

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

**Annual report and consolidated  
financial statements**

Registered number 08041915

Year ended 31 March 2018

THURSDAY



A04 \*A7I9MHRM\* #95  
08/11/2018  
COMPANIES HOUSE

## Contents

|   |    |
|---|----|
| Strategic Report  | 1  |
| Directors' Report   | 5  |
| Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements | 6  |
| Independent auditor's report to the members of Future Cities Catapult   | 7  |
| Consolidated Profit and Loss Account  | 10 |
| Consolidated Statement of Comprehensive Income  | 10 |
| Consolidated Balance Sheet  | 11 |
| Company Balance Sheet   | 12 |
| Statements of Changes in Equity   | 13 |
| Consolidated Cash Flow Statement  | 14 |
| Notes   | 15 |

## **Strategic Report**

### **Principal activities**

Future Cities Catapult (the “Catapult”) was incorporated on 23<sup>rd</sup> 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, creative designers, urban technologists, market analysts, economists, service designers, city planners, and insights experts 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 help UK firms develop innovative products and services to meet the changing needs of cities, and to sell them to the world”.

As the Future Cities Catapult, a system catapult, our role is to drive growth across the UK’s urban innovation market. This means ensuring that British firms enjoy a disproportionately large share of the global commercial opportunity and that UK cities and smaller urban areas are first to benefit from such innovations.

Our goals are to deliver:

- demand-side confidence - a growing cohort of intelligent customers, informed by applied research, able to engage the market with confidence and capable of investing in innovation;
- proven supply-side offers - an ecosystem of UK businesses offering products and services capitalising on the latest research, well aligned to demand and evidenced by demonstration;
- new market opportunities - creative disruption which unlocks commercial opportunities in entirely new areas - starting with digitising land use planning and moving to other areas of high potential for transformation like housing, ageing, and urban mobility.

### **Business review**

Since our launch in 2013, Future Cities Catapult has worked with businesses, academics, regulators and city leaders to drive business growth through the development and adoption of commercial services and products that make cities more efficient, more sustainable, and better places to live and work. In our first five years we have:

- established the Urban Innovation Centre where businesses, academics, city leaders and entrepreneurs come together to create innovative solutions to urban problems; generating new knowledge and market insights;
- worked with over 580 SMEs, more than 65 universities and facilitating 36 technology demonstrators to trial innovative products and services for market;
- accelerated the use of new technology in city planning through our drive to digitise processes in the planning system – something the Ministry of Housing, Communities and Local Government, said “simply could not have been done by government alone”;
- created the City Standards Institute in collaboration with local government and industry partners to define and promote standards that allow innovative solutions to scale and enable business growth;
- grown a market for AI and data analytics in cities, working with UK SMEs and a City Council to develop a new, scalable revenue collection service now being sold into councils across the region;
- supported the implementation of key public policy priorities, including local digital connectivity, devolution and local growth, efficiency and digital transformation in local public services, local government capability
- development, and supporting future house-building.

## **Strategic Report (continued)**

### **Major events during the year**

#### ***New Chief Executive Officer***

In May 2017 Future Cities Catapult employed a new CEO, who has undertaken a review of the organisation's objectives and priorities to ensure they are aligned with the requirements set out by our Board and our main funders. As part of this process, some internal procedures and processes have been realigned to improve the operation and financial compliance and control of the business.

#### ***New Chief Finance and Operations Officer***

In October 2017 the company appointed an interim Chief Finance and Operations Officer (CFOO) combining the roles of the COO and Finance Director to allow combined oversight of the operations side of the business.

#### ***New Chief Delivery Officer***

In February 2018, based on the new structure, the company created a new role and appointed a Chief Delivery Officer (CDO) within the organisation who is responsible for overseeing the delivery functions of all four of its major programme areas.

#### ***Organisational restructure***

Following the new appointments to the Executive Management Team, the organisation was restructured to ensure it is aligned to the new Service Programmes of the company. To accomplish this objective the new Executive Management Team changed Future Cities Catapult's staffing model switching to a hub and spoke structure. The new model comprises of a central resource hub made up by urban innovation experts and delivery support staff. The delivery of work is carried out by each of its four Programmes (spokes) which, based on project demand, are strengthened by an agile flexible workforce. The structure embeds account management and business development within the heart of each of the Programme teams rather than having these functions separate as before. The model has the added benefit of being able to access a much wider set of skills and expertise and is more prudent to cope with uncertainties whilst keeping fixed costs affordable.

