

DIGITAL CATAPULT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

DIGITAL CATAPULT

COMPANY INFORMATION

Directors

D R Bletso (appointed 8 February 2023)
J M Cecil (appointed 2 November 2022)
B K Howell (appointed 2 November 2022)
Y R Rogers (appointed 2 November 2022)
R H Ironside
J Maier
J S Ridley-Smith
N D Sanders (resigned 2 February 2023)
J M Butler
J M Silver
S K Thomas
K R Underwood
P Guha
W J A Priest

Company secretary

C Stait

Registered number

07964699

Registered office

101 Euston Road
London
NW1 2RA

Independent auditor

James Cowper Kreston Audit
Chartered Accountants and Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

DIGITAL CATAPULT

CONTENTS

	Page
Group Strategic Report	1 - 4
Directors' Report	5 - 8
Independent Auditor's Report	9 - 12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Company Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Consolidated Analysis of Net Debt	19
Notes to the Financial Statements	20 - 37

DIGITAL CATAPULT

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

Introduction

The directors present their Group Strategic Report for the year ended 31 March 2023.

Business Review

Digital Catapult is the UK authority on advanced digital technology. Through collaboration and innovation, we accelerate industry adoption of advanced digital technologies, to drive growth, opportunity and sustainability across the economy. We bring together an expert and enterprising community of researchers, startups, scaleups and industry leaders to discover new ways to solve the big challenges limiting the UK's future potential. Through our specialist programmes and experimental facilities, we make sure that innovation thrives and the right solutions make it to the real world. Our goal is to accelerate new possibilities in everything we do and for every business with which we partner, breaking down barriers, de-risking innovation, helping reduce emissions and enabling the achievement of green digital goals, increasing productivity, opening up markets and responsibly shaping the products, services and experiences of the future.

Although we continually develop teams of deep technical experts in individual areas such as 5G and machine learning, our approach to achieving the transformation of companies in industry has shifted from a single technology approach to working in more market-defined application areas where a combination of technologies brings real-world benefits. We have identified three key areas in which UK strengths can combine with global opportunity to create real investment focus in a new advanced digital technology stack. These three application areas are: Open and Interoperable Digital Infrastructure, Digital and Resilient Supply Chains, and Virtual Environments and Cyber Physical Systems. Underpinning all this, we will maintain our commitment to providing deep tech support for the startup ecosystem through our FutureScope acceleration framework that provides focused support at every step of the scaling and growth journey.

FY 22/3 represented yet another record year in terms of the Company's impact and income. It was the third year in a row that delivered double digit income growth with total income growing 28% year on year.

Through this past year we have fully mobilised and grown the major projects launched in FY 21/22, these being (1) SONIC - our OpenRAN Telecoms supply chain diversification programme working with the UK Government's Department for Science Innovation and Technology (DSIT) and the communication regulator Ofcom; (2) the Made Smarter Digital Supply Chain Hub, with multiple additions to this programme portfolio secured in FY 22/23; (3) the Digital Security by Design programme on behalf of UKRI, working with ARM and the University of Cambridge; and (4) the Smart Nano Manufacturing Corridor project in Northern Ireland working with Seagate. In FY 22/23 we have also secured and commenced additional aligned work on (1) UK Telecomms Innovation Network (UKTIN) - a 2.5 year collaboration with Cambridge Wireless, West Midlands 5G and University of Bristol to transform the UK into a world-leader in telecoms R&D&I across all technology readiness levels; (2) BridgeAI - working with Innovate UK, Alan Turing Institute, the Knowledge Transfer Network and the Hartree Centre to help connect AI developers to industry adopters in sectors that have not yet felt the benefits of AI solutions; (3) Future Open Network Research Challenge - Realising Enabling Architectures and Solutions For Open Networks (FORNC REASON) - a 2 year collaboration with 18 academic, industry and other Catapult partners to begin to consider the next generation of network technologies and; (4) Advanced Media Production Studios - the set up of 5G enabled Virtual Production Test Studios in London and Gateshead. Across our work in FY 22/23 we have firmly established our portfolio in the areas of Interoperable Digital Infrastructure; Virtual Environments and Cyber Physical Systems; and Digital & Resilient Supply Chains, alongside delivering our FutureScope acceleration programme, scaling our regional presence, and building new facilities. We have targeted key new projects on Digital Twins and interconnected Virtual Production facilities for FY 23/24.

