

**REGISTERED NUMBER: 04361684 (England and Wales)**

**STFC INNOVATIONS LIMITED**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**



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For The Year Ended 31 March 2018**

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**STFC INNOVATIONS LIMITED**

**COMPANY INFORMATION**  
**For The Year Ended 31 March 2018**

**DIRECTORS:** T Bestwick  
A Taylor  
P B Kaziewicz  
M A R Affonso  
J Curran (appointed 15 March 2017)

**SECRETARY:** Aldwych Secretaries Limited

**REGISTERED OFFICE:** Rutherford Appleton Laboratory  
Harwell Science and Innovation Campus  
Didcot  
OX11 0QX

**REGISTERED NUMBER:** 04361684 (England and Wales)

**SENIOR STATUTORY AUDITOR:** Sue Staunton MA FCA CF

**AUDITORS:** James Cowper Kreston  
Chartered Accountants and  
Statutory Auditor  
2 Chawley Park  
Cumnor Hill  
Oxford  
Oxfordshire  
OX2 9GG

**BANKERS:** Lloyds  
5 High Street  
Swindon  
Wiltshire  
SN1 3EN

**SOLICITORS:** Pennington Manches LLP  
9400 Garsington Road  
Oxford Business Park  
Oxford  
OX4 2HN

**REPORT OF THE DIRECTORS  
For The Year Ended 31 March 2018**

The directors present their report with the financial statements of the Company for the year ended 31 March 2018.

**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.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2017 to the date of this report.

T Bestwick  
A Taylor  
P B Kaziewicz  
M A R Affonso  
J Curran (appointed 15 March 2017)

**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**

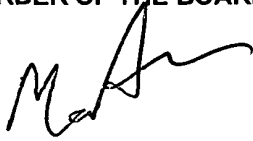
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware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

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**REPORT OF THE DIRECTORS  
For The Year Ended 31 March 2018**

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:**



.....  
M Affonso - Director

Date: 25 June 2018

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

### **Opinion**

We have audited the financial statements of STFC Innovations Limited (the 'Company') for the year ended 31 March 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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 Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

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

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

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

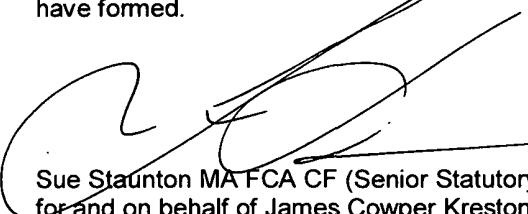
### Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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: 27 Jun 2018



**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For The Year Ended 31 March 2018**

	Notes	2018 £	2017 £
<b>CONTINUING OPERATIONS</b>			
Revenue		393,078	832,774
Profit on sale of investments	7	6,127,891	-
Revaluation of investments		1,365,000	57,984
Administrative expenses		<u>(854,271)</u>	<u>(1,419,060)</u>
<b>OPERATING PROFIT/(LOSS)</b>		<b>7,031,698</b>	<b>(528,302)</b>
Finance income	4	<u>12,004</u>	<u>34,733</u>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>5</b>	<b>7,043,702</b>	<b>(493,569)</b>
Income tax	6	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>7,043,702</b>	<b>(493,569)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>7,043,702</u></b>	<b><u>(493,569)</u></b>

The notes form part of these financial statements

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**STATEMENT OF FINANCIAL POSITION  
31 March 2018**

	Notes	2018 £	2017 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	7	<u>1,678,032</u>	<u>739,082</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	<u>621,765</u>	<u>339,404</u>
Cash and cash equivalents	9	<u>6,782,592</u>	<u>370,744</u>
		<u>7,404,357</u>	<u>710,148</u>
<b>TOTAL ASSETS</b>		<u><u>9,082,389</u></u>	<u><u>1,449,230</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	10	1	1
Revaluation reserve	11	<u>1,422,985</u>	<u>57,985</u>
Retained earnings	11	<u>(3,438,489)</u>	<u>(9,117,191)</u>
<b>TOTAL EQUITY</b>		<u><u>(2,015,503)</u></u>	<u><u>(9,059,205)</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	12	<u>10,433,394</u>	<u>10,369,674</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<u>664,498</u>	<u>138,761</u>
<b>TOTAL LIABILITIES</b>		<u><u>11,097,892</u></u>	<u><u>10,508,435</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>9,082,389</u></u>	<u><u>1,449,230</u></u>

