

REGISTERED NUMBER: 05796766 (England and Wales)

**Report of the Directors and
Financial Statements for the Year Ended 31 December 2019
for
Touchstone Innovations Limited**

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for the Year Ended 31 December 2019**

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Touchstone Innovations Limited

**Company Information
for the Year Ended 31 December 2019**

DIRECTORS:

D G Baynes
G S Smith
M C N Townend

SECRETARY:

A Leach

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AF

REGISTERED NUMBER:

05796766 (England and Wales)

AUDITORS:

KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Touchstone Innovations Limited (Registered number: 05796766)

**Report of the Directors
for the Year Ended 31 December 2019**

The directors present their report with the financial statements of Touchstone Innovations Limited (the "Company") for the year ended 31 December 2019

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (year ended 31 December 2018: £nil).

EVENTS SINCE THE END OF THE YEAR

As per note 12, at present, the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

D G Baynes
G S Smith
M C N Townend

Other changes in directors holding office are as follows:

A J Aubrey - resigned 21 May 2019

POLITICAL DONATIONS AND EXPENDITURE

During the year ended 31 December 2019, the Company made no political or charitable donations (year ended 31 December 2018: £nil).

GOING CONCERN

The Company has adequate financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements. The Directors have considered the impact of the emergence and spread of COVID-19 and potential implications on the Company's future operations. Whilst there are significant wider market uncertainties which may impact its subsidiaries' portfolio company investments and fund investors, the Directors do not believe this will impact the ability of the Company to continue as a going concern over the next 12 months. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

FUTURE OUTLOOK

As the Covid-19 virus has developed over recent months, the directors have been assessing the impact on the Company to ensure that such impacts are effectively managed.

Notwithstanding the potential impact of Covid-19, the directors believe that the Company will continue to operate satisfactorily for the foreseeable future.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditor KPMG LLP is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



G S Smith - Director

03 June 2020

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2019**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so (as explained in in note 2, the directors do not believe that is appropriate to prepare these financial statements on a going concern basis).

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Report of the Independent Auditors to the Members of
Touchstone Innovations Limited (Registered number: 05796766)**

Opinion

We have audited the financial statements of Touchstone Innovations Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' Report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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
Touchstone Innovations Limited (Registered number: 05796766)**

Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC 's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Noonan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 03 June 2020

Touchstone Innovations Limited (Registered number: 05796766)

**Statement of Comprehensive Income
for the Year Ended 31 December 2019**

		Year Ended 31/12/19 £	Period 1/8/17 to 31/12/18 £
	Notes		
TURNOVER		-	-
Administrative expenses	5	<u>(60)</u>	<u>(65,449)</u>
OPERATING LOSS		(60)	(65,449)
Release of intercompany loan	4	(617,729)	-
Impairment loss on intercompany loans	4	<u>-</u>	<u>(422,413,189)</u>
		(617,789)	(422,478,638)
Interest receivable and similar income		<u>220,583</u>	<u>476,074</u>
LOSS BEFORE TAXATION	5	(397,206)	(422,002,564)
Tax on loss	7	<u>(54,086)</u>	<u>(78,019)</u>
LOSS FOR THE FINANCIAL YEAR		(451,292)	(422,080,583)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		<u>(451,292)</u>	<u>(422,080,583)</u>

The notes on pages 9 to 12 form part of these financial statements

Touchstone Innovations Limited (Registered number: 05796766)

**Balance Sheet
31 December 2019**

	Notes	£	2019 £	£	2018 £
CURRENT ASSETS					
Debtors: amounts falling due within one year	8		6,066		19,260
Debtors: amounts falling due after more than one year	8		1,000,000		-
Cash and cash equivalents			<u>49,040,605</u>		<u>40,804,387</u>
			50,046,671		40,823,647
CREDITORS					
Amounts falling due within one year	9		<u>19,695,209</u>		<u>10,020,893</u>
NET CURRENT ASSETS			<u>30,351,462</u>		<u>30,802,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>30,351,462</u>		<u>30,802,754</u>
CAPITAL AND RESERVES					
Called up share capital	10		4,891,908		4,891,908
Share premium			304,937,955		304,937,955
Capital redemption reserve			128,344,389		128,344,389
Retained earnings			<u>(407,822,790)</u>		<u>(407,371,498)</u>
SHAREHOLDERS' FUNDS			<u>30,351,462</u>		<u>30,802,754</u>

The financial statements were approved by the Board of Directors on 03 June 2020 and were signed on its behalf by:



G S Smith - Director

Touchstone Innovations Limited (Registered number: 05796766)

**Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 August 2017	4,884,978	13,705,799	304,937,955	128,344,389	451,873,121
Changes in equity					
Issue of share capital	6,930	-	-	-	6,930
Total comprehensive income	-	(422,080,583)	-	-	(422,080,583)
Value of employee services	-	1,003,286	-	-	1,003,286
Balance at 31 December 2018	<u>4,891,908</u>	<u>(407,371,498)</u>	<u>304,937,955</u>	<u>128,344,389</u>	<u>30,802,754</u>
Changes in equity					
Total comprehensive income	-	(451,292)	-	-	(451,292)
Balance at 31 December 2019	<u>4,891,908</u>	<u>(407,822,790)</u>	<u>304,937,955</u>	<u>128,344,389</u>	<u>30,351,462</u>

The notes on pages 9 to 12 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2019**

1. STATUTORY INFORMATION

Touchstone 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.

