

Registrar's Copy

**Knowledge Transfer Network Limited**  
(a company limited by guarantee)

Report and Financial Statements

Year Ended

30 June 2018

Registered Company Number 08705643



# Knowledge Transfer Network Limited

(a company limited by guarantee)

## Company Information

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|                            |  |
|----------------------------|--|
| <b>Directors</b>           | J M Brown<br>P M Finan<br>D K Lawrence<br>N A J Lieven<br>D W Prest<br>I T Roche<br>C C Warkup |
| <b>Company secretary</b>   | C Callow   |
| <b>Registered number</b>   | 08705643   |
| <b>Registered office</b>   | Suite 218<br>Business Design Centre 52 Upper Street<br>Islington<br>London<br>N1 0QH           |
| <b>Independent auditor</b> | BDO LLP<br>Level 12, Thames Tower<br>Station Road<br>Reading<br>Berkshire<br>RG1 1LX           |

# **Knowledge Transfer Network Limited**

(a company limited by guarantee)

## **Report and Financial Statements for the year ended 30 June 2018**

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# Knowledge Transfer Network Limited

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## Strategic Report for the year ended 30 June 2018

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### Introduction

Knowledge Transfer Network Limited (KTN) was established in April 2014 from 14 separate KTNs and is now the UK's Innovation Network, combining breadth, depth and reach of expertise. Core funding comes from Innovate UK and additional networking activities are funded by a range of other grants and contracts from Innovate UK, Government Departments, the EU and business.

KTN connects needs and capabilities - identifying markets for novel technologies and finding solutions to industry challenges. It impartially convenes key decision makers across technology sectors, industries and the research base in order to accelerate innovation. By connecting the right people, KTN enables innovation to get to market more quickly, thereby ensuring innovative businesses are more investable and go on to grow at a faster rate.

KTN is a network partner of Innovate UK, the UK's Innovation Agency that in turn is part of UK Research and Innovation. A significant part of KTN activity is in support of the Knowledge Transfer Partnership programme funded by Innovate UK and several other UK and devolved bodies.

### Business review

The year ended 30 June 2018 was a year of consolidation and growth as the business recovered from significant core-budget cuts in the year before. These were a consequence of cuts to innovation grant support across Government as part of the 2016 UK Government's Comprehensive Spending Review. Approximately 30 staff posts were made redundant and the organisation was substantially restructured in 2016/17. A new income target for non-core income of £1m was set and achieved. This was a first step of a longer-term objective of reducing the reliance of the business on Innovate UK as a single funder.

The number of employees (FTE) at the start of the year was 143 and this had increased to 173 by the year end.

One of the additional contracts won (in collaboration with two partners) was a small but important contract with the Department for Culture Media and Sport for the provision of the UK5G innovation network. Coupled with our work for Department for Transport (funded via Innovate UK) and the Food Innovation Network for the Department of Environment, Food and Rural Affairs, demonstrated the business was delivering on its objective to be the strategic partner of choice for innovation networking.

In April 2017 KTN took on the support of the Knowledge Transfer Partnership (KTP) programme previously supported by independent contractors to Innovate UK. Almost all of these independent contractors became employees of KTN as Knowledge Transfer Advisers covering the whole of the UK and supporting over 300 new KTPs per year. The number of KTAs employed in the company grew slightly in the year to 26 FTE staff. Although these staff are focussed on KTP programme delivery they have integrated extremely well into KTN in this, their first full year. There have been excellent examples of new cross-KTN teamworking and significant benefits to the overall business objectives from having staff focussed on geographical locations and with strong links to the research base in their area.

The year also saw a new CRM system deployed - linked to our Key Performance Indicators (engagements with business; introduction made; collaborations facilitated, and outcomes generated). The CRM deployment went very well and KPIs were exceeded for the year. The targets were revised upwards for the following year.

2017/18 saw the development and roll out of a new attainment diagnostic for implementation of Industry 4.0 by smaller SMEs. The KTN 4Manufacturing™ tool was piloted with over 100 SMEs and was very well received. It is now being adopted by a number of business support structures such as Devolved Administrations and English LEPs.