#### ***Impact assessment***

Led by our in-house impact assessment team, and working with academia and industry experts, we developed the Performance in Use (PIU) framework. The toolkit applies rigorous methodology to measure performance.

We are now developing the FCC Impact Assessment Tool (FIAT). This second toolkit will enable FCC itself to focus on high impact activities and articulate our contribution to the UK economy.

### **Key Performance Indicators during the year**

In 2015/16 we developed a logic model which links our mission to longer term goals. From this logic model the Catapult 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.

## Strategic Report (continued)

### Key Performance Indicators during the year (continued)

| Key Performance Indicator  | 2017/18<br>Target | 2017/18<br>Performance |
|--|-------------------|------------------------|
| Total stage gate 1 to approved opportunities (total value £m)  | 14                | 9.9                    |
| SME Engagements  | 230               | 326                    |
| Active collaborative agreements between Catapult and business, cities, academics and other Catapults | 171               | 152                    |
| On the ground demonstrators (cumulative)   | 4                 | 28                     |
| Mentions in print and online media   | 900               | 614 (15,800*)          |
| Non-grant income (£m)  | 5.5               | 3.53                   |

\*Including social media mentions using @futurecitiescat

### Principal risks and uncertainties

#### Core funding

The Catapult model is reliant on ongoing Governmental funding.

#### Brexit

There is a risk that Brexit will result in the Catapult being removed from future EU-funded funding calls. Traditionally the organisation has had a lot of success on European funded projects and delivering on its CR&D income, but the impact of Brexit is expected to reduce our ability to compete for European funding. To manage this uncertainty FCC is exploring whether there are opportunities to work with charities and other philanthropic institutions as well as strengthening our strategic relations with BEIS and other Government Departments.

#### Income generation

Future Cities Catapult has set itself challenging income targets for the next 5 years and is introducing a programme to bring sector and business experts to help to drive revenue and enhance our ability to be more reactive to changes in Commercial and CR&D opportunities in the future. We will drive further commercial revenue by systematically exploiting our assets and capabilities, creating synergies across the different programmes, and improving the efficiencies of procurement and contracting processes.

### Future developments

Following the review of the UK's Catapult network, a proposal has been made by UK Research & Innovation, working with BEIS and HMT, to merge the Future Cities Catapult and the Transport Systems Catapult. This decision has also involved consultation with the Department for Transport, and the Ministry of Housing, Communities and Local Government; both supportive of the Merger.

HM Treasury have approved the sum of £100.168m over 5 years for the combined organisation. The first element of this has been confirmed in the form of separate interim Grant Funding Agreement to cover the period to 31st March 2020 ("the initial agreement"). This has provided confirmation of £18.4m funding for the two years ending 31st March 2020 for Future Cities Catapult and a continuation of the grant in advance at a level of £2.7m. The intention is that this will be superseded by a single 4-year grant funding agreement with the merged Catapult entity. The new combined Catapult will continue to operate from its two sites and with the same level of funding.

The new organisation will be a critical enabler of the UK Government's Industrial Strategy in Places (specifically cities and urban areas). It will focus on three of the four Grand Challenges: Future of Mobility, Clean Growth, and Healthy Ageing, with the fourth Grand Challenge area – AI and Big Data – as an enabler.

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

### **Future developments** *(continued)*

The new Catapult will accelerate the development of products and services that deliver and leverage new urban infrastructure (hard, soft and virtual). These will include innovative ways of designing, planning, delivering and exploiting infrastructure, systems and services to secure competitive advantage for UK companies. It will support business to exploit the technologies that enable the digitisation and decarbonisation of transport to deliver better outcomes for travellers and freight through connected and autonomous transport and the creation of new mobility services based on open data platforms. See note 1 for further details of the impact of the above on the Going Concern basis of preparation.

