                                                 |
| <b>REGISTERED OFFICE:</b>        | Rutherford Appleton Laboratory<br>Harwell Campus<br>Didcot<br>OX11 0QX                                                                      |
| <b>REGISTERED NUMBER:</b>        | 04361684 (England and Wales)                                                                                                                |
| <b>SENIOR STATUTORY AUDITOR:</b> | Sue Staunton MA FCA CF                                                                                                                      |
| <b>AUDITORS:</b>                 | James Cowper Kreston<br>Chartered Accountants and<br>Statutory Auditor<br>2 Chawley Park<br>Cumnor Hill<br>Oxford<br>Oxfordshire<br>OX2 9GG |
| <b>BANKERS:</b>                  | Lloyds TSB<br>5 High Street<br>Swindon<br>Wiltshire<br>SN1 3EN                                                                              |
| <b>SOLICITORS:</b>               | Pennington Manches LLP<br>9400 Garsington Road<br>Oxford Business Park<br>Oxford<br>OX4 2HN                                                 |

**REPORT OF THE DIRECTORS  
For The Year Ended 31 March 2017**

The directors present their report with the financial statements of the company for the year ended 31 March 2017.

**PRINCIPAL ACTIVITY**

STFC Innovations Ltd carries out activities in the field of commercialisation for the Science and Technology Facilities Council (STFC) as follows:

- investing in a portfolio of start-up companies based on STFC intellectual property;
- commercially exploiting STFC's intellectual property through licence agreements and sales of products and services;
- operating business incubators.

STFC Innovations Ltd is wholly-owned by STFC, and is integrated with the operations and mission of STFC. Staff working for STFC Innovations Ltd are either employed directly by the company, or are employees of STFC assigned to work with the company.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

T Bestwick  
A Taylor  
P B Kaziewicz  
M A R Affonso

Other changes in directors holding office are as follows:

W Whitehorn - resigned 1 September 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

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 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS  
For The Year Ended 31 March 2017

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD:

  
.....  
T Bestwick - Director

Date: 26<sup>th</sup> June 2017  
.....

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STFC INNOVATIONS LIMITED

We have audited the financial statements of STFC Innovations Limited for the year ended 31 March 2017 on pages five to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 a Report of the Auditors 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.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

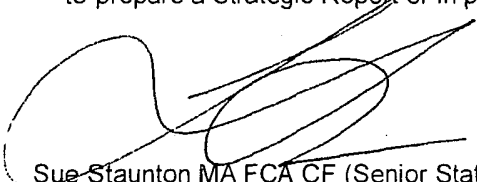
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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, 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 take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.



Sue Staunton MA FCA CF (Senior Statutory Auditor)  
for and on behalf of James Cowper Kreston  
Chartered Accountants and  
Statutory Auditor  
2 Chawley Park  
Cumnor Hill  
Oxford  
Oxfordshire  
OX2 9GG

Date: 26 Jun 2017.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For The Year Ended 31 March 2017**

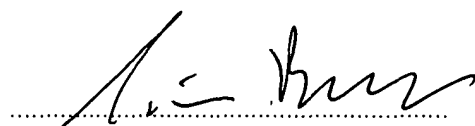
|                                                                   | Notes | 2017<br>£        | 2016<br>£        |
|-------------------------------------------------------------------|-------|------------------|------------------|
| <b>CONTINUING OPERATIONS</b>                                      |       |                  |                  |
| Revenue                                                           |       | 832,774          | 598,044          |
| Other operating income                                            |       | -                | 23,817           |
| Administrative expenses                                           |       | (1,419,060)      | (897,913)        |
| <b>OPERATING LOSS</b>                                             |       | <b>(586,286)</b> | <b>(276,052)</b> |
| Finance income                                                    | 4     | 34,733           | 31,575           |
| <b>LOSS BEFORE INCOME TAX</b>                                     | 5     | <b>(551,553)</b> | <b>(244,477)</b> |
| Income tax                                                        | 6     | -                | -                |
| <b>LOSS FOR THE YEAR</b>                                          |       | <b>(551,553)</b> | <b>(244,477)</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                 |       |                  |                  |
| <b>Item that will not be reclassified to profit or loss:</b>      |       |                  |                  |
| Revaluation of investment                                         |       | 57,984           | -                |
| Income tax relating to item of other comprehensive income         |       | -                | -                |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b> |       | <b>57,984</b>    | <b>-</b>         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                    |       | <b>(493,569)</b> | <b>(244,477)</b> |

