

**Future Cities Catapult  
(Limited by guarantee)**

Annual report and financial statements

Registered number 08041915

31 March 2017

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## **Strategic Report**

### **Principal activities**

Future Cities Catapult (the “Catapult”) was incorporated on 23rd April 2012 and it commenced operations on 1 April 2013. Future Cities Catapult is an independent company which forms part of an elite network of technology and innovation centres as part of Innovate UK’s Catapult programme.

### **Business model**

The Catapult has assembled a unique set of capabilities and know-how. Data scientists, architects, economists, urbanists, city planners, insights experts, coders, IoT engineers, designers and film makers work together to solve urban challenges in an innovation centre designed to foster collaboration, both internally and with the outside world. These teams have developed methods, often in partnership with others, to analyse urban challenges and rapidly build models and prototypes to test solutions in real world environments. They also work with partners building business and investment cases for the deployment of innovative integrated urban solutions.

The Catapult mission is:

“To advance innovation to grow UK companies to make cities better”

Activities focus on:

- convening and forging new partnerships across cities, business and academia using our trusted position, expertise and independence;
- accelerating, developing and testing innovative propositions; and
- enabling cities, business and academics to innovate through building and sharing evidence of performance-in-use to prove the investment case and allow scaling up and replication.

### **Business review**

Since opening the Urban Innovation Centre in Clerkenwell, London in March 2015, the Catapult has now welcomed more than 12,000 guests through its doors. Our community of resident innovators currently includes the Intel Collaborative Research Institute, CitiLogik and Ordnance Survey Geovation Lab.

### ***Major projects during the year***

#### ***Future of Planning***

The Future of Planning programme explores how digital innovation, urban data and user-centred design can improve the UK planning system. For our open call we received eighty-five applications from UK businesses, individuals, entrepreneurs and planning authorities. This was eventually whittled down to ten winners who are in the process of prototyping their ideas. The Future of Planning also won a £310k contract with the Department for Communities and Local Government to develop ‘Digital Planning’ concepts and create the data standards that could underpin the future planning system. The project is on course to create a new market for digital planning products and services in the UK, and solutions that can be exported globally.

## **Strategic Report** *(continued)*

### **Business review** *(continued)*

#### ***Future Belfast***

Our 12-month project helped Belfast in the development and execution of their smart cities strategy around the PAS181 standard. With a focus on accelerating the development of innovative solutions, the Catapult helped to leverage the use of available data. One of the challenges we tackled to showcase how new approaches can help the Council was around Business Rate collection. We helped to develop a proof-of-concept Rateable Value Tool which helps the council identify non-rate paying businesses using new data sources and analytical techniques. After successful demonstration of the prototype we successfully ran an SBRI competition to find innovative local firms to build a useable tool. Two UK SMEs (Analytics Engines and Nquiringminds) progressed to phase two and developed applications. Piloting these has already uncovered new revenue worth in excess of £350k, which covers the cost of the competition more than twice over. The Council will be proceeding to full procurement.

#### ***Urban Mobility innovation index (UMii) Phase 2***

With the International Association of Public Transport and Dubai's Roads and Transport Authority (RTA) in Dubai we continued work developing the UMii (Urban Mobility Innovation Index) Phase 2. The project aims to accelerate innovation around mobility in Dubai through the collection and analysis of mobility data from 30 cities. This data will then be shared through a global knowledge sharing forum thereby accelerating the development of innovative mobility solutions worldwide while also convening businesses, cities and academics on the subject of urban mobility.

#### ***SynchroniCity***

An ambitious EU-funded project that will establish a reference architecture for the envisioned IoT-enabled city by piloting its foundations in 11 reference zones, 8 European cities, connecting 34 partners from 11 countries. The project will deliver an ecosystem for IoT-enabled smart city solutions where IoT device manufacturers, system integrators, and solution providers can innovate. The Catapult will be supporting Manchester in leading the performance work and running a €3m open call for SMEs

#### ***BIM – Digital Built Britain (DBB)***

DBB Level 3 programme builds on the achievements of the Level 2 Building Information Model (BIM) approach to the design, build and handover of built assets. DBB Level 3 seeks to create a mature digital economy for the built environment which delivers high performing assets and exceptional client value as well as a knowledge base to enable the Smart City and community members to thrive in our urban environments. FCC has led the work to develop a Strategy Outline Business Case for the government-backed partnership tasked with progressing BIM level 3.