In addition to these new scaling programmes and initiatives, during the past year we have continued to support innovation policy development, including key support work for the UK Government in areas of Cyber Physical Infrastructure and Digital Twins. We feed regular information to relevant Departments about the needs of UK companies in the global context of emerging cyber physical systems and other emerging technologies. This engagement is additional to our other key policy engagements and initiatives to tackle regional innovation challenges, drive innovation in creative and manufacturing industries, and supporting policy development for the UK AI Strategy, Quantum Technologies, net zero and hydrogen innovation.

DIGITAL CATAPULT

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Digital Catapult has invested in the North East and Northern Ireland since inception. In 2022, Digital Catapult Northern Ireland was integrated into the wider Catapult organisation. This has led to the Collaborative R&D (CR&D) project Smart Nano Manufacturing Corridor, an important project helping Seagate deliver leading edge Hard Disk Drive technology and a further proposed CR&D project for the next fiscal year which will create the National Digital Twins Centre. Other projects are enabled by staff supported by N.I. Department for the Economy funding. The year has shown good growth with further significant growth anticipated with Digital Twins.

We continue to review, evolve and promote the employee benefits we have in place to support health and wellbeing - mental, physical and financial. All employees have access to our Employee Assistance Programme and Financial Wellbeing services, which are free at the point of use. We offer a range of benefits that can be selected according to preferences and differing lifestyles and which are funded via a flexible benefits allowance per employee. Some of our benefits are funded by the organisation and we have a number of benefits in place that are available via salary sacrifice schemes, for example, we launched a new e-vehicle scheme in June 2023. We run events and activities throughout the year to support the wellbeing of our staff.

We operate an annual programme in support of initiatives relating to Equity, Diversity and Inclusion to ensure we are building a team that is both diverse and inclusive. Within this programme, we hold training and awareness raising sessions, as well as running specific campaigns and initiatives to connect with different demographic groups within our employee population as well as external communities we may be attempting to reach for recruitment purposes. This year, we have developed increased opportunities for people to join us at the early career stage, through high level apprenticeships and internships. We have also formalised our work experience proposition with a focus on providing opportunities to young people from underrepresented groups and to support social mobility. Our ambition is for 5% of our team to be in "earn and learn" roles as we feel we are then contributing to the tech industry and skills development in the UK job market. It is important to us that we create a sense of belonging within the organisation for everyone who works with us.

Our success in entering the Great Place to Work index for the first time this year is testament to the effectiveness of our ongoing growth and development. At the same time, Digital Catapult has also been recognised as one of the Best Places to Work in Tech in the UK. These accreditations serve to provide a sense of pride in our organisation and to attract further talent to join us.

We continue to work in a hybrid setting, encouraging our team members to keep a good balance between working in our collaborative office environments where team working is often more effective and working from home, or remotely, when it is easier to perform deep thinking or research based work. We believe this flexibility gives our employees a beneficial work/life balance and also serves to ensure inclusion in the workplace.

Overall, the past year has seen Digital Catapult create real momentum in the marketplace. The Company has grown its reputation through a track record of high-level technical competence, leading edge innovation capability and a responsible approach to technology optimism, as well as our distinct ambition to grow innovative companies all across the UK.

Highlights of achievements in FY 22/23

FY 22/3 represented another record year of income growth and impact for the Company. Total income has now delivered double digit growth for the past 3 years with the year ended March 2023 delivering a 28% uplift on the prior year. This was achieved via an impressive 55% increase in income from the Company's CR&D activities as the scale and complexity of such work continues to grow.

