

Registered number: 07964699

DIGITAL CATAPULT
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

SATURDAY



A6E373M2

A08

02/09/2017

#258

COMPANIES HOUSE

DIGITAL CATAPULT
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors	S N Crockett (resigned 8 June 2016) I A Baverstock A J Green R H Ironside N D Sanders L Shesgreen J Ridley-Smith J Silver S Thomas A J Carr (resigned 12 September 2016)
Company secretary	R French
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 - 3
Directors' Report	4 - 6
Independent Auditor's Report	7 - 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 2017

Introduction

The directors present their Group Strategic Report for the year ended 31 March 2017.

Business review

This is the fourth year of operations at the Digital Catapult. Since Digital Catapult was founded in 2013 it has worked with more than 3,000 organisations, won £8m of competitive collaborative R&D bids, sold £5m of its own services and unlocked significant investment from businesses and other partners.

Since its launch, more than 100 businesses have been showcased in Digital Catapult centres, which between them have welcomed over 56,000 visitors.

Overcoming the barriers to growth faced by UK business is Digital Catapult's priority. In its first four years of operation the Digital Catapult has evolved and refined its interventions so that it now has nine tried and tested intervention types in its armoury. These interventions have been evolved to be the most effective in achieving the objectives of Digital Catapult:

- Providing access to large-scale testbeds
- Providing access to equipment, skills and space
- Open innovation processes between larger corporates and start-ups
- Co-creation of open source code-libraries or other forms of technology innovation solutions
- EU, International or UK collaborative research and development projects
- Ecosystem mapping and making conversations happen across sub-sectors
- Development of standards
- Coordinated, market-led analysis that lead to policy recommendations
- Helping larger companies become more efficient and competitive through the introduction of digital innovation.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

Digital Catapult has developed a set of national technology assets, equipment and facilities which include:

- “Things Connected” Low Power Wide Area Network (LPWAN)
- Immersive Lab in London
- 5G testbed in Brighton
- London Digital Catapult Centre facilities in the most business centric location in the UK
- Local Centres in Belfast, Brighton, Bradford and Sunderland engaged with local business

These assets have horizontal application, beyond Digital Catapult's target industrial sectors, in that they demonstrate application for multiple market verticals, and for this reason they represent strategic national assets.

The organisation has developed a highly effective 'Innovation Services' offering which has earned a reputation for rigour, robustness and depth of insight among multinational companies. It has developed an authoritative overview of the startup marketplace, providing larger companies with insightful navigation of leading companies in the different sectors it tackles. It has proved that in guiding startups towards promising market opportunities it has enabled them to increase investment. It has established strong links with investment community by showcasing leading talent in specific targeted emergent markets, increasing investor confidence in areas of UK opportunity.

Highlights of achievements in year:

This year we have worked closely with over 600 SME's and secured substantial new contributions for the UK's digital economy and delivered 17 projects. 7 new products have been brought to market by SMEs and 6 companies have reported that their business productivity has been enhanced as a consequence of engagement with the Catapult

We have also collaborated with several universities across the UK to enrich our innovation activities with the business community and helped accelerate commercialisation of research.

Regional Centres

Regional presence is believed to be vital to ensuring that the economy works for everyone. Our regional centres allowed us broaden the Catapult's reach and appeal geographically but also to widen the range of our stakeholders and improve our understanding of market barriers in different regions (see Centres below).

Commercial income

This is the second year of trading for our subsidiary, DCS Ltd and we are pleased to report £1,223,189 of income. The Open Innovation programme that has been developed over the first two and a half years of the organisation's life has begun to deliver good reliable revenues. Digital Catapult's current Innovation Portfolio combines products and services that create a low risk environment for digital transformation at speed. These services provide clients with access to technical expertise and opportunities to collaborate with a national ecosystem that includes academia and disruptive start-up companies.

Principal risks and uncertainties

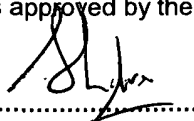
The most significant risk for the Group continues to be a reduction in government funding or a change in government policy. In September 2014, the company entered into its grant funding agreement with Innovate UK amounting to £52m and this comes to term in March 2018. We have already entered into negotiations for future periods and based on progress to date the Directors believe that this will be confirmed prior to the 2018 year end.