# **Knowledge Transfer Network Limited**

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## **Strategic Report (continued) for the year ended 30 June 2018**

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The final highlight of the year is that KTN underwent an external independent evaluation of its core-grant funded activities for Innovate UK from April 2014 to March 2017. In common with all such reviews, it identified areas for improvement, and these were worked on during the year. Overall however, the report was extremely positive. One key finding is worthy of highlighting here and that is the effect of working with KTN on increasing investment in R&D and innovation is "substantial". When KTN says it 'connects people to accelerate innovation' or that its top objective is 'to increase business led R&D', there is now evidence to demonstrate both are being achieved. According to the results of a business survey, undertaken as part of the review, KTNs is generating over £100m per year increased business investment in R&D "as a direct result of (their) engagement with KTN".

### **Principal risks and uncertainties**

The principal risk and uncertainty for KTN relates to continued core grant support for Innovate UK for core networking activities. This funding is currently a high proportion of income and loss of this funding would threaten the viability of the business. A new three-year Grant Funding Agreement has been signed for the period April 2019 to March 2022, but the second two years of funding are contingent on the outcome of the Government Spending Review - expected in autumn 2019. It is part of the growth plan for the business over the next three years to grow non-core income to become in the order of 40% of turnover.

The Industrial Strategy has allocated very significant additional funding into UK research and innovation activities, especially through the Industrial Strategy Challenge Fund which KTN supports for Innovate UK. The continuation of these high levels of funding are clearly a political matter and may change as a consequence of economic circumstances for the UK and at the time of any change of government.

The Innovation landscape and funding structures are continuing to change as UK Research and Innovation develops its new ways of working. This is an opportunity for KTN to widen our role.

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

### **Financial key performance indicators**

As a not-for-profit business where the majority of income is from cost recovery via grant claims, any over commitment of resources against a capped grant would incur a business loss. Therefore, 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 available grant. Achieving this is complicated by: a) the growth of the business in support of non-core activities, and b) the fact that the bulk of activities funded by non-core income occur in the October to March period of the financial year.

The plan for growth of the Business proposed non-core income of £2.7m for the year ended June 2018. The actual non-core income exceeded the target indicating business growth plans are on track.

Some of the activities of the business are won by tender or competition. Such projects are costed at commercial rates and are intended to deliver a margin over costs contributing to members' reserve funds. As with all previous years, the business has again generated a small surplus in the year. These funds provide a small cushion for any potential future losses and are otherwise at the disposal of Directors for deployment against Business Objects. Towards the end of this financial year the Directors decided to allocate member's funds to business development staff to support the growth ambitions of the business.

# Knowledge Transfer Network Limited

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## Strategic Report (continued) for the year ended 30 June 2018

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In line with our environmental policy and our objectives to be more efficient, travel and subsistence budgets were reduced in the year. This was to encourage fewer meetings and/or web-based meetings in support of a better work-life balance for staff and a smaller carbon footprint.

This report was approved by the board on *27 MARCH 2019*, and signed on its behalf.



**C C Warkup**  
Director

# Knowledge Transfer Network Limited

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## Directors' Report for the year ended 30 June 2018

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The directors present their report together with the audited financial statements for the year ended 30 June 2018.

### Principal activity

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

### Directors

The directors who served during the year were:

J M Brown (appointed 7 December 2017)  
P M Finan  
D K Lawrence  
N A J Lieven (appointed 7 December 2017)  
D W Prest  
I T Roche (appointed 7 December 2017)  
T C Sawyer (resigned 27 November 2018)  
C C Warkup  
F H Wainwright (resigned 7 December 2017)

### Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company'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.

### 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;
- 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.

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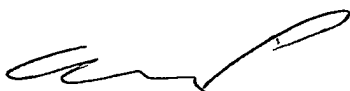
## Directors' Report (continued) for the year ended 30 June 2018

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### Auditor

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

This report was approved by the board on 27 MARCH 2019. and signed on its behalf.



**C C Warkup**  
Director



# Knowledge Transfer Network Limited

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## Independent Auditors' Report

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### Independent Auditors' 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 2018 which comprise the statement of income and retained earnings, the balance sheet 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 2018 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.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

# **Knowledge Transfer Network Limited**

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## **Independent Auditors' Report (continued)**

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### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 director's 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.