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION  
31 March 2017

|                                     | Notes | 2017<br>£                 | 2016<br>£                 |
|-------------------------------------|-------|---------------------------|---------------------------|
| <b>ASSETS</b>                       |       |                           |                           |
| <b>NON-CURRENT ASSETS</b>           |       |                           |                           |
| Investments                         | 7     | 739,082                   | 681,098                   |
| Loans and other financial assets    | 8     | -                         | 308,000                   |
|                                     |       | <u>739,082</u>            | <u>989,098</u>            |
| <b>CURRENT ASSETS</b>               |       |                           |                           |
| Trade and other receivables         | 9     | 339,404                   | 426,667                   |
| Cash and cash equivalents           | 10    | 370,744                   | 326,376                   |
|                                     |       | <u>710,148</u>            | <u>753,043</u>            |
| <b>TOTAL ASSETS</b>                 |       | <u><b>1,449,230</b></u>   | <u><b>1,742,141</b></u>   |
| <b>EQUITY</b>                       |       |                           |                           |
| <b>SHAREHOLDERS' EQUITY</b>         |       |                           |                           |
| Called up share capital             | 11    | 1                         | 1                         |
| Revaluation reserve                 | 12    | 57,985                    | 1                         |
| Retained earnings                   | 12    | (9,117,191)               | (8,565,638)               |
| <b>TOTAL EQUITY</b>                 |       | <u><b>(9,059,205)</b></u> | <u><b>(8,565,636)</b></u> |
| <b>LIABILITIES</b>                  |       |                           |                           |
| <b>NON-CURRENT LIABILITIES</b>      |       |                           |                           |
| Trade and other payables            | 13    | 10,369,674                | 10,202,825                |
| <b>CURRENT LIABILITIES</b>          |       |                           |                           |
| Trade and other payables            | 13    | 138,761                   | 104,952                   |
| <b>TOTAL LIABILITIES</b>            |       | <u><b>10,508,435</b></u>  | <u><b>10,307,777</b></u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u><b>1,449,230</b></u>   | <u><b>1,742,141</b></u>   |

The financial statements were approved by the Board of Directors on 26 June 2017 and were signed on its behalf by:

  
T Bestwick - Director

The notes form part of these financial statements



**STATEMENT OF CHANGES IN EQUITY**  
For The Year Ended 31 March 2017

|                                 | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Revaluation<br>reserve<br>£ | Total<br>equity<br>£ |
|---------------------------------|------------------------------------|---------------------------|-----------------------------|----------------------|
| <b>Balance at 1 April 2015</b>  | 1                                  | (8,321,161)               | 1                           | (8,321,159)          |
| <b>Changes in equity</b>        |                                    |                           |                             |                      |
| Total comprehensive income      | -                                  | (244,477)                 | -                           | (244,477)            |
| <b>Balance at 31 March 2016</b> | 1                                  | (8,565,638)               | 1                           | (8,565,636)          |
| <b>Changes in equity</b>        |                                    |                           |                             |                      |
| Total comprehensive income      | -                                  | (551,553)                 | 57,984                      | (493,569)            |
| <b>Balance at 31 March 2017</b> | 1                                  | (9,117,191)               | 57,985                      | (9,059,205)          |

