

**Knowledge Transfer Network
Limited**

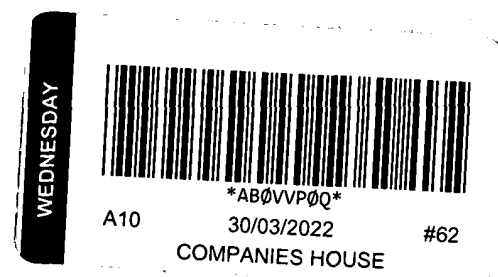
(a company limited by guarantee)

Report and Financial Statements

Year Ended

30 June 2021

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 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
(a company limited by guarantee)

Contents

	Page
Strategic report	1 - 4
Directors' report	5 - 6
Independent auditor's report	7 - 10
Statement of income and retained earnings	11
Balance sheet	12
Statement of cash flows	13
Notes forming part of the financial statements	14 - 24

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

Strategic report **for the year ended 30 June 2021**

KTN exists to connect innovators with new partners and new opportunities, helping to accelerate ambitious ideas into real-world solutions. Businesses make up the core of our network, but our diverse connections span government, funders, research and the third sector. This overview and connectivity enable us to take partners, clients and communities through the complex landscape of research, development and innovation.

The majority of funding for KTN comes from an Innovate UK (part of UK Research and Innovation) grant, which funds a dedicated programme of work. Other work is funded from a range of private business, UK Research and Innovation, UK Government Departments, Devolved Administrations, the EU and other network organisations.

Business Review

The year ending June 2021 saw KTN continue to respond to the business innovation needs and challenges that were driven through the pandemic. The business adjusted to hybrid working and online customer engagement and prioritised commitment to action an innovation focused on net zero and diversity and inclusion.

The pandemic has heightened awareness of the need for effective innovation to address some of the world's changing and urgent societal and economic challenges. It has also brought even greater attention to Net Zero, Equality and Diversity and Global Innovation at regional, national and global levels.

Throughout 2020/21 KTN adapted quickly to not just maintain operations, but to build and extend our reach into areas where it was most needed. KTN's business operations were not largely disrupted, mainly because the majority of our workforce were already working effectively from home.

This period was the first full year of operation under KTN's 5-year strategy. This focuses the company towards 5 strategic priorities – Net Zero; Global Innovation; Diversity and Inclusion; Place; and Innovation Adoption and Diffusion. While the company remains broadly organised into sector-facing teams, KTN has expanded operations with dedicated teams being set up and/or expansion in these strategic areas.

In February 2021, we established a Strategic Portfolio Office (SPO) to help support KTN's business planning and quality processes. This highlights a growing focus on improving quality of delivery and growing our business maturity.

The number of employees (FTE) at the start of the year was 195 and this had increased to 209 by the year end. Throughout this year, we have focused significant attention on the wellbeing and support of our people and teams, encouraging new ways of working and interacting to ensure they are well-placed to continue driving change through innovation.

The publication of the UK Government's Innovation Strategy in July 2021 supports our strategic priorities and the amount of public spending for research, development and innovation will increase until at least 2025, proving KTN with a healthy environment for further growth. KTN's pipeline of income has remained strong, and we envisage a greater demand for KTN's services in the future.

Knowledge Transfer Network Limited (a company limited by guarantee)

Strategic report (continued) for the year ended 30 June 2021

Principal risks and Future Development of the Company

The funding from Innovate UK contributes to 90% of KTN income. Loss of this funding would threaten the viability of the business. Currently there is a four-year Memorandum of Understanding in place from Innovate UK for the period April 2020 to March 2024 with funding profiles included.

Because of the large amount of public grant funding afforded to KTN, the Department for Business, Energy and Industrial Strategy (BEIS), has signalled its intention to reclassify KTN Limited as a public company.

In October 2021, Innovate UK proposed to KTN's Board of Directors that the company ownership changes from private ownership to having UKRI Limited (Innovate UK's parent organisation), as its sole member (owner), with KTN operating as a separate, publicly funded company within the "Innovate UK group". Innovate UK has provided assurances that the transfer of ownership will afford the company greater financial comfort for the future. It is anticipated that this will be finalised on 1 April 2022.