#### ***iScape - Improving the Smart Control of Air Pollution in Europe***

The iScape project aims to integrate and advance the control of air quality and carbon emissions in European cities through the development of sustainable and passive air pollution remediation strategies, policy interventions and behavioural change initiatives. The project will deploy a network of air quality and meteorological sensors throughout several "Living Labs" which will be set up and managed by the Catapult. The Catapult will also be working with the University of Dublin to help evaluate the benefits expected from the interventions on a neighbourhood and city-wide scale. Our team is working on ideas for Living Labs in six European cities.

#### ***Enabling Smart Cities in Brazil***

Through this UK Prosperity Fund project, we supported the transport authority of Belo Horizonte to use data more effectively to improve its bus rapid transit system. This project has enabled us to plug two UK SMEs into the Belo Horizonte market to pilot new UK technologies locally. In parallel, we have also been supporting the city of Recife in its efforts to create new markets for innovators to solve its urban mobility challenges.

## Strategic Report *(continued)*

### *Thames Water Smarter Surveys*

The utility company has worked with Future Cities Catapult to explore how it can improve the accuracy of traditional questionnaires using interactive digital tools. Future Cities Catapult created a new interactive survey tool that gives customers instant feedback on how their answers could affect services across the city. To create the new concept, Future Cities Catapult worked with Thames Water and UK SME's EFTEC and ICS consulting. Thames Water are now deploying the smart surveys to customers.

### *Global Review of Smart Cities Strategies*

This project is examining what smart city strategies mean in practice, and how they differ across the world. Our first report, produced in collaboration with Arup, will be published this summer. To produce this report, we interviewed officials in twenty cities and brought together researchers, officials and experts in three events. With this publication, we will give city leaders insights into how they can begin their smart city journey and develop robust strategies - and thereby help grow the market. By leading this research effort with Arup, we are helping to position the UK's Advanced Urban Services sector as the global thought leader in how to create smart city strategies.

### *National Smart Cities Innovation Hub for India*

To support Prime Minister Modi's 100 Smart Cities initiative, we co-proposed with Pune the idea of physical and digital sharing hub, to share best practice and optimise procurement. Securing funding from the Prosperity Fund, we wrote an operational manual and business proposal, and created a model website for a National Smart Cities Innovation Hub for India. We are working with the British India Business Council to help UK companies capture the resulting opportunities.

### *Other activities*

We responded to the government's Draft Industrial Strategy by rallying the sector under the Advanced Urban Services banner and leading on the submission of sector response to the consultation on the green paper.

We have successfully grown our social media presence following a concerted effort to use this channel more actively and strategically in 2016/17. Since June 2013 we have gained over 19,000 Twitter followers. We increased our click through to articles; they are now up to 16,000 in 2016/17, from 6,000 the previous year. Our overall Twitter reach has doubled in the last year to three million users. We also have nearly 6,000 followers on LinkedIn, where we have also generated a big jump in a click-throughs on articles in the last year, up around 11,600 to 16,400 year on year.

During the year we published numerous reports, some of which are:

- CITIE Northern Powerhouse (with NESTA) (06/2016)
- UMii Innovation Index (08/2016)
- IoTUK Investment Case Toolkit – Waste (08/2016) / Smart Parking (08/2016)
- IoTUK Standards in Use (08/2016) / Adoption Among Cities in the UK (08/2016)
- IoTUK The Role of a City Council in a Demonstrator (08/2016)
- State of the Art - Future of Planning (12/2016)
- User Research Insights Report - Prototyping The Future of Planning (01/2017)
- Challenges and Opportunities in the iSCAPE Cities (01/2017)
- Crowdfunding for places: The Definitive Guide to Civic Crowdfunding for Councils (03/2017)
- PAS 183:2017 (With BSI) (03/2017) / PAS 184:2017 (With BSI) (03/2017) Defining Future Cities

