

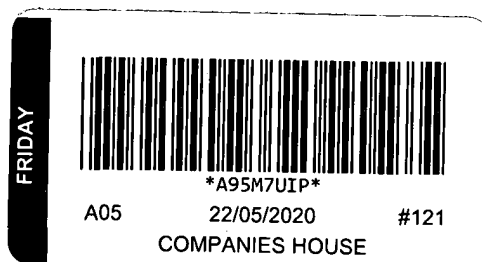
Knowledge Transfer Network Limited
(a company limited by guarantee)

Report and Financial Statements

Year Ended

30 June 2019

Company Number 08705643



Knowledge Transfer Network Limited

(a company limited by guarantee)

Company Information

Directors	J M Brown R Croudace A Greated R C B Judge D K Lawrence N A J Lieven R L Mallors-Ray I T Roche
Company secretary	C Callow
Registered number	08705643
Registered office	Suite 218 Business Design Centre 52 Upper Street Islington London N1 0QH
Independent auditor	BDO LLP Level 12, Thames Tower Station Road Reading Berkshire RG1 1LX

Knowledge Transfer Network Limited

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Report and Financial Statements for the year ended 30 June 2019

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Knowledge Transfer Network Limited

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Strategic Report for the year ended 30 June 2019

Introduction

Knowledge Transfer Network Ltd (KTN), established in 2014, is the UK's innovation network, designed to drive business-led sustainable innovation through connecting businesses, research, funders and policymakers.

The majority of funding for KTN comes from Innovate UK, the UK's Innovation Agency that in turn is part of UK Research and Innovation. Additional networking and connecting activities are funded by a range of other grants and contracts from Innovate UK, Government Departments, the EU and business.

KTN uses its convening power to build and shape communities cross geographies, sectors and disciplines, helping to define important innovation challenges and to shape new solutions for our economy and our society.

Business Review

The year ending June 2019, saw the creation of UK Research & Innovation (UKRI), of which our primary grant funder – Innovate UK – is now part. This bringing together of nine, previously separate, councils transforms the research and innovation landscape in which we operate, bringing a wealth of opportunities to transform the way our businesses and universities work together and drive innovation potential.

One example of businesses and universities working together, is the Knowledge Transfer Partnership (KTP) programme, which is managed and run by KTN and which has grown significantly in impact this year. The Programme currently represents 5.5% of all UK Research and Innovation projects and is the UK's largest graduate recruiter in the UK, with nearly 550 KTP Associates currently in post. The KTP Programme is a major UK asset generating up to £8 for every £1 invested by the government.

Our Special Interest Groups (SIGs) are designed to build new innovation communities around emerging technologies or new market opportunities. Some examples of where they have been integral to innovation understanding and change over the past year, include building a UK supply chain in Sustainable Aviation Fuel, launching of the UK Synthetic Biology Landscape analysis and publishing of the first ever UK Immersive Economy report.

Another new and expanding area of work is in the design and delivery of Global Expert Missions. Grant funded and delivered in partnership with Innovate UK, these missions are designed to position the UK as an international partner of choice for science and innovation. Over the last year, KTN has designed and delivered sixteen missions around the world on topics including advanced materials, energy, AI for manufacturing and healthy ageing.

In 2018, KTN was subject to an independent evaluation by SQW and this year saw the organisation taking on board many of the recommendations from that review i.e. building on our strength as an independent, neutral and trusted organisation, maintaining our one to one (innovation and collaboration) engagement with businesses and other organisations across a range of sectors and enhancing KTN's strategic role in future planning, policy development and operational delivery for Innovate UK and UK Government.

To build on these recommendations, KTN has embarked on an efficiency improvement (EI) programme of activity, funded through an additional Innovate UK grant. A number of plans and commitments are in place for this programme, including the tendering of a new events software system, which will ensure that the hundreds of events we produce each year offer a much-improved user-experience for everyone involved. The EI programme has also allowed KTN to build an Innovation and Insights team who will take responsibility for ensuring that the knowledge KTN holds through its people, connections, conversations and collaborations, will be captured and shared effectively, adding greater value to the UK.

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Strategic Report (continued) for the year ended 30 June 2019

The number of employees (FTE) at the start of the year was 173 and this had increased to 188 by the year end. Recognising the need for our team to have both deep sector and capability expertise and powerful connecting capabilities, KTN continues to invest in our people through training and mentoring and through new tools and systems of working, ensuring that we continue to be innovative, collaborative and proactive in the way we work as an organisation.