DIGITAL CATAPULT

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

FY 22/23 represented Digital Catapult's final year of its 2018 to 2023 Delivery Plan, working across the UK to advance the adoption of digital technology. We fully mobilised the SmartRAN Open Network Interoperability Centre (SONIC Labs) programme announced as part of DSIT's 5G Diversification Strategy, commencing work with three cohorts of companies and opening an upgraded lab facility at Digital Catapult's London headquarters. In Northern Ireland we delivered the first cohort of the technology adoption programme as part of the Smart Nano Manufacturing Corridor project, and specified and procured the 5G testbed installed at the Seagate plant in June 2023. We completed enhancement of our virtual production capability, opening 5G enabled Virtual Production Test Stages in London and Gateshead to provide access to facilities and technology, enabling hands-on training and skills development, CR&D in the sector and growth of commercial work. In the South West of England we continued work as part of the My World consortium, completing a successful call to commission eight collaborative R&D projects in the region, supporting those projects throughout their lifecycle. The Digital Supply Chain Hub programme grew substantially in 22/23, adding further flagship projects, 4 new testbeds, working with over 180 organisations across 14 sectors across the whole of the UK and with commitment secured of £9m of co-investment in the work.

During the year, Digital Catapult continued to build and develop its innovation and acceleration programmes through our FutureScope activity. In FY 22/23 we worked with over 400 companies and noted that across the five year programme the high growth digital first companies that worked with Digital Catapult went on to raise over half a billion pounds in investment.

For FY 22/23 Digital Catapult had ambitious plans to grow its offer across the UK and to develop deeper and new partnerships regionally. Success with this ambition is shown in the highlights listed above and in the further projects secured in the year, for example UKTIN and BridgeAI mentioned earlier. While we have expanded our capability around scaled adoption of these technologies, our continued strength in early stage research is demonstrated by our participation in, for example, the FORNC REASON consortium with over 18 partners across universities and Research and Technology Organisations. The Company's staffing grew to 251 full time equivalents across the UK by the end of FY 22/23. We now commence a new five year plan in FY 23/24 with the ambition to continue that growth in size, income and impact year on year, targeting major specific opportunities in digital twins and connected advanced media production facilities in the first year.

Funding

Digital Catapult receives its core funding from Innovate UK in accordance with five year Grant Funding Agreements. In addition, the Company generates income from CR&D projects, which it wins competitively and Commercial business activities for which it charges market rates.

Commercial Income

This is the tenth year of trading for our subsidiary, Digital Catapult Services Limited and we are pleased to report £2,474,604 of income.

Equality Inclusion and Diversity

As part of our commitment to responsible working, we see Equity, Inclusion and Diversity as critical components of the way we work. We are members of Inclusive Employers, the Women Engineering Society and SheCanCode. We are also committed to being a Real Living Wage Employer. We believe that increasing the diversity of our staff and increasing the representation of people from all backgrounds positively enriches us as a team, enabling us to bring fresh thinking and innovative ideas to our work.

We believe that our unique position in the innovation landscape means that we can influence our partners to improve their own diversity and inclusion. Through the course of the year, the Company has organised a series of initiatives aimed at its own workforce to improve the diversity and inclusiveness of the staff and we have also launched projects that underpin EDI, such as our Black Founders Accelerator programme in FY 23/4.

The Company continues to use data and reporting, for example the gender pay gap report and data collected via employee surveys, in order to continually improve our position from an EDI perspective and we recognise that this requires ongoing determination and commitment.

DIGITAL CATAPULT

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Principle risks and uncertainties

The risk register is reviewed in combination with the parent company register, which in turn is reviewed by the Audit and Risk Committee and the Board of Directors. Each risk is assessed and a mitigation plan agreed where practicable.

