

DIGITAL CATAPULT
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

DIGITAL CATAPULT
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors

I A Baverstock
A J Green (resigned 1 May 2019)
R H Ironside
J Maier (appointed 1 May 2019)

J S Ridley-Smith
N D Sanders
L Shesgreen
J M Silver
S K Thomas

Company secretary

C Stait

Registered number

07964699

Registered office

101 Euston Road
London
NW1 2RA

Independent auditor

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

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONTENTS

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditor's Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Company Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Financial Statements	14 - 30

DIGITAL CATAPULT
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019

Introduction

The directors present their Group Strategic Report for the year ended 31 March 2019.

Business review

Digital Catapult continues to harness the energy and agility of the UK's leading innovative companies, matching them with the scale and impact of large corporates, and the creative thinking of the UK's most advanced university research. We accelerate the progress of these new markets by delivering three key programmes (Artificial Intelligence, Immersive Technologies & Future Networks) across two industry sectors (Manufacturing & Creative Industries), which provides key examples and demonstrations for others to follow.

Highlights of achievements in FY 18/19

This year has seen Digital Catapult perform more strongly than in any previous year since it was established.

It has reached each of its KPI targets, delivered a high level of impact into each of its key programme areas and laid the ground for further innovation in subsequent years. It has refined its commercial and innovation offerings and clearly demonstrated their differentiation in the market. The regional strategy continues to strengthen.

The unique combination of market research, facilities creation and programme development has emerged as a strong and valuable response to the fast moving nature of digital innovation in its key industry sectors and identified strategic technology areas.

In particular, the Catapult has demonstrated meaningful impact among early stage and scale up companies and with traditional corporate players. This year Digital Catapult has worked closely with over 438 SME's and secured significant inroads into the UK's digital economy.

This year we launched our new Future Networks Lab, the first of its kind in the UK that demonstrates how future network technologies such as Low Powered Wide Area Networks, 5G and the Internet of Things can be used in a variety of industrial use cases. This is in partnership with several corporate partners and showcases a number of startup and scaleup solutions.

We have also partnered with the UK Government's Department for Digital Culture, Media and Sports 5G Testbeds and Trials Programme for their upcoming 5G sector focused competition in manufacturing and logistics, announced by the then Chancellor, Philip Hammond, in 2018 and launching in mid 2019. We also delivered the UK's first Digital Catapult Global Challenge - focused on connecting the UK and Canada's AI ecosystem - "The UK Canada AI Innovation Challenge" and being mentioned for its success in the Modern Industrial Strategy annual update. In Immersive, we have kicked off our role helping to coordinate a number of demonstrators and maximising impact for the UK economy through the Audience of the Future initiative - helping to explore how immersive technologies will help to create new audience experience for live events.

In September 2018, the Catapult entered into its grant funding agreement with Innovate UK for the next five-year period amounting to £59m. Andy Green, the founding chairman resigned on 1 May 2019, and Juergen Maier was appointed chairman on that date.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Regional Centres

Digital Catapult continues to deepen its existing local partnerships across the UK and develop a new presence in other regions. The regional strategy does not replicate the same focus in every location, but instead draws on local strengths and characteristics to make the most of expertise and maximise opportunities. This has started to create a multi-stakeholder UK-wide network of digital and physical facilities and clusters, focused on driving local innovation and empowering local stakeholders to work with Digital Catapult's national capabilities. This year has seen the launch of our immersive lab in partnership with The Landing in Manchester, expanding our reach into the North West of England and strengthening our relationships with the innovation ecosystem in the region.

Commercial Income

This is the fourth year of trading for our subsidiary, Digital Catapult Services Limited and we are pleased to report £2.3m of turnover.

Principal risks and uncertainties

The risk register is reviewed and presented to the Audit Committee and Board. Each risk is followed up and actions taken to mitigate risk where practicable.

The most significant risk for the Group continues to be a reduction in government funding or a material change in government policy.