## Strategic Report *(continued)*

Following the 16/17 financial year we made some changes to the Executive Management Team. Founding CEO Peter Madden OBE gave notice in January and Nicola Yates OBE, ex-CEO of both Bristol and Hull city councils was appointed in April to replace him in May. Following the resignation of the COO Andy Robinson, and CFO Rosemary Boot, we have taken the opportunity to combine the COO and CFO roles and successfully recruited Nick Harper into this role in October 2017. We also transitioned from our founding Chair, Sir David King, to our new Chair, and ex-Vice Chair, Keith Clarke, CBE, previously CEO of Atkins. We also strengthened our middle-management layer, successfully hiring all our vacant Head roles.

Our total non-core grant income in 2016/17 was £3,509 (2015/16: £2,446k) which represents an increase of 43% on 2015/16. Our 2016/17 operating profit was £291k (2015/16: £41k).

### Key Performance Indicators

In 2015/16 we developed a logic model which links our mission to longer term goals. From this logic model we developed leading indicators for our activities to put into effect in 2016/17. The Catapult has also developed its Key Performance Indicators to help to regularly track progress. The targets and performance against them are below. These are supported by a set of other Performance Indicators which measure activities, finances, outputs and outcomes. In addition, we periodically undertake independent external surveys to assess progress towards our longer-term goals.

Key Performance Indicator	2016/17 Target	2016/17 Performance
Stage Gate 0 approved opportunities (total value £m)	13.3	18.1
SME Engagements	220	339
Active collaborative agreements between Catapult and business, cities, academics and other Catapults	80	142
On the ground demonstrators (cumulative)	4	4
Mentions in print and online media	1,000	971
Non-grant income (£m)	4.5	4.3

### Principal risks and uncertainties

Our principal risks relate to our organisational resilience, and staff attraction and retention.

#### *Organisational Resilience*

The Catapult model is reliant on ongoing Government funding and we have a five-year grant funding agreement in place with Innovate UK which commenced on 1 April 2013 and comes to an end on 31 March 2018. FCC has received confirmation of an extension to this for a further year, to 31 March 2019. Funding beyond this will be subject to final agreement of a 5 year delivery plan and suitable KPI's. Future Cities Catapult will be required to report progress more frequently in 2018 to show that it is meeting its 2018/19 delivery plan and KPIs. The EU referendum result may have negative medium-term impact on the Catapult despite UK Government commitments in relation to EU funded research and development projects.

#### *Staff attraction and retention*

We have recruited a high-quality team that we need to retain by ensuring we have an attractive employee offer, including interesting and challenging projects, good induction, learning and development opportunities, an appealing culture, working environment, and benefits package.

## **Strategic Report** *(continued)*

### ***Income Generation and Delivery***

We have challenging income targets. To meet these, our 5 Year Plan focusses business development activity on winning larger projects. We are also undertaking an internal project to improve our project identification and scoping as well as our resource forecasting capability in order to help deliver on financial targets and quality outcomes. By focusing on a smaller number of larger opportunities we expect to build on our capabilities and previous project experience.

Our project delivery requires a mix of internal and third party resource. We are therefore improving processes to enable us to mobilise projects with the right resource at the right time.

### ***Need to demonstrate impact***

We need to demonstrate the impact that we have been having. The evaluation framework and logic model we have developed has put us in a strong position to show the real-world impact that we are making. It also helps in project selection, ensuring that we are focusing our activities on maximising our impact towards our public good mission.

### **Future developments**

During 2017-2018 our priorities are:

**i. Help UK companies innovate, grow and export**

Developing the advanced urban services sector by working directly with innovative, high growth potential, and established British companies to foster new commercial successes. Our aim is to establish at least 85 collaborations with firms large, medium and small, and 230 engagements with SMEs.

**ii. Market creation**

Building the market for the advanced urban services sector through standards, economic modelling, improving procurement, good-practice sharing, export promotion, and interventions to support commercialisation.