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

At time of writing, the principal risks (those scoring an "amber" or higher in our risk register), are as follows:

Risk	Mitigation
People and Talent: Temporary shortfall in capacity, impacting delivery of existing activities.	Engaging additional employees on fixed term contracts; Focus group working on mechanism to inject capacity through partnerships; SPO work on Business Planning cycle; and Additional HR resource to speed up recruitment.
Business Resilience: Failure to achieve transition into Innovate UK "group" by 1 April 2022.	Transition group established between KTN and Innovate UK; and CEO invited to join Innovate UK leadership team.
Business Resilience: Potential deterioration of KTN's position because of changes brought about by new leadership at Innovate UK.	Develop new Leadership-level relationship between KTN and Innovate UK; CEO invited to join Innovate UK Leadership team; Joint focus group with Innovate UK; and KTN responsible for shaping governance change.
Organisational Governance: Impact from move to public sector organisation with a change in governance.	Work through optimum model with Innovate UK; Establish effective governance principles to ensure operational agility and effectiveness; and Transition team in place.
Strategy and Objectives: Failure to deliver on (forward looking) ambition of KTN strategy, so impact is not realised due to change in control and ownership.	Ongoing review of Strategy alignment with Innovate UK; and KTN Transition Group prioritise change process.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Strategic report (continued)
for the year ended 30 June 2021

Principal risks and Future Developments of the Company (continued)

Risk	Mitigation
People and Talent: Lack of leadership and management capability, including diversity, weakening our position in the innovation landscape.	Revised job descriptions; Compulsory management training; and Implement Diversity and Inclusion Plan

Financial key performance indicators

Our business planning and financial management require us to balance resource against grant and non-grant income to deliver high quality results against objectives. This balance is continually changing as we attract new clients who complement the work of our grant-funded activity with Innovate UK.

Grant funded activities have been managed within the set budget and business growth is 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. KTN's Board has approved a business strategy of targeting "fewer, bigger, better" commercial contracts.

Exposure to Financial Risks

KTN uses Dun&Bradstreet, an independent agency, to verify and establish the level of financial risk.

KTN have continuously performed and scored as a low risk organisation across various categories, including payment behaviour, cash flow risk and risk of bad debt write-off. Dun&Bradstreet overall assessment continues to be very stable.

There are no mortgages or debentures associated with KTN, no insolvency events and no slow payments to suppliers. The return on sales ratio is strong and the cash ratio of the company is equally strong.

KTN has managed to secure an increase to pre-finance on the Work Programme grant with IUK. In prior periods, the level of pre-finance has been kept at £2.5M. An additional £1.5M has been provided in April 2021, bringing the buffer level on the cash flow to £4M.

Regular communication and reporting to the IUK Governance team on the submitted invoice and payment requests has resulted in reducing the volume of outstanding payments, making overall process smoother.

90% of KTN income is with Innovate UK, mainly through Grant funding, which is based on the cost recovery basis. Commercial activity within KTN accounts for a small percentage of overall income and therefore the level of price risk remains low.

KTN reports on its performance progress and risks through the quarterly Management Accounts to both Finance and Audit Committee and KTN Board, producing an update on cash flow forecast, revenue targets for the year and budget outturn.

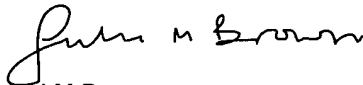
Knowledge Transfer Network Limited
(a company limited by guarantee)

Strategic report (continued)
for the year ended 30 June 2021

Subsequent events

On 1st April 2022, and providing articles are approved, Knowledge Transfer Network Limited will become a publicly funded company, sponsored by UK Research and Innovation.

This report was approved by the board on 28.03.2022 and signed on its behalf.



J M Brown
Chair

Knowledge Transfer Network Limited

(a company limited by guarantee)

Directors' report for the year ended 30 June 2021

The directors present their report together with the audited financial statements for the year ended 30 June 2021.

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 £400,444 (2020 - £433,653).

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 to 4 of these financial statements.