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS**  
**For The Year Ended 31 March 2017**

|                                                       |   | 2017<br>£        | 2016<br>£        |
|-------------------------------------------------------|---|------------------|------------------|
| <b>Cash flows from operating activities</b>           |   |                  |                  |
| Cash generated from operations                        | 1 | <u>(465,214)</u> | <u>(393,054)</u> |
| Net cash from operating activities                    |   | <u>(465,214)</u> | <u>(393,054)</u> |
| <b>Cash flows from investing activities</b>           |   |                  |                  |
| Purchase of fixed asset investments                   |   | -                | (177,110)        |
| Sale of fixed asset investments                       |   | 308,000          | -                |
| Interest received                                     |   | <u>34,733</u>    | <u>31,575</u>    |
| Net cash from investing activities                    |   | <u>342,733</u>   | <u>(145,535)</u> |
| <b>Cash flows from financing activities</b>           |   |                  |                  |
| Intercompany loan movement                            |   | <u>166,849</u>   | <u>677,629</u>   |
| Net cash from financing activities                    |   | <u>166,849</u>   | <u>677,629</u>   |
| <b>Increase in cash and cash equivalents</b>          |   | <u>44,368</u>    | 139,040          |
| <b>Cash and cash equivalents at beginning of year</b> | 2 | <u>326,376</u>   | 187,337          |
| <b>Cash and cash equivalents at end of year</b>       | 2 | <u>370,744</u>   | <u>326,376</u>   |

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS**  
**For The Year Ended 31 March 2017**

**1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

|                                                 | 2017<br>£               | 2016<br>£               |
|-------------------------------------------------|-------------------------|-------------------------|
| Loss before income tax                          | (551,553)               | (244,477)               |
| Finance income                                  | <u>(34,733)</u>         | <u>(31,575)</u>         |
|                                                 | (586,286)               | (276,052)               |
| Decrease in trade and other receivables         | 87,263                  | 174,607                 |
| Increase/(decrease) in trade and other payables | <u>33,809</u>           | <u>(291,609)</u>        |
| <b>Cash generated from operations</b>           | <u><b>(465,214)</b></u> | <u><b>(393,054)</b></u> |

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 March 2017**

|                           | 31.3.17<br>£          | 1.4.16<br>£           |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | <u><b>370,744</b></u> | <u><b>326,376</b></u> |

**Year ended 31 March 2016**

|                           | 31.3.16<br>£          | 1.4.15<br>£           |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | <u><b>326,376</b></u> | <u><b>187,337</b></u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 March 2017**

**1. STATUTORY INFORMATION**

STFC Innovations Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Preparation of consolidated financial statements**

The company has taken advantage of the exemption not to prepare consolidated accounts available under Section 400 of the Companies Act 2006 as it is included in the consolidated accounts of the STFC, copies of which can be obtained from the address in note 13.

**Revenue**

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be reliably estimated.

Revenue represents amounts receivable by the company in respect of services rendered during the year in accordance with the underlying contract or licence, stated net of value added tax.

Amounts receivable under milestone agreements are recognised in accordance with the terms of the underlying agreement and are typically recognised upon the completion of the significant acts within the agreements. Revenue is specifically only recognised when the terms of any milestone are reasonably expected to be met and the relevant act has been completed as the company has no contractual rights to the revenue until this point.

Licence fee revenue is recognised up-front as a sale of the company if the company has discharged all of its on-going obligations.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

Royalty revenue is recognised only when it is probable that the royalty will be received.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

The company uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial assets and liabilities are recognised on the Statement of Financial Position when the company has become a party to the contractual provisions of the instrument.

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, trade payables and borrowings.

Cash and cash equivalents comprise cash on hand and on demand 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 changes in value.

Interest bearing loans and overdrafts are recorded at the fair value received less any transaction costs. Subsequent to initial recognition such instruments are measured at amortised cost, using the effective interest method.

**Financial assets**

Convertible loan stock, trade receivables, loans and other receivables that have fixed or determinable payments are classified as loans and receivables and are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each reporting date by considering the recoverable amount of the asset in comparison to its carrying value and any impairment recognised in the Statement of Comprehensive Income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the profit or loss in the Statement of Comprehensive Income.

**Financial liabilities**

Financial liabilities such as trade payables and loans are classified as payables and are measured initially at fair value less transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, except for short term payables when the recognition of interest would be immaterial.

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of Comprehensive Income.

**Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

**Investments**

Unlisted investments are stated in accordance with the International Private Equity and Venture Capital Valuation guidelines for valuation of unlisted investments at amounts considered by the directors to be a fair assessment of their value.

