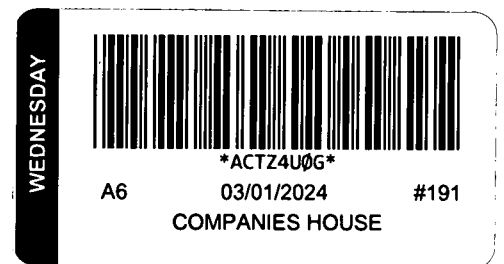


REGISTERED NUMBER: 04361684 (England and Wales)

STFC INNOVATIONS LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023



**CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2023**

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COMPANY INFORMATION
For The Year Ended 31 March 2023

DIRECTORS:	M A Affonso (resigned on 31 March 2023) J M Curran (resigned on 25 April 2022) E A Kirby (resigned on 30 August 2023) A J Bush (resigned on 31 March 2023) A Partridge T P Smith P Vernon (appointed on 23 March 2023) W T Byrne (appointed on 12 September 2022) M S Clarke (appointed on 1 July 2023) R Gardner (appointed on 1 July 2023)
REGISTERED OFFICE:	R71 Rutherford Appleton Laboratory Harwell Science and Innovation Campus Didcot OX11 0QX
REGISTERED NUMBER:	04361684 (England and Wales)
AUDITORS:	James Cowper Kreston Audit Chartered Accountants and Statutory Auditor 2 Chawley Park Cumnor Hill Oxford Oxfordshire OX2 9GG
BANKERS:	Lloyds Bank Plc 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 2023**

The Directors present their report with the financial statements of the Company for the year ended 31 March 2023.

DIRECTORS

The Directors shown below have held office during the year from 1 April 2022 to the date of this report, unless otherwise stated.

M A Affonso (resigned on 31 March 2023)
J M Curran (resigned on 25 April 2022)
E A Kirby (resigned on 30 August 2023)
A J Bush (resigned on 31 March 2023)
A Partridge
T P Smith
W T Byrne (appointed on 12 September 2022)
P Vernon (appointed on 23 March 2023)
M S Clarke (appointed on 1 July 2023)
R Gardner (appointed on 1 July 2023)

PRINCIPAL ACTIVITY

STFC Innovations Limited carries out activities in the field of commercialisation for 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 Limited is wholly-owned by UK Research and Innovation (UKRI). Staff working for STFC Innovations Limited are employed directly by UKRI and are assigned to work with the Company.

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 UK adopted International Accounting Standards. 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;
- state that the financial statements comply with UK adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 2023**

AUDITORS

The auditor, James Cowper Kreston Audit, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

POST BALANCE SHEET EVENTS

There are no events to disclose.

SMALL COMPANIES NOTE

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS:



.....
Paul Vernon - Director

Date: 18/12/2023
.....

REPORT OF THE INDEPENDENT AUDITOR 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 2023 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; 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

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

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

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic Report.

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement that we designed and performed to detect material misstatements in respect of irregularities, including fraud, were as follows:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work to address the risk of irregularities due to management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, including a review of the Company's method of valuation of investments and ensuring they are in accordance with International Private Equity Valuation ("IPEV") guidelines.

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. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Audit
Chartered Accountants and
Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

Date: 19 December 2023

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Year Ended 31 March 2023

	Notes	2023 £	2022 £
CONTINUING OPERATIONS			
Revenue from contracts with customers	3	1,474,357	722,834
Fair value gains on investments	8	819,818	1,966,080
Loss on disposal of investments	8	(504,935)	-
Administrative expenses		(1,847,195)	(1,041,142)
OPERATING (LOSS)/PROFIT		(57,955)	1,647,772
Finance income	5	-	31,699
Finance costs	5	(16,921)	-
(LOSS)/PROFIT BEFORE INCOME TAX	6	(74,876)	1,679,471
Income tax	7	-	-
(LOSS)/PROFIT FOR THE YEAR		(74,876)	1,679,471
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(74,876)	1,679,471

The notes form part of these financial statements.