**iii. Projects in cities, to build capability and demonstrate and test solutions**

Deploying cutting edge technologies to test and demonstrate new advanced solutions to urban problems in 15 cities in the UK and internationally.

**iv. Communicate the UK – and Catapult – urban innovation story**

Telling our story, and that of UK urban innovation, to key audiences. This will be driven by a focus on data and stories of our impact on UK businesses and cities, with an emphasis on driving exports, using social media, events and face-to-face meetings.

**v. Invest in supporting technology, assets and platforms**

Improving the Urban Innovation Centre experience and upgrading our key digital and physical technology platforms to augment our services, be a showcase for UK innovation, and offer unique facilities to the market.

**vi. Enhance our capabilities, efficiency and effectiveness**

Continue to build the right capabilities and processes to deliver our mission, and make sure we continuously focus on improving efficiency and effectiveness.

By order of the Board



**Nicola Yates**  
*Chief Executive Officer*

1 Sekforde Street  
London  
EC1R 0BE

25 January 2018

## **Directors' Report**

The Directors present their Directors' Report and financial statements for the year ended 31 March 2017.

### **Directors**

Professor Sir David King	(resigned 30 June 2016)
Peter Madden	(resigned 22 May 2017)
Mark Spelman	
Emma Howard Boyd	
Professor Rachel Cooper	
Keith Clarke	
Rosemary Boot	(resigned 30 September 2016)
Sir Michael Bear	
Pam Alexander	
Charbel Aoun	
Anne Glover	
Nicola Yates	(appointed 22 May 2017)

### **Political donations**

The Company did not make any political donations or incur any political expenditure during the year.

### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board.



**Nicola Yates**  
*Director*

1 Sekforde Street  
London  
EC1R 0BE

25 January 2018



## **Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 of the Group's profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

**Independent auditor's report to the members of Future Cities Catapult**

We have audited the financial statements of Future Cities Catapult for the year ended 31 March 2017 set out on pages 10 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 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 set out on page 7, 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](http://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 of the parent Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of Future Cities Catapult  
(Limited by guarantee) *(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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Rachel Fleming (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

25 January 2018

**Consolidated Profit and Loss Account**  
*for the year ended 31 March 2017*

	<i>Note</i>	<b>2017 £000</b>	<b>2016 £000</b>
Turnover	2	<b>14,134</b>	11,738
Operating expenses	3-5	<b>(13,830)</b>	(11,697)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		<b>304</b>	41
Tax on profit on ordinary activities	6	<b>(72)</b>	(11)
		<hr/>	<hr/>
Profit for the financial year		<b>232</b>	30
		<hr/> <hr/>	<hr/> <hr/>

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 March 2017*

	<b>2017 £000</b>	<b>2016 £000</b>
Profit for the financial year	<b>232</b>	30
Other comprehensive income for the year	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	<b>232</b>	30
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated Balance Sheet**  
*at 31 March 2017*

	<i>Note</i>	<b>2017 £000</b>	<b>£000</b>	<b>2016 £000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	7	4,540		5,061	
Intangible assets	8	255		70	
			4,795		5,131
<b>Current assets</b>					
Debtors	10	8,478		5,661	
Cash at bank and in hand	11	1,656		2,684	
<b>Creditors: amounts due within one year</b>	12	<b>10,134 (10,695)</b>		<b>8,345 (5,716)</b>	
<b>Net current (liabilities)/assets</b>			<b>(561)</b>		<b>2,629</b>
<b>Total assets less current liabilities</b>			<b>4,234</b>		<b>7,760</b>
<b>Creditors: amounts falling due after more than one year</b>	13		<b>(3,962)</b>		<b>(7,720)</b>
<b>Net assets</b>			<b>272</b>		<b>40</b>
<b>Capital and reserves</b>					
Profit and loss account			272		40
			<b>272</b>		<b>40</b>

These financial statements were approved by the board of Directors on 25 January 2018 and were signed on its behalf by:



**Nicola Yates**  
*Director*

Company registered number: 08041915

**Company Balance Sheet**  
*at 31 March 2017*

	<i>Note</i>	<b>2017 £000</b>	<b>£000</b>	<b>2016 £000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	7	4,540		5,061	
Intangible assets	8	255		70	
Investments	9	-		-	
			4,795		5,131
<b>Current assets</b>					
Debtors	10	8,478		5,596	
Cash at bank and in hand		1,656		2,684	
<b>Creditors: amounts due within one year</b>	12	<b>10,134 (10,793)</b>		<b>8,280 (5,662)</b>	
<b>Net current (liabilities)/assets</b>			<b>(659)</b>		<b>2,618</b>
<b>Total assets less current liabilities</b>			<b>4,136</b>		<b>7,749</b>
<b>Creditors: amounts falling due after more than one year</b>	13		<b>(3,962)</b>		<b>(7,720)</b>
<b>Net assets</b>			<b>174</b>		<b>29</b>
<b>Capital and reserves</b>					
Profit and loss account			174		29
			<b>174</b>		<b>29</b>

These financial statements were approved by the board of Directors on 25 January 2018 and were signed on its behalf by:



**Nicola Yates**  
*Director*

Company registered number: 08041915

**Statement of Changes in Equity**  
*for the year ended 31 March 2017*

	<b>Group Profit and loss account £000</b>	<b>Company Profit and loss account £000</b>
<b>Opening balance at 1 April 2015</b>	<b>10</b>	<b>5</b>
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		
Surplus income	<b>30</b>	<b>24</b>
	<hr/>	<hr/>
Total comprehensive income for the period	<b>30</b>	<b>24</b>
	<hr/>	<hr/>
<b>Balance as at 31 March 2016</b>	<b>40</b>	<b>29</b>
	<hr/>	<hr/>
<b>Opening balance at 1 April 2016</b>	<b>40</b>	<b>29</b>
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		
Surplus income	<b>232</b>	<b>145</b>
	<hr/>	<hr/>
Total comprehensive income for the period	<b>232</b>	<b>145</b>
	<hr/>	<hr/>
<b>Balance as at 31 March 2017</b>	<b>272</b>	<b>174</b>
	<hr/>	<hr/>

**Consolidated Cash Flow Statement**  
*For the financial year ended 31 March 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Surplus income for the year		232	30
Adjustment for:			
Depreciation	7	963	923
Amortisation	8	58	13
Taxation	6	72	11
Loss on disposal of intangibles	8	11	-
(Increase)/decrease in trade and other debtors		(2,817)	682
Increase/(decrease) in trade and other creditors		1,160	(375)
		<hr/>	<hr/>
Tax paid		(321) (11)	1,284 (20)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>(332)</b>	<b>1,264</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Acquisition of tangible and intangible fixed assets	7,8	(696)	(1,324)
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>(696)</b>	<b>(1,324)</b>
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,028)</b>	<b>(60)</b>
		<hr/>	<hr/>
<b>Opening cash and cash equivalents</b>		<b>2,684</b>	<b>2,744</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 March 2017</b>	<i>11</i>	<b>1,656</b>	<b>2,684</b>
		<hr/> <hr/>	<hr/> <hr/>



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Future Cities Catapult (the “Company”) is a Company limited by guarantee, incorporated and domiciled in the UK. The principal place of business is 1 Sekforde Street, London EC1R 0BE

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

#### ***Going concern***

In 2013, Future Cities Catapult was provided with funding to support its core activities for the five years ending 31 March 2018, and in December 2017 received confirmation of an extension to this for a further year, to 31 March 2019.

In summer 2017, the seven mature Catapults were subject to a review by a Catapult Review Committee on behalf of Innovate UK, and by Ernst and Young on behalf of BEIS. As a result of these reviews, Future Cities Catapult will be required to report progress more frequently in 2018 to show that it is meeting its delivery plan and KPIs. Future Cities Catapult is also working hard to grow both its collaborative R&D and its commercial revenue, which will contribute to the overall income base of the organisation. FCC is making significant improvements to its internal systems, processes, and operating structure to improve efficiency and effectiveness.