# Knowledge Transfer Network Limited

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## Independent Auditors' Report (continued)

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### 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 at 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  
29 March 2019

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

# Knowledge Transfer Network Limited

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## Statement of Income and Retained Earnings for the year ended 30 June 2018

|   | Note | 2018<br>£      | 2017<br>£    |
|---|------|----------------|--------------|
| Turnover  |      | 1,688,973      | 766,113      |
| Grant income                                    |      | 16,377,485     | 13,133,479   |
| Administrative expenses                         |      | (17,973,723)   | (13,596,496) |
| <b>Operating profit</b>                         | 4    | <b>92,735</b>  | 303,096      |
| Tax on profit                                   | 7    | (22,719)       | (68,458)     |
| <b>Profit after tax</b>                         |      | <b>70,016</b>  | 234,638      |
| Retained earnings at the beginning of the year  |      | 444,609        | 209,971      |
| Profit for the year                             |      | 70,016         | 234,638      |
| <b>Retained earnings at the end of the year</b> |      | <b>514,625</b> | 444,609      |

The notes on pages 12 to 21 form part of these financial statements.

# Knowledge Transfer Network Limited

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## Balance Sheet As at 30 June 2018

Registered number: 08705643

|   | Note | 2018<br>£        | 2018<br>£             | 2017<br>£        | 2017<br>£             |
|---|------|------------------|-----------------------|------------------|-----------------------|
| <b>Fixed assets</b>                                     |      |                  |                       |                  |                       |
| Tangible fixed assets                                   | 8    |                  | 25,934                |                  | 32,756                |
| <b>Current assets</b>                                   |      |                  |                       |                  |                       |
| Debtors: amounts falling due within one year            | 9    | 3,647,912        |                       | 3,402,290        |                       |
| Cash at bank and in hand                                | 10   | 3,731,964        |                       | 2,440,942        |                       |
|   |      | <u>7,379,876</u> |                       | <u>5,843,232</u> |                       |
| Creditors: amounts falling due within one year          | 11   | (2,526,289)      |                       | (1,105,409)      |                       |
| <b>Net current assets</b>                               |      |                  | <u>4,853,587</u>      |                  | <u>4,737,823</u>      |
| <b>Total assets less current liabilities</b>            |      |                  | <u>4,879,521</u>      |                  | <u>4,770,579</u>      |
| Creditors: amounts falling due after more than one year | 12   |                  | (4,363,166)           |                  | (4,323,715)           |
| <b>Provisions for liabilities</b>                       |      |                  |                       |                  |                       |
| Deferred tax  | 14   |                  | (1,730)               |                  | (2,255)               |
| <b>Net assets</b>                                       |      |                  | <u><u>514,625</u></u> |                  | <u><u>444,609</u></u> |
| <b>Capital and reserves</b>                             |      |                  |                       |                  |                       |
| Retained earnings                                       |      |                  | 514,625               |                  | 444,609               |
| <b>Total capital and reserves</b>                       |      |                  | <u><u>514,625</u></u> |                  | <u><u>444,609</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
27 MARCH 2019.



**C C Warkup**  
Director

The notes on pages 12 to 21 form part of these financial statements.

# Knowledge Transfer Network Limited

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## Statement of Cash Flows for the year ended 30 June 2018

|   | 2018<br>£        | 2017<br>£        |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>                   |                  |                  |
| Profit for the financial year                                 | 70,016           | 234,638          |
| <b>Adjustments for:</b>                                       |                  |                  |
| Depreciation of tangible assets                               | 49,994           | 56,508           |
| Taxation charge   | 22,719           | 68,458           |
| (Increase) in debtors   | (245,622)        | (1,652,597)      |
| Increase in creditors   | 1,510,825        | 525,197          |
| Corporation tax (paid)  | (73,738)         | (43,960)         |
| <b>Net cash generated from operating activities</b>           | <b>1,334,194</b> | <b>(811,756)</b> |
| <b>Cash flows from investing activities</b>                   |                  |                  |
| Purchase of tangible fixed assets                             | (43,172)         | (42,817)         |
| <b>Net cash from investing activities</b>                     | <b>(43,172)</b>  | <b>(42,817)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>1,291,022</b> | <b>(854,573)</b> |
| Cash and cash equivalents at beginning of year                | 2,440,942        | 3,295,515        |
| <b>Cash and cash equivalents at the end of year</b>           | <b>3,731,964</b> | <b>2,440,942</b> |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                  |                  |
| Cash at bank and in hand                                      | 3,731,964        | 2,440,942        |
|   | <b>3,731,964</b> | <b>2,440,942</b> |

The notes on pages 12 to 21 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 2018

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### 1. General information

Knowledge Transfer Network Limited is a private company 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.