The impact of UK withdrawal from the EU may also affect the availability of EU funded projects – furthermore the availability and timing of new funding opportunities by the UK government is not yet determined

The Grant funding agreement (GFA) with Innovate UK contains a number of key performance indicators (KPIs), which, if not met for two years in succession would give Innovate UK the right to review the terms and continuation of the GFA

This report was approved by the board and signed on its behalf.

Page 1

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J Silver

Director

Date: 31 October 2019

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors

The directors who served during the year were:

I A Baverstock
A J Green (resigned 1 May 2019)
R H Ironside
J S Ridley-Smith
N D Sanders
L Shesgreen
J M Silver
S K Thomas

Page 2

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019
Page 3

Principal activities and review of business

This is the sixth year of operations for the Digital Catapult. As an organisation we help trailblazer companies to develop and demonstrate innovative and successful advanced digital technology products, services, experiences and business models for UK industry to emulate. Driving collaboration is key to our strategic objectives. We have a strong track record of enabling industrial applications of advanced digital technologies in start-ups, SME's and larger organisations through our identification, creation and provision of state-of-the-art facilities and innovation / acceleration programmes. Digital Catapult analyses the gaps in the market, market failures and new market opportunities and then creates facilities and interventions to address them where the market has failed to do so. As an innovation centre it multiplies the value of these facilities by sharing expertise and accelerating technology adoption by connecting emerging technology startups and scaleups, industry, academic researchers, experts and specialist players through our unique innovation programmes, which helps to drive collaboration and reduce the barriers to adoption and innovation around these technologies.

Digital Catapult houses cutting edge facilities, with knowledge and expertise in three areas (Artificial Intelligence & Machine Learning, Future Networks and Immersive Technologies) that aligns with the Innovate UK Emerging and Enabling Technologies Strategy. We work across the UK with centres in London, the North East, Brighton and Northern Ireland, in collaboration with LEPs and Universities. As a centre for innovation, we respond to industry needs and have built strong working relationships with large companies who both support and endorse our strategy.

Digital Catapult continues to collaborate with bodies such as Innovate UK, the Knowledge Transfer Network, the Open Data Institute, the Alan Turing Institute and other partners on an evolving basis. Digital Catapult is part of the Catapult Network of eleven UK technology and innovation companies ('Catapults') established by Innovate UK. These centres drive economic growth through commercialisation of research between UK industry, SME's and academia.

The review of the business is presented in the strategic report.

Sources of Income

In the current year, Digital Catapult was funded by a UK Government grant. In addition, the Catapult generated income from Collaborative Research and Development projects and Commercial business activities.

Financial results

Turnover of £18,944,679 was made up of grants totaling £16,665,711 received from Innovate UK and Collaborative R&D projects and also £2,278,968 of Commercial income from the Trading subsidiary Digital Catapult Services Limited. Operational costs of the organisation were £18,728,795 (31 March 2018: £17,083,661) resulting in an operating profit of £215,884 (31 March 2018: £252,224).

The surplus for the year, after taxation, amounted to £167,068 (2018 - £171,054).

The directors have disclosed some required information within the Group Strategic Report.

Future developments

Over the next five years Digital Catapult will continue to focus on the following technology programmes: Artificial Intelligence & Machine Learning, Future Networks and Immersive technologies. We will continue to develop and drive impact for the UK economy through these programmes, playing a coordinating role across ecosystems to help connect industry with small innovative high growth potential companies and leading-edge research. In addition to this, we have started to explore and will continue projects that combine these technologies. The expectation is that as a technology reaches greater maturity levels and levels of adoption across the economy, our role will be to explore and focus on additional technology applications that require our interventions. Our "Future Focus" area helps the organisation to keep ahead of the adoption and innovation curve.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There are no post balance sheet events that require disclosure in the accounts.

Auditor

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

This report was approved by the board and signed on its behalf.