Principal risks and uncertainties

The funding from Innovate UK contributes to 89% of KTN's income. Loss of this funding would threaten the viability of the business. Previously, a three-year Grant Funding Agreement was in place for the period April 2019 to March 2022, with the second two years of funding being contingent on the outcome of the multi-year spending review, now expected to take place in 2020 (previously expected this year). A new four-year Memorandum of Understanding has been signed for the period April 2020 to March 2024 with funding profiles included.

The UK Government continues to allocate significant additional funding into UK research and innovation activities, through the Industrial Strategy Challenge Fund (ISCF). KTN supports this activity with Innovate UK and currently receives additional grant funding to do so. In the current UK political climate, the Industrial Strategy may be subject to change as a consequence of economic circumstances, UK's relationship with the European Union, or a change in Government.

As highlighted above, the Innovation landscape and funding structures are continuing to change as UK Research and Innovation develops its ways of working. This presents a significant opportunity for KTN to enhance our role and have even greater impact on UK economy and society.

The KTN Finance and Audit Committee and Board review and update the company's risk register quarterly.

COVID-19 – Pandemic

KTN continue to recognise the importance of face-to-face meetings, however the impact of COVID-19 has meant that the company, following government advice, has had to either cancel or move events online from the 16th of March 2020. While a number of events were moved online there have been some instances where cancellations were unavoidable, adversely impacting on KTN. The impact cannot be measured due to the uncertainty of the lock down period.

KTN has a material uncertainty about the ability to generate additional revenues to bridge the budget or make necessary cost savings to the level required, so will rely on Innovate UK to balance the budget. Innovate UK has confirmed that there is a positive intent to work with KTN (and other affected entities within Innovation family) to deliver a solution to enable KTN to operate in its full capacity towards shared goals and support not only Innovate UK but UK businesses and UK economy through these challenging times.

The directors continue to monitor the situation.

Financial key performance indicators

The major objective of our planning and financial management is to balance resources against grant and non-grant income such that maximum use is made of the available grant. This is complicated by the growth of the business activity in support of Programmes other than the Innovate UK KTN Programme grant and the pressure on resources to deliver on both strands of the portfolio within the last quarter of the fiscal year.

Knowledge Transfer Network Limited

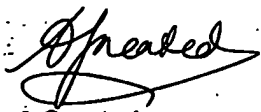
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Strategic Report (continued) for the year ended 30 June 2019

The business plan proposed non-core income of £2m for the contract year ending in March 2019 with this target increasing to £3m in the following year. Grant funded activities have been managed within the set budgets and non-core income has exceeded the original target, indicating business growth plans are on track.

KTN continues to grow its portfolio of projects including activities which are won by tender or competition. Such projects are costed at commercial rates and are intended to deliver a margin over costs contributing to KTN reserve funds. In line with the plan, the business has generated a moderate surplus in the year. These funds provide some protection in the event of any future potential losses and will be used for deployment against our Business Objectives in future years.

This report was approved by the board on 7th May 2020 and signed on its behalf.


A Greated
Director

Knowledge Transfer Network Limited

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Directors' Report for the year ended 30 June 2019

The directors present their report together with the audited financial statements for the year ended 30 June 2019.

Principal activity

The principal activity of the company during the year was the promotion of innovation within the UK.

Results

The profit for the year, after taxation, amounted to £698,400 (2018 - £70,016).

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 to 3 of these financial statements.

Directors

The directors who served during the year and to the date of this report were:

J M Brown
R Croudace (appointed 18 September 2019)
P M Finan (resigned 5 December 2019)
A Greated (appointed 27 August 2019)
R C B Judge (appointed 18 September 2019)
D K Lawrence
N A J Lieven
R L Mallors-Ray (appointed 27 March 2019)
D W Prest (resigned 5 December 2019)
I T Roche
T C Sawyer (resigned 27 November 2018)
C C Warkup (resigned 18 April 2019)

Disclosure of information to auditor

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

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

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Directors' Report (continued) for the year ended 30 June 2019

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

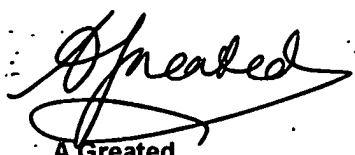
Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

7th May 2020

and signed on its behalf.