The financial statements were approved by the Board of Directors on 25 June 2018 and were signed on its behalf by:



.....  
M Affonso - Director

The notes form part of these financial statements

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**STATEMENT OF CHANGES IN EQUITY  
For The Year Ended 31 March 2018**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Revaluation reserve £</b>	<b>Total equity £</b>
<b>Balance at 1 April 2016</b>	1	(8,565,638)	1	(8,565,636)
<b>Changes in equity</b>				
Total comprehensive income	<u>-</u>	<u>(551,553)</u>	<u>57,984</u>	<u>(493,569)</u>
<b>Balance at 31 March 2017</b>	<u>1</u>	<u>(9,117,191)</u>	<u>57,985</u>	<u>(9,059,205)</u>
<b>Changes in equity</b>				
Total comprehensive income	<u>-</u>	<u>5,678,702</u>	<u>1,365,000</u>	<u>7,043,702</u>
<b>Balance at 31 March 2018</b>	<u><u>1</u></u>	<u><u>(3,438,489)</u></u>	<u><u>1,422,985</u></u>	<u><u>(2,015,503)</u></u>

The notes form part of these financial statements

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**STATEMENT OF CASH FLOWS  
For The Year Ended 31 March 2018**

		2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	<u>5,910,074</u>	<u>(465,214)</u>
Net cash from operating activities		<u>5,910,074</u>	<u>(465,214)</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments		(358,000)	-
Sale of fixed asset investments		712,700	308,000
Interest received		<u>12,004</u>	<u>34,733</u>
Net cash from investing activities		<u>366,704</u>	<u>342,733</u>
<b>Cash flows from financing activities</b>			
Intercompany loan movement		63,809	166,849
Impairment of investment		<u>71,351</u>	<u>-</u>
Net cash from financing activities		<u>135,160</u>	<u>166,849</u>
<b>Increase in cash and cash equivalents</b>		<b>6,411,938</b>	<b>44,368</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>370,744</u>	<u>326,376</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>6,782,592</u></u>	<u><u>370,744</u></u>

The notes form part of these financial statements

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE STATEMENT OF CASH FLOWS  
For The Year Ended 31 March 2018**

**1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2018 £	2017 £
Profit/(loss) before income tax	7,043,702	(551,553)
Revaluation of investments	(1,365,000)	-
Finance income	<u>(12,004)</u>	<u>(34,733)</u>
	5,666,698	(586,286)
(Increase)/decrease in trade and other receivables	(282,361)	87,263
Increase in trade and other payables	<u>525,737</u>	<u>33,809</u>
<b>Cash generated from operations</b>	<u><b>5,910,074</b></u>	<u><b>(465,214)</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 2018**

	31.3.18 £	1.4.17 £
Cash and cash equivalents	<u><b>6,782,592</b></u>	<u><b>370,744</b></u>

**Year ended 31 March 2017**

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

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 March 2018**

**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.

**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 2018**

**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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2018**

**2. ACCOUNTING POLICIES - continued**

**Investments**

Unlisted investments are stated at fair value 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 7.

**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 Statement of Financial Position.



NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 March 2018

2. ACCOUNTING POLICIES - continued

**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.

**IFRS 9: Financial instruments**

The revised version of IFRS 9 was issued in July 2014 and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The effective date of the standard is for years beginning on or after 1 January 2018.

IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The Company expects to adopt the amendment for the first time in the 2018 annual financial statements. The impact of the standard is still being assessed.

**IFRS 15: Revenue from contracts with customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer loyalty programmes; IFRIC 15 Agreements for the construction of real estate; IFRIC 18 Transfers of assets from customers and SIC 31 Revenue – barter transactions involving advertising services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes extensive disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company expects to adopt the amendment for the first time in the 2018 annual financial statements. The impact of this standard is still being assessed.