New funding agreements for a further four years to 31 March 2023 are currently being considered for all Catapults. Future Cities Catapult’s core funding from IUK beyond 31 March 2019 will be contingent upon its ability to meet the agreed KPI’s and performance targets during the 2018/19 financial year.

Based on this work, the Directors are confident that the group’s financial statements should be prepared on a going concern basis on the grounds that the grant extension to March 2019 is in place, the planned non-core activities will provide other sources of income that will further support the company, and that they expect that a new funding agreement for an additional four years funding to 31 March 2023 will be secured.

#### ***Measurement convention***

The financial statements are prepared under the historical cost basis.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Basis of Consolidation***

The consolidated accounts include the results of Future Cities Catapult and its subsidiary undertaking for the year ended 31 March 2017. The comparative period is the financial year ended 31 March 2016.

#### **(i) Subsidiaries**

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

#### **(ii) Transactions eliminated on consolidation**

Intragroup balances, and unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated accounts.

#### ***Turnover***

Turnover represents government and other grant income, and the sale of services net of value added tax. The sale of services are recognised when the Company obtains the rights to consideration. Grant income is recognised as per Government Grants below.

#### ***Government grants***

Government grants are accounted for using the accruals model. Elements of grants relating to future costs are deferred and released as the expense is recognised in the profit and loss account. Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to the payments and the grants will be received. Grants of a capital nature are credited to deferred grants and released to turnover over the useful life of the assets concerned. Grants which are revenue in nature are credited to deferred grants and are released to turnover in the period in which the related expenditure is incurred.

#### ***Taxation***

Tax on the profits or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates as at the balance sheet date, and any adjustment arising from prior periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised. Deferred tax is not recognised on permanent timing differences, and is not recognised for differences between accumulated depreciation and tax allowances for fixed assets when all conditions for retaining the tax allowances have been met. Deferred tax is measured using the tax rates as at the balance sheet date.

Tax assets and tax losses are recognised only to the extent it is probable that they will be recovered against the reversal of deferred tax liabilities or taxable profits in future periods.

#### ***Foreign currency***

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rate ruling at the date of transaction. Exchange differences are recognised in the profit and loss account.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **Financial instruments**

##### *Trade and other debtors*

Trade and other debtors are recognised at cost, subsequently they are measured using the effective interest rate method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised at cost, subsequently they are measured using the effective interest rate method.

##### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful life for each component. A full year's depreciation is charged in the year of acquisition. The estimated useful lives are as follows:

<b>Asset Category</b>	<b>Useful Economic Life (years)</b>
Leased buildings	10
Computer and electronic equipment	3
Fixtures and fittings	3

#### **Leases**

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases, all other leases are classified as operating leases.

##### *Operating lease*

Payments made under operating leases are recognised in the profit and loss account and other comprehensive income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account and other comprehensive income statement over the term of the lease as an integral part of the total lease expense.

##### *Finance lease*

Leased assets acquired by way of a finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease.

The Company has no finance leases. Operating leases are recognised in the profit and loss account over the term of the lease.

#### **Employee benefits**

The Company operates a defined contribution pension scheme. Obligations for the pension scheme are recognised as an expense in the profit and loss account in the periods where services are rendered by employees.

#### **Provisions**

A provision is recognised in the balance sheet when the Company has a present and legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## Notes (continued)

### 2 Turnover

	2017 £000	2016 £000
Innovate UK core grant	10,666	9,305
Other income	3,026	2,098
Rental and events income	442	335
	<u>14,134</u>	<u>11,738</u>

#### Analysis of turnover by geographical area

	2017 £000	2016 £000
UK	13,104	11,064
Rest of Europe	493	360
Rest of world	537	314
	<u>14,134</u>	<u>11,738</u>

### 3 Expenses and auditor's remuneration

Included in the profit are the following:

	2017 £000	2016 £000
Auditors' remuneration	24	19
Amounts receivable by the Company's auditors for taxation services	12	47
Amounts receivable by the Company's auditors for assurance services	3	2
Depreciation	963	923
Amortisation	58	13