A Greated
Director

Knowledge Transfer Network Limited

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Independent auditor's report

Independent Auditor's Report to the Members of Knowledge Transfer Network Limited

Opinion

We have audited the financial statements of Knowledge Transfer Network Limited ("the company") for the year ended 30 June 2019 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2.2 to the financial statements, which states that the directors are currently assessing the impact of COVID-19, but that the company's operations for the next twelve months are dependent on the continued support from Innovate UK. As stated in note 2.2, these events or conditions, along with other matters as set out in note 2.2, indicate that a material uncertainty exists that 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.

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

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

- adequate accounting records have not been kept, 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.

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Independent auditor's report (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Gavin Crawford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date: 12 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Statement of Income and Retained Earnings for the year ended 30 June 2019

	Note	2019 £	2018 £
Turnover		4,238,233	1,688,973
Grant income		16,240,423	16,377,485
Administrative expenses		(19,611,922)	(17,973,723)
Operating profit	4	866,734	92,735
Interest payable and similar charges	7	(36)	-
Profit before tax		866,698	92,735
Tax on profit	8	(168,298)	(22,719)
Profit after tax		698,400	70,016
Retained earnings at the beginning of the year		514,625	444,609
Profit for the year		698,400	70,016
Retained earnings at the end of the year		1,213,025	514,625

The notes on pages 12 to 22 form part of these financial statements.

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Balance Sheet As at 30 June 2019

Registered number: 08705643

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	9		5,737		25,934
Current assets					
Debtors: amounts falling due within one year	10	4,055,292		3,647,912	
Cash at bank and in hand	11	3,842,268		3,731,964	
		<u>7,897,560</u>		<u>7,379,876</u>	
Creditors: amounts falling due within one year	12	(3,306,637)		(2,526,289)	
Net current assets			<u>4,590,923</u>		<u>4,853,587</u>
Total assets less current liabilities			<u>4,596,660</u>		<u>4,879,521</u>
Creditors: amounts falling due after more than one year	13		(3,383,284)		(4,363,166)
Provisions for liabilities					
Deferred tax	15		(351)		(1,730)
Net assets			<u><u>1,213,025</u></u>		<u><u>514,625</u></u>
Capital and reserves					
Retained earnings	16		1,213,025		514,625
Total equity			<u><u>1,213,025</u></u>		<u><u>514,625</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7th May 2020


A Greated
Director

The notes on pages 12 to 22 form part of these financial statements.

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Statement of Cash Flows for the year ended 30 June 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	698,400	70,016
Adjustments for:		
Depreciation of tangible assets	27,029	49,994
Interest paid	36	-
Taxation charge	168,298	22,719
Increase in debtors	(407,380)	(245,622)
(Decrease)/increase in creditors	(345,909)	1,510,825
Corporation tax paid	(23,302)	(73,738)
Net cash generated from operating activities	117,172	1,334,194
Cash flows from investing activities		
Purchase of tangible fixed assets	(6,832)	(43,172)
Net cash from investing activities	(6,832)	(43,172)
Cash flows from financing activities		
Interest paid	(36)	-
Net cash used in financing activities	(36)	-
Net increase in cash and cash equivalents	110,304	1,291,022
Cash and cash equivalents at beginning of year	3,731,964	2,440,942
Cash and cash equivalents at the end of year	3,842,268	3,731,964
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,842,268	3,731,964

The notes on pages 12 to 22 form part of these financial statements.

Knowledge Transfer Network Limited

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Notes to the Financial Statements for the year ended 30 June 2019

1. General information

Knowledge Transfer Network Limited is a private company limited by guarantee and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report/ strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis. This basis is required to be adopted in all general purpose financial statements except where management intends to liquidate the entity or to cease trading, or has no realistic alternative to liquidation or cessation of operations. The directors are required to assess the validity of the going concern basis for a period of at least twelve months from the date of approval of the financial statements, and to disclose any relevant material uncertainties in the financial statements.

