Consolidated Financial Statements
Satellite Applications Catapult Limited

For the Year Ended 31 March 2017

Registered number: 07964746

Company Information

Directors	Timothy Sherwood Stuart Martin Antonia Jenkinson Simon Acland Chad Anderson Susan Hunt William Hutton Dr Vanessa Lawrence CB Lynne Patmore Ruy Pinto
Company secretary	Antonia Jenkinson
Registered number	07964746
Registered office	Electron Building Fermi Avenue Harwell Science and Innovation Campus Didcot Oxfordshire OX11 0QR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

Contents

Group Strategic Report
For the Year Ended 31 March 2017

The Group's mission is:

"To innovate for a better world, empowered by satellites".

The Group's vision is:

"To be a world-leading technology and innovation company, helping businesses of all sizes to realise the potential from space. By embracing a pioneering, agile, collaborative and entrepreneurial spirit, we create valued partnerships to deliver game changing results".

The main criteria for the Group's activities continues to be the potential for economic impact in the UK and the need for the Catapult to provide a unique innovation environment for satellite applications. The UK Space Agency's Size and Health of the UK Space Industry Report (December 2016) highlighted that in 2014/15 the UK space industry was worth £13.7 billion and directly employed more than 38,000 people. The sector has been growing by an average of 7.8% year-on-year since 2010. The directors continue to believe that the Group will contribute £5 billion annually to the sector by 2030.

Since 2013, the Group has worked with space and non-space companies (such as local authorities, supermarkets, shipping companies, and car manufacturers) delivering facilities, expertise and projects across the UK and internationally. The Group has invested in its Centres of Excellence programme which has enabled activities in the Midlands, North East and Scotland, and more recently in the South West and the South Coast to ensure the Group has regional reach and to drive economic growth locally. The Group has worked with a wide range of businesses.

In the forthcoming year, the Group will continue to create impact for the sector through the focus on programmes, SME engagement through the successful business support programme offerings for start-ups and spin-outs, to established and growing scale-up businesses. The Catapult will also continue to develop and deploy key strategic initiatives including the DISC facility.

The Group receives core funding from Innovate UK to deliver its strategy to drive UK economic growth in the satellite applications sector, with additional income coming from collaborative and commercial sources enabling it to deliver a wider range of activities. The Group continues to use Key Performance Indicators (KPIs) to track progress of its activities and develops case studies to highlight how its activities lead to revenue and job creation in the sector.

Group Strategic Report
For the Year Ended 31 March 2017

Business review

Activities during the year have been built on and incorporate the experiences gained in our first three years of trading. The highlights of our main activities for the financial year include:

- Engaged with 496 businesses during FY17 (259 were new to the Catapult), 367 of which were SMEs.
- We created two spin out companies: EASOS and Stroom Energy.
- Exceeded our FY targets and achieved £12.8m of non-core grant funding, 96% higher than the prior FY of £6.5m.
- Commenced a significant international project funded by the UK Space Agency's International Partnership Programme (IPP), EASOS (Earth And Sea Observation System). EASOS is bringing together best in class UK capability from 13 companies and universities to provide a solution to the Malaysian Government which will reduce social and economic impact of flooding, illegal logging and marine pollution by 10%. Companies involved will be able to demonstrate capability and identify export opportunities.
- Our Business Unit for our 'Eyes on the Seas' solution has eighteen staff and is actively delivering vessel monitoring services to customers. During the last year, the business unit won contracts from international governments such as Thailand, Bermuda and Ascension Islands. More recently the Business Unit won a contract from the Foreign and Commonwealth Office in partnership with AECOM.
- The Group opened a UK Far Field Range in February, which is a unique UK test facility to help companies with the development, characterisation and type approval of satellite communication antennas. The Group's Sentinel data access platform, SEDAS, which was funded by UK Space Agency had over 300 active users by the final quarter of FY17.
- We have continued to promote SMEs into supply chains, by running supply chain events for large industry companies.
- To encourage the commercialisation of innovation in research, the Group has built relationships with 118 university departments at 66 UK universities. Over the last four years the Group has conducted 87 activities in partnership with universities.