The principal activity of the Company in the period under review was that of acting as a holding company for a technology transfer business and an investment holding vehicle with investments in both start up and more established technology companies.

2. ACCOUNTING POLICIES

Basis of preparation

The Financial Statements of Touchstone Innovations Limited (the "Company") are for the year ended 31 December 2019. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company. The Company has also applied the exemption from the requirements of IFRS 7 Financial Instruments: Disclosures, the equivalent disclosures are included in the IP Group plc consolidated financial statements.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2019

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

(ii) New standards, interpretations and amendments not yet effective

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Company's future financial statements.

Going concern

The Company has adequate financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements. The Directors have considered the impact of the emergence and spread of COVID-19 and potential implications on the Company's future operations. Whilst there are significant wider market uncertainties which may impact its subsidiaries' portfolio company investments and fund investors, the Directors do not believe this will impact the ability of the Company to continue as a going concern over the next 12 months. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less.

Investments in subsidiary undertakings

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

Debtors

Debtors are measured at transaction price, less any impairment.

Creditors

Trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Related party transactions

In accordance with IAS 24 "Related Parties Disclosures", the Company discloses details of material transactions between the reporting entity and related parties. However, transactions between the Company and other Group companies have not been disclosed in accordance with the exemption in IAS 24 paragraph.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES (continued)

Preparation of consolidated financial statements

The financial statements contain information about Touchstone Innovations Limited as an individual Company and do not contain consolidated information as a parent of a group. The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts on the basis that the parent company is included in the accounts of a larger group as identified in note 13 of these financial statements.

3. EMPLOYEES AND DIRECTORS

During the year the Company had no employees (2018: none). The directors were remunerated for their services to other group companies within the group headed by the Company's ultimate parent, IP Group plc. The directors of the Company chose to waive any remuneration during the year ended 31 December 2019, for their services to this entity.

4. EXCEPTIONAL ITEMS

	Year Ended 31/12/19 £	Period 1/8/17 to 31/12/18 £
Release of the loan owing from Touchstone Innovations Investments Limited	617,729	-
Impairment loss on the loan owing from IP2IPO Innovations Limited	-	370,133,250
Impairment loss on the loan owing from Touchstone Innovations Investments Limited	-	40,187,949
Impairment loss on the investment in IP2IPO Innovations Limited	-	12,091,990
	<u>617,729</u>	<u>422,413,189</u>

5. LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	Year Ended 31/12/19 £	Period 1/8/17 to 31/12/18 £
Bank charges	60	1,304
Other sundry costs	-	64,146
	<u>-</u>	<u>64,146</u>

6. AUDITORS' REMUNERATION

	2019 £	2018 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>4,000</u>	<u>3,990</u>

The above fee was paid by IP2IPO Limited on behalf of the Company.

7. TAXATION

Analysis of tax expense

	Year Ended 31/12/19 £	Period 1/8/17 to 31/12/18 £
Current tax:		
Group relief payable	<u>54,086</u>	<u>78,019</u>
Total tax expense in statement of comprehensive income	<u>(54,086)</u>	<u>(78,019)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

7. TAXATION - continued

Factors affecting the tax expense

The tax assessed for the year is higher (2018 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31/12/19 £	Period 1/8/17 to 31/12/18 £
Loss before income tax	<u>(397,206)</u>	<u>(422,002,564)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(75,469)	(80,180,487)
Effects of:		
Expenses not deductible for tax purposes	117,368	80,258,506
Adjustments to tax charge in respect of previous periods	<u>12,187</u>	<u>-</u>
Tax expense	<u>54,086</u>	<u>78,019</u>

8. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Accrued interest income	<u>6,066</u>	<u>19,260</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>1,000,000</u>	<u>-</u>
Aggregate amounts	<u>1,006,066</u>	<u>19,260</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Amounts owed to group undertakings	19,563,104	9,942,874
Inter-company tax -		
Group relief	<u>132,105</u>	<u>78,019</u>
	<u>19,695,209</u>	<u>10,020,893</u>

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2019	2018
Number:	Class:		£	£
161,432,800	Ordinary shares	0.0303	<u>4,891,908</u>	<u>4,891,908</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

11. RELATED PARTY DISCLOSURES

As the Company is a wholly owned subsidiary of IP Group plc, the Company has taken advantage of the exemption contained in IAS24 and has therefore not disclosed transactions or balances with entities which form part of the IP Group plc group.

12. EVENTS AFTER THE REPORTING PERIOD

At present, the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

13. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Directors regard IP Group plc as the immediate and ultimate parent company and controlling party. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.