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J M Silver

Director

Date: 31 October 2019

DIGITAL CATAPULT
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT

Opinion

We have audited the financial statements of Digital Catapult (the 'parent Company') and its subsidiary (the 'Group') for the year ended 31 March

2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Group's or the parent 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 Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

DIGITAL CATAPULT
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

DIGITAL CATAPULT
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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 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.

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

31 October 2019

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Turnover	4	18,944,679	17,335,885
Gross profit		18,944,679	17,335,885
Administrative expenses		(18,728,791)	(17,083,661)
Operating profit	5	215,884	252,224
Interest payable and expenses	9	-	(18,866)
Profit before taxation		215,884	233,358
Tax on profit	10	(48,816)	(62,304)
Profit for the financial year		<u>167,068</u>	<u>171,054</u>

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 14 to 30 form part of these financial statements.

DIGITAL CATAPULT
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07964699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019		2018
		£		£
Fixed assets				
Tangible assets	11	4,945,552		5,743,079
Investments	12	150,000		-
		5,095,552		5,743,079
Current assets				
Debtors: amounts falling due after more than one year	13	1,908,000	1,908,000	
Debtors: amounts falling due within one year	13	7,030,474	6,000,073	
Cash at bank and in hand	14	1,803,229	1,514,315	
		10,741,703	9,422,388	
Creditors: amounts falling due within one year	15	(7,762,508)	(7,550,390)	
Net current assets		2,979,195		1,871,998
Total assets less current liabilities		8,074,747		7,615,077
Creditors: amounts falling due after more than one year	16	(7,729,318)		(7,436,716)
Provisions for liabilities				
Net assets		345,429		178,361
Capital and reserves				
Profit and loss account	19	345,429		178,361
		345,429		178,361

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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J M Silver
 Director
 Date: 31 October 2019

DIGITAL CATAPULT
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07964699

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019		2018
		£		£
Fixed assets				
Tangible assets	11	4,945,552		5,743,079
Investments	12	1		1
		4,945,553		5,743,080
Current assets				
Debtors: amounts falling due after more than one year	13	1,908,000	1,908,000	
Debtors: amounts falling due within one year	13	8,071,687	5,779,036	
Cash at bank and in hand	14	705,741	1,248,479	
		10,685,428	8,935,515	
Creditors: amounts falling due within one year	15	(7,874,409)	(7,274,204)	
Net current assets		2,811,019		1,661,311
Total assets less current liabilities		7,756,572		7,404,391
Creditors: amounts falling due after more than one year	16	(7,729,318)		(7,436,716)
Net assets/(liabilities)		27,254		(32,325)
Capital and reserves				
Profit and loss account	19	27,254		(32,325)
		27,254		(32,325)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
J M Silver

Director

Date: 31 October 2019

The notes on pages 14 to 30 form part of these financial statements.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

Profit and loss
account
£

Total equity
£

At 1 April 2017	7,307	7,307
Comprehensive income for the year		
Profit for the year	171,054	171,054
At 1 April 2018	178,361	178,361
Comprehensive income for the year		
Profit for the year	167,068	167,068
At 31 March 2019	345,429	345,429

Page 11

The notes on pages 14 to 30 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Profit and loss account £	Total equity £
At 1 April 2017	31,242	31,242
Comprehensive income for the year		
Loss for the year	(63,567)	(63,567)
At 1 April 2018	(32,325)	(32,325)
Comprehensive income for the year		
Profit for the year	59,579	59,579
At 31 March 2019	27,254	27,254