The current 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 renewal of the GFA. The Directors expect that any new agreement will contain similar type clauses.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

This report was approved by the board on 24/8/2017 and signed on its behalf.



.....
J Silver
Director

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

Principal activities and review of business

This is the fourth year of operations for the Digital Catapult. In October 2016, the Catapult conducted a strategic review which was approved by Innovate UK and its Board Digital Catapult.

Digital Catapult is a market led technology and innovation centre helping businesses of all sizes to use digital technologies to grow, export and increase productivity. It exists to help the UK achieve the full potential of digital technologies. We believe there is the potential to add £55bn to the UK economy between now and 2020.

The Catapult houses cutting edge facilities, knowledge and expertise deployed in four technology layers that align to the Innovate UK emerging and enabling technologies strategy:

The Catapult works across the UK using centres currently in London, the North East, Bradford, Brighton and Northern Ireland, in collaboration with LEPs and Universities.

Digital Catapult responds to industry needs and has developed support and endorsement from major companies, backing this strategy.

The Catapult will also continue to collaborate with Innovate UK, Knowledge Transfer Network, the Open Data Institute, the Alan Turing Institute, the Catapult network and other partners on an evolving basis. It is actively seeking to prompt government to create a joined-up road map for UK digital innovation.

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

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Company continues to be a part of a network of eleven UK technology and innovation companies (named 'Catapults') established by the Innovate UK. These will drive economic growth through commercialisation of research between UK industry, SME's and academia.

Sources of Income

In the current year, the Company was funded by a government grant. In addition, the company generated income from Collaborative Research and Development projects and Commercial business activities.

Financial Results

Turnover of £12,687,054 was made up of grants totalling £11,463,864 received from Innovate UK and Collaborative R&D projects and also £1,223,189 of Commercial income from the Trading subsidiary DCS Ltd. Operational costs of the organisation was £12,549,637 (31 March 2016: £12,452,824) resulting in an operating profit of £137,417 (31 March 2016: £56,575).

The surplus for the year, after taxation, amounted to £57,775 (2016 - deficit £49,441).

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

Directors

The directors who served during the year were:

S N Crockett (resigned 8 June 2016)
I A Baverstock
A J Green
R H Ironside
N D Sanders
L Shesgreen
J Ridley-Smith
J Silver (appointed 1 June 2016)
S Thomas
A J Carr (resigned 12 September 2016)

Neil Crockett resigned from his position as CEO of the Digital Catapult on 1 June 2016 and Jeremy Silver was appointed as the new CEO.

Future developments

The Catapult will continue to focus on the following technology layers:

Data-Driven: new ways to work with personal data with more control and trust, applications of blockchain and smart contracts, cybersecurity particularly for emergent threats

Connected: the internet of things, and associated enabling networking technologies such as low-power wide-area networks and 5G

Intelligent: artificial intelligence and machine learning

Immersive: augmented, virtual and mixed reality, and related new forms of human machine interface

DIGITAL CATAPULT
(A Company Limited by Guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

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 significant events which require reporting under FRS 102.

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 on

24/8/2017

and signed on its behalf.



.....
J Silver
Director

DIGITAL CATAPULT
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT

We have audited the financial statements of Digital Catapult for the year ended 31 March 2017, set out on pages 9 to 30. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2017 and of the Group's profit or loss 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.

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

DIGITAL CATAPULT
(A Company Limited by Guarantee)

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



Sue Staunton MA FCA CF (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

2 Chawley Park

Cumnor Hill

Oxford

Oxfordshire

OX2 9GG

Date: *31 August 2017*

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Turnover	4	12,687,054	12,509,399
Gross profit		<u>12,687,054</u>	<u>12,509,399</u>
Administrative expenses		(12,549,637)	(12,452,824)
Operating profit	5	137,417	56,575
Interest receivable and similar income	9	1,870	-
Interest payable and expenses	10	(67,916)	(114,262)
Profit/(loss) before taxation		<u>71,371</u>	<u>(57,687)</u>
Tax on profit/(loss)	11	(13,596)	8,246
Profit/(loss) for the financial year		<u>57,775</u>	<u>(49,441)</u>
Profit/(loss) for the year attributable to:			
Owners of the parent Company		57,775	(49,441)
		<u>57,775</u>	<u>(49,441)</u>