### 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.

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 Grant Funding Agreement (GFA) for 2019/22 has been signed. This is a three-year agreement, but only the budget for the first year is specified (£14.5m for April 2019 to March 2020). Budgets for subsequent years are subject to the expected government Comprehensive Spending Review.

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.

#### 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.

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

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### 2. Accounting policies (continued)

#### 2.4 Grant income

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

#### 2.5 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

|                        |                                   |
|------------------------|-----------------------------------|
| Leasehold Improvements | - over the life of the asset      |
| Office equipment       | - 100% in the year of acquisition |

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.

#### 2.6 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.

#### 2.7 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.



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

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### 2. Accounting policies (continued)

#### 2.8 Operating leases

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.

#### 2.9 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:

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.

#### 2.10 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.

#### 2.11 Cash and cash equivalents

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

In the 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.

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

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### 2. Accounting policies (continued)

#### 2.12 Creditors

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

#### 2.13 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.

#### 2.14 Holiday accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and is 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.

### 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

- Impairment of debtors (see note 9)

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:

|                         | 2018<br>£ | 2017<br>£ |
|-------------------------|-----------|-----------|
| Auditors' remuneration  | 14,750    | 14,300    |
| Operating lease expense | 365,918   | 367,898   |
| Pension costs           | 725,740   | 929,314   |

# Knowledge Transfer Network Limited

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

### 5. Staff Costs

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

|                                     | 2018<br>£         | 2017<br>£        |
|-------------------------------------|-------------------|------------------|
| Wages and salaries                  | 8,537,605         | 6,618,310        |
| Social security costs               | 901,164           | 700,246          |
| Cost of defined contribution scheme | 725,740           | 929,314          |
|                                     | <u>10,164,509</u> | <u>8,247,870</u> |

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

|           | 2018<br>No. | 2017<br>No. |
|-----------|-------------|-------------|
| Directors | 8           | 11          |
| Employees | 161         | 124         |
|           | <u>169</u>  | <u>135</u>  |

### 6. Directors' remuneration

|   | 2018<br>£      | 2017<br>£      |
|---|----------------|----------------|
| <b>Directors' remuneration consists of:</b> |                |                |
| Aggregate remuneration                      | <u>205,156</u> | <u>197,207</u> |

During the year retirement benefits amounted to £22,133 (2017 - 21,420) in respect of defined contribution pension schemes.

# Knowledge Transfer Network Limited

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

### 7. Taxation

|  | 2018<br>£     | 2017<br>£      |
|--|---------------|----------------|
| <b>Corporation tax</b>                           |               |                |
| Current tax on profits for the year              | 25,787        | 71,724         |
| Adjustments in respect of previous periods       | (2,543)       | 2,015          |
| <b>Total current tax</b>                         | <b>23,244</b> | <b>73,739</b>  |
| <b>Deferred tax</b>                              |               |                |
| Origination and reversal of timing differences   | (525)         | (5,281)        |
| <b>Total deferred tax</b>                        | <b>(525)</b>  | <b>(5,281)</b> |
| <b>Taxation on profit on ordinary activities</b> | <b>22,719</b> | <b>68,458</b>  |

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

|  | 2018<br>£     | 2017<br>£     |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | 92,735        | 303,096       |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%) | 17,620        | 59,864        |
| <b>Effects of:</b>   |               |               |
| Expenses not deductible for tax purposes   | 6,090         | 8,202         |
| Adjustments to tax charge in respect of prior periods  | (2,543)       | 2,015         |
| Adjustments in respect of previous periods - deferred tax  | 1,334         | (1,813)       |
| Adjustment to deferred tax rate  | 218           | 190           |
| <b>Total tax charge for the year</b>   | <b>22,719</b> | <b>68,458</b> |