### **Year 2018/19**

Future Cities Catapult's objectives until March 2019 are to continue to drive growth in the UK's urban innovation sector, prioritising our efforts to tackle market failures and deliver escalating benefits for UK Plc. Working with businesses, academics and local government we will:

- unlock commercial opportunities for businesses providing interoperable, standards-based solutions as replacements to the closed legacy systems (particularly in Planning) upon which UK local government currently spends around £5 billion a year, and in turn supporting local authorities to realise organisational efficiencies and wider productivity gains;
- increase the adoption of innovative technologies in directing approximately £78 billion in annual spending by UK city administrations by opening up new areas for businesses to develop new solutions and services, like our GrowthPlanner platform and Tombolo digital connector, to inform investment, redesign services, and tackle urban challenges in planning, housing, health and mobility;
- foster an environment which encourages the adoption of innovation in the £173 billion of investment enabled by local authorities through their place-making, licensing and regulatory functions. This will include facilitating the creation of urban demonstrators and test-beds, building on our Hyperconnected Data Rich City project;
- grow demand in the global market for UK innovations and support British firms to access new international opportunities, resulting in the UK enjoying a disproportionately large share of the global market. This will include mobilisation of an 'Advanced Urban Services' sector (or another label to be determined by the sector itself), generating greater visibility of business benefits and therefore business opportunities.

By order of the Board



**Nicola Yates**  
*Chief Executive Officer*

1 Sekforde Street  
London  
EC1R 0BE

24 October 2018

## **Directors' Report**

The Directors present their Directors' Report and financial statements for the year ended 31 March 2018.

### **Directors**

|                         |                             |
|-------------------------|-----------------------------|
| Peter Madden            | (resigned 22 May 2017)      |
| Mark Spelman            |                             |
| Emma Howard Boyd        | (resigned 5 March 2018)     |
| Professor Rachel Cooper |                             |
| Keith Clarke            |                             |
| Sir Michael Bear        |                             |
| Pam Alexander           |                             |
| Charbel Aoun            |                             |
| Anne Glover             | (resigned 31 July 2018)     |
| Nicola Yates            | (appointed 22 May 2017)     |
| Susan Hunt              | (appointed 25 January 2018) |

### **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

24 October 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





**KPMG LLP**

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

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

### **Opinion**

We have audited the financial statements of Future Cities Catapult Limited ("the company") for the year ended 31 March 2018 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Statements of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1 to the financial statements which indicates that there is a material uncertainty relating to the Company's ability to continue as a going concern.

As detailed in the strategic report UK Research & Innovation have made a proposal to merge the Company with Transport Systems Catapult. At the date of signing these financial statements, the merger process is ongoing, and therefore the future legal structure of the new merged organisation is uncertain. Therefore it is uncertain as to whether the Company will continue to trade or whether activity will be transferred to a different legal entity.

The Company has a current grant funding agreement to support its core activities to 31 March 2019 and has received a further grant funding agreement from Innovate UK to cover the year ended 31 March 2020. This agreement will be superseded by a single 4-year grant funding agreement with the merged Catapult entity.

The uncertainties over the format of the proposed merger gives rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## **Independent auditor's report to the members of Future Cities Catapult (Limited by guarantee) *(continued)***

### **Strategic report and Directors' report**

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

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

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**Independent auditor's report to the members of Future Cities Catapult**  
**(Limited by guarantee) (continued)**

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

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



**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

6 November 2018

**Consolidated Profit and Loss Account**  
*for the year ended 31 March 2018*

|   | <i>Note</i> | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|---|-------------|----------------------|----------------------|
| Turnover                                      | 2           | <b>14,414</b>        | 14,134               |
| Operating expenses                            | 3-5         | <b>(14,229)</b>      | (13,830)             |
|   |             | <hr/>                | <hr/>                |
| Profit on ordinary activities before taxation |             | <b>185</b>           | 304                  |
| Tax on profit on ordinary activities          | 6           | <b>(56)</b>          | (72)                 |
|   |             | <hr/>                | <hr/>                |
| Profit for the financial year                 |             | <b>129</b>           | 232                  |
|   |             | <hr/> <hr/>          | <hr/> <hr/>          |

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 March 2018*

|   | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|---|----------------------|----------------------|
| Profit for the financial year           | <b>129</b>           | 232                  |
| Other comprehensive income for the year | -                    | -                    |
|   | <hr/>                | <hr/>                |
| Total comprehensive income for the year | <b>129</b>           | 232                  |
|   | <hr/> <hr/>          | <hr/> <hr/>          |