In making their going concern assessment in relation to these financial statements, the directors have noted that the validity of the assumption in relation to the company depends on the continued availability of grant income. The company's grant income is currently provided by Innovate UK, part of UK Research and Innovation (UKRI). The Memorandum of Understanding (MoU) for 2020/24 has been signed. This is a four-year agreement, but only the budget for the first year is specified (£13.25m for April 2020 to March 2021). Budgets for subsequent years are subject to the expected government comprehensive spending review.

COVID-19 has meant that the company, following government advice, has had to either cancel or move events online from the 16th of March 2020. While a number of events were moved online there have been some instances where cancellations were unavoidable, adversely impacting on KTN. The impact cannot be measured due to the uncertainty of the lock down period.

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Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

The directors have discussed the impact of COVID-19 with Innovate UK, who contributes 89% of the company's revenue, during which they verbally expressed a positive intent to work with KTN to come up with a solution as to how KTN can operate at its full capacity towards shared goals. Although this is a verbal assurance without legal obligation, it fits within overall government strategy to support economy during 2020.

As a result the directors have concluded that it is appropriate for the financial statements to continue to be prepared on the going concern basis however the verbal assurance received from Innovate UK to support KTN in operating at its full capacity indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern should this not come to fruition. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

2.3 Turnover

Turnover relates to commercial and other income from activities and events which are not funded by grant income. It is recognised as revenue as and when the relevant activity or event takes place. Amounts that have been invoiced but the relevant activity or event has not taken place are included in deferred income.

2.4 Grant income

Income from grants is included to the extent of the expenditure incurred during the year and comprises grants recognised by the company, inclusive of irrecoverable value added tax. Grants not recognised in the year are included in creditors as deferred income. Where income from grants is expected to be received by the company on expenditure incurred in the year such income is included in debtors as accrued income.

2.5 Finance costs

Finance costs are charged to the statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Tangible fixed assets

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

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Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Leasehold improvements	- over the life of the asset
Office equipment	- 1-2 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income and retained earnings.

2.7 Debtors

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

2.8 Cash and cash equivalents

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

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.9 Financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

The company's cash at bank and in hand and other debtors and its trade and other creditors are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

2.10 Creditors

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

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Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.11 Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the statement of income and retained earnings.

2.12 Operating leases: the company as lessor

Rentals under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.13 Holiday accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.15 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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

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

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Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.15 Current and deferred taxation (continued)

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

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

In preparing these financial statements, the members have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 9)

Tangible fixed assets, other than computer and office equipment, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Impairment of debtors (see note 10)

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4. Operating surplus

The operating surplus is stated after charging:

	2019 £	2018 £
Auditors' remuneration	15,250	14,750
Operating lease expense	365,918	365,918
Pension costs	785,503	725,740

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5. Staff Costs

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

	2019 £	2018 £
Wages and salaries	9,616,094	8,537,605
Social security costs	975,965	901,164
Cost of defined contribution scheme	785,503	725,740
	<u>11,377,562</u>	<u>10,164,509</u>

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

	2019 No.	2018 No.
Directors	7	8
Employees	181	161
	<u>188</u>	<u>169</u>

6. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>181,703</u>	<u>205,156</u>

The highest paid director received remuneration of £171,355 (2018 - £194,693).

During the year retirement benefits amounted to £19,267 (2018 - £22,133) in respect of defined contribution pension schemes.

7. Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	<u>36</u>	<u>-</u>

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Notes to the Financial Statements for the year ended 30 June 2019

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	170,259	25,787
Adjustments in respect of previous periods	(582)	(2,543)
Total current tax	169,677	23,244
Deferred tax		
Origination and reversal of timing differences	(1,655)	(525)
Adjustment in respect of prior periods	276	-
Total deferred tax	(1,379)	(525)
Taxation on profit on ordinary activities	168,298	22,719

Factors affecting tax charge for the year

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

	2019 £	2018 £
Profit on ordinary activities before tax	866,698	92,735
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	164,673	17,620
Effects of:		
Expenses not deductible for tax purposes	3,737	6,090
Adjustments to tax charge in respect of previous periods	(582)	(2,543)
Adjustments in respect of previous periods - deferred tax	276	1,334
Adjustment to deferred tax rate	194	218
Total tax charge for the year	168,298	22,719

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Notes to the Financial Statements for the year ended 30 June 2019

8. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax liability at 30 June 2019 has been calculated based on the rates substantively enacted at the date of the balance sheet.