**IFRS 16: Leases**

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance income, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Company expects to adopt the amendment for the first time in the 2019 annual financial statements. The impact of this standard is still being assessed.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 March 2018

2. ACCOUNTING POLICIES - continued

**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:

**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.

**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

There were no employees of the Company during either 2018 or 2017.

4. NET FINANCE INCOME

	2018 £	2017 £
Finance income:		
Interest received	<u>12,004</u>	<u>34,733</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax (2017 - loss before income tax) is stated after charging/(crediting):

	2018 £	2017 £
Auditors' remuneration	14,820	14,496
Auditors' remuneration for non-audit work	-	463
Foreign exchange differences	<u>2,453</u>	<u>(12,079)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 March 2018

6. INCOME TAX

**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 March 2018 nor for the year ended 31 March 2017.

7. INVESTMENTS

**COST OR VALUATION**

At 1 April 2017

Additions

Disposals

Revaluations

At 31 March 2018

Shares in  
investments  
£

739,082

50,000

(404,700)

1,293,739

1,678,121

**COST OR VALUATION**

At 1 April 2016

Revaluations

At 31 March 2017

Shares in  
investments  
£

681,098

57,984

739,082

**NET BOOK VALUE**

At 31 March 2017

739,082

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2018**

**7. INVESTMENTS - continued**

At 31 March 2018 the Company held interests in the following undertakings:

	<b>Class of share held</b>	<b>Proportion 31 March 2018 %</b>	<b>Date of financial information</b>	<b>Aggregate of capital and reserves £</b>	<b>Profit/(Loss) for the year £</b>
Oxsensis Limited	Ordinary	15.6	31/12/16	(7,416,312)	(3,036,544)
L3 Technology Limited	Ordinary	0.03	31/03/17	(2,311,905)	(981,048)
Microvisk Limited	Ordinary	0.0	31/09/16	(481,701)	(1,331,653)
Quantum Detectors Limited	Ordinary	90	31/03/17	415,519	206,380
The Electrospinning Company Limited	Ordinary	17.7	30/06/17	721,905	(322,227)
Scitech Precision Limited	Ordinary	100	31/03/17	214,444	(82,741)
Teratech Components Limited	Ordinary	49.9	31/03/17	596,169	135,784
KEIT Limited	Ordinary	11.9	31/12/17	1,242,537	(1,106,194)
VivaMOS Limited	Ordinary	59.6	30/06/17	(210,251)	(93,049)
Exa Informatics Limited	Ordinary	0	31/03/16	(2,809)	(2,309)
Mirico Limited	Ordinary	30.3	31/12/17	(38,571)	623,278

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.

During the year the Company received £6,532,591 as the gross proceeds of the sale of its shares in Cobalt Light Systems Limited to Agilent Technologies Inc. The net profit on this sale of £6,127,891 is shown on the Statement of Profit and Loss and Other Comprehensive Income.

During the year, the Company subscribed for an additional 2,500 shares in Mirico Limited at £200 per share. At the year-end SIL's existing shareholding of 6,825 shares, which had previously been held at £nil, were revalued at £200 per share giving a revaluation gain of £1,365,000.

At the year end, the Directors have reviewed the current financial performance and position of The Electrospinning Company Limited which show a net loss of £323k and net assets of £722k. Although the Directors believe that The Electrospinning Company has a good long-term commercial prospect, current results do not justify maintaining the current carrying value of the investment and an impairment of £40,365 has been recognised in the financial statements.

Similarly for the investment in KEIT Limited, the net assets are £1.2m compared to £926k last year, however KEIT Ltd made a large loss during the year of £1.1m. Similarly to the above, although the Directors believe that KEIT Limited has a good long-term commercial prospect, current results do not justify maintaining the current carrying value of the investment and an impairment of £30,896 has been recognised in the financial statements.

During the year the loan notes owed by Oxsensis Limited which had a value of £nil were converted into equity. Accrued loan interest of £133,112 was written off this year as part of the equity conversion transaction.

The Directors have reviewed the current financial performance and position of the above remaining investments and do not propose any further impairments to the carrying amounts.

All companies are incorporated in England and Wales.