There was no other comprehensive income for 2017 (2016:£NIL).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note		2017 £	2016 £
Fixed assets				
Tangible assets	12		5,977,029	5,211,413
			5,977,029	5,211,413
Current assets				
Debtors: amounts falling due within one year	14	5,710,754	4,574,644	
Cash at bank and in hand	15	4,361,523	3,652,492	
		10,072,277	8,227,136	
Creditors: amounts falling due within one year	16	(8,011,458)	(4,999,954)	
Net current assets			2,060,819	3,227,182
Total assets less current liabilities			8,037,848	8,438,595
Creditors: amounts falling due after more than one year	17		(8,030,541)	(8,489,063)
Provisions for liabilities				
Net assets/(liabilities)			7,307	(50,468)
Capital and reserves				
Profit and loss account	21		7,307	(50,468)
			7,307	(50,468)

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



.....
J Silver
 Director


24/8/2017

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		5,977,029		5,211,413
Investments	13		1		1
			5,977,030		5,211,414
Current assets					
Debtors: amounts falling due within one year	14	6,884,729		5,016,913	
Cash at bank and in hand	15	2,797,895		2,809,629	
		9,682,624		7,826,542	
Creditors: amounts falling due within one year	16	(7,597,871)		(4,529,933)	
Net current assets			2,084,753		3,296,609
Total assets less current liabilities			8,061,783		8,508,023
Creditors: amounts falling due after more than one year	17		(8,030,541)		(8,489,063)
Net assets			31,242		18,960
Capital and reserves					
Profit and loss account	21		31,242		18,960
			31,242		18,960

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



.....
J Silver
 Director 24/8/2017

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Profit and loss account £	Total equity £
At 1 April 2015	(1,027)	(1,027)
Comprehensive income for the year		
Loss for the year	(49,441)	(49,441)
Total comprehensive income for the year	<u>(49,441)</u>	<u>(49,441)</u>
At 1 April 2016	(50,468)	(50,468)
Comprehensive income for the year		
Profit for the year	57,775	57,775
Total comprehensive income for the year	<u>57,775</u>	<u>57,775</u>
At 31 March 2017	<u>7,307</u>	<u>7,307</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Profit and loss account £	Total equity £
At 1 April 2015	(1,027)	(1,027)
Comprehensive income for the year		
Profit for the year	19,987	19,987
Total comprehensive income for the year	<u>19,987</u>	<u>19,987</u>
At 1 April 2016	18,960	18,960
Comprehensive income for the year		
Profit for the year	12,282	12,282
Total comprehensive income for the year	<u>12,282</u>	<u>12,282</u>
At 31 March 2017	<u>31,242</u>	<u>31,242</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit/(loss) for the financial year	57,775	(49,441)
Adjustments for:		
Depreciation of tangible assets	1,168,784	1,072,546
Interest paid	67,916	114,262
Interest received	(1,870)	-
Taxation charge	13,596	(8,246)
(Increase)/decrease in debtors	(1,147,139)	1,625,334
Increase/(decrease) in creditors	3,144,719	(2,301,741)
Corporation tax received/(paid)	-	(4,402)
Net cash generated from operating activities	<u>3,303,781</u>	<u>448,312</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,934,400)	(143,712)
Interest received	1,870	-
HP interest paid	(67,916)	(114,262)
Net cash from investing activities	<u>(2,000,446)</u>	<u>(257,974)</u>
Cash flows from financing activities		
Repayment of/new finance leases	(594,304)	(594,304)
Net cash used in financing activities	<u>(594,304)</u>	<u>(594,304)</u>
Net increase/(decrease) in cash and cash equivalents	<u>709,031</u>	<u>(403,966)</u>
Cash and cash equivalents at beginning of year	3,652,492	4,056,458
Cash and cash equivalents at the end of year	<u><u>4,361,523</u></u>	<u><u>3,652,492</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,361,523	3,652,492
	<u><u>4,361,523</u></u>	<u><u>3,652,492</u></u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. General information

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

The Company develops breakthroughs for the UK's data sharing movement.