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 company's relationship with Innovate UK is expected to change from 1 April 2022 and no binding agreement for the provision of grant income to the company from Innovate UK has yet been received. Due to the significance of Grant income to the company, this represents a material uncertainty as to the company's ability to continue as a going concern. Despite no binding agreement being in place, the company has received a letter from Innovate UK confirming its intention to provide funding for the financial period from April 2022 to March 2023, dated 21 January 2022.

The Board has concluded that the above indicates that a material uncertainty exists that may cast significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate. However, after considering the uncertainties, the Board has a reasonable expectation that the company will receive appropriate grant funding. Accordingly, the Board considers it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors

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

J M Brown
R Croudace
A Greated
R C B Judge
D K Lawrence (resigned 31 October 2021)
N A J Lieven
R L Mallors-Ray
I T Roche

Knowledge Transfer Network Limited

(a company limited by guarantee)

Directors' report (continued) **for the year ended 30 June 2021**

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.

Post balance sheet events

On 1st April 2022, and providing articles are approved, Knowledge Transfer Network Limited will become a publicly funded company, sponsored by UK Research and Innovation.

Directors' responsibilities

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:

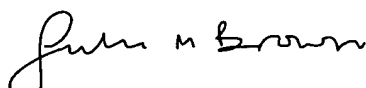
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 28.03.2022 and signed on its behalf.



J M Brown
Chair

Knowledge Transfer Network Limited

(a company limited by guarantee)

Independent auditor's report to the members of Knowledge Transfer Network Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 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.

We have audited the financial statements of Knowledge Transfer Network Limited ("the Company") for the year ended 30 June 2021 which comprise the Statement of income and retained earnings, Balance sheet, 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 (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which indicates that the Company's future funding arrangements relating to grant income are uncertain due to the availability of grant income not yet being formally binding on the provider. As stated in note 2, these events, or conditions, along with other matters as set out in note 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.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Knowledge Transfer Network Limited (a company limited by guarantee)

Independent auditor's report to the members of Knowledge Transfer Network Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

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

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 or the 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.

Responsibilities of Directors

As explained more fully in the Directors' report, 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.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Independent auditor's report to the members of Knowledge Transfer Network Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Identifying and assessing potential risks related to irregularities, including fraud

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statement or that had a fundamental effect on the operations of the Company. The key laws and regulations considered in this context included the UK Companies Act, the accounting framework and relevant tax legislation.
- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
 - discussion among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in revenue recognition, specifically in relation to application of appropriate accounting policies, as well management override of controls specifically in relation to the inappropriate use of estimates.

Audit response to risks identified

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users and manual journals posted to revenue.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Knowledge Transfer Network Limited (a company limited by guarantee)

Independent auditor's report to the members of Knowledge Transfer Network Limited (continued)

Auditor's Responsibilities for the audit of financial statements (continued)

A further description of our responsibilities is available 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.

DocuSigned by:

Gavin Crawford

0BD8F31DCC5C4CC...

Gavin Crawford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Level 12
Thames Tower
Station Road
Reading
United Kingdom

Date: 29 March 2022

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

Knowledge Transfer Network Limited
(a company limited by guarantee)

Statement of income and retained earnings
for the year ended 30 June 2021

	Note	2021 £	2020 £
Turnover		1,706,968	2,446,864
Grant income		16,343,271	17,255,531
Administrative expenses		(17,552,989)	(19,163,047)
Operating profit	4	497,250	539,348
Tax on profit	7	(96,806)	(105,695)
Profit after tax		400,444	433,653
Retained earnings at the beginning of the year		1,646,678	1,213,025
Profit for the year		400,444	433,653
Retained earnings at the end of the year		2,047,122	1,646,678

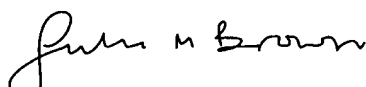
The notes on pages 14 to 24 form part of these financial statements.