9. Tangible fixed assets

	Leasehold improvements £	Computer and office equipment £	Total £
Cost or valuation			
At 1 July 2018	199,637	4,067	203,704
Additions	6,832	-	6,832
At 30 June 2019	206,469	4,067	210,536
Depreciation			
At 1 July 2018	177,770	-	177,770
Charge for the year	24,487	2,542	27,029
At 30 June 2019	202,257	2,542	204,799
Net book value			
At 30 June 2019	4,212	1,525	5,737
At 30 June 2018	21,867	4,067	25,934

10. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	990,879	695,250
Prepayments and accrued income	3,061,979	2,947,112
Other debtors	2,434	5,550
	4,055,292	3,647,912

Other depots
Prepayments and accrued income
Tangible depots

	4'022'585	3'843'815
	5'434	2'220
	3'064'828	5'063'115
	880'828	682'520
£	5048	£
5048	5048	

10. Depots: amounts falling due within one year

At 30 June 2018
At 30 June 2018
Net book value

51'893	4'082	52'934
4'515	1'052	2'123

At 30 June 2018
Change for the year
At 1 July 2018
Depreciation

505'583	5'245	504'268
54'483	5'245	53'058
433'220	-	433'220

At 30 June 2018
Acquisitions
At 1 July 2018
Cost of acquisition

508'468	4'082	510'528
2'835	-	2'835
488'633	4'082	503'204
£	£	£
Improvements Research and development and office computer		Total

a. Tangible fixed assets

supplementarily enclosed at the date of the balance sheet,
outside accordingly. The deferred tax liability at 30 June 2018 has been calculated based on the rates
effective from 1 July 2020 have been supplementarily enclosed. This will impact the company's income tax
Reductions in the UK Corporation tax rate from 20% to 19% (19% effective from 1 July 2018 and 19%
Factors that may affect future tax charges

8. Taxation (continued)

for the year ended 30 June 2018
Notes to the Financial Statements

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10. Debtors: amounts falling due within one year (continued)

The bad debt provision released to profit or loss for the year in respect of bad and doubtful trade debtors was £87,791 (2018 - impairment loss of £176,467).

11. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>3,842,268</u>	<u>3,731,964</u>

12. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	75,043	34,002
Other taxation and social security	347,977	112,212
Accruals and deferred income	2,560,746	2,310,879
Other creditors	153,251	45,952
Corporation tax liability	169,620	23,244
	<u>3,306,637</u>	<u>2,526,289</u>

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

	2019 £	2018 £
Deferred income	<u>3,383,284</u>	<u>4,363,166</u>

14. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>7,355,886</u>	<u>6,709,307</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>629,157</u>	<u>(449,770)</u>

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Notes to the Financial Statements for the year ended 30 June 2019

14. Financial instruments (continued)

Financial assets that are debt instruments measured at amortised cost comprise cash, trade debtors, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

15. Deferred taxation

	2019 £	2018 £
At beginning of year	1,730	2,255
Charged to profit or loss	(1,379)	(525)
At end of year	351	1,730

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	351	1,730

16. Reserves

The company's reserves are as follows:

Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

17. Company status

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

18. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £785,503 (2018 - £725,740). Contributions totalling £Nil (2018 - £Nil) were payable to the fund at the reporting date and are included in creditors.

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Notes to the Financial Statements for the year ended 30 June 2019

19. Operating lease commitments

At 30 June 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Operating lease commitments which are owned:		
Within one year	260,011	334,057
Between one and five years	48,598	279,834
	<u>308,609</u>	<u>613,891</u>

20. Related party transactions

During the year the company entered into transactions with Innovate UK, a company in which T. Sawyer is a director. T. Sawyer was a director of the Knowledge Transfer Network Limited until his resignation on 27 November 2018. During the period of common directorship, the company entered into grant income transactions of £5,612,254 (2018 - 15,612,429) and at 30 June 2018 there was an amount owing to Knowledge Transfer Network Limited of company was £789,455.

21. Post balance sheet events

Subsequent to the balance sheet date, in March 2020, the company has been impacted by the effects of the global pandemic, COVID-19, a non-adjusting event. COVID-19 has meant that the company, following government advice, has had to either cancel or move events online from the 16th of March 2020. Innovate UK has given verbal assurance that there is a positive intent to work with the company to deliver a solution to enable the company to operate in its full capacity towards shared goals.