Unlisted investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to overriding requirements of prudence. All investments are valued according to one of the following bases:

- Third party valuation
- Earnings multiple
- Net assets

Gains and losses on realisation of fixed asset investments are dealt with through the realised capital reserve. Fixed asset investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend. The difference between the market value of fixed asset investments over cost to the company is shown as an unrealised gain or loss.

The company has taken advantage of the exemption available under IFRS 10 not to apply the equity method of accounting in relation to the investments in note 6.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

**Going concern**

The company has net liabilities of £9,059,205 (2016 - £8,565,636) and made a loss of £493,569 (2016 - £244,477) in the year. The directors consider it appropriate to prepare the accounts on a going concern basis as the parent company, STFC, has pledged to support the Company until at least 31 March 2018 and beyond. This is subject to adequate funding being available after future Spending Reviews and the planned restructuring of the UK Research Councils, but the directors are satisfied that there are no current indications that the funding environment will change in the twelve months following the approval of these financial statements.

**Trade and other receivables**

Trade and other receivables are stated at cost after deducting provisions for impairment of receivables.

**Cash and cash equivalents**

Cash and cash equivalents include cash at the bank and in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Recent Accounting Developments**

At the date of authorisation of these financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date.

The Company has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the year beginning 1 April 2015.

IFRS 10, IFRS 12 and IAS 27 Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27  
IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32  
IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36  
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39  
IFRIC 21 Levies  
IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

The directors have assessed that the adoption of these revisions and amendments did not have an impact on the financial position or performance of the Company.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:-

Effective 1 January 2016

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28  
"IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28  
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11  
IFRS 14 Regulatory Deferral Accounts  
IAS 1 Disclosure Initiative - Amendments to IAS 1  
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38  
IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41

Effective 1 January 2018

IFRS 15 Revenue from Contracts with Customers  
IFRS 9 Financial Instruments

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

**Critical Accounting Judgements**

The company's principal accounting policies are set out above. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies.

Areas which management believes to require the most critical accounting judgements are:

**(a) Impairment of investments**

The company records all investments at cost. Impairment charges are made if, in the management's assessment, there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the investments.

**(b) Impairment of receivables**

At the balance sheet date the directors evaluate the collectability of trade receivables and record the provisions for impairment of receivables based on experience, including, for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from estimated levels of recovery, which could impact on operating results positively or negatively.

**Deferred tax**

Deferred taxation is provided on all temporary differences between the carrying amounts of assets and liabilities in the accounting and tax balance sheets except where IAS 12 'Income Taxes' specifies that it should not. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates or laws enacted or substantively enacted at the balance sheet date.

The Company does not recognise a deferred tax asset because it is unrealistic that the company will make a sufficient profit in the future to utilise the losses available.

**3. EMPLOYEES AND DIRECTORS**

|                       | <b>2017</b>         | <b>2016</b>          |
|-----------------------|---------------------|----------------------|
|                       | <b>£</b>            | <b>£</b>             |
| Wages and salaries    | <b>4,058</b>        | 26,203               |
| Social security costs | -                   | 1,161                |
| Other pension costs   | -                   | 966                  |
|                       | <u><b>4,058</b></u> | <u><b>28,330</b></u> |

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

|                         | <b>2017</b> | <b>2016</b> |
|-------------------------|-------------|-------------|
| Average number of staff | <u>-</u>    | <u>-</u>    |

|                         | <b>2017</b> | <b>2016</b>   |
|-------------------------|-------------|---------------|
|                         | <b>£</b>    | <b>£</b>      |
| Directors' remuneration | <u>-</u>    | <u>14,564</u> |



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**4. NET FINANCE INCOME**

|                   | <b>2017</b>          | <b>2016</b>          |
|-------------------|----------------------|----------------------|
|                   | <b>£</b>             | <b>£</b>             |
| Finance income:   |                      |                      |
| Interest received | <u><b>34,733</b></u> | <u><b>31,575</b></u> |

**5. LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging/(crediting):

|                                           | <b>2017</b>            | <b>2016</b>         |
|-------------------------------------------|------------------------|---------------------|
|                                           | <b>£</b>               | <b>£</b>            |
| Auditors' remuneration                    | -                      | 6,500               |
| Auditors' remuneration for non audit work | <b>14,959</b>          | 7,614               |
| Foreign exchange differences              | <u><b>(12,079)</b></u> | <u><b>9,461</b></u> |

**6. INCOME TAX****Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 March 2017 nor for the year ended 31 March 2016.