The most significant risks for the Company and its subsidiary (the "Group") are:

Public debt, inflation, geo-political and market uncertainty – there are UK specific and global issues affecting UK public finances and creating market uncertainties. Higher inflation and energy costs together with potential risks to the supply chain are all headwinds impacting Digital Catapult's programmes and its ecosystem of partners. This uncertainty also impacts the private sector and the willingness to invest in innovation.

Staff hiring, retention and well-being - The Company's continued success is contingent on being able to hire and retain motivated, engaged employees who have a healthy work-life balance. However, the Company operates in a highly competitive market thereby putting significant pressure on its ability to hire and retain staff.

Project and major programme delivery - the nature of our work is becoming increasingly complex and greater in size leading to an increased risk associated with the successful delivery of the projects and programmes.

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

J M Silver

Director

Date: 25 October 2023

DIGITAL CATAPULT

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIGITAL CATAPULT

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Principal activities and review of business

Digital Catapult is the UK authority on advanced digital technology. Through collaboration and innovation, we accelerate industry adoption of advanced digital technologies, to drive growth and opportunity across the economy. With staff of over 250 technology, innovation, industry and policy experts, Digital Catapult works with the supply and demand sides for advanced digital technologies, from start-ups and scaleups, to established businesses, investors, Government and public sector, research and academia. Digital Catapult helps to discover and design new ways of solving industry challenges, increasing competitiveness and opening up new markets.

Initially Digital Catapult successfully focused on individual technology areas, building proof of concepts and demonstrating the art of the possible. The Company now sees an opportunity to drive greater digital adoption by shifting its focus to real world deployment at scale. Digital Catapult has therefore undertaken a process of transition from standalone technology programmes to broader technology application areas where advanced digital technologies converge:

- **Open and Interoperable Digital Infrastructure** - Digital Catapult will support the development and early adoption of open and interoperable advanced digital infrastructure. We will be a catalyst for the development of network software applications. We will help deliver the Government telecoms diversification strategy.
- **Digital and Resilient Supply Chains** - Digital Catapult will work with industrial partners to develop new open and transparent supply chains and associated enabling tools and applications. These will focus on resilience and sustainability.
- **Virtual Environments and Cyber Physical Systems** - we will enable the development of cross-sector national capability in virtual environments and cyber physical systems, to include advanced systems and technologies to virtualise services for design, manufacturing, production, distribution and discovery.

Significant developments in these fields in the next decade represent opportunities for UK companies. Digital Catapult's programmes are designed to enhance those opportunities and therefore to increase the global competitiveness of the UK economy.

Digital Catapult builds and operates physical and virtual facilities that would not exist without its investment. It also designs and delivers specialised regional, national and international innovation programmes that tackle capability and market failures, driving UK leadership and economic growth; and builds combined technology proof of concepts and pilots through collaborative and commercial research & development, unlocking the economic potential of innovation, helping to prove the business case and accelerate the adoption of emerging technology start-ups and scaleups solutions into industry.

We accelerate practical approaches to adoption - with ethical and security considerations - so that the UK can benefit from these technologies at a national scale.

The review of the business is presented in the Group Strategic Report.

Sources of Income

During the year ended March 2023, Digital Catapult was funded at its core by a UK Government grant. In addition, the Company generated income from Collaborative Research and Development projects and Commercial business activities, which it won competitively.

DIGITAL CATAPULT

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Financial results

Turnover of £32,450,418 (2022: £25,426,849) was made up of grants totaling £29,975,814 (2022: £21,187,335) received from Innovate UK and Collaborative R&D projects and also £2,474,604 (2022: £4,239,514) of Commercial income from the Trading subsidiary, Digital Catapult Services Limited. Operational costs of the organisation were £32,482,976 (2022: £25,032,421) and Other operating income of £nil (2022: £208,528) resulting in an operating (loss) of £(32,558) (2022: profit £602,956).

The surplus for the year, after taxation, amounted to £18,571 (2022 - £498,087).

The directors have disclosed some required information within the Group Strategic Report.