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

STATEMENT OF FINANCIAL POSITION
31 March 2023

	Notes	2023 £	2022 £
ASSETS			
NON-CURRENT ASSETS			
Investments	8	8,612,238	8,258,166
		<u>8,612,238</u>	<u>8,258,166</u>
CURRENT ASSETS			
Trade and other receivables	9	797,701	1,180,184
Cash and cash equivalents	10	300,219	397,334
		<u>1,097,920</u>	<u>1,577,518</u>
TOTAL ASSETS		<u>9,710,158</u>	<u>9,835,684</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	210,314	81,482
NON-CURRENT LIABILITIES			
Trade and other payables	11	3,633,387	3,812,869
TOTAL LIABILITIES		<u>3,843,701</u>	<u>3,894,351</u>
NET ASSETS		<u>5,866,457</u>	<u>5,941,333</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	1	1
Revaluation reserve	13	4,256,963	3,694,660
Retained earnings	14	1,609,493	2,246,672
TOTAL EQUITY		<u>5,866,457</u>	<u>5,941,333</u>

The financial statements have been prepared and delivered in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

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



.....
Paul Vernon - Director

Date: 18/12/2023

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 2023**

	Called-up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 April 2021	1	2,533,281	1,728,580	4,261,862
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(286,609)</u>	<u>1,966,080</u>	<u>1,679,471</u>
Balance at 31 March 2022	<u>1</u>	<u>2,246,672</u>	<u>3,694,660</u>	<u>5,941,333</u>
Changes in equity				
Total comprehensive income	-	(894,694)	819,818	(74,876)
Transfer between reserves		<u>257,515</u>	<u>(257,515)</u>	<u>-</u>
Balance at 31 March 2023	<u><u>1</u></u>	<u><u>1,609,493</u></u>	<u><u>4,256,963</u></u>	<u><u>5,866,457</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 2023**

		2023	2022
		£	£
Cash flows from operating activities			
Cash generated from/(used in) operations	1A	<u>661,182</u>	<u>(270,762)</u>
Net cash generated from/(used in) operating activities		<u>661,182</u>	<u>(270,762)</u>
 Cash flows from investing activities			
Purchase of fixed asset investments	8	<u>(99,985)</u>	<u>(30,877)</u>
Cash received from sale of investment	8	<u>60,794</u>	<u>-</u>
Interest received	5	<u>-</u>	<u>31,699</u>
Net cash (used in)/generated from investing activities		<u>(39,191)</u>	<u>822</u>
 Cash flows from financing activities			
Interest paid		<u>(16,921)</u>	<u>-</u>
Intercompany loan movement		<u>(702,186)</u>	<u>(1,388,897)</u>
Net cash (used in) financing activities		<u>(719,106)</u>	<u>(1,388,897)</u>
 (Decrease)/Increase in cash and cash equivalents		(97,115)	(1,658,837)
 Cash and cash equivalents at beginning of year	2A	<u>397,334</u>	<u>2,056,171</u>
 Cash and cash equivalents at end of year	2A	<u><u>300,219</u></u>	<u><u>397,334</u></u>

The notes form part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS
For The Year Ended 31 March 2023

1A. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS

	2023	2022
	£	£
(Loss)/profit before income tax	(74,876)	1,211,547
Revaluation of investments	(819,818)	(1,966,080)
Loss on disposal of investments	504,935	-
Finance income	-	(31,699)
Finance costs	16,921	-
	<u>(372,838)</u>	<u>(318,308)</u>
Decrease in trade and other receivables	382,483	5,502
Increase in trade and other payables	651,537	42,044
	<u>661,182</u>	<u>(270,762)</u>
Cash generated from/(used in) operations	661,182	(270,762)

2A. 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 2023

	31.3.23	1.4.22
	£	£
Cash and cash equivalents	<u>300,219</u>	<u>397,334</u>

Year ended 31 March 2022

	31.3.22	1.4.21
	£	£
Cash and cash equivalents	<u>397,334</u>	<u>2,056,171</u>

The notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2023

1. STATUTORY INFORMATION

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

The principal activity of the Company is disclosed on page 2.