**Consolidated Balance Sheet**  
*at 31 March 2018*

|  | <i>Note</i> | <b>2018</b> |             | <b>2017</b> |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  |             | <b>£000</b> | <b>£000</b> | <b>£000</b> | <b>£000</b> |
| <b>Fixed assets</b>  |             |             |             |             |             |
| Tangible assets  | 7           | 3,927       |             | 4,540       |             |
| Intangible assets  | 8           | 154         |             | 255         |             |
|  |             |             |             |             |             |
|  |             |             | 4,081       |             | 4,795       |
| <b>Current assets</b>  |             |             |             |             |             |
| Debtors  | 10          | 3,078       |             | 8,478       |             |
| Cash at bank and in hand                                       | 11          | 3,380       |             | 1,656       |             |
|  |             |             |             |             |             |
|  |             | 6,458       |             | 10,134      |             |
| <b>Creditors: amounts due within one year</b>                  | 12          | (5,587)     |             | (10,695)    |             |
|  |             |             |             |             |             |
| <b>Net current assets/(liabilities)</b>                        |             |             | 871         |             | (561)       |
|  |             |             |             |             |             |
| <b>Total assets less current liabilities</b>                   |             |             | 4,952       |             | 4,234       |
|  |             |             |             |             |             |
| <b>Creditors: amounts falling due after more than one year</b> | 13          |             | (4,551)     |             | (3,962)     |
|  |             |             |             |             |             |
| <b>Net assets</b>  |             |             | 401         |             | 272         |
|  |             |             |             |             |             |
| <b>Capital and reserves</b>                                    |             |             |             |             |             |
| Profit and loss account  |             |             | 401         |             | 272         |
|  |             |             |             |             |             |
|  |             |             | 401         |             | 272         |

These financial statements were approved by the board of Directors on 24 October 2018 and were signed on its behalf by:



**Nicola Yates**  
*Director*

Company registered number: 08041915

**Company Balance Sheet**  
*at 31 March 2018*

|  | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>£000</b> | <b>2017</b><br><b>£000</b> | <b>£000</b> |
|--|-------------|----------------------------|-------------|----------------------------|-------------|
| <b>Fixed assets</b>  |             |                            |             |                            |             |
| Tangible assets  | 7           | 3,927                      |             | 4,540                      |             |
| Intangible assets  | 8           | 154                        |             | 255                        |             |
| Investments  | 9           | -                          |             | -                          |             |
|  |             |                            |             |                            |             |
|  |             |                            | 4,081       |                            | 4,795       |
| <b>Current assets</b>  |             |                            |             |                            |             |
| Debtors  | 10          | 3,078                      |             | 8,478                      |             |
| Cash at bank and in hand                                       |             | 3,379                      |             | 1,656                      |             |
|  |             |                            |             |                            |             |
|  |             | 6,457                      |             | 10,134                     |             |
| <b>Creditors: amounts due within one year</b>                  | 12          | (5,865)                    |             | (10,793)                   |             |
|  |             |                            |             |                            |             |
| <b>Net current assets/(liabilities)</b>                        |             |                            | 592         |                            | (659)       |
|  |             |                            |             |                            |             |
| <b>Total assets less current liabilities</b>                   |             |                            | 4,673       |                            | 4,136       |
|  |             |                            |             |                            |             |
| <b>Creditors: amounts falling due after more than one year</b> | 13          |                            | (4,551)     |                            | (3,962)     |
|  |             |                            |             |                            |             |
| <b>Net assets</b>  |             |                            | 122         |                            | 174         |
|  |             |                            |             |                            |             |
| <b>Capital and reserves</b>                                    |             |                            |             |                            |             |
| Profit and loss account  |             |                            | 122         |                            | 174         |
|  |             |                            |             |                            |             |
|  |             |                            | 122         |                            | 174         |

These financial statements were approved by the board of Directors on 24 October 2018 and were signed on its behalf by:



**Nicola Yates**  
*Director*

Company registered number: 08041915

**Statements of Changes in Equity**  
*for the year ended 31 March 2018*

|  | <b>Group<br/>Profit and<br/>loss account<br/>£000</b> | <b>Company<br/>Profit and<br/>loss account<br/>£000</b> |
|--|---|---|
| <b>Opening balance at 1 April 2016</b>           | <b>40</b>   | 29  |
|  | <hr/>   | <hr/>   |
| <b>Total comprehensive income for the period</b> |   |   |
| Surplus income                                   | 232   | 145   |
|  | <hr/>   | <hr/>   |
| Total comprehensive income for the period        | 232   | 145   |
|  | <hr/>   | <hr/>   |
| <b>Balance as at 31 March 2017</b>               | <b>272</b>  | 174   |
|  | <hr/> <hr/>   | <hr/> <hr/>   |
| <b>Opening balance at 1 April 2017</b>           | <b>272</b>  | 174   |
|  | <hr/>   | <hr/>   |
| <b>Total comprehensive income for the period</b> |   |   |
| Surplus income                                   | 129   | (52)  |
|  | <hr/>   | <hr/>   |
| Total comprehensive income for the period        | 129   | (52)  |
|  | <hr/>   | <hr/>   |
| <b>Balance as at 31 March 2018</b>               | <b>401</b>  | 122   |
|  | <hr/> <hr/>   | <hr/> <hr/>   |

**Consolidated Cash Flow Statement**  
*For the financial year ended 31 March 2018*

|   | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|---|-------------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>         |             |                            |                            |
| Surplus income for the year                         |             | 129                        | 232                        |
| Adjustment for:                                     |             |                            |                            |
| Depreciation  | 7           | 869                        | 963                        |
| Amortisation  | 8           | 104                        | 58                         |
| Taxation  | 6           | 56                         | 72                         |
| Loss on disposal of intangibles                     | 8           | 39                         | 11                         |
| Decrease/(increase) in trade and other debtors      |             | 5,400                      | (2,817)                    |
| (Decrease)/increase in trade and other creditors    |             | (4,501)                    | 1,160                      |
|   |             | <hr/>                      | <hr/>                      |
| Tax paid  |             | 2,096<br>(74)              | (321)<br>(11)              |
|   |             | <hr/>                      | <hr/>                      |
| <b>Net cash from operating activities</b>           |             | <b>2,022</b>               | <b>(332)</b>               |
|   |             | <hr/>                      | <hr/>                      |
| <b>Cash flows from investing activities</b>         |             |                            |                            |
| Acquisition of tangible and intangible fixed assets | 7,8         | (298)                      | (696)                      |
|   |             | <hr/>                      | <hr/>                      |
| <b>Net cash from investing activities</b>           |             | <b>(298)</b>               | <b>(696)</b>               |
|   |             | <hr/>                      | <hr/>                      |
| <b>Net decrease in cash and cash equivalents</b>    |             | <b>1,724</b>               | <b>(1,028)</b>             |
|   |             | <hr/>                      | <hr/>                      |
| <b>Opening cash and cash equivalents</b>            |             | <b>1,656</b>               | <b>2,684</b>               |
|   |             | <hr/>                      | <hr/>                      |
| <b>Cash and cash equivalents at 31 March 2018</b>   | <b>11</b>   | <b>3,380</b>               | <b>1,656</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 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 19.

#### ***Basis of preparation - Going concern***

The directors have considered the requirements of FRS 102 which states that the management of an entity shall make an assessment of the entity’s ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.

As detailed in the strategic report UK Research & Innovation have made a proposal to merge the Future Cities Catapult with Transport Systems Catapult.

At the date of signing these financial statements, the merger process is ongoing, and therefore the future legal structure of the new merged organisation is uncertain. Therefore it is uncertain as to whether the Company will continue to trade or whether activity will be transferred to a different legal entity.

The Company has a current grant funding agreement to support its core activities to 31 March 2019. The Company has received written confirmation from Innovate UK that it will receive £18.4m of funding for the two years ended 31 March 2020, alongside a confirmed grant in advance of £2.7m. This initial agreement will be superseded by a single 4-year grant funding agreement with the merged Catapult entity. The funding granted is considered to be sufficient to enable the existing operations and activities of the Company to continue in their current form.

The directors have concluded that given the uncertainties over the format of the proposed merger this gives rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue to meet its liabilities as and when they fall due for the foreseeable future. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

#### ***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 2018. The comparative period is the financial year ended 31 March 2017.