Directors

The directors who served during the year were:

D R Bletso (appointed 8 February 2023)
J M Cecil (appointed 2 November 2022)
B K Howell (appointed 2 November 2022)
Y R Rogers (appointed 2 November 2022)
R H Ironside
J Maier
J S Ridley-Smith
N D Sanders (resigned 2 February 2023)
J M Butler
J M Silver
S K Thomas
K R Underwood
P Guha
W J A Priest

Future developments

The rate of change in global technological development continues to offer exponential opportunities and competitive challenges. FY 23/24 is likely to be a challenging one for the UK economy, with continued high inflation and increased interest rates and corresponding impacts on the cost of living and the cost of doing business. Climate change and sustainability challenges will also be significant drivers in both commercial and policy decision making. The role of Digital Catapult is to help ensure that, during such a challenging context, companies will continue to find value in investment in innovation.

In this kind of challenging environment, it is clear that companies which choose to put a focus on sustainability alongside digitalisation, can increase both competitiveness and resilience. This is an area where the Company sees increasing demand for support in developing solutions to this twin challenge. Commercial customers who recognise this are businesses which see social responsibility and the role of sustainability as critical in driving future profit growth. Digital Catapult is currently supporting startups and scale ups working in climate tech and on specific sustainability research and development and commercial innovation programmes. Significant growth is expected in this area over the next five years. The Company will use its expertise from its deep tech acceleration programme, FutureScope, and its knowledge of industry requirements in this area to support client companies in the coming period.

DIGITAL CATAPULT

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Digital Catapult is enabling industrial sustainability in three ways:

- Moving to a circular economy - developing new business models based on data that prevent waste, drive a cradle to cradle approach and build a circular economy infrastructure.
- Enabling an energy transition - supporting the digitalisation of existing energy networks and the development of clean fuels, such as wind, solar and green hydrogen.
- Decarbonising supply chains - developing efficient carbon accounting practices to better understand scope 3 emissions, and incentivise supply chain partners to make sustainable choices and investments.

Digital Catapult will be at the heart of the most critical digital technology developments for business and for national innovation and research and development strategies for the UK over the course of the next 3-5 years. In both the short and longer term, Digital Catapult will ensure that opportunities are grown for UK innovation - leveraging our strengths and the capabilities of advanced digital technology supply and demand to position UK companies for the future.

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events

After the year end, the Group elected to convert loan notes held with Hammerhead Interactive Limited to equity and to immediately dispose of these shares. The balance of the loan notes at 31 March 2023 was £155,000 (2022: £155,000).

The loan notes were converted into 781 £0.20 ordinary shares for a total consideration of £325,221. Subsequently, the equity was sold for £325,221.

A new Five Year Grant Funding Agreement was signed with Innovate UK, providing for funding of Digital Catapult for the period from April 2023 to March 2028.

Auditor

The auditor, James Cowper Kreston Audit, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

J M Silver

Director

Date: 25 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT

Opinion

We have audited the financial statements of Digital Catapult (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, 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 Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

Opinion 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT (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 Group financial statements

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement that we designed and performed to detect material misstatements in respect of irregularities, including fraud, were as follows:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management and those charged with governance to identify any material instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work to address the risk of irregularities due to management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for evidence of bias.

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

DIGITAL CATAPULT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL CATAPULT (CONTINUED)

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.

Sue Staunton MA FCA CF (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston Audit

Chartered Accountants and Statutory Auditor

2 Chawley Park

Cumnor Hill

Oxford

Oxfordshire

OX2 9GG

30 October 2023

DIGITAL CATAPULT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Turnover	4	32,450,418	25,426,849
Gross profit		32,450,418	25,426,849
Administrative expenses		(32,482,976)	(25,032,421)
Other operating income	5	-	208,528
Operating (loss)/profit	6	(32,558)	602,956
Interest receivable and similar income	10	64,359	32,745
Profit before taxation		31,801	635,701
Tax on profit	11	(13,230)	(137,614)
Profit for the financial year		18,571	498,087
Profit for the year attributable to:			
Owners of the parent Company		18,571	498,087
		18,571	498,087

There was no other comprehensive income for 2023 (2022:£nil).