In the medium to long term, the directors intend to:

- Continue to perform collaborative projects, and generate commercial income from facilities and expertise, to drive the satellite applications sector.
- Grow SME engagement with a focus on scaling up medium sized companies.
- Build international relationships through projects to encourage export opportunities for UK companies.
- Encourage the growth and development of our regional Centres of Excellence increasing new linkages with academics and businesses, through events, business development workshops and technical support sessions.

Group Strategic Report
For the Year Ended 31 March 2017

Key performance indicators (KPIs)

A list of the Group's primary KPIs are listed in the table below:

		2017	2016	% Change	2017
	Key Performance Indicators	**Actual**	**Actual**	**vs 2016**	**Target**
1	Innovate UK core funding claimed *	£10.0M	£10.4M	(4%)	£10.0M
2	Collaborative income	£9.7M	£5.1M	90%	£7.5M
3	Commercial income	£3.1M	£1.5M	106%	£2.0M
4	Utilisation of Assets (%)	60%	51%	18%	50%
5	Number of SME engagements	367	323	14%	360
6	Number of academic collaborations	54	43	26%	20
7	Number of new businesses created	2	2	0%	3

* Core funding total for 2016 excludes the additional, one-off £1.5m capital grant received from Innovate UK to support an In-Orbit Demonstration Programme.

Definitions

1. Core funding received from Innovate UK for investment in core research programmes, capabilities, know-how, expertise, skills and long-term capital assets of the Catapult
2. Collaborative income from contracts jointly funded by the public and private sector which are won competitively and include national and international activities
3. Commercial income contracts won competitively
4. Percentage of utilisation of assets
5. Engagements with small and medium sized enterprises both new and repeat in the financial year
6. Collaborations with higher education institutes
7. New businesses created and companies registered as a result of work with the Catapult

Group Strategic Report
For the Year Ended 31 March 2017

Financial performance

The Group operates as a not for profit research organisation. Any surplus generated is re-invested in pursuance of the Group's strategy.

Due to the accounting treatment of grant income under FRS 102, the whole capital element of grant income is recognised in the year it is incurred. This results in large operating profits during periods of capital investment and operating losses when depreciation exceeds investment. Note 5 shows the impact of actual levels of capital grant recognition and fixed asset depreciation.

Principal risks and uncertainties

Details of the principal risks and uncertainties facing the Group are included in the report of the directors.

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

Stuart Martin
Chief Executive Officer

Date: 29.06.2017

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.

Principal activity

Satellite Applications Catapult Limited ("the Company") is a private company limited by guarantee and was incorporated in February 2012 as a not for profit research organisation. The Company commenced operations in January 2013.

These consolidated financial statements include the results and financial position of the Company and its two subsidiaries, International Space Innovation Centre Limited and Satellite Applications Catapult Services Limited, and two newly created non trading subsidiaries EASOS Limited and Satellite Applications Catapult Incorporated (together the 'Group').

Financial Results

The trading results for the year end and the Group's financial position at the end of the year are shown in the attached financial statements.

Directors

The directors who served during the year were:

Timothy Sherwood
Stuart Martin
Antonia Jenkinson
Simon Acland
Chad Anderson
Susan Hunt
William Hutton
Dr Vanessa Lawrence CB
Lynne Patmore (reappointed 30 March 2017)
Ruy Pinto

Principal risks and uncertainties

The most significant risk for the Group continues to be a reduction in government funding or a material change in government policy. In September 2014, the company entered into its grant funding agreement with Innovate UK amounting to £50m; this comes to term in March 2018. We have already entered into negotiations for a further 5 year grant funding agreement and the directors are confident that this will be confirmed prior to the 2018 year end.

The directors note the result of the EU Referendum of 23 June 2016 has not detracted from the overall delivery of the Group's vision as set out in the Strategic Report.

The Group monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a regular basis and ensures that appropriate funds are available as necessary. Further details of the Group's financial risk management policies, including currency risks, are given in note 21 to these financial statements.

The Group has a detailed risk register which the Board reviews on a regular basis and actions are taken to mitigate risk where practicable.

Directors' Report (continued)
For the Year Ended 31 March 2017

Future developments

The Group will continue to encourage and facilitate innovation and growth in the UK space sector to assist the UK in growing its market share to 10% of the £400bn global space market predicted by 2030. More details are contained in the Strategic Report.