### 4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category was:

	2017	2016
Non-Executive Directors	8	9
Executive Directors	2	2
Other staff	94	65
	<u>104</u>	<u>76</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	5,001	3,517
Social security costs	588	407
Contribution to defined contribution plans (note 14)	296	250
	<u>5,885</u>	<u>4,174</u>

## Notes (continued)

### 5 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	361	443
Company contributions to money purchase pensions plans	30	53
	<u>391</u>	<u>496</u>

The aggregate of emoluments of the highest paid Director was £172,765 (2016: £185,150) and Company pension contributions of £29,723 (2016: £53,400) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to 1 Directors (2016: 1) under money purchase pension schemes.

### 6 Taxation

Total tax expense recognised in the profit and loss account

	2017 £000	2017 £000	2016	2016
<i>UK corporation tax</i>				
Current tax on income for the period	59		10	
Adjustments in respect of prior periods	13		1	
	<u>72</u>		<u>11</u>	
Total current tax		72		11
<i>Deferred tax</i>				
Origination of timing differences	-		-	
	<u>-</u>		<u>-</u>	
Total deferred tax		-		-
Total tax		<u>72</u>		<u>11</u>

#### Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the period	232	30
Total tax expense	72	11
	<u>304</u>	<u>41</u>
Profit excluding taxation	304	41
Tax using the UK corporation tax rate of 20%	61	8
Expenses not deductible	1	2
Other short term timing differences	(3)	-
Adjustment in respect of prior period	13	1
	<u>72</u>	<u>11</u>
Total tax expense included in the profit or loss	72	11

## Notes (continued)

### 7 Tangible fixed assets

	Group and Company				
	Leased building £000	Assets under construction £000	Computers and electronic equipment £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
Opening balance	5,401	13	926	537	6,877
Additions	72	186	120	64	442
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	5,473	199	1,046	601	7,319
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
Opening balance	(1,022)	-	(684)	(110)	(1,816)
Depreciation charged for the year	(552)	-	(220)	(191)	(963)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	(1,574)	-	(904)	(301)	(2,779)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 March 2016	4,379	13	242	427	5,061
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	3,899	199	142	300	4,540
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 8 Intangible assets

	Group and Company		
	Assets under construction £000	Licences £000	Total £000
<b>Cost</b>			
Opening balance	-	90	90
Additions	197	57	254
Disposals	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	197	136	333
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
Opening balance	-	(20)	(20)
Amortisation charged for the year	-	(58)	(58)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	-	(78)	(78)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2016	-	70	70
	<hr/>	<hr/>	<hr/>
At 31 March 2017	197	58	255
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Fixed asset investment

	<b>Company Shares in group undertakings £000</b>
<b>Cost</b>	
As at 1 April 2016 and 31 March 2017	-
<b>Provisions</b>	
As at 1 April 2016 and 31 March 2017	-
<b>Net book value</b>	
At 31 March 2016	-
<b>At 31 March 2017</b>	-

The Company has the following investments in subsidiaries:

Subsidiary: Future Cities Catapult Services Limited

The company owns 100% of the Ordinary share capital of Future Cities Catapult Services Limited, a trading subsidiary.

The registered office of this subsidiary is 1 Sekforde Street, London, EC1R 0BE.

### 10 Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2017 £000</b>	<b>2016 £000</b>	<b>2017 £000</b>	<b>2016 £000</b>
Trade debtors	595	980	595	744
Amounts owed from subsidiary Company	-	-	-	196
Other debtors	1,060	1,046	1,060	1,046
VAT debtor	732	352	732	352
Accrued income	4,317	2,528	4,317	2,503
Prepayments	1,774	755	1,774	755
	<u>8,478</u>	<u>5,661</u>	<u>8,478</u>	<u>5,596</u>
	<u><u>8,478</u></u>	<u><u>5,661</u></u>	<u><u>8,478</u></u>	<u><u>5,596</u></u>
	<b>Group</b>		<b>Company</b>	
	<b>2017 £000</b>	<b>2016 £000</b>	<b>2017 £000</b>	<b>2016 £000</b>
Due within one year	8,478	4,627	8,478	4,562
Due after more than one year	-	1,034	-	1,034
	<u>8,478</u>	<u>5,661</u>	<u>8,478</u>	<u>5,596</u>
	<u><u>8,478</u></u>	<u><u>5,661</u></u>	<u><u>8,478</u></u>	<u><u>5,596</u></u>