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT
REGISTERED NUMBER: 07964699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	12	-	11,044
Tangible assets	13	6,967,894	2,815,461
Investments	14	31,273	150,000
		<hr/> 6,999,167	<hr/> 2,976,505
Current assets			
Debtors: amounts falling due after more than one year	15	-	1,908,000
Debtors: amounts falling due within one year	15	10,531,571	8,659,604
Cash at bank and in hand	16	1,604,289	3,175,217
		<hr/> 12,135,860	<hr/> 13,742,821
Creditors: amounts falling due within one year	17	(12,141,049)	(9,391,640)
		<hr/> (5,189)	<hr/> 4,351,181
Net current (liabilities)/assets			
		<hr/> 6,993,978	<hr/> 7,327,686
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(5,278,205)	(6,201,375)
Provisions for liabilities			
Other provisions	21	(570,891)	-
		<hr/> (570,891)	<hr/> -
Net assets		<hr/> 1,144,882	<hr/> 1,126,311
Capital and reserves			
Profit and loss account	22	1,144,882	1,126,311
		<hr/> 1,144,882	<hr/> 1,126,311

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 October 2023.

J M Silver
Director

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT
REGISTERED NUMBER: 07964699

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	12	-	11,044
Tangible assets	13	6,967,894	2,815,461
Investments	14	79	1
		<hr/> 6,967,973	<hr/> 2,826,506
Current assets			
Debtors: amounts falling due after more than one year	15	-	1,908,000
Debtors: amounts falling due within one year	15	9,676,171	15,759,549
Cash at bank and in hand	16	885,416	1,468,913
		<hr/> 10,561,587	<hr/> 19,136,462
Creditors: amounts falling due within one year	17	(11,301,588)	(15,371,408)
		<hr/> (740,001)	<hr/> 3,765,054
Net current (liabilities)/assets			
		<hr/> 6,227,972	<hr/> 6,591,560
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(5,278,205)	(6,201,375)
Provisions for liabilities			
Other provisions	21	(570,891)	-
		<hr/> (570,891)	<hr/> -
Net assets		<hr/> 378,876	<hr/> 390,185
Capital and reserves			
Profit and loss account	22	378,876	390,185
		<hr/> 378,876	<hr/> 390,185

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 October 2023.

J M Silver
Director

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Profit and loss account £	Total equity £
At 1 April 2022	1,126,311	1,126,311
Comprehensive income for the year		
Profit for the year	18,571	18,571
	<hr/>	<hr/>
At 31 March 2023	1,144,882	1,144,882
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Profit and loss account £	Total equity £
At 1 April 2021	628,224	628,224
Comprehensive income for the year		
Profit for the year	498,087	498,087
	<hr/>	<hr/>
At 31 March 2022	1,126,311	1,126,311
	<hr/>	<hr/>

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Profit and loss account £	Total equity £
At 1 April 2022	390,185	390,185
Comprehensive income for the year		
Loss for the year	(11,309)	(11,309)
Total comprehensive income for the year	<u>(11,309)</u>	<u>(11,309)</u>
Total transactions with owners	<u>-</u>	<u>-</u>
At 31 March 2023	<u><u>378,876</u></u>	<u><u>378,876</u></u>

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Profit and loss account £	Total equity £
At 1 April 2021	228,552	228,552
Comprehensive income for the year		
Profit for the year	161,633	161,633
Total comprehensive income for the year	<u>161,633</u>	<u>161,633</u>
Total transactions with owners	<u>-</u>	<u>-</u>
At 31 March 2022	<u><u>390,185</u></u>	<u><u>390,185</u></u>