Post balance sheet events

On 28 June 2017 the Group made an additional investment of £199,996 in Birdi Limited, to bring the total invested in that company to £274,993. The new investment increases the Group's shareholding in Birdi to 11.35% of the total share capital, up from the 10.75% previously held.

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 profit or loss 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Auditor

The auditor, Grant Thornton UK LLP, 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.

Stuart Martin
Chief Executive Officer

Date: 29.06.2017

Notes to the Financial Statements
For the Year Ended 31 March 2017

21. Financial risk management

Foreign exchange transactional currency exposure
The Group is exposed to currency exchange rate risk due to a proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The Group manages the risk of potential foreign exchange losses by:

- Matching receipts and payments in Euros where possible;
- Considering foreign exchanges fluctuations when pricing contracts; and
- The Group has the facility to enter into forward exchange instruments for material contracts.

Liquidity risk
The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows, grant receipts from Innovate UK and other sources.

Customer credit exposure
The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going relationship the Group has with its customers.

22. Financial instuments

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Financial assets				
Trade debtors	**3,788,336**	1,189,000	**3,788,336**	1,189,000
Accrued income	**797,053**	3,083,183	**747,052**	3,064,723
Other debtors	**29,136**	3,103	**29,135**	5,103
	4,614,525	4,275,286	**4,564,523**	4,258,826

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Financial liabilties				
Trade creditors	**4,781,547**	4,274,603	**4,781,547**	4,274,603
Accruals and deferred income	**4,248,602**	2,458,063	**3,632,179**	2,262,996
Amounts owed to subsidiary undertakings	-	-	**955,769**	517,452
	9,030,149	6,732,666	**9,369,495**	7,055,051

23. Post balance sheet events

On 28 June 2017 the Group made an additional investment of £199,996 in Birdi Limited, to bring the total invested in that company to £274,993. The new investment increases the Group's shareholding in Birdi to 11.35% of the total share capital, up from the 10.75% previously held.

Grant Thornton

Independent Auditor's Report to the Members of Satellite Applications Catapult Limited

We have audited the financial statements of Satellite Applications Catapult Limited for the year ended 31 March 2017, which comprise the group statement of comprehensive income, the group and company statement of financial position, the group statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law 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 6, 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 Auditing Practices Board'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 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.

Grant Thornton

Independent Auditor's Report to the Members of Satellite Applications Catapult Limited (continued)

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 those 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 under the Companies Act 2006

In the light of the 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.

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.

Grant Thornton UK LLP

Simon Bevan (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
London Euston
Date: 29 June 2017

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	**22,738,916**	17,810,671
Other administrative expenses		**(20,262,153)**	(13,935,286)
Depreciation of tangible fixed assets		**(2,252,604)**	(3,254,699)
Operating profit	6	**224,159**	620,686
Tax on profit	10	**-**	-
Profit for the financial year		**224,159**	620,686
Total comprehensive income for the year		**224,159**	620,686

The notes on pages 16 to 33 form part of these financial statements.

Consolidated Balance Sheet
As at 31 March 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**9,329,383**		9,705,205
Investments	13		**74,997**		-
			9,404,380		9,705,205
Current assets					
Debtors: amounts falling due within one year	14	**8,641,270**		6,378,899	
Cash at bank and in hand	15	**2,405,682**		1,716,941	
		11,046,952		8,095,840	
Creditors: amounts falling due within one year	16	**(9,437,859)**		(7,011,731)	
Net current assets			**1,609,093**		1,084,109
Total assets less current liabilities			**11,013,473**		10,789,314
Net assets			**11,013,473**		10,789,314
Capital and reserves					
Profit and loss account	17		**11,013,473**		10,789,314
Total equity			**11,013,473**		10,789,314

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29.06.2017

Stuart Martin
Chief Executive Officer

The notes on pages 16 to 33 form part of these financial statements.