## Notes (continued)

### 11 Cash and cash equivalents

	Group
	2017 £000
	2016 £000
Cash and cash equivalents	1,656
Cash and cash equivalents per cash flow statement	1,656

### 12 Creditors: amounts falling due within one year

	Group	Company
	2017 £000	2016 £000
	2017 £000	2016 £000
Trade creditors	2,733	1,730
Accrued expenses	178	277
Other creditors	315	328
Grants in advance	3,530	-
Amounts owed to subsidiary company	-	184
Deferred income	3,867	3,318
Taxation	72	9
	10,695	5,716
	10,793	5,662

The advance on grant is repayable at the end of the five year grant funding agreement (31 March 2018). However, subsequent to the year end the grant funding agreements was extended to 31 March 2019. A revised level of grant in advance of £2.7m was agreed as part of this extension.

### 13 Creditors: amounts falling due after more than one year

	Group	Company
	2017 £000	2016 £000
	2017 £000	2016 £000
Grants in advance	-	3,530
Deferred income	3,962	4,190
	3,962	7,720
	3,962	7,720

The advance on grant is repayable at the end of the five year grant funding agreement (31 March 2018). However, subsequent to the year end the grant funding agreements was extended to 31 March 2019. A revised level of grant in advance of £2.7m was agreed as part of this extension.

### 14 Employee benefits

The Group operates a defined contribution pension scheme. The total expense relating to the scheme in the current year was £295,550 (2016: £250,016).



## Notes (continued)

### 15 Financial instruments

The carrying amounts of the financial instruments and liabilities include:

#### Financial assets

	Group	
	2017 £000	2016 £000
Cash	1,656	2,684
Trade debtors	595	980
Accrued income	4,317	2,528

#### Financial liabilities

	Group	
	2017 £000	2016 £000
Trade creditors	2,733	1,730
Accrued expenses	178	277
Other creditors	315	328

There is no material difference between the book value of financial assets and liabilities noted above, and their fair value.

The Group's financial assets and liabilities comprise cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The Group has no undrawn borrowing facilities. The Group is not exposed to significant foreign exchange or interest rate risk.

### 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Less than one year	-	-	-	-
Between two and five years	4,196	3,418	4,196	3,418
More than five years	6,625	3,148	6,625	3,148
	<u>10,821</u>	<u>6,566</u>	<u>10,821</u>	<u>6,566</u>

The amount recognised as an expense in the profit and loss account in respect of operating leases during the period was £708,643 (2016: £690,080).

### 17 Commitments

The Company's contractual commitment to purchase tangible fixed assets as at the year-end were £nil (2016: £nil).

**Notes** *(continued)*

**18 Related parties**

Total compensation for key management personnel in the year amounted to £974,198 (2016: £1,012,063).

**19 Company status**

The Company is a private Company limited by guarantee and consequently does not have share capital.

**20 Accounting estimates and judgements**

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

*Recoverability of trade debtors and amounts recoverable on contracts*

An assessment as to the ability of the company to recover trade debtors and amounts recoverable on contracts at each financial period end. A provision is made for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgement based on knowledge of the customer and the level of uncertainty as to whether the company has sufficient funds to pay these amounts.

*Recoverability of grant debtors and provision for grant clawback*

The company's activities are funded by various grant agreements. The nature of these agreements is such that expenditure is funded where it meets specific criteria set out in the grant funding agreement. The company therefore makes an assessment as to whether it considers the expenditure to be in accordance with the funding agreements when recognising grant income. If the company considers that it is probable that any amounts will not be recoverable or that grant income may be clawed back by the funder then an estimate of the provision is made.