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	18,571	498,087
Adjustments for:		
Amortisation of intangible assets	11,044	8,075
Depreciation of tangible assets	1,743,675	1,230,362
Impairments of fixed assets	118,805	-
Gain on disposal of tangible assets	-	(19,846)
Interest received	(64,359)	(32,745)
Taxation charge	13,230	137,644
Decrease/(increase) in debtors	130,920	(327,012)
Increase in creditors	1,581,505	493,148
Increase in provisions	570,891	-
Corporation tax received	136,617	28,505
Net cash generated from operating activities	4,260,899	2,016,218
Cash flows from investing activities		
Purchase of tangible fixed assets	(5,896,108)	(569,616)
Purchase of share in associates	(78)	-
Interest received	64,359	32,745
Net cash from investing activities	(5,831,827)	(536,871)
Net (decrease)/increase in cash and cash equivalents	(1,570,928)	1,479,347
Cash and cash equivalents at beginning of year	3,175,217	1,695,870
Cash and cash equivalents at the end of year	1,604,289	3,175,217
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,604,289	3,175,217
	1,604,289	3,175,217

The notes on pages 20 to 37 form part of these financial statements.

DIGITAL CATAPULT

CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 MARCH 2023

	At 1 April 2022 £	Cash flows £	At 31 March 2023 £
Cash at bank and in hand	3,175,217	(1,570,928)	1,604,289
	<u>3,175,217</u>	<u>(1,570,928)</u>	<u>1,604,289</u>

The notes on pages 20 to 37 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

1. General information

Digital Catapult is a company incorporated in England and Wales, and limited by guarantee.

Digital Catapult is the UK's leading advanced digital technology innovation centre. It drives the early adoption of digital technologies to make UK businesses more competitive and productive to grow the country's economy

The Company's registered office is 101 Euston Road, London, NW1 2RA.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are, therefore, eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date upon which control is obtained. They are deconsolidated from the date control ceases.

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Statement of Financial Position, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.3 Associates and joint ventures (continued)

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Going concern

Management confirm the Company's ability to continue as a going concern. It has assessed the business on financial, operational and other factors as part of this assessment. FY22/23 was the final year of the Company's current five year grant funding period. A new Five Year Grant Funding Agreement has been signed with Innovate UK, providing funding for Digital Catapult for the period from April 2023 to March 2028. There are no other factors known which could impact on a going concern assessment.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software - 3 years on a straight line basis.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Fixtures & fittings	- 3 years straight line.
Office equipment	- 3 years straight line.
Other fixed assets	- Over 10 years or the lease term, if shorter

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 profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

2.10 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 Consolidated 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 Group's cash management.

2.11 Financial instruments

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.14 Foreign currency translation

Functional and presentation currency

The Company and Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.15 Operating leases: the Group as 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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 reporting date.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

The recognition of income arising from government grants has been carefully considered to ensure compliance with the requirements of the accruals based approach permitted under FRS 102.

DIGITAL CATAPULT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Core grant	15,789,057	12,064,614
Collaborative R&D	14,186,757	9,122,721
Digital Catapult Services fees receivable	2,474,604	4,239,514
	<u>32,450,418</u>	<u>25,426,849</u>

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	32,285,139	25,169,236
Rest of Europe	165,279	257,613
	<u>32,450,418</u>	<u>25,426,849</u>

5. Other operating income

	2023 £	2022 £
Other operating income	<u>-</u>	<u>208,528</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2023 £	2022 £
Research & development charged as an expense	5,896,319	6,327,740
Exchange differences	18,912	24,114
Other operating lease rentals	<u>978,249</u>	<u>999,393</u>

DIGITAL CATAPULT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

7. Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor:

	2023 £	2022 £
Fees payable to the Company's auditor for the audit of the consolidated and parent Company's financial statements	17,000	16,700
Fees payable to the Company's auditor in respect of:		
The auditing of accounts of associates of the Company	6,000	5,500
Audit-related assurance services	23,600	15,000
Taxation compliance services	3,180	2,940
All taxation advisory services not included above	22,900	21,000
All non-audit services not included above	<u>3,350</u>	<u>3,050</u>