Company Balance Sheet
As at 31 March 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**9,329,383**		9,705,205
Investments	13		**3**		1
			9,329,386		9,705,206
Current assets					
Debtors: amounts falling due within one year	14	**8,591,268**		6,360,581	
Cash at bank and in hand	15	**2,328,814**		1,716,941	
		10,920,082		8,077,522	
Creditors: amounts falling due within one year	16	**(9,777,205)**		(7,334,116)	
Net current assets			**1,142,877**		743,406
Total assets less current liabilities			**10,472,263**		10,448,612
Net assets			**10,472,263**		10,448,612
Capital and reserves					
Profit and loss account	17		**10,472,263**		10,448,612
Total equity			**10,472,263**		10,448,612

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24.06.2017

Stuart Martin
Chief Executive Officer

The notes on pages 16 to 33 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2017

	Profit and loss account	Total equity
	£	£
At 1 April 2016	10,789,314	10,789,314
Comprehensive income for the year		
Profit for the year	224,159	224,159
Other comprehensive income for the year	-	-
Total comprehensive income for the year	224,159	224,159
Total transactions with owners	-	-
At 31 March 2017	11,013,473	11,013,473

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2016

	Profit and loss account	Total equity
	£	£
At 1 April 2015	10,168,628	10,168,628
Comprehensive income for the year		
Profit for the year	620,686	620,686
Other comprehensive income for the year	-	-
Total comprehensive income for the year	620,686	620,686
Total transactions with owners	-	-
At 31 March 2016	10,789,314	10,789,314

The notes on pages 16 to 33 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 31 March 2017

	Profit and loss account	Total equity
	£	£
At 1 April 2016	10,448,612	10,448,612
Comprehensive income for the year		
Profit for the year	23,651	23,651
Other comprehensive income for the year	-	-
Total comprehensive income for the year	23,651	23,651
Total transactions with owners	-	-
At 31 March 2017	10,472,263	10,472,263

Company Statement of Changes in Equity

For the Year Ended 31 March 2016

	Profit and loss account	Total equity
	£	£
At 1 April 2015	9,989,704	9,989,704
Comprehensive income for the year		
Profit for the year	458,908	458,908
Other comprehensive income for the year	-	-
Total comprehensive income for the year	458,908	458,908
Total transactions with owners	-	-
At 31 March 2016	10,448,612	10,448,612

The notes on pages 16 to 33 form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 31 March 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the financial year	**224,159**	620,686
Adjustments for:		
Depreciation of tangible assets	**2,252,604**	3,254,698
(Increase)/decrease in debtors	**(2,599,336)**	351,033
Increase/(decrease) in creditors	**1,525,207**	(667,124)
Decrease/(increase) in other debtors	**480,766**	(4,143,114)
Inrease/(decrease) in other payables and accruals	**1,775,382**	1,508,162
Net cash generated from operating activities	**3,658,782**	924,341
Cash flows from investing activities		
Purchase of tangible fixed assets	**(2,895,044)**	(1,019,957)
Purchase of share in investment	**(74,997)**	-
Net cash from investing activities	**(2,970,041)**	(1,019,957)
Net increase/(decrease) in cash and cash equivalents	**688,741**	(95,616)
Cash and cash equivalents at beginning of year	**1,716,941**	1,812,557
Cash and cash equivalents at the end of year	**2,405,682**	1,716,941
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**2,405,682**	1,716,941
	2,405,682	1,716,941

Notes to the Financial Statements
For the Year Ended 31 March 2017

1. General information

Satellite Applications Catapult Limited is a private company limited by guarantee and was incorporated in February 2012 as a not for profit research organisation.

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 financial statements are presented in Sterling (£).

The Company is considered to be a public benefit entity as defined in FRS 102.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements.

The individual accounts of Satellite Applications Catapult Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes;
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including special purpose entities) controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill. Subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefited.

As the Company is a public benefit entity, where a business combination is in substance a gift, any excess of the fair value of assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. Where there is an excess of liabilities assumed over the fair value of the assets acquired, this is recognised as an expense.

2.4 Going concern

The Group is operating under a funding agreement with Innovate UK to enable the Group to build and maintain capability. The current grant agreement provides grant funding for the Group for a five year period to March 2018. The directors are confident that the grant income receivable will be sufficient to meet the operational needs of the business and that the grant funding agreement will be renewed for at least a further five year term.

Grant funding is supplemented by collaborative research and development projects and other commercial income streams.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.5 Revenue

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Grant income
Turnover recorded in the financial statements includes government grants received or receivable. The Group has elected to apply the performance model when accounting for government grants:
- Grants that do not impose specific future performance-related conditions are recognised in income when the grant proceeds are received or receivable;
- Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met;
- Grants received before the revenue recognition criteria are satisfied are recognised as liabilities in the financial statements.