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 following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Group 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

In September 2014, the company entered into its Grant funding agreement (GFA) with Innovate UK amounting to £52m and this comes to term in March 2018. This core funding is supplemented by funding from other sources. The Company has already entered into negotiations for future periods and based on progress to date the Directors believe that this will be confirmed prior to the 2018 year end. Notwithstanding the conclusion of this process, Innovate UK has confirmed that £11.9m has been budgeted by it for the allocation to the Company for 2018/2019.

The Directors believe that the Company can continue to operate as a going concern for at least 12 months from the date of approval of these financial statements

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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:

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.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

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 instruments 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 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.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 Leased assets: the Group as lessee

Assets obtained under hire purchase contract 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.

2.15 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 transaction 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.

2.16 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.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.17 Interest income

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

2.18 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.

2.19 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.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. Judgments 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 definitions, 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.

4. Turnover

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

	2017 £	2016 £
Core grant	9,607,748	10,178,069
Collaborative R&D and other income	1,856,116	1,617,938
Digital Catapult Services	1,223,190	713,392
	<u>12,687,054</u>	<u>12,509,399</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	12,255,011	12,264,356
Rest of Europe	432,043	245,043
	<u>12,687,054</u>	<u>12,509,399</u>

5. Operating profit/(loss)

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

	2017 £	2016 £
Exchange differences	1,704	1,318
Depreciation of tangible fixed assets	1,168,784	1,072,547
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	18,175	19,225
Defined contribution pension cost	353,130	387,817
	<u>353,130</u>	<u>387,817</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	11,050	12,900
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	2,375	2,325
All other services	4,750	4,000
	18,175	19,225

7. Employees

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

	2017	2016
	£	£
Wages and salaries	4,848,095	4,392,535
Social security costs	548,854	508,075
Cost of defined contribution scheme	353,130	387,817
	5,750,079	5,288,427

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

	2017	2016
	No.	No.
Management and administration	27	27
Development and Technology	31	22
Commercial, CR&D, Delivery and Communities	14	14
Non-Executives	9	9
	81	72

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	634,915	453,118
Company contributions to defined contribution pension schemes	41,765	27,015
	676,680	480,133
	676,680	480,133

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £178,085 (2016 - £239,653).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,000 (2016 - £20,655).

9. Interest receivable

	2017	2016
	£	£
Other interest receivable	1,870	-
	1,870	-
	1,870	-

10. Interest payable and similar charges

	2017	2016
	£	£
Finance leases and hire purchase contracts	67,916	114,262
	67,916	114,262
	67,916	114,262

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	2,564	-
	2,564	-
Total current tax	2,564	-
Deferred tax		
Origination and reversal of timing differences	11,032	(9,015)
Changes to tax rates	-	769
Total deferred tax	11,032	(8,246)
Taxation on profit/(loss) on ordinary activities	13,596	(8,246)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	71,371	(57,687)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	14,274	(11,537)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	226	1,521
Other timing differences leading to an increase (decrease) in taxation	(904)	1,770
Total tax charge for the year	13,596	(8,246)

Factors that may affect future tax charges

Legislation has been passed to reduce the rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. However, these rates were not substantially enacted at the balance sheet date and so are not reflected in the measurement of deferred tax in these financial statements. The future impact of the changes on the deferred tax asset is not considered material.

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12. Tangible fixed assets

Group

	Office equipment £	Other fixed assets £	Total £
Cost or valuation			
At 1 April 2016	1,822,119	4,965,847	6,787,966
Additions	1,709,637	224,763	1,934,400
At 31 March 2017	<u>3,531,756</u>	<u>5,190,610</u>	<u>8,722,366</u>
Depreciation			
At 1 April 2016	875,555	700,998	1,576,553
Charge for the period on owned assets	663,220	505,564	1,168,784
At 31 March 2017	<u>1,538,775</u>	<u>1,206,562</u>	<u>2,745,337</u>
Net book value			
At 31 March 2017	<u>1,992,981</u>	<u>3,984,048</u>	<u>5,977,029</u>
At 31 March 2016	<u>946,564</u>	<u>4,264,849</u>	<u>5,211,413</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12. Tangible fixed assets (continued)