**7. INVESTMENTS**

|                          | <b>Shares in<br/>group<br/>undertaking<br/>£</b> |
|--------------------------|--------------------------------------------------|
| <b>COST OR VALUATION</b> |                                                  |
| At 1 April 2016          | <b>681,098</b>                                   |
| Revaluations             | <u><b>57,984</b></u>                             |
| At 31 March 2017         | <u><b>739,082</b></u>                            |
| <b>NET BOOK VALUE</b>    |                                                  |
| At 31 March 2017         | <u><b>739,082</b></u>                            |
|                          | <b>Shares in<br/>group<br/>undertaking<br/>£</b> |
| <b>COST</b>              |                                                  |
| At 1 April 2015          | 503,988                                          |
| Additions                | <u>177,110</u>                                   |
| At 31 March 2016         | <u>681,098</u>                                   |
| <b>NET BOOK VALUE</b>    |                                                  |
| At 31 March 2016         | <u>681,098</u>                                   |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**7. INVESTMENTS - continued**

At 31 March 2017 the company held interests in the following undertakings:

|                                        | <b>Class of<br/>share held</b> | <b>Proportion<br/>31 March<br/>2017<br/>%</b> | <b>Date of<br/>financial<br/>informati<br/>on</b> | <b>Aggregate of<br/>capital and<br/>reserves<br/>£</b> | <b>Profit/(Loss)<br/>for the year<br/>£</b> |
|----------------------------------------|--------------------------------|-----------------------------------------------|---------------------------------------------------|--------------------------------------------------------|---------------------------------------------|
| Oxsensis Limited                       | Ordinary                       | 3.1                                           | 31/12/16                                          | (7,416,312)                                            | (3,036,544)                                 |
| L3 Technology Limited                  | Ordinary                       | 0.5                                           | 31/03/16                                          | (124,724)                                              | (124,824)                                   |
| Microvisk Limited                      | Ordinary                       | 0.2                                           | 31/09/16                                          | (481,701)                                              | (1,331,653)                                 |
| Cobalt Light Systems<br>Limited        | Ordinary                       | 20.2                                          | 30/06/16                                          | 4,172,714                                              | 28,278                                      |
| Quantum Detectors<br>Limited           | Ordinary                       | 90                                            | 31/03/16                                          | 208,139                                                | (193,240)                                   |
| The Electrospinning<br>Company Limited | Ordinary                       | 17.3                                          | 30/06/16                                          | 412,078                                                | (225,473)                                   |
| Scitech Precision Limited              | Ordinary                       | 100                                           | 31/03/16                                          | 297,185                                                | 61,333                                      |
| Teratech Components<br>Limited         | Ordinary                       | 49.9                                          | 30/11/16                                          | 460,385                                                | 157,189                                     |
| KEIT Limited                           | Ordinary                       | 15.9                                          | 31/12/16                                          | 926,355                                                | (1,008,605)                                 |
| VivaMOS                                | Ordinary                       | 62.6                                          | 30/06/16                                          | (117,211)                                              | (118,211)                                   |
| Exa Informatic                         | Ordinary                       | 21.7                                          | 31/03/16                                          | (2,809                                                 | (2,909)                                     |
| Mirico                                 | Ordinary                       | 30.3                                          | 31/05/16                                          | 943,817                                                | (56,283)                                    |

The aggregate of capital and reserves and profit / (loss) for the year are taken from the last available annual financial statements for that company. Although some of the last available financial statements do not coincide with or end before STFC Innovations Limited's financial year end, in the opinion of the directors this does not have a material impact on the financial statements as these investments are held at historic cost or £nil value.

The Directors have reviewed the current financial performance and position of Oxsensis Limited. The most recent financial statements show a net loss of £3.04m and net liabilities of £7.4m. Although the Directors believe that Oxsensis Limited has good long-term commercial prospects, current results do not justify maintaining the current carrying value of the investment and an impairment charge of £308,000k has been recognised in the financial statements.