#### **(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.

#### ***Rendering of services***

Turnover from the rendering of services is recognised 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 costs incurred on 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.

#### ***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 or 5                              |

#### **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

|                          | 2018<br>£000  | 2017<br>£000  |
|--------------------------|---------------|---------------|
| Innovate UK core grant   | 10,811        | 10,666        |
| Other income             | 3,185         | 3,026         |
| Rental and events income | 418           | 442           |
|                          | <u>14,414</u> | <u>14,134</u> |

#### Analysis of turnover by geographical area

|                | 2018<br>£000  | 2017<br>£000  |
|----------------|---------------|---------------|
| UK             | 13,343        | 13,104        |
| Rest of Europe | 657           | 493           |
| Rest of world  | 414           | 537           |
|                | <u>14,414</u> | <u>14,134</u> |

### 3 Expenses and auditor's remuneration

Included in the profit are the following:

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Auditors' remuneration – current year  | 16           | 24           |
| Auditors' remuneration – under accrued   | 13           | -            |
| Amounts receivable by the Company's auditors for taxation services – current year  | 18           | 12           |
| Amounts receivable by the Company's auditors for taxation services – under accrued | 18           | -            |
| Amounts receivable by the Company's auditors for assurance services                | 11           | 3            |
| Depreciation   | 869          | 963          |
| Amortisation   | 104          | 58           |
|  | <u></u>      | <u></u>      |

### 4 Staff numbers and costs

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

|                         | 2018       | 2017       |
|-------------------------|------------|------------|
| Non-executive directors | 8          | 8          |
| Executive directors     | 1          | 2          |
| Other staff             | 112        | 94         |
|                         | <u>121</u> | <u>104</u> |

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Wages and salaries                                   | 6,284        | 5,001        |
| Social security costs                                | 711          | 588          |
| Contribution to defined contribution plans (note 14) | 423          | 296          |
|  | <u>7,418</u> | <u>5,885</u> |

### 5 Directors' remuneration

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Directors' emoluments                                  | 391          | 361          |
| Company contributions to money purchase pensions plans | 5            | 30           |
|  | <u>396</u>   | <u>391</u>   |

The aggregate of emoluments of the highest paid Director was £220,810 (2017: £172,765) and Company pension contributions of £nil (2017: £29,723) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to nil Directors (2017: 1) under money purchase pension schemes.

### 6 Taxation

Total tax expense recognised in the profit and loss account

|   | 2018<br>£000 | 2018<br>£000 | 2017      | 2017      |
|---|--------------|--------------|-----------|-----------|
| <i>UK corporation tax</i>               |              |              |           |           |
| Current tax on income for the period    | 53           |              | 59        |           |
| Adjustments in respect of prior periods | 3            |              | 13        |           |
|   | <u>56</u>    |              | <u>72</u> |           |
| Total current tax                       |              | 56           |           | 72        |
| <i>Deferred tax</i>                     |              |              |           |           |
| Origination of timing differences       | -            |              | -         |           |
|   | <u>-</u>     |              | <u>-</u>  |           |
| Total deferred tax                      |              | -            |           | -         |
| Total tax                               |              | <u>56</u>    |           | <u>72</u> |

## Notes (continued)

### 6 Taxation (continued)

#### Reconciliation of effective tax rate

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Profit for the period                                    | 129          | 232          |
| Total tax expense  | 56           | 72           |
| Profit excluding taxation                                | 185          | 304          |
| Tax using the UK corporation tax rate of 19% (2017: 20%) | 35           | 61           |
| Expenses not deductible                                  | 9            | 1            |
| Deferred tax asset not recognised                        | 9            | -            |
| Other short term timing differences                      | -            | (3)          |
| Adjustment in respect of prior period                    | 3            | 13           |
| Total tax expense included in the profit or loss         | 56           | 72           |