2. ACCOUNTING POLICIES

Basis of preparation

The Company has chosen to prepare their financial statements in accordance with UK adopted International Accounting Standards, in conformity with the requirement of the Companies Act. The financial statements have been prepared under the historical cost convention, except for investments that are measured at fair value, and the going concern basis.

The financial statements are presented in pound Sterling, the primary currency in which the Company operates. The financial statements are rounded to the nearest whole pound Sterling.

Going concern

During the year ended 31 March 2023, the Company continued to experience an impact on the number of companies signing up to the ESA BIC scheme. The Company holds investments in a portfolio of start-up companies, the performance of such investments remaining strong in the year with a number showing growth throughout the year. A number of investees have been successful in raising additional equity, in which the Company did not participate in all equity funding rounds.

The Company generated a loss before tax of £74,876 during the year ended 31 March 2023 (2022: profit before tax £1,211,547) after a fair value gain on investments of £819,818 (2022: £1,966,080) and has net assets as at 31 March 2023 of £5,866,457 (2022: 5,941,333) of which cash represents £300,219 (2022: £397,334) and amounts payable to group undertakings of £3,110,683 (2022: £3,812,869).

The Directors have prepared forecasts and projections using what they consider to be reasonable assumptions relating to the Company's financial performance, current financial position and existing financial resources for a period of at least 12 months from signing of the financial statements which show the Company to be a going concern. The Company will continue its principal activities of investing in start-up companies emerging from STFC's laboratories and campuses and has a sustainable level of income from its license agreements and other sales.

The Directors have considered the ability of the Company to obtain sufficient funding for its operations. The Company has committed support from UKRI for the foreseeable future and will not be required to repay amounts payable to UKRI if this would cause financial hardship to the Company. The committed support is subject to adequate funding being available in future Spending Reviews of the UK Government.

The Directors have also considered the performance of its investments. The Board regularly attend board meetings of its investees and closely monitor the activities of its investees in order to take appropriate actions to implement plans that ensure the continued development of those companies invested in.

Based on the above, the Directors are of the opinion that the going concern principle is applicable and that the Company has the necessary resources to continue as a going concern for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

2. ACCOUNTING POLICIES - continued

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 UKRI, copies of which can be obtained from the address in note 15.

Revenue from contracts with customers

Revenue from contracts with customers 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 from contracts with customers represents amounts receivable by the Company in respect of services rendered in the business to the business science and engineering sector. All turnover arises within the United Kingdom.

Royalty sales

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

Customers are invoiced on a quarterly or annual basis and consideration is payable 30 days from the date of invoice. A receivable is recognised when the performance obligation is satisfied and the Company has reliable information to measure the amount of royalty revenue due as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

License fee revenue – short term contracts

License fee revenue is recognised in line with the stated terms of the contractual agreement being the date on which the performance obligation is satisfied.

License fee revenue from short-term contracts is recognised in the associated period to which the service relates. The Company does not expect to have any short-term contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Customers are invoiced on a quarterly or annual basis and consideration is payable 30 days from the date of invoice. A receivable is recognised when the performance obligation is satisfied and the Company has reliable information to measure the amount of licence fee revenue due as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

License fee revenue – long term contracts

License fee revenue from long-term contracts is recognised at a point in time, being the point at which the license is granted to the customer as the Company does not consider there to be any further ongoing performance obligations to be achieved.

Customers are invoiced on an annual basis and consideration is payable 30 days from the date of invoice. A receivable is recognised on inception of the contract as the performance obligation for the granting of the license is satisfied.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

2. ACCOUNTING POLICIES – continued

Revenue from contracts with customers - continued

The Company has certain contracts whereby the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company has recognised an adjustment for the time value of money.

Long term contracts with customers contain variable consideration that is dependent on the outcome of future, uncertain events. Revenue from such contracts with customers is adjusted for the Directors' best estimate of variable consideration.

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 in the Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument.