All companies are incorporated in England and Wales.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**7. INVESTMENTS - continued**

At 31 March 2016 the company held interests in the following undertakings:

|                                        | <b>Class of<br/>share held</b> | <b>Proportion<br/>31 March<br/>2016<br/>%</b> | <b>Date of<br/>financial<br/>informati<br/>on</b> | <b>Aggregate of<br/>capital and<br/>reserves<br/>£</b> | <b>Profit/(Loss)<br/>for the year<br/>£</b> |
|----------------------------------------|--------------------------------|-----------------------------------------------|---------------------------------------------------|--------------------------------------------------------|---------------------------------------------|
| Oxsensis Limited                       | Ordinary                       | 3.1                                           | 31/12/15                                          | (4,379,768)                                            | (1,575,869)                                 |
| L3 Technology Limited                  | Ordinary                       | 0.3                                           | 31/12/14                                          | (170,492)                                              | (53,538)                                    |
| Microvisk Limited                      | Ordinary                       | 0.2                                           | 31/03/15                                          | 650,954                                                | (4,832,563)                                 |
| Cobalt Light Systems<br>Limited        | Ordinary                       | 20.2                                          | 30/06/15                                          | 3,888,438                                              | (512,157)                                   |
| Quantum Detectors<br>Limited           | Ordinary                       | 90                                            | 31/03/15                                          | 401,768                                                | 290,467                                     |
| The Electrospinning<br>Company Limited | Ordinary                       | 24.2                                          | 30/06/15                                          | 237,852                                                | (75,075)                                    |
| Scitech Precision Limited              | Ordinary                       | 100                                           | 31/03/15                                          | 235,852                                                | 26,017                                      |
| Teratech Components<br>Limited         | Ordinary                       | 49.9                                          | 30/11/14                                          | 308,727                                                | 87,762                                      |
| KEIT Limited                           | Ordinary                       | 25.4                                          | 31/12/15                                          | 504,356                                                | (666,532)                                   |
| VivaMOS                                | Ordinary                       | 62.6                                          | 30/03/16                                          | (212,210)                                              | (120,333)                                   |
| Exa Informatic                         | Ordinary                       | 21.7                                          | -                                                 | -                                                      | -                                           |
| Mirico                                 | Ordinary                       | 30.3                                          | 31/05/16                                          | 32                                                     | (102,818)                                   |

The aggregate of capital and reserves and profit / (loss) for the year are taken from the last available annual financial statements for that company. Although some of the last available financial statements do not coincide with or end before STFC Innovations Limited's financial year end, in the opinion of the directors this does not have a material impact on the financial statements as these investments are held at historic cost or £nil value.

All companies are incorporated in England and Wales.

**8. LOANS AND OTHER FINANCIAL ASSETS**

|                                | <b>2017<br/>£</b> | <b>2016<br/>£</b> |
|--------------------------------|-------------------|-------------------|
| Secured convertible loan stock | <b>308,000</b>    | 308,000           |
| Impairment                     | <b>(308,000)</b>  | -                 |
|                                | <b>-</b>          | <b>308,000</b>    |

Secured convertible loan stock relates to loan stock held in Oxsensis Limited. Interest is payable on the loan at 10% per annum until the redemption date of April 2017. The loan stock is convertible to shares at the option of the holder or if other qualifying conditions are met.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**9. TRADE AND OTHER RECEIVABLES**

|                   | 2017<br>£             | 2016<br>£             |
|-------------------|-----------------------|-----------------------|
| Current:          |                       |                       |
| Trade receivables | 13,021                | 124,565               |
| Other receivables | <u>326,383</u>        | <u>302,102</u>        |
|                   | <u><b>339,404</b></u> | <u><b>426,667</b></u> |

**10. CASH AND CASH EQUIVALENTS**

|               | 2017<br>£             | 2016<br>£             |
|---------------|-----------------------|-----------------------|
| Bank accounts | <u><b>370,744</b></u> | <u><b>326,376</b></u> |

**11. CALLED UP SHARE CAPITAL**

| Number: | Class:         | Nominal value: | 2017<br>£       | 2016<br>£       |
|---------|----------------|----------------|-----------------|-----------------|
| 1       | Ordinary share | £1             | <u><b>1</b></u> | <u><b>1</b></u> |