Rendering of services
Turnover from the rendering of services is recognised on a straight-line basis by reference to the stage of completion of the contract subject to the achievement of significant project milestones. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

2.6 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Development costs are recognised as an intangible asset when all of the following criteria are demonstrated

-The technical feasibility of completing the project so that it will be available for use or sale.
-Its intention to complete the project and use or sell it.
-How the project will generate probable future economic benefits.
-The availability of adequate technical, financial and other resources to complete the development and to use or sell the project.
-Its ability to measure reliably the expenditure attributable to the project during its developement

Research costs are written off in the period in which they are incurred.

2.7 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than leasehold land, by equal annual installments over their expected useful lives. The rates applicable are:

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Communications and infrastructure	- 3-15 years
Commercial vehicles	- 8 years
Fixtures and fittings	- 3-8 years
Office equipment	- 3-5 years
Leasehold expenses	- 5 years

Assets under construction are not depreciated and are transferred to the relevant fixed asset category when they are brought into use. Leasehold land is not depreciated.

2.8 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 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.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.11 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.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.12 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 and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term trade creditors are measured at the transaction price.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company'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'.

2.15 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.

2.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Group at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease.

Notes to the Financial Statements
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surronding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is present valued using a pre-tax discount rate.

2.18 Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

2.19 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.20 Deferred Taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated below.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax shall be reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed or allowed for tax in a future period, except where:
- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference..

Notes to the Financial Statements

For the Year Ended 31 March 2017

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Whether any development costs incurred in the period met the criteria for capitalisation under FRS 102 as set out in the accounting policies. Management determined that no development costs met the required criteria during the period.

4. Turnover

The turnover and profit before tax was all derived within the United Kingdom.

Turnover, analysed by category, was as follows:

	2017 £	2016 £
Innovate UK grant funding	**9,916,997**	11,264,884
Collaborative and commercial income	**12,821,919**	6,545,787
	22,738,916	17,810,671

5. Normalised Operating Surplus

Due to the accounting treatment of grant income under FRS 102, the whole capital element of grant income is recognised in the year it is incurred. This results in operating profits during periods of capital investment and operating losses when depreciation exceeds investment. The impact of actual levels of capital grant recognition and fixed asset depreciation is shown below.

The Group generates surpluses for reinvestment, the normalised operating surplus before depreciation is shown after any surpluses are reinvested.

	2017 £	2016 £
Operating profit/(loss)	**224,159**	620,686
Depreciation	**2,252,604**	3,254,699
Operating profit before depreciation	**2,476,763**	3,875,385
Capital grant element of turnover	**(1,880,505)**	(3,156,433)
Normalised operating surplus before depreciation	**596,258**	718,952

Notes to the Financial Statements
For the Year Ended 31 March 2017

6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**2,256,327**	3,254,698
Foreign exchange (profits)/losses	**(13,435)**	(43,128)
Other operating lease rentals	**553,217**	534,913
Research and development	**8,911,443**	4,907,233

The research and development expense is considered to be the activities of the technology department and other work on specific research and development projects. Due to the nature of the Group's activities, there is likely to be an element of other activities which could be considered to be of a research and development nature. These other activities have been excluded from the research and development expense shown above.

7. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**22,600**	21,579

Fees payable to the Group's auditor and its associates in respect of:

Preparation of financial statements and accounting assistance	**1,530**	1,545
Taxation compliance services	**2,900**	2,884
Other assurance services	**2,400**	1,200

Notes to the Financial Statements

For the Year Ended 31 March 2017

8. Employees

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

	2017 £	2016 £
Wages and salaries	**6,967,283**	6,111,600
Social security costs	**856,300**	649,002
Other pension costs	**472,535**	415,122
	8,296,118	7,175,724

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

	2017 No.	2016 No.
Administration and finance	**30**	23
Technology and innovation	**89**	85
	119	108

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**522,181**	476,238
Amounts receivable under long-term incentive schemes	**126,628**	-
Company contributions to defined contribution pension schemes	**32,743**	31,559
	681,552	507,797

During the year two directors (2016: two) participated in a salary exchange pension scheme.

The highest paid director received remuneration of £240,698 (2016: £233,989), and accrued amounts of £72,303 (2016: £nil) under long term incentive plans.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,656 (2016: £18,309).