Financial instruments recognised in the Statement of Financial Position include investments, cash and cash equivalents, trade receivables, trade payables and other payables.

Financial assets

Trade receivables and other receivables that have fixed or determinable payments are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Convertible loan stock, trade receivables 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 profit or loss in the Statement of Comprehensive Income.

Investments in equity instruments are measured at fair value through profit and loss. Changes in the fair value of financial assets are recognised in revaluation of investments in the Statement of Profit or Loss and Other Comprehensive Income.

Impairment

The Company assesses the expected credit losses associated with financial assets measured at amortised cost. For trade receivables, the Company assesses expected lifetime losses from initial recognition of the receivables. There are no material bad debts recorded in the financial statements.

See Investments below for details on impairments in relation to investments in equity instruments.

Financial liabilities

Financial liabilities such as trade payables and other payables are measured initially at fair value less transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

2. ACCOUNTING POLICIES – continued

Investments

Unlisted investments are stated at fair value in accordance with IFRS 9. The Company assesses the fair value of investments in accordance with IFRS 13 using level 3 inputs not based on observable market data. The Company considers the International Private Equity and Venture Capital Valuation guidelines to represent the most appropriate methods for determining the fair value of investments.

The main level 3 inputs used by the Company and evaluated are as follows:

- Price of a recent investment round
- Net asset value
- Discounted cash flows

Where the Directors assess the fair value of an investment based on the price of a recent investment round they review whether the price quoted in that round is a fair value in normal market conditions. The Directors take into account the current and future profitability of companies invested in, using appropriate discount rates to take account of the time value of money.

The Directors do not consider it appropriate to review the fair value of investments using level 1 or level 2 inputs due to the unavailability of quoted market prices. There are no transfers between the input levels.

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 8.

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 Profit or Loss and Other Comprehensive Income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. See Financial Asset accounting policy above for further information on the Company's policy for impairment of receivables.

Cash and cash equivalents

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.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Interest receivable

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

2. ACCOUNTING POLICIES – continued

Impact of new international reporting standards, amendments and interpretations

There have been no new international reporting standards, amendments and interpretations that have had a material impact on the Company.

Standards and interpretations not yet effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Directors do not consider that this standard will have a material impact on the Company.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Directors do not consider that this standard will have a material impact on the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The amendments provide an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Directors do not consider that this standard will have a material impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Directors do not consider that this standard will have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

2. ACCOUNTING POLICIES – continued

Impact of new international reporting standards, amendments and interpretations - continued

Presentation of Financial Statements (Amendments to IAS 1) - Classification of liabilities as current or non-current; non-current liabilities with covenants

The amendments clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period. Where an entity is required to comply with a covenant attached to the liability on or before the end of the reporting period, the covenant will affect whether the right to defer settlement of the liability exists at the reporting date and therefore impacts the classification of the liability. Covenants to be complied with after the reporting date do not affect the classification but entities are required to disclose information about the covenants in the notes to the financial statements.

The amendment is effective for annual reporting periods beginning on or after 1 January 2024.

The Directors do not consider that this standard will have a material impact on the Company.

Lease Liability in a sale and leaseback (Amendment to IFRS16)

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback so as not to recognise any amount of the gain or loss that relates to the right of use retained, however they may recognise any gain or loss relating to partial or full termination of a lease in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2024.

The Directors do not consider that this standard will have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

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 and estimates are:

Impairment of investments

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

Fair value of investments

The Company records all investments at fair value using level 3 inputs in accordance with IFRS 13. The Directors make significant judgements about the fair value of investments using the International Private Equity and Venture Capital Valuation guidelines. However, the Net Asset Value or most recent share price of investment funding undertaken by the companies invested in may not directly represent the fair value of the investments and therefore significant judgement is required by the Directors.

Impairment of receivables

At the date of the Statement of Financial Position, 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 date of the Statement of Financial Position.

The Company does not recognise a deferred tax asset because it is the Directors' opinion that the Company will be unable to generate sufficient profits in the future to utilise the losses available.