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2018**

**7. INVESTMENTS - continued**

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

	<b>Class of share held</b>	<b>Proportion 31 March 2017 %</b>	<b>Date of financial information</b>	<b>Aggregate of capital and reserves £</b>	<b>Profit/(Loss) for the year £</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 Limited	Ordinary	20.2	30/06/16	4,172,714	28,278
Quantum Detectors Limited	Ordinary	90	31/03/16	208,139	(193,240)
The Electrospinning 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 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 Limited	Ordinary	62.6	30/06/16	(117,211)	(118,211)
Exa Informatics Limited	Ordinary	21.7	31/03/16	(2,809)	(2,909)
Mirico Limited	Ordinary	30.3	31/05/16	943,817	(56,283)

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

As at 31 March 2017, the Directors reviewed the current financial performance and position of Oxsensis Limited. The most recent financial statements showed a net loss of £3.04m and net liabilities of £7.4m. Although the Directors believed that Oxsensis Limited has good long-term commercial prospects, current results did not justify maintaining the current carrying value of the investment and an impairment charge of £308,000k was recognised in the financial statements.

All companies are incorporated in England and Wales.

**8. TRADE AND OTHER RECEIVABLES**

	<b>2018 £</b>	<b>2017 £</b>
Current:		
Trade receivables	<b>18,152</b>	13,021
Other receivables	<b>603,613</b>	326,383
	<b><u>621,765</u></b>	<b><u>339,404</u></b>

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 March 2018**

**9. CASH AND CASH EQUIVALENTS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank accounts	<u><b>6,782,592</b></u>	<u><b>370,744</b></u>

**10. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			<b>2018</b>	<b>2017</b>
Number:	Class:	Nominal value:	<b>£</b>	<b>£</b>
1	Ordinary share	£1	<u><b>1</b></u>	<u><b>1</b></u>

**11. RESERVES**

	<b>Revaluation reserve</b>
	<b>£</b>
At 1 April 2017	<b>57,985</b>
Addition	<u><b>1,365,000</b></u>
At 31 March 2018	<u><b>1,422,985</b></u>
	<b>Revaluation reserve</b>
	<b>£</b>
At 1 April 2016	<b>1</b>
Addition	<u><b>57,984</b></u>
At 31 March 2017	<u><b>57,985</b></u>

**12. TRADE AND OTHER PAYABLES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Current:		
Trade payables	<b>543,862</b>	<b>41,746</b>
Other payables	<b>37,593</b>	<b>90,516</b>
Accruals and deferred income	<u><b>83,043</b></u>	<u><b>6,499</b></u>
	<u><b>664,498</b></u>	<u><b>138,761</b></u>
Non-current:		
Amounts owed to group undertakings	<u><b>10,433,394</b></u>	<u><b>10,369,674</b></u>
Aggregate amounts	<u><b>11,097,892</b></u>	<u><b>10,508,435</b></u>

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2018**

**13. ULTIMATE PARENT COMPANY**

All of the shares in STFC Innovations Limited are owned by the Science and Technology Facilities Council (STFC). On 1 April 2018 STFC became part of UK Research and Innovation (UKRI), a non-departmental public body funded by a grant-in-aid from the UK Government. The Directors regard UKRI as the Company's ultimate parent. The accounts of STFC and UKRI are available from UK Research and Innovation, Polaris House, North Star Avenue, Swindon, SN2 1SZ.

**14. RELATED PARTY DISCLOSURES**

At 31 March 2018 a balance of £10,433,394 (2017: £10,369,675) remained outstanding to STFC, now UKRI, and is included within payables. 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 as in the opinion of the Directors it is unlikely the amounts owed will be repaid within 12 months, the balance has been shown as a long term liability.

During the year ended 31 March 2018, the Company made sales to and purchases from the following companies in which it has a financial interest, as disclosed in note 7, or which are deemed to be a related party through common directorship.