The notes on pages 14 to 30 form part of these financial statements.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial year	167,068	171,054
Adjustments for:		
Depreciation of tangible assets	1,504,786	1,525,335
Loss on disposal of tangible assets	(8,398)	-
Interest paid	-	18,866
Taxation charge	48,816	62,304
(Increase) in debtors	(1,022,713)	(2,202,168)
Increase/(decrease) in creditors	515,111	(617,095)
Corporation tax (paid)/received	(66,895)	-
Net cash generated from operating activities	1,137,775	(1,041,704)
Cash flows from investing activities		
Purchase of tangible fixed assets	(754,233)	(1,291,384)
Sale of tangible fixed assets	55,372	-
Purchase of unlisted and other investments	(150,000)	-
HP interest paid	-	(18,866)
Net cash from investing activities	(848,861)	(1,310,250)
Cash flows from financing activities		
Repayment of/new finance leases	-	(495,254)
Net cash used in financing activities	-	(495,254)
Net increase/(decrease) in cash and cash equivalents	288,914	(2,847,208)
Cash and cash equivalents at beginning of year	1,514,315	4,361,523
Cash and cash equivalents at the end of year	1,803,229	1,514,315
Cash and cash equivalents at the end of year comprise:		

Cash at bank and in hand	1,803,229	1,514,315
	<u>1,803,229</u>	<u>1,514,315</u>

The notes on pages 14 to 30 form part of these financial statements.

1. General information

Digital Catapult is a company incorporated in England and Wales, and limited by guarantee.

Digital Catapult is the UK's leading advanced digital technology innovation centre. It drives the early adoption of digital technologies to make UK businesses more competitive and productive to grow the country's economy

The Company's registered office is 101 Euston Road, London, NW1 2RA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Company and its own subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are, therefore, eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date upon which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

Funding for the 5 year term from 2018/19 onwards was confirmed in November 2018. This core funding is supplemented by funding from other sources.

The Grant funding agreement (GFA) contains a number of key performance indicators (KPIs), which, if not met for two years in succession, would give Innovate UK the right to review the terms and renewal of the GFA.

The Directors believe that the Company can continue to operate as a going concern.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	- 3 years straight line.
Office equipment	- 3 years straight line.
Computer equipment	- 3 years straight line.
Improvements to property	- Over 10 years or the lease term, if shorter

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.10 Creditors

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

2.11 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company and Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.16 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transition is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

The recognition of income arising from government grants has been carefully considered to ensure compliance with the requirements of the accruals based approach permitted under FRS 102.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Core grant	12,620,444	10,939,348
Collaborative R&D and other income	4,045,267	4,664,342
Digital Catapult Services fees receivable	2,278,968	1,732,195
	<u>18,944,679</u>	<u>17,335,885</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	17,487,133	16,268,254
Rest of Europe	1,457,546	1,067,631
	<u>18,944,679</u>	<u>17,335,885</u>

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	2,315,965	1,506,501
Exchange differences	20,838	3,903
Other operating lease rentals	1,202,045	1,079,108
Depreciation	1,504,786	1,525,335
Group audit fees	<u>13,990</u>	<u>13,840</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

6. Auditor's remuneration

Page 20

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	8,995	8,995
Fees payable to the Group's auditor and its associates in respect of:		
The auditing of accounts of associates of the Group pursuant to legislation	4,995	4,845
Preparation of the annual accounts	2,830	2,750
Services in relation to corporation tax compliance	2,600	2,525
Other services relating to taxation	17,850	-
All other services	5,150	5,000
	<u>42,420</u>	<u>24,115</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	7,259,749	6,062,130	7,259,749	6,062,130
Social security costs	757,441	666,933	757,441	666,933
Cost of defined contribution scheme	554,186	498,642	554,186	498,642
	<u>8,571,376</u>	<u>7,227,705</u>	<u>8,571,376</u>	<u>7,227,705</u>

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

	2019 No.	2018 No.
Management and administration	31	30
Development and Technology	26	21
Commercial, CR&D, Delivery and Communities	46	43
Non-Executives	8	8
	<u>111</u>	<u>102</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Page 21

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	546,580	461,780
Company contributions to defined contribution pension schemes	38,730	49,650
	<u>585,310</u>	<u>511,430</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £285,959 (2018 - £234,477).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21,630 (2018 - £30,900).