Revenue recognition

The Company offers certain long term licensing contract that contain financing components. The Directors, therefore, estimate the impact of the time value of money utilising discount rates that are deemed most appropriate to the Company. A revision to the discount rate applied in the estimation of time value of money would have a material impact on revenue recognised.

Furthermore, the Directors have made judgements as to expected future outcomes of stated contractual obligations in the determination of recognition of revenue from contracts with customers. Long term contracts with customers contain variable consideration that is dependent on the outcome of future, uncertain events. Revenue from such contracts with customers is adjusted for the Directors' best estimate of variable consideration.

Recognition of future income from disposal of investments

During the year ended 31 March 2023, the Company disposed of its holding in an investment. The terms of the disposal entitle the Company to future income as defined in the disposal agreement. The Directors do not consider it probable that the Company will receive future monies from the disposal as at 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives the following types of revenue from contracts with customers:

	Year Ended 31.03.23 £	Year Ended 31.03.22 £
Patent and royalty income	278,270	323,570
ESA BIC income	584,716	399,264
Long term licensing revenue	611,371	-
	<hr/>	<hr/>
Total revenue from contracts with customers	<u>1,474,357</u>	<u>722,834</u>

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by major service lines and the timing of revenue recognition. All turnover arises in the United Kingdom. The following table is an analysis of the disaggregated revenue from contracts with customers of the Company's reportable segments.

**For the year ended 31 March
2023**

Major service lines	Patent and royalty income £	ESA BIC £	Long term licensing revenue £	Total £
Revenue from contracts with customers	278,270	584,716	611,371	1,474,357
	<hr/>	<hr/>	<hr/>	<hr/>
Timing of revenue from contracts with customers	Patent and royalty income £	ESA BIC £	Long term licensing revenue £	Total £
Services recognised at a point in time	278,270	584,716	611,371	1,474,357
	<hr/>	<hr/>	<hr/>	<hr/>
	278,270	584,716	611,371	1,474,357

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

3. REVENUE FROM CONTRACTS WITH CUSTOMERS - CONTINUED

**For the year ended 31 March
2022**

Major service lines	Patent and royalty income £	ESA BIC £	Long term licensing revenue £	Total £
Revenue from contracts with customers	323,570	399,264	-	722,834
Timing of revenue from contracts with customers	Patent and royalty income £	ESA BIC £	Long term licensing revenue £	Total £
Services recognised at a point in time	323,570	399,264	-	722,384
	<u>323,570</u>	<u>399,264</u>	<u>-</u>	<u>722,834</u>

The Company has no material contracts assets or contract liabilities and there is no revenue to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the year-end (2022: £Nil).

4. EMPLOYEES AND DIRECTORS

There were no employees of the Company during either 2023 or 2022 other than the Directors who are remunerated through the Science and Technology Facilities Council.

5. NET FINANCE INCOME/(COSTS)

	2023 £	2022 £
Finance income:		
Interest received	-	31,699
Finance costs:		
Interest paid	(16,921)	-
Net finance (cost)/income	<u>(16,921)</u>	<u>31,699</u>

6. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2023 £	2022 £
Auditor's remuneration	16,500	14,050
Auditor's remuneration for non-audit work	2,700	2,450
Foreign exchange differences	<u>523</u>	<u>12,007</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

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

	2023	2022
	£	£
Current tax	<u>-</u>	<u>-</u>

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK. The difference is explained below:

	2023	2022
	£	£
(Loss)/profit on ordinary activities before income tax	<u>(74,876)</u>	<u>1,211,547</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	(14,226)	230,194
Effects of:		
Expenses not taxable for tax purposes	101,299	-
Income not deductible for tax purposes	(155,765)	(373,555)
Deferred tax not recognised	68,692	143,361
Tax expense	<u>-</u>	<u>-</u>

The Company has unutilised trading tax losses in the UK of approximately £9,343,144 (2022: £8,981,608) available to carry forward against future trading profits. The general principle in IAS 12 is that a deferred tax asset is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits.