**12. RESERVES**

|                                      | Revaluation<br>reserve<br>£ |
|--------------------------------------|-----------------------------|
| At 1 April 2016                      | 1                           |
| Addition                             | <u><b>57,984</b></u>        |
| At 31 March 2017                     | <u><b>57,985</b></u>        |
|                                      | Revaluation<br>reserve<br>£ |
| At 1 April 2015<br>and 31 March 2016 | <u><b>1</b></u>             |

**13. TRADE AND OTHER PAYABLES**

|                              | 2017<br>£             | 2016<br>£             |
|------------------------------|-----------------------|-----------------------|
| Current:                     |                       |                       |
| Trade payables               | 41,746                | 72,642                |
| Other payables               | 90,516                | 32,310                |
| Accruals and deferred income | <u><b>6,499</b></u>   | <u>-</u>              |
|                              | <u><b>138,761</b></u> | <u><b>104,952</b></u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**13. TRADE AND OTHER PAYABLES - continued**

|                                    | 2017<br>£         | 2016<br>£         |
|------------------------------------|-------------------|-------------------|
| Non-current:                       |                   |                   |
| Amounts owed to group undertakings | <u>10,369,674</u> | <u>10,202,825</u> |
| Aggregate amounts                  | <u>10,508,435</u> | <u>10,307,777</u> |

**14. ULTIMATE PARENT COMPANY**

The directors regard the STFC, a non-departmental public body incorporated by Royal Charter in England and Wales, as the Company's ultimate parent by way of its 100% shareholding. The accounts of this company are available from the STFC, Polaris House, North Star Avenue, Swindon, SN2 1SZ.

**15. RELATED PARTY DISCLOSURES**

At 31 March 2017 a balance of £10,369,675 (2016: £10,202,824) remained outstanding to the STFC and is included within creditors. There is no fixed date for repayment and the outstanding balance does not incur interest. Due to there being no fixed date for repayment and in the opinion of the directors and the STFC it is unlikely the amounts owed will be repaid within 12 months, the amounts owed to the STFC have been shown as a long term liability.

During the year ended 31 March 2017, the company made sales to and purchases from the following companies in which it has a financial interest, as disclosed in note 6, or are deemed to be a related party through common directorship.

|                                     | Sales<br>£ | Purchases<br>£ | Debtor at<br>31 March<br>2017<br>£ | Creditor at<br>31 March<br>2017<br>£ |
|-------------------------------------|------------|----------------|------------------------------------|--------------------------------------|
| Oxsensis Limited                    | 7,609      | -              | -                                  | -                                    |
| Cobalt Light Systems Limited        | 9,498      | -              | -                                  | -                                    |
| The Electrospinning Company Limited | -          | -              | -                                  | -                                    |
| Teratech Components Limited         | 12,302     | -              | -                                  | -                                    |
| KEIT Limited                        | 1,957      | -              | -                                  | -                                    |
| Quantum Detectors Limited           | -          | -              | -                                  | -                                    |
| Mirico Limited                      | 20,994     | 8,300          | -                                  | -                                    |

During the year ended 31 March 2017, the company also accrued £34,733 (2016: £31,575) regarding interest due from Oxsensis Limited in relation to the loan stock detailed in note 7. At the year end, the total outstanding balance for interest owed by Oxsensis was £121,108 (2016: £86,375).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

During the year ended 31 March 2016, the company made sales to and purchases from the following companies in which it has a financial interest, as disclosed in note 6, or are deemed to be a related party through common directorship.

|                                     | Sales  | Purchases | Debtor at<br>31 March<br>2016 | Creditor at<br>31 March<br>2016 |
|-------------------------------------|--------|-----------|-------------------------------|---------------------------------|
|                                     | £      | £         | £                             | £                               |
| Oxsensis Limited                    | -      | -         | -                             | -                               |
| Cobalt Light Systems Limited        | 78,813 | -         | -                             | -                               |
| The Electrospinning Company Limited | -      | -         | -                             | -                               |
| Teratech Components Limited         | 7,235  | -         | -                             | -                               |
| KEIT Limited                        | 609    | -         | -                             | -                               |
| Quantum Detectors Limited           | 621    | -         | -                             | -                               |
| Mirico Limited                      | -      | 33,200    | -                             | -                               |

In addition to the transactions noted above, during the year ended 31 March 2016 the company paid amounts for shares issued at nominal value in VivaMos Limited (£633), Exa Informatics Limited (£22), The Electrospinning Company Limited (£51), Mirico Limited (£68) and Exa Informatics Limited (£705).