9. Interest payable and similar expenses

	2019 £	2018 £
Finance leases and hire purchase contracts	<u>-</u>	<u>18,866</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	72,451	65,366
Adjustments in respect of previous periods	(15,946)	-
Total current tax	<u>56,505</u>	<u>65,366</u>
Deferred tax		
Origination and reversal of timing differences	(7,689)	(3,062)
Total deferred tax	<u>(7,689)</u>	<u>(3,062)</u>
Taxation on profit on ordinary activities	<u>48,816</u>	<u>62,304</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>215,884</u>	<u>233,358</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	41,018	44,338
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	33,485	17,966
Fixed asset differences	(10,521)	-
Adjustments to tax charge in respect of prior periods	(15,946)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(14,131)	-
RDEC notional tax claim	14,911	-
Total tax charge for the year	<u>48,816</u>	<u>62,304</u>

Factors that may affect future tax charges

Legislation has been passed to reduce the rate of UK corporation tax to 17% from 1 April 2020.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. Tangible fixed assets

Group and Company

	Fixtures & fittings	Office equipment	Other fixed assets	Total
	£	£	£	£
Cost or valuation				
At 1 April 2018	181,640	4,405,943	5,426,167	10,013,750
Additions	135,383	613,848	5,002	754,233
Disposals	(15,499)	(41,417)	-	(56,916)
At 31 March 2019	301,524	4,978,374	5,431,169	10,711,067
Depreciation				
At 1 April 2018	28,101	2,503,134	1,739,436	4,270,671
Charge for the year on owned assets	68,199	898,915	537,672	1,504,786
Disposals	(3,016)	(6,926)	-	(9,942)
At 31 March 2019	93,284	3,395,123	2,277,108	5,765,515
Net book value				
At 31 March 2019	208,240	1,583,251	3,154,061	4,945,552
At 31 March 2018	153,539	1,902,809	3,686,731	5,743,079

All of the Group's tangible fixed assets are held in the parent company

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

12. Fixed asset investments

Group

**Other fixed asset
investments**

£

Cost or valuation

Additions

150,000

At 31 March 2019

150,000

During the year ended 31 March 2018, Digital Catapult Services issued £100,000 worth of convertible loan notes to Creative Capture Services Limited; and in April 2018 a further £50,000 was issued. These all were converted into equity during the year ended 31 March 2019 and has been recorded as an investment

Company

**Investments in
subsidiary
companies**

£

Cost or valuation

At 1 April 2018

1

At 31 March 2019

1

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Digital Catapult Services Limited	101 Euston Road, London, NW1 2RA	Commercial activities designed to drive UK Innovation and SME engagement	Ordinary	100%

The aggregate of the share capital and reserves as at 31 March 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Digital Catapult Services Limited	343,390	107,489

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Debtors

Group 2019	Group 2018	Company 2019	Company 2018
£	£	£	£

Due after more than one year

Other debtors	1,908,000	1,908,000	1,908,000	1,908,000
	<u>1,908,000</u>	<u>1,908,000</u>	<u>1,908,000</u>	<u>1,908,000</u>
	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £

Due within one year

Trade debtors	937,128	616,135	56,219	228,786
Amounts owed by group undertakings	-	-	2,208,557	-
Other debtors	638,925	920,938	631,889	1,222,500
Prepayments and accrued income	5,438,768	4,455,036	5,159,369	4,319,786
Deferred taxation	15,653	7,964	15,653	7,964
	<u>7,030,474</u>	<u>6,000,073</u>	<u>8,071,687</u>	<u>5,779,036</u>

Other debtors include £1,908,000 (2018: £1,908,000) that is receivable after one year. The amount relates to a lease deposit due back at the end of the lease period.