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

### 7 Tangible fixed assets

|                                   | Group and Company          |   |   |                                     |               |
|-----------------------------------|----------------------------|---|---|-------------------------------------|---------------|
|                                   | Leased<br>building<br>£000 | Assets<br>under<br>construction<br>£000 | Computers<br>and<br>electronic<br>equipment<br>£000 | Fixtures<br>and<br>fittings<br>£000 | Total<br>£000 |
| <b>Cost</b>                       |                            |   |   |                                     |               |
| Opening balance                   | 5,473                      | 199                                     | 1,046   | 601                                 | 7,319         |
| Additions                         | 132                        | -                                       | 40  | 123                                 | 295           |
| Disposals                         | -                          | (36)                                    | (5)   | -                                   | (41)          |
| Transfers                         | 13                         | (58)                                    | 45  | -                                   | -             |
| Balance at 31 March 2018          | 5,618                      | 105                                     | 1,126   | 724                                 | 7,573         |
| <b>Depreciation</b>               |                            |   |   |                                     |               |
| Opening balance                   | (1,574)                    | -                                       | (904)   | (301)                               | (2,779)       |
| Depreciation charged for the year | (562)                      | -                                       | (139)   | (168)                               | (869)         |
| Disposals                         | -                          | -                                       | 2   | -                                   | 2             |
| Balance at 31 March 2018          | (2,136)                    | -                                       | (1,041)   | (469)                               | (3,646)       |
| <b>Net book value</b>             |                            |   |   |                                     |               |
| At 31 March 2017                  | 3,899                      | 199                                     | 142   | 300                                 | 4,540         |
| At 31 March 2018                  | 3,482                      | 105                                     | 85  | 256                                 | 3,927         |

## Notes (continued)

### 8 Intangible assets

|                                   | Group and Company                    |                  |               |
|-----------------------------------|--------------------------------------|------------------|---------------|
|                                   | Assets under<br>construction<br>£000 | Licences<br>£000 | Total<br>£000 |
| <b>Cost</b>                       |                                      |                  |               |
| Opening balance                   | 197                                  | 136              | 333           |
| Additions                         | -                                    | 3                | 3             |
| Transfers                         | (197)                                | 197              | -             |
|                                   | <hr/>                                | <hr/>            | <hr/>         |
| Balance at 31 March 2018          | -                                    | 336              | 336           |
|                                   | <hr/>                                | <hr/>            | <hr/>         |
| <b>Amortisation</b>               |                                      |                  |               |
| Opening balance                   | -                                    | (78)             | (78)          |
| Amortisation charged for the year | -                                    | (104)            | (104)         |
|                                   | <hr/>                                | <hr/>            | <hr/>         |
| Balance at 31 March 2018          | -                                    | (182)            | (182)         |
|                                   | <hr/>                                | <hr/>            | <hr/>         |
| <b>Net book value</b>             |                                      |                  |               |
| At 31 March 2017                  | 197                                  | 58               | 255           |
|                                   | <hr/>                                | <hr/>            | <hr/>         |
| At 31 March 2018                  | -                                    | 154              | 154           |
|                                   | <hr/>                                | <hr/>            | <hr/>         |

### 9 Fixed asset investment

|                                      | Company<br>Shares in<br>group<br>undertakings<br>£000 |
|--------------------------------------|---|
| <b>Cost</b>                          |   |
| As at 1 April 2017 and 31 March 2018 | -   |
|                                      | <hr/>   |
| <b>Provisions</b>                    |   |
| As at 1 April 2017 and 31 March 2018 | -   |
|                                      | <hr/>   |
| <b>Net book value</b>                |   |
| At 31 March 2017                     | -   |
|                                      | <hr/>   |
| At 31 March 2018                     | -   |
|                                      | <hr/>   |

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.

## Notes (continued)

### 10 Debtors

|                              | <b>Group</b> |              | <b>Company</b> |              |
|------------------------------|--------------|--------------|----------------|--------------|
|                              | <b>2018</b>  | <b>2017</b>  | <b>2018</b>    | <b>2017</b>  |
|                              | <b>£000</b>  | <b>£000</b>  | <b>£000</b>    | <b>£000</b>  |
| Trade debtors                | 424          | 595          | 424            | 595          |
| Other debtors                | 1,068        | 1,060        | 1,068          | 1,060        |
| VAT debtor                   | 118          | 732          | 118            | 732          |
| Accrued income               | 1,233        | 4,317        | 1,233          | 4,317        |
| Prepayments                  | 235          | 1,774        | 235            | 1,774        |
|                              | <u>3,078</u> | <u>8,478</u> | <u>3,078</u>   | <u>8,478</u> |
|                              | <b>£000</b>  | <b>£000</b>  | <b>£000</b>    | <b>2018</b>  |
| Due within one year          | 3,078        | 8,478        | 3,078          | 8,478        |
| Due after more than one year | -            | -            | -              | -            |
|                              | <u>3,078</u> | <u>8,478</u> | <u>3,078</u>   | <u>8,478</u> |