Knowledge Transfer Network Limited
(a company limited by guarantee)
Registered number: 08705643

Balance sheet
As at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	8	-	21,889
Current assets			
Debtors: amounts falling due within one year	9	3,119,079	4,444,004
Cash at bank and in hand	10	7,458,579	4,146,914
		<u>10,577,658</u>	<u>8,590,918</u>
Creditors: amounts falling due within one year	11	(3,300,846)	(2,236,004)
Net current assets		<u>7,276,812</u>	<u>6,354,914</u>
Total assets less current liabilities		<u>7,276,812</u>	<u>6,376,803</u>
Creditors: amounts falling due after more than one year	12	(5,229,690)	(4,728,420)
Provisions for liabilities			
Deferred tax	13	-	(1,705)
Net assets		<u>2,047,122</u>	<u>1,646,678</u>
Capital and reserves			
Retained earnings	14	2,047,122	1,646,678
Total equity		<u>2,047,122</u>	<u>1,646,678</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28.03.2022



J M Brown
Chair

The notes on pages 14 to 24 form part of these financial statements.

Knowledge Transfer Network Limited
(a company limited by guarantee)

Statement of cash flows
for the year ended 30 June 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	400,444	433,653
Adjustments for:		
Depreciation of tangible assets	21,889	21,232
Foreign exchange	74,579	-
Taxation charge	96,806	105,695
Decrease/(increase) in debtors	1,367,638	(388,713)
Increase in creditors	1,540,193	340,422
Corporation tax paid	(104,583)	(170,259)
Net cash generated from operating activities	3,396,966	342,030
Cash flows from investing activities		
Purchase of tangible assets	-	(37,384)
Net cash used in investing activities	-	(37,384)
Net increase in cash and cash equivalents	3,396,966	304,646
Cash and cash equivalents at beginning of year	4,146,914	3,842,268
Foreign exchange gains and losses	(85,301)	-
Cash and cash equivalents at the end of year	7,458,579	4,146,914
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,458,579	4,146,914

The notes on pages 14 to 24 form part of these financial statements.

Knowledge Transfer Network Limited (a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

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

Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires 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:

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 company's relationship with Innovate UK is expected to change from 1 April 2022 and no binding agreement for the provision of grant income to the company from Innovate UK has yet been received. Due to the significance of Grant income to the company, this represents a material uncertainty as to the company's ability to continue as a going concern. Despite no binding agreement being in place, the company has received a letter from Innovate UK confirming its intention to provide funding for the financial period from April 2022 to March 2023, dated 21 January 2022.

The Board has concluded that the above indicates that a material uncertainty exists that may cast significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate. However, after considering the uncertainties, the Board has a reasonable expectation that the company will receive appropriate grant funding. Accordingly, the Board considers it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

2. Accounting policies (continued)

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.

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.

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 lease term
Computer and 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.

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.

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.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Notes forming part of the financial statements
for the year ended 30 June 2021

2. Accounting policies (continued)

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.

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.

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.

Operating leases: the company as a lessee

Rentals paid under operating leases are charged to profit or loss 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

2. Accounting policies (continued)

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.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

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 8)

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 reassessing 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 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 profit

The operating profit is stated after charging:

	2021 £	2020 £
Auditor's remuneration		
- in relation to the audit of the financial statements	25,000	25,200
Operating lease expense	387,161	372,576
Pension costs	861,686	834,797
Exchange differences	74,579	6,039
	<u>1,348,426</u>	<u>1,238,612</u>

Knowledge Transfer Network Limited

(a company limited by guarantee)

**Notes forming part of the financial statements
for the year ended 30 June 2021**

5. Employees

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

	2021 £	2020 £
Wages and salaries	10,718,424	10,117,441
Social security costs	1,101,186	1,084,459
Cost of defined contribution scheme	861,686	834,797
Redundancy costs	2,000	27,009
	<u>12,683,296</u>	<u>12,063,706</u>

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

	2021 No.	2020 No.
Directors	7	8
Employees	209	195
	<u>216</u>	<u>203</u>

6. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	<u>182,448</u>	<u>197,039</u>

The highest paid director received remuneration of £169,638 (2020 - £185,704).