During the year two directors were accruing benefits under the long term incentive schemes (2016: none).

Notes to the Financial Statements

For the Year Ended 31 March 2017

10. Taxation

	2017	2016
	£	£
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

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 on ordinary activities before tax	**224,159**	620,686
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 -20%)	**44,832**	124,137
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,292**	5,485
Depreciation on assets ineligible for tax relief	**450,941**	651,042
Capital grants and other income not taxable	**(430,023)**	(631,286)
Research and development claim	**(129,902)**	(149,378)
Deferred tax asset not recognised	**62,860**	-
Total tax charge for the year	-	-

11. Parent company profit for the year

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 profit after tax of the parent Company for the year was £23,651 (2016: £458,909).

12. Tangible fixed assets

Group and Company

	Communications infrastructure £	Fixtures and fittings £	Office equipment £	Commercial vehicles £	Leasehold property £	Assets under construction £	Total £
Cost or valuation							
At 1 April 2016	7,472,086	776,484	8,335,442	46,449	327,573	944,688	17,902,722
Additions	1,045,772	45,844	706,353	-	-	82,536	1,880,505
Transfers between classes	1,014,612	-	12,612	-	-	(1,027,224)	-
At 31 March 2017	9,532,470	822,328	9,054,407	46,449	327,573	-	19,783,227
Depreciation							
At 1 April 2016	3,484,977	313,896	4,365,279	7,259	26,106	-	8,197,517
Charge for the period on owned assets	807,279	107,938	1,322,250	5,807	13,053	-	2,256,327
At 31 March 2017	4,292,256	421,834	5,687,529	13,066	39,159	-	10,453,844
Net book value							
At 31 March 2017	5,240,214	400,494	3,366,878	33,383	288,414	-	9,329,383
At 31 March 2016	3,987,109	462,588	3,970,163	39,190	301,467	944,688	9,705,205

Leasehold property includes land with a value of £262,308 (2016: £262,308) which is not depreciated.

Notes to the Financial Statements
For the Year Ended 31 March 2017

13. Fixed asset investments

Group

	Investments £
Cost or valuation	
Additions	**74,997**
At 31 March 2017	**74,997**
Net book value	
At 31 March 2017	**74,997**
At 31 March 2016	-

During the year the group acquired a 10.75% investment in Birdi Limited, for a total consideration of £74,997.

13. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Satellite Applications Catapult Inc	Ordinary	100%	Dormant
EASOS Limited	Ordinary	100%	Dormant
Satellite Applications Catapult Services Limited	Ordinary	100%	Commercial
International Space Innovation Centre Limited	Ordinary	100%	Dormant

The aggregate of the share capital and reserves as at 31 March 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Satellite Applications Catapult Inc	1	1
EASOS Limited	1	1
Satellite Applications Catapult Services Limited	541,210	200,505
International Space Innovation Centre Limited	1	1
	541,213	200,508

Notes to the Financial Statements

For the Year Ended 31 March 2017

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2016	1
Additions	2
At 31 March 2017	3
Net book value	
At 31 March 2017	3
At 31 March 2016	1

On 30 March 2017 the company incorporated a new subsidiary, EASOS Limited incorporated in England and Wales, subscribing for £1 of share capital.

On 31 March 2017 the company incorporated a new subsidiary, Satellite Applications Catapult Inc, in Delaware USA, subscribing for $1 of share capital.

14. Debtors

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade debtors	**3,788,336**	1,189,000	**3,788,336**	1,189,000
Other debtors	**172,937**	3,103	**172,936**	3,244
Prepayments and accrued income	**4,195,284**	4,298,010	**4,145,283**	4,279,551
Tax recoverable	**484,713**	888,786	**484,713**	888,786
	8,641,270	6,378,899	**8,591,268**	6,360,581

All debtors are repayable within one year of the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 March 2017

15. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	**2,405,682**	1,716,941	**2,328,814**	1,716,941

16. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	**4,925,348**	4,274,603	**4,925,348**	4,274,603
Amounts owed to group undertakings	-	-	**915,909**	517,452
Other taxation and social security	**263,909**	279,065	**263,909**	279,065
Accruals and deferred income	**4,248,602**	2,458,063	**3,672,039**	2,262,996
	9,437,859	7,011,731	**9,777,205**	7,334,116

17. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

18. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £472,535 (2016: £415,122). Contributions totalling £67,759 (2016: £nil) were payable to the fund at the balance sheet date.