	<b>Sales</b>	<b>Purchases</b>	<b>Receivable at 31 March 2018</b>	<b>Payable at 31 March 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Oxsensis Limited	3,981	-	-	-
Cobalt Light Systems Limited	10,350	-	-	-
Teratech Components Limited	15,431	-	-	-
KEIT Limited	17,297	-	837	-
Mirico Limited	14,123	33,200	-	500,000

During the year ended 31 March 2018, the Company also accrued £12,004 (2017: £34,733) 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 £133,112 (2017: £121,108) was written off as part of a transaction to convert the loan notes owed by Oxsensis Limited to equity.

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.

	<b>Sales</b>	<b>Purchases</b>	<b>Receivable at 31 March 2017</b>	<b>Payable at 31 March 2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Oxsensis Limited	7,609	-	-	-
Cobalt Light Systems Limited	9,498	-	-	-
Teratech Components Limited	12,302	-	-	-
KEIT Limited	1,957	-	-	-
Mirico Limited	20,994	8,300	-	-

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 March 2018**

**15. EVENTS AFTER THE REPORTING PERIOD**

**Change of parent company**

From 1 April 2018 the parent company STFC became part of UK Research and Innovation (UKRI), a non-departmental public body funded by a grant-in-aid from the UK Government. The intercompany loan balance of £10,433,394 owed to STFC automatically transferred to UKRI.

**Mirico Limited Investment**

The Company invested £500,000 in Mirico Limited in return for 6.25% of its Ordinary shares. At the balance sheet date the funds that were invested were with lawyers pending the share issue. £500,000 is therefore included in debtors at the year end.

**Deferred consideration on sale of Cobalt Light Systems Limited**

Additional consideration is receivable dependant on several conditions being met which have not yet been settled.

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

**Financial assets**

	2018	2017
	£	£
Secured convertible loan stock	-	308,000
Cash and cash equivalents	6,790,892	370,745
Trade receivables	18,152	13,021
Other receivables (excluding prepayments)	236,725	138,419
<b>Total</b>	<b>7,045,769</b>	<b>733,584</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 2018 there were £18,152 of trade receivables (2017: £13,021) past due and all trade receivables are considered by the directors to be recoverable in full.

All trade receivables are denominated in Sterling in during 2018 and 2017.

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 (2017: £nil).

**Financial liabilities**

	2018	2017
	£	£
Trade payables	543,962	41,746
Amounts owed to group companies	10,433,394	10,369,675
Other payables (excluding social security and other taxes)	120,636	119,052
<b>Total</b>	<b>11,097,992</b>	<b>11,264,057</b>



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 March 2018**

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 companies, 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.

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 2018 and 2017.

**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**

	2018	2017
Euros	<u>127,746</u>	<u>162,714</u>

Some off the company's revenue is denominated in foreign currencies but the majority of the cost base is in Pounds Sterling. There is a 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 profit by approximately £2,453 (2017: £12,079).

**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 2018 and 31 March 2017.

**STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)**

**INCOME STATEMENT SUMMARIES  
For The Year Ended 31 March 2018**

	2018 £	2017 £
<b>REVENUE</b>		
Commercial income	268,700	517,572
Royalties	<u>124,378</u>	<u>315,202</u>
	<u>393,078</u>	<u>832,774</u>
 <b>OTHER OPERATING INCOME</b>		
Profit on sale of investments	6,127,891	-
Revaluation of investments	<u>1,365,000</u>	<u>57,984</u>
	<u>7,492,891</u>	<u>57,984</u>
 <b>ADMINISTRATIVE EXPENSES</b>		
<b>Administrative expenses</b>		
Wages	-	4,058
Stationery and books	19,948	32
Licences, patent and professional fees	223,019	336,142
Exhibition costs	8,044	3,000
Award costs	318,468	594,696
Other professional fees	63,126	170,219
Auditors' remuneration	14,820	14,496
Auditors' remuneration for non-audit work	-	463
Foreign exchange losses	2,453	(12,079)
Impairment	204,373	308,000
<b>Finance costs</b>		
Bank charges	<u>20</u>	<u>33</u>
	<u>854,271</u>	<u>1,419,060</u>
 <b>FINANCE INCOME</b>		
Interest received	<u>12,004</u>	<u>34,733</u>
	<u>12,004</u>	<u>34,733</u>

This page does not form part of the statutory financial statements