Factors that may affect future tax charges

From 1 April 2023 the main corporation tax rate increased to 25%. As the Company has not recognised deferred tax, the impact of these changes is not material.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

8. INVESTMENTS

	Investments £
COST OR VALUATION	
At 1 April 2022	8,258,166
Additions	99,985
Disposals	(565,731)
Revaluations	<u>819,818</u>
At 31 March 2023	<u>8,612,238</u>
 COST OR VALUATION	
At 1 April 2021	6,261,209
Additions	30,877
Revaluations	<u>1,966,080</u>
At 31 March 2022	<u>8,258,166</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

8. INVESTMENTS - continued

At 31 March 2023 the Company held interests in the following undertakings:

	Class of share held	Proportion 31 March 2023 %	Date of financial information	Financial year-end date	Aggregate of capital and reserves £	Profit/(Loss) for the period £
Quantum Detectors Limited	Ordinary	90.0	28/02/2023	31/03/2022	3,071,695	(449,941)
The Electrospinning Company Limited	Ordinary	16.7	28/02/2023	30/06/2022	3,248,995	(1,444,705)
Scitech Precision Limited	Ordinary	100.0	31/03/2023	31/03/2022	199,976	(36,177)
Teratech Components Limited	Ordinary	49.9	31/03/2023	31/03/2022	1,539,406	9,029
Keit Limited	Ordinary	10.3	31/03/2023	31/12/2022	528,485	(339,175)
Mirico Limited	Ordinary	15.8	31/03/2023	31/12/2021	3,460,661	(856,345)
Formeric Limited	Ordinary	70.0	28/02/2022	28/02/2022	111,692	835
Atheras Analytics	Ordinary	49.2	31/03/2023	31/08/2022	124,391	(161,260)
Sunbourne Systems	Ordinary	17.82	31/03/2023	31/12/2021	812,892	(1,236,268)

The aggregate of capital and reserves and profit/(loss) for the year are taken from the last available annual financial statements or most recent management accounts for that company. Although some of the last available financial statements do not coincide with the Company's financial year end, in the opinion of the Directors this does not have a material impact on the financial statements. As disclosed in the accounting policies, the Directors have considered other factors such as the most recent share price from fundraising or management accounts and discounted future cash flows in assessing the fair value of these investments.

During the year ended 31 March 2023, the Company subscribed for a further 719 Ordinary shares in Mirico Limited at a price per share of £69.52. 17,749 shares were subscribed for prior to this investment in the year ended 31 March 2023.

During the year ended 31 March 2023, the Company subscribed to unsecured loan notes totalling £50,000 in Atheras Analytics Limited. The Company has the option to convert the value of the loan notes into Ordinary equity shares.

During the year ended 31 March 2023, the Company disposed of its shareholding in Oxsensis for total consideration of £7,928, resulting in a loss on disposal recognised of £565,738. Under the terms of the disposal agreement, the Company is entitled to future income. The Directors do not consider it probable that the Company will receive future monies from the disposal as at 31 March 2023.

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 2023

8. INVESTMENTS - continued

At 31 March 2022 the Company held interests in the following undertakings:

	Class of share held	Proportion 31 March 2022 %	Date of financial information	Financial year-end date	Aggregate of capital and reserves £	Profit/(Loss) for the period £
Oxsensis Limited	Ordinary	8.1	31/03/2022	31/12/2021	3,631,298	(445,940)
Quantum Detectors Limited	Ordinary	90.0	31/03/2022	31/03/2022	3,032,159	465,004
The Electrospinning Company Limited	Ordinary	16.7	30/06/2021	30/06/2022	4,707,141	(1,033,505)
Scitech Precision Limited	Ordinary	100.0	31/03/2022	31/03/2022	203,043	(75,090)
Teratech Components Limited	Ordinary	49.9	31/03/2022	31/03/2022	1,530,377	474,610
Keit Limited	Ordinary	10.3	31/03/2022	31/12/2021	730,113	(489,679)
Mirico Limited	Ordinary	21.4	28/02/2022	31/12/2021	1,471,997	(1,370,370)
Formeric Limited	Ordinary	70.0	31/03/2022	28/02/2022	(112,527)	(44,281)
Atheras Analytics	Ordinary	49.2	31/08/2021	31/08/2021	(63,295)	(63,307)
Sunbourne Systems	Ordinary	0.22	N/A	31/12/2021	5	-