19. Commitments under operating leases

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

Group and Company

	2017 £	2016 £
Not later than 1 year	**553,217**	553,217
Later than 1 year and not later than 5 years	**1,171,973**	1,725,190
	1,725,190	2,278,407

Notes to the Financial Statements
For the Year Ended 31 March 2017

20. Transactions with related parties

The Company defines related parties as the directors of Satellite Applications Catapult Limited and companies that those persons could have a material influence on as related parties. Details of transactions with related parties are set out in the table below:

	2017 £	2016 £
Group		
Loans due to subsidiary undertakings	-	-
Key management personnel compensation	**1,508,466**	1,020,794
	1,508,466	1,020,794

	2017 £	2016 £
Company		
Loans due to subsidiary undertakings	**915,909**	517,452
Key management personnel compensation	**1,508,466**	1,020,794
	2,424,375	1,538,246

Loans due to subsidiary undertakings are unsecured and on interest free terms. They are expected to be settled within one year.

The following transactions were entered into between the Group and other entities where a director of the Company has an interest in the other transacting party. It is considered that in each of these cases the director concerned does not have control or significant influence over the other transacting party and that the transactions were conducted on an arm's length basis.

Ruy Pinto was also a senior executive of Inmarsat plc, resigning on 17 October 2016, the Group entered into a contract with Inmarsat plc during the year. The amount invoiced during the year in respect of this contract was £256,097 (2016: £288,572). The amount outstanding at the year end was £30,200 (2016: £43,447).

Lynne Patmore resigned from the Board on 11 October 2015 to undertake an interim role as a senior executive of Innovate UK, the source of the Company's grant funding. She was reappointed to the Board on 30 March 2017, three months after the interim role at Innovate UK came to an end.

Transactions with prior year related parties

Catherine Mealing-Jones, who was a director up until 24 September 2015, is also a director of UK Space Agency, the Group entered into contracts with UK Space Agency during the year. The amounts invoiced during the year in respect of these contracts was £5,102,047 (2016: £2,004,351). The amount outstanding at the year end was £1,693,810 (2016: £339,729).

Tim Just, who was a director up until 24 September 2015 is a senior executive of Innovate UK, the source of grant funding for the Group. The amount of funding recognised during the year was £9,916,997 (2016: £11,264,884). The amount outstanding in respect of this grant at the year end was £2,413,885 (2016: £4,523,511). Amounts of £4,039,076 (2016: £240,814) were invoiced in respect of other projects and at the year end £2,538,498 (2016: £47,337) was outstanding.

Notes to the Financial Statements

For the Year Ended 31 March 2017

21. Financial risk management

Foreign exchange transactional currency exposure

The Group is exposed to currency exchange rate risk due to a proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The Group manages the risk of potential foreign exchange losses by:

- Matching receipts and payments in Euros where possible;
- Considering foreign exchanges fluctuations when pricing contracts; and
- The Group has the facility to enter into forward exchange instruments for material contracts.

Liquidity risk

The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows, grant receipts from Innovate UK and other sources.

Customer credit exposure

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going relationship the Group has with its customers.

22. Financial instuments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Trade debtors	**3,788,336**	1,189,000	**3,788,336**	1,189,000
Accrued income	**797,053**	3,083,183	**747,052**	3,064,723
Other debtors	**29,136**	3,103	**29,135**	5,103
	4,614,525	4,275,286	**4,564,523**	4,258,826

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial liabilties				
Trade creditors	**4,781,547**	4,274,603	**4,781,547**	4,274,603
Accruals and deferred income	**4,248,602**	2,458,063	**3,632,179**	2,262,996
Amounts owed to subsidiary undertakings	**-**	-	**955,769**	517,452
	9,030,149	6,732,666	**9,369,495**	7,055,051

23. Post balance sheet events

On 28 June 2017 the Group made an additional investment of £199,996 in Birdi Limited, to bring the total invested in that company to £274,993. The new investment increases the Group's shareholding in Birdi to 11.35% of the total share capital, up from the 10.75% previously held.