During the year ended 31 March 2016, the company also accrued £31,575 (2015: £28,705) regarding interest due from Oxsensis Limited in relation to the loan stock detailed in note 7. At the year end, the total outstanding balance for interest owed by Oxsensis was £86,375 (2015: £54,800).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

**16. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES****Financial assets**

|                                           | 2017<br>£             | 2016<br>£             |
|-------------------------------------------|-----------------------|-----------------------|
| Secured convertible loan stock            | 308,000               | 308,000               |
| Cash and cash equivalents                 | 370,745               | 326,375               |
| Trade receivables                         | 13,021                | 124,565               |
| Other receivables (excluding prepayments) | 138,419               | 96,311                |
| Amounts owed by group companies           | -                     | -                     |
| <b>Total</b>                              | <b><u>733,584</u></b> | <b><u>855,251</u></b> |

The average credit period for sales of goods and services is 30 days. No interest is charged on overdue trade receivables. At 31 March 2017 there were £13,021 of trade receivables (2016: £124,565) past due and all trade receivables are considered by the directors to be recoverable in full.

All trade receivable are denominated in Sterling in during 2017 and 2016.

The company's policy is to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. At the balance sheet date the directors consider that a provision of £nil is to be included (2016: £4,003).

**Financial liabilities**

|                                                            | 2017<br>£                | 2016<br>£                |
|------------------------------------------------------------|--------------------------|--------------------------|
| Trade payables                                             | 41,746                   | 72,642                   |
| Amounts owed to group companies                            | 10,369,675               | 10,202,824               |
| Other payables (excluding social security and other taxes) | 119,052                  | 40,858                   |
| <b>Total</b>                                               | <b><u>11,264,057</u></b> | <b><u>10,316,324</u></b> |

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 30 days. No interest is charged on trade payables. The company has policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

**Credit risk**

The company's credit risk is primarily attributable to its trade receivables, other receivables, bank overdraft, amounts owed to group, other payables and cash and cash equivalents. The amounts presented in the Statement of Financial Position are net of any allowances for doubtful receivables. Cash at bank is all held with highly rated banks or deposit takers the suitability of which is constantly reviewed.

**Interest rate risk**

The company is exposed to interest rate risk in respect of surplus funds held on deposit. The directors do not consider this risk to be significant.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2017**

The company does not charge interest on trade receivables as interest rates and amounts earned on cash deposits are immaterial, the company does not have any material interest rate exposure.

All cash and cash equivalent balances are denominated in Sterling in 2017 and 2016.

**Currency risk**

The company publishes its financial statements in pounds sterling and conducts some of its business in Euros. As a result, it is subject to foreign currency exchange risk due to exchange movements, which will affect the company's transaction costs and translation of the results. No financial instruments are utilised to manage risk, and currency gains / losses are credited / charged to the Statement of Comprehensive Income as incurred. The Board considered that this exposure was not sufficiently material to warrant hedging. At the year end, the company held the following net foreign currency balances:

**Foreign exchange**

|       | 2017           | 2016           |
|-------|----------------|----------------|
| Euros | <u>162,714</u> | <u>162,714</u> |

The majority of the company's revenue is in foreign currencies and the majority of the cost base is in Pounds Sterling. There is no natural foreign exchange hedge. A movement in the value of Pounds sterling during the course of the year would impact on the company's overall loss by approximately £20,000 (2015: £20,000).

**Liquidity risk**

The company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs. Short term flexibility is achieved by the use of the bank overdraft and funding from STFC. The directors prepare cash flow forecasts on a regular basis to identify at an early stage any short term funding difficulties.

**Capital risk management**

The company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, the company maintains sufficient capital to support its business.

The company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.