The aggregate of capital and reserves and profit/(loss) for the year are taken from the last available annual financial statements or most recent management accounts for that company. Although some of the last available financial statements do not coincide with the Company's financial year end, in the opinion of the Directors this does not have a material impact on the financial statements. As disclosed in the accounting policies, the Directors have considered other factors such as the most recent share price from fundraising or management accounts and discounted future cash flows in assessing the fair value of these investments.

During the year ended 31 March 2022, the Company converted £199,999 of loan notes held in Oxsensis Limited into Ordinary B equity shares at £1.42 per share.

During the year ended 31 March 2022, the Company converted £100,000 of loan notes held in Atheras Analytics Limited into 50,082 Ordinary equity shares and 50,0000 preference shares.

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

9. TRADE AND OTHER RECEIVABLES

	2023	2022
	£	£
Current:		
Trade receivables	24,699	27,287
Amounts owed by related parties	-	15,265
Other receivables	24,950	21,676
Accrued income	748,052	1,115,956
	<u>797,701</u>	<u>1,180,184</u>

10. CASH AND CASH EQUIVALENTS

	2023	2022
	£	£
Bank accounts	<u>300,219</u>	<u>397,334</u>

11. TRADE AND OTHER PAYABLES

	2023	2022
	£	£
Current:		
Trade payables	52,795	25,937
Accruals and deferred income	157,519	55,545
	<u>210,314</u>	<u>81,482</u>
	2023	2022
	£	£
Non-current:		
Accruals	522,704	-
Amounts owed to group undertakings	3,110,683	3,812,869
	<u>3,843,701</u>	<u>3,894,351</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and are repayable at the discretion of UK Research and Innovation. The Directors consider that payment of amounts owed to group undertakings will not be made in less than 12 months and, therefore, this is classified as a non-current liability.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
1	Ordinary share	£1	<u>1</u>	<u>1</u>

The Ordinary share entitles the holder to full voting rights.

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

13. REVALUATION RESERVE

	Revaluation reserve
	£
At 1 April 2022	3,694,660
Fair value movement	819,818
Transfer to retained earnings on disposal of investment	(257,515)
	<hr/>
At 31 March 2023	4,256,963
	<hr/>
	Revaluation reserve
	£
At 1 April 2021	1,728,580
Fair value movement	1,966,080
	<hr/>
At 31 March 2022	3,694,600
	<hr/>

14. RESERVES

Revaluation reserve

The revaluation reserve represents the change in the fair value of investments.

Profit and loss account

The profit and loss account includes all current and prior period profits and losses except fair value gains and losses.

15. ULTIMATE PARENT COMPANY

The share in STFC Innovations Limited is 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 financial statements of UKRI are available from UK Research and Innovation, Polaris House, North Star Avenue, Swindon, SN2 1SZ.

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

16. RELATED PARTY DISCLOSURES

At 31 March 2023, a balance of £3,110,683 (2022: £3,812,869) was payable to UKRI and is included in non-current liabilities.

During the year ended 31 March 2023, the Company accrued interest of £Nil (2022: £48,306) due in relation to loan stock detailed in note 8. At the year end, the total outstanding balance for interest due was £Nil (2022: £17,512).