During the year retirement benefits amounted to £37,293 (2020 - £19,740) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 (2020 - 1) director in respect of defined contribution pension schemes.

Knowledge Transfer Network Limited (a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

7. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	98,511	104,582
Adjustments in respect of previous periods	-	(241)
Total current tax	<u>98,511</u>	<u>104,341</u>
Deferred tax		
Origination and reversal of timing differences	(2,244)	1,318
Adjustments in respect of previous periods	-	(5)
Effect of tax rate change on opening balance	539	41
Total deferred tax	<u>(1,705)</u>	<u>1,354</u>
Taxation on profit on ordinary activities	<u><u>96,806</u></u>	<u><u>105,695</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>497,250</u>	<u>539,348</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	94,478	102,476
Effects of:		
Expenses not deductible for tax purposes	1,789	3,424
Adjustments to tax charge in respect of previous periods	-	(241)
Adjustments in respect of previous periods - deferred tax	-	(5)
Adjustment to deferred tax rate	539	41
Total tax charge for the year	<u><u>96,806</u></u>	<u><u>105,695</u></u>

Knowledge Transfer Network Limited (a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

7. Taxation (continued)

Factors that may affect future tax charges

The 2021/2022 budget included an increase in the Corporation tax rate to 25% from 1 April 2023 for profits over £250,000, profits under £50,000 will remain at 19% and where profits fall between the two thresholds a company will be able to claim an amount of marginal relief providing a gradual increase in the corporate tax rate. These rates were substantially enacted at the reading of the Finance Bill 2021 on 24 May 2021 and this will impact the company's future tax charge accordingly.

The deferred tax liability at 30 June 2021 has been calculated based on the rates substantively enacted at the date of the balance sheet.

8. Tangible fixed assets

	Leasehold improvements £	Computer and office equipment £	Total £
Cost			
At 1 July 2020	243,711	4,209	247,920
At 30 June 2021	243,711	4,209	247,920
Depreciation			
At 1 July 2020	221,964	4,067	226,031
Charge for the year	21,747	142	21,889
At 30 June 2021	243,711	4,209	247,920
Net book value			
At 30 June 2021	-	-	-
At 30 June 2020	21,747	142	21,889

Knowledge Transfer Network Limited
(a company limited by guarantee)

Notes forming part of the financial statements
for the year ended 30 June 2021

9. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	601,962	2,382,317
Prepayments and accrued income	2,513,027	2,058,038
Other debtors	4,090	3,649
	<u>3,119,079</u>	<u>4,444,004</u>

The bad debt provision released to profit or loss for the year in respect of bad and doubtful trade debtors was £865 (2020 - £30,080).

10. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>7,458,579</u>	<u>4,146,914</u>

11. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	11,565	11,685
Other taxation and social security	48,623	78,161
Accruals and deferred income	3,054,643	1,961,370
Other creditors	88,385	81,086
Corporation tax liability	97,630	103,702
	<u>3,300,846</u>	<u>2,236,004</u>

Knowledge Transfer Network Limited (a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

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

	2021 £	2020 £
Deferred income	<u>5,229,690</u>	<u>4,728,420</u>

13. Deferred taxation

	2021 £	2020 £
At beginning of year	1,705	351
Charged to profit or loss	(1,705)	1,354
At end of year	<u>-</u>	<u>1,705</u>

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	<u>-</u>	<u>1,705</u>

14. Reserves

The company's reserves are as follows:

Retained earnings

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

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 £861,686 (2020 - £834,797). Contributions totalling £Nil (2020 - £Nil) were payable to the fund at the reporting date and are included in creditors.

Knowledge Transfer Network Limited

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 30 June 2021

17. Operating lease commitments

At 30 June 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Operating lease commitments which are owed:		
Within one year	268,192	281,782
Between one and five years	47,937	3,295
	<u>316,129</u>	<u>285,077</u>

18. Related party transactions

During the year to 30 June 2021 there were no related party transactions and there were no balances with related parties 30 June 2021.

19. Subsequent events

On 1st April 2022, and providing articles are approved, Knowledge Transfer Network Limited will become a publicly funded company, sponsored by UK Research and Innovation.