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

### 8. Tangible fixed assets

|                          | Leasehold<br>Improvements<br>£ | Computer<br>and office<br>equipment<br>£ | Total<br>£ |
|--------------------------|--------------------------------|--|------------|
| <b>Cost or valuation</b> |                                |  |            |
| At 1 July 2017           | 160,532                        | -  | 160,532    |
| Additions                | 39,105                         | 4,067                                    | 43,172     |
| At 30 June 2018          | 199,637                        | 4,067                                    | 203,704    |
| <b>Depreciation</b>      |                                |  |            |
| At 1 July 2017           | 127,776                        | -  | 127,776    |
| Charge for the year      | 49,994                         | -  | 49,994     |
| At 30 June 2018          | 177,770                        | -  | 177,770    |
| <b>Net book value</b>    |                                |  |            |
| At 30 June 2018          | 21,867                         | 4,067                                    | 25,934     |
| At 30 June 2017          | 32,756                         | -  | 32,756     |

### 9. Debtors: amounts falling due within one year

|                                | 2018<br>£ | 2017<br>£ |
|--------------------------------|-----------|-----------|
| Trade debtors                  | 695,250   | 1,452,323 |
| Prepayments and accrued income | 2,947,112 | 1,927,814 |
| Other debtors                  | 5,550     | 22,153    |
|                                | 3,647,912 | 3,402,290 |

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £176,467 (2017 - £10,584).

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

### 10. Cash and cash equivalents

|                          | 2018<br>£        | 2017<br>£        |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | <u>3,731,964</u> | <u>2,440,942</u> |

### 11. Creditors: amounts falling due within one year

|                                    | 2018<br>£        | 2017<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 34,002           | 46,018           |
| Other taxation and social security | 112,212          | 44,591           |
| Accruals and deferred income       | 2,310,879        | 905,999          |
| Other creditors                    | 45,952           | 35,062           |
| Corporation tax liability          | 23,244           | 73,739           |
|                                    | <u>2,526,289</u> | <u>1,105,409</u> |

### 12. Creditors: amounts falling due after more than one year

|                 | 2018<br>£        | 2017<br>£        |
|-----------------|------------------|------------------|
| Deferred income | <u>4,363,166</u> | <u>4,323,715</u> |

### 13. Financial instruments

|   | 2018<br>£        | 2017<br>£        |
|---|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| Financial assets that are debt instruments measured at amortised cost | <u>6,709,307</u> | <u>5,412,386</u> |
| <b>Financial liabilities</b>  |                  |                  |
| Financial liabilities measured at amortised cost                      | <u>(449,770)</u> | <u>(337,086)</u> |

Financial assets measured at fair value through profit or loss comprise cash, trade debtors, accrued income and other debtors.

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

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

### 14. Deferred taxation

|                           | 2018<br>£    | 2017<br>£    |
|---------------------------|--------------|--------------|
| At beginning of year      | 2,255        | 7,536        |
| Charged to profit or loss | (525)        | (5,281)      |
| <b>At end of year</b>     | <b>1,730</b> | <b>2,255</b> |

The provision for deferred taxation is made up as follows:

|                                | 2018<br>£ | 2017<br>£ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 1,730     | 2,255     |

### 15. 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.

### 16. 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 £725,740 (2017 - £929,314). Contributions totalling £Nil (2017 - £Nil) were payable to the fund at the reporting date and are included in creditors.

### 17. Operating lease commitments

At 30 June 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

|   | 2018<br>£ | 2017<br>£ |
|---|-----------|-----------|
| <b>Operating lease commitments which are owned:</b> |           |           |
| Within one year                                     | 334,057   | 302,643   |
| Between one and five years                          | 279,834   | 269,844   |

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

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### 18. Related party transactions

During the year the company entered into various transactions with Innovate UK, a company of which T. Sawyer was appointed as a director in May 2017. T. Sawyer was a director of the Knowledge Transfer Network Limited during the period, and subsequently until his resignation on 27 November 2018. As at 30 June 2018 the company was owed £789,455 (2017 - £1,226,897) by Innovate UK. During the year the company had entered into grant income transactions totalling £15,612,429 (2017 - £1,667,965).