The values of transactions and balances with other related parties were as follows:

For the year ended 31 March 2023

	Sales/ interest	Purchases	Trade receivable at 31 March 2023	Trade payable at 31 March 2023
	£	£	£	£
Oxsensis Limited	13,334	-	-	-
Teratech Components Limited	27,127	-	-	-
Keit Limited	9,671	-	-	-
Mirico Limited	66,360	-	-	-
Sunbourne Systems	4,802	-	5,209	-
Atheras Analytics	896	25,862	-	-
STFC	-	581,098	-	-
Quantum Detectors Limited	13,500	-	-	-

For the year ended 31 March 2022

	Sales/ interest	Purchases	Trade receivable at 31 March 2022	Trade payable at 31 March 2022
	£	£	£	£
Oxsensis Limited	7,147	-	-	-
Teratech Components Limited	22,714	-	-	-
Keit Limited	6,011	-	-	-
Mirico Limited	76,673	-	14,871	-
Scitech Precision Limited	262	-	-	-

STFC INNOVATIONS LIMITED (REGISTERED NUMBER: 04361684)

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

18. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

	2023	2022
	£	£
Cash and cash equivalents	300,219	397,334
Financial assets at amortised cost		
	2023	2022
	£	£
Trade receivables	24,699	27,287
Amounts owed by related parties	-	15,265
Other receivables (excluding prepayments)	24,952	21,676
	49,651	64,228
Financial assets at fair value through profit or loss		
	2023	2022
	£	£
Investments in equity instruments	8,612,238	8,258,166
Financial liabilities		
	2023	2022
	£	£
Trade payables	52,795	25,937
Amounts owed to group undertakings	3,110,683	3,812,869
Other payables	-	-
Accruals	680,223	55,545
	3,843,701	3,894,351

Trade receivables

The average credit period for sales of goods and services is 6 (2022: 14) days. No interest is charged on overdue trade receivables. At 31 March 2023 there were £24,699 (2022: £27,287) of trade receivables 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 2023 and 2022.

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. There are no loss allowances on trade receivables at 31 March 2023 and 31 March 2022.

The carrying amount of trade receivables approximates to their fair value.

Trade payables

The carrying amount of trade payables approximates to fair value.

Trade payables are unsecured and usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

18. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**Maturities of financial liabilities**

At 31 March 2023

	Trade payables £	Other payables £	Total carrying values £	Total contractual cash flows £
Less than 6 months	52,795	99,126	151,921	151,921
6 - 12 months	-	58,393	58,393	58,393
1 - 2 years	-	3,170,537	3,170,537	3,170,537
2 - 5 years	-	188,689	188,689	188,689
Over 5 years	-	274,161	274,161	274,161
	<u>52,795</u>	<u>3,790,906</u>	<u>3,843,701</u>	<u>3,843,701</u>

At 31 March 2022

	Trade payables £	Other payables £	Total carrying values £	Total contractual cash flows £
Less than 6 months	25,937	55,545	81,482	81,482
6 - 12 months	-	-	-	-
1 - 2 years	-	3,812,869	3,812,869	3,812,869
2 - 5 years	-	-	-	-
Over 5 years	-	-	-	-
	<u>25,937</u>	<u>3,868,414</u>	<u>3,894,351</u>	<u>3,894,351</u>

Credit risk

The Company's credit risk is primarily attributable to its investments in equity instruments, trade receivables, other receivables, 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.

The Company assesses the credit quality of customers with reference to its financial position, past experience and other factors relevant to the nature of the Company's revenue from contracts with customers.

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 and the Company does not have any material interest rate exposure.

All cash and cash equivalent balances are denominated in Sterling in 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2023

18. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**Currency risk**

The Company publishes its financial statements in pound 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 Profit or Loss and Other Comprehensive Income in the period incurred. The Directors consider the foreign currency risk to be low and immaterial to the financial statements and therefore does not hedge against this risk. At the year end, the Company held the following net foreign currency balances:

Foreign exchange

	2023	2022
US Dollars	-	13,843
Euros	<u>10,752</u>	<u>-</u>

The total charge in respect of foreign currency differences to the Statement of Profit or Loss and Other Comprehensive Income in the year ended 31 March 2023 is £523 (2022: £12,007).

Liquidity risk

The Company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs. Short term flexibility is achieved through funding from STFC and UKRI and careful management of investments. The Directors review cash flows on a regular basis and assess the support available from the ultimate parent company in assessing the Company's liquidity risk.

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 and to promote STFC's intellectual property.

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 2023 and 31 March 2022.