Company

	Office equipment £	Other fixed assets £	Total £
Cost or valuation			
At 1 April 2016	1,822,119	4,965,847	6,787,966
Additions	1,709,637	224,763	1,934,400
At 31 March 2017	<u>3,531,756</u>	<u>5,190,610</u>	<u>8,722,366</u>
Depreciation			
At 1 April 2016	875,555	700,998	1,576,553
Charge for the period on owned assets	663,220	505,564	1,168,784
At 31 March 2017	<u>1,538,775</u>	<u>1,206,562</u>	<u>2,745,337</u>
Net book value			
At 31 March 2017	<u>1,992,981</u>	<u>3,984,048</u>	<u>5,977,029</u>
At 31 March 2016	<u>946,564</u>	<u>4,264,849</u>	<u>5,211,413</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Digital Catapult Services Limited	Ordinary	100 %	Commercial activities designed to drive UK Innovation and SME engagement

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2016	1
At 31 March 2017	<u>1</u>
Net book value	
At 31 March 2017	<u>1</u>
At 31 March 2016	<u>1</u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

14. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	444,520	555,663	-	-
Amounts owed by group undertakings	-	-	1,361,511	1,011,000
Other debtors	2,234,962	2,147,180	2,496,849	2,149,351
Prepayments and accrued income	3,026,370	1,855,868	3,026,369	1,855,868
Deferred taxation	4,902	15,934	-	694
	5,710,754	4,574,645	6,884,729	5,016,913

Other debtors include £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.

15. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	4,361,523	3,652,492	2,797,895	2,809,629
	4,361,523	3,652,492	2,797,895	2,809,629

16. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,754,853	124,233	1,754,853	124,233
Amounts owed to group undertakings	1	-	-	-
Corporation tax	2,564	-	2,564	-
Other taxation and social security	148,189	133,495	148,189	133,495
Obligations under finance lease and hire purchase contracts	495,254	594,303	495,254	594,303
Other creditors	89,776	71,397	84,503	66,126
Accruals and deferred income	5,520,821	4,076,526	5,112,508	3,611,776
	8,011,458	4,999,954	7,597,871	4,529,933

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Net obligations under finance leases and hire purchase contracts	-	495,255	-	495,255
Accruals and deferred income	8,030,541	7,993,808	8,030,541	7,993,808
	8,030,541	8,489,063	8,030,541	8,489,063

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	495,255	594,304	495,255	594,304
Between 1-2 years	-	495,255	-	495,255
	495,255	1,089,559	495,255	1,089,559

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

19. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	4,361,523	3,652,492	2,797,895	2,809,629
Financial assets that are debt instruments measured at amortised cost	4,711,994	4,041,440	5,890,874	4,498,948
	<u>9,073,517</u>	<u>7,693,932</u>	<u>8,688,769</u>	<u>7,308,577</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(3,373,504)	(1,924,514)	(3,368,233)	(1,919,243)
	<u>(3,373,504)</u>	<u>(1,924,514)</u>	<u>(3,368,233)</u>	<u>(1,919,243)</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.

20. Deferred taxation

Group

	2017 £
At beginning of year	15,934
Charged to profit or loss	(11,032)
At end of year	<u><u>4,902</u></u>

DIGITAL CATAPULT
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

20. Deferred taxation (continued)

	2017 £
At beginning of year	694
Charged to profit or loss	(694)
	Group 2017 £
Tax losses carried forward	4,902
	4,902

21. Reserves

Profit & loss account

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

22. 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.

23. 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 £353,130 (2016: £387,817). Contributions totalling £nil (2016: £nil) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 31 March 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	976,190	976,190	976,190	976,190
Later than 1 year and not later than 5 years	3,904,758	3,904,758	3,904,758	3,904,758
Later than 5 years	3,742,060	4,718,249	3,742,060	4,718,249
	8,623,008	9,599,197	8,623,008	9,599,197

DIGITAL CATAPULT
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

25. Related party transactions

During the year ended 31 March 2017 the Company reimbursed Director's travel and subsistence expenses for a total of £6,431 (2016: 29,361). A total of £nil (2016: £nil) were outstanding at the year end.

Entities over which the Company has control

The Company controls Digital Catapult Services Limited be way of its 100% shareholding. During the year ended 31 March 2017 the Company recharged costs of £1,361,28 (2016: £797,012). At 31 March 2017, Digital Catapult Services Limited owed the Company £1,361,511 (2016:£1,011,000).