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

14. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	<u>1,803,229</u>	<u>1,514,315</u>	<u>705,741</u>	<u>1,248,479</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. Creditors: Amounts falling due within one year

Group 2019	Group 2018	Company 2019	Company 2018
-----------------------	---------------	-------------------------	-----------------

	£	£	£	£
Trade creditors	824,932	871,991	824,932	871,991
Amounts owed to group undertakings	-	-	943,245	17,153
Corporation tax	57,540	67,930	32,326	18,510
Other taxation and social security	269,903	223,944	269,903	223,944
Other creditors	141,185	177,079	141,184	171,808
Accruals and deferred income	6,468,948	6,209,446	5,662,819	5,970,798
	<u>7,762,508</u>	<u>7,550,390</u>	<u>7,874,409</u>	<u>7,274,204</u>

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

16. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accruals and deferred income	<u>7,729,318</u>	<u>7,436,716</u>	<u>7,729,318</u>	<u>7,436,716</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through profit or loss	1,803,229	1,514,315	705,741	1,248,479
Financial assets that are debt instruments measured at amortised cost	8,667,791	3,435,168	9,709,003	6,419,428
	<u>10,471,020</u>	<u>4,949,483</u>	<u>10,414,744</u>	<u>7,667,907</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(2,841,627)</u>	<u>(1,056,981)</u>	<u>(3,784,872)</u>	<u>(4,138,910)</u>

Financial assets measured at fair value through profit or loss comprises of cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprises of debtors excluding prepayments and deferred tax.

Financial liabilities measured at amortised cost comprises of trade creditors, other creditors and finance lease obligations due in less than one year.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

18. Deferred taxation

Group

**2019
£**

At beginning of year	7,964
Charged to profit or loss	7,689
At end of year	<u>15,653</u>

Company

**2019
£**

At beginning of year	7,964
Charged to profit or loss	7,689
At end of year	<u>15,653</u>

The deferred tax asset is made up as follows:

	Group	Group	Company	Company
	2019	2018	2019	2018
	£	£	£	£
Fixed asset timing differences	7,986	-	7,986	-
Pension surplus	7,667	7,964	7,667	7,964
	<u>15,653</u>	<u>7,964</u>	<u>15,653</u>	<u>7,964</u>

19. Reserves

Profit & loss account

The profit & loss account is the Company's accumulated profits or losses at the year end date.

20. Company status

The Company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the Company in the event of liquidation.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £554,186 (2018: £498,642). Contributions totaling £75,831 (2018: £83,312) were payable to the fund at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	976,190	976,190	976,190	976,190
Later than 1 year and not later than 5 years	3,742,060	3,904,758	3,742,060	3,904,758
Later than 5 years as restated	-	813,491	-	813,491
	<u>4,718,250</u>	<u>5,694,439</u>	<u>4,718,250</u>	<u>5,694,439</u>

23. Related party transactions

During the year ended 31 March 2019 the Company reimbursed directors' travel and subsistence expenses for a total of £5,747 (2018: £3,438). A total of £nil (2018: £nil) were outstanding at the year end.

During the year ended 31 March 2019 the Digital Catapult Services Limited advanced a loan of £50,000 (2018: £100,000) to Creative Capture Services Limited, a company of which Jeremy Silver is a Non-Executive Director. Jeremy Silver represents Digital Catapult on the Board of Creative Capture Services Limited

During the year ended 31 March 2019 the Company made purchases of £224,688 (2018: £nil) from Hammerhead Interactive Limited. Jeremy Silver represents Digital Catapult on the Board of Hammerhead Interactive Limited. A total of £26,294 (2018: £nil) was outstanding at the year end.

Entities over which the Company has control

The Company controls Digital Catapult Services Limited by way of its 100% shareholding. During the year ended 31 March 2019 the Company recharged costs of £2,142,001 (2018: £1,451,416). At 31 March 2019, Digital Catapult Services Limited owed the Company £2,208,557 (2018: £2,865,047) and £943,245 (2018: £3,087,200) was owed to Digital Catapult Services Limited from the Company.

24. Controlling party

There is no single controlling party.