### 11 Cash and cash equivalents

|   | <b>Group</b> |              |
|---|--------------|--------------|
|   | <b>2018</b>  | <b>2017</b>  |
|   | <b>£000</b>  | <b>£000</b>  |
| Cash and cash equivalents                         | 3,380        | 1,656        |
| Cash and cash equivalents per cash flow statement | <u>3,380</u> | <u>1,656</u> |

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

|                                    | <b>Group</b> |               | <b>Company</b> |               |
|------------------------------------|--------------|---------------|----------------|---------------|
|                                    | <b>2018</b>  | <b>2017</b>   | <b>2018</b>    | <b>2017</b>   |
|                                    | <b>£000</b>  | <b>£000</b>   | <b>£000</b>    | <b>£000</b>   |
| Trade creditors                    | 528          | 2,733         | 528            | 2,733         |
| Accrued expenses                   | 214          | 178           | 214            | 178           |
| Other creditors                    | 571          | 315           | 570            | 314           |
| Grants in advance                  | 2,700        | 3,530         | 2,700          | 3,530         |
| Amounts owed to subsidiary company | -            | -             | 322            | 184           |
| Deferred income                    | 1,520        | 3,867         | 1,520          | 3,797         |
| Taxation                           | 54           | 72            | 11             | 57            |
|                                    | <u>5,587</u> | <u>10,695</u> | <u>5,865</u>   | <u>10,793</u> |

The advance on grant is repayable at the end of the interim grant funding agreement (31 March 2019). However, subsequent to the year end the grant funding agreement was extended to 31 March 2024. A revised level of grant in advance of £2.7m was agreed as part of this extension.



## Notes (continued)

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

|                  | Group        |              | Company      |              |
|------------------|--------------|--------------|--------------|--------------|
|                  | 2018         | 2017         | 2018         | 2017         |
|                  | £000         | £000         | £000         | £000         |
| Accrued expenses | 265          | -            | 265          | -            |
| Other creditors  | 1,033        | -            | 1,033        | -            |
| Deferred income  | 3,253        | 3,962        | 3,253        | 3,962        |
|                  | <u>4,551</u> | <u>3,962</u> | <u>4,551</u> | <u>3,962</u> |

### 14 Employee benefits

The Group operates a defined contribution pension scheme. The total expense relating to the scheme in the current year was £423,286 (2017: £295,550).

### 15 Financial instruments

The carrying amounts of the financial instruments and liabilities include:

#### Financial assets

|                | Group |       |
|----------------|-------|-------|
|                | 2018  | 2017  |
|                | £000  | £000  |
| Cash           | 3,380 | 1,656 |
| Trade debtors  | 424   | 595   |
| Accrued income | 1,233 | 4,317 |

#### Financial liabilities

|                  | Group |       |
|------------------|-------|-------|
|                  | 2018  | 2017  |
|                  | £000  | £000  |
| Trade creditors  | 528   | 2,733 |
| Accrued expenses | 479   | 178   |
| Other creditors  | 570   | 315   |

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.

## Notes (continued)

### 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | Group         |               | Company       |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 2018          | 2017          | 2018          | 2017          |
|                            | £000          | £000          | £000          | £000          |
| Less than one year         | -             | -             | -             | -             |
| Between two and five years | 5,521         | 4,196         | 5,521         | 4,196         |
| More than five years       | 5,300         | 6,625         | 5,300         | 6,625         |
|                            | <u>10,821</u> | <u>10,821</u> | <u>10,821</u> | <u>10,821</u> |

The amount recognised as an expense in the profit and loss account in respect of operating leases during the period was £1,142,999 (2017: £708,643).

### 17 Related parties

Total compensation for key management personnel in the year amounted to £856,773 (2017: £974,198).

### 18 Company status

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

### 19 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.