8. Employees

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

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Wages and salaries	15,348,948	12,308,794	15,348,948	12,308,794
Social security costs	1,645,928	1,314,219	1,645,928	1,314,219
Cost of defined contribution pension scheme	1,131,817	948,907	1,131,817	948,907
	<u>18,126,693</u>	<u>14,571,920</u>	<u>18,126,693</u>	<u>14,571,920</u>

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

	2023 No.	2022 No.
Management and administration	60	54
Development and Technology	67	67
Commercial, CR&D, Delivery and Communities	84	84
Non-Executives	10	8
	<u>221</u>	<u>213</u>

DIGITAL CATAPULT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	903,884	663,166
Group contributions to defined contribution pension schemes	41,489	21,981
	<u>945,373</u>	<u>685,147</u>

During the year retirement benefits were accruing to 3 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £361,947 (2022 - £339,758).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2022 - £nil).

10. Interest receivable

	2023 £	2022 £
Other interest receivable	<u>64,359</u>	<u>32,745</u>

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	142,159	149,706
Adjustments in respect of previous periods	(34,045)	(12,092)
	<u>108,114</u>	<u>137,614</u>
Total current tax	<u>108,114</u>	<u>137,614</u>
Deferred tax		
Origination and reversal of timing differences	(94,884)	-
	<u>(94,884)</u>	<u>-</u>
Total deferred tax	<u>(94,884)</u>	<u>-</u>
Tax on profit	<u>13,230</u>	<u>137,614</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023	2022
	£	£
Profit on ordinary activities before tax	<u>31,801</u>	<u>635,701</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	6,042	120,783
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	257,345	16,831
Adjustments to tax charge in respect of prior periods	(34,045)	-
Non-taxable income	(238,273)	-
Other differences leading to an increase (decrease) in the tax charge	22,161	-
Total tax charge for the year	<u>13,230</u>	<u>137,614</u>

Factors that may affect future tax charges

The main rate of corporation tax will rise from 19% to 25% from 1 April 2023. On this basis deferred tax is provided at the future rate of 25%.

DIGITAL CATAPULT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

12. Intangible assets

Group and Company

	Software £
Cost	
At 1 April 2022	24,224
At 31 March 2023	24,224
Amortisation	
At 1 April 2022	13,180
Charge for the year on owned assets	11,044
At 31 March 2023	24,224
Net book value	
At 31 March 2023	-
At 31 March 2022	11,044

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

13. Tangible fixed assets**Group and Company**

	Fixtures & fittings	Office equipment	Other fixed assets	Total
	£	£	£	£
Cost or valuation				
At 1 April 2022	347,356	6,723,436	5,466,452	12,537,244
Additions	870,754	5,025,354	-	5,896,108
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	1,218,110	11,748,790	5,466,452	18,433,352
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2022	326,382	5,496,128	3,899,273	9,721,783
Charge for the year on owned assets	95,197	1,106,798	541,680	1,743,675
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	421,579	6,602,926	4,440,953	11,465,458
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2023	<u>796,531</u>	<u>5,145,864</u>	<u>1,025,499</u>	<u>6,967,894</u>
At 31 March 2022	<u>20,974</u>	<u>1,227,308</u>	<u>1,567,179</u>	<u>2,815,461</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

14. Fixed asset investments**Group**

	Other fixed asset investments £
Cost or valuation	
At 1 April 2022	150,000
Additions	78
	<hr/>
At 31 March 2023	150,078
	<hr/>
Impairment	
Charge for the period	118,805
	<hr/>
At 31 March 2023	118,805
	<hr/>
Net book value	
At 31 March 2023	31,273
	<hr/>
At 31 March 2022	150,000
	<hr/>

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 April 2022	1	-	1
Additions	-	78	78
	<hr/>	<hr/>	<hr/>
At 31 March 2023	1	78	79
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2023	1	78	79
	<hr/>	<hr/>	<hr/>
At 31 March 2022	1	-	1
	<hr/>	<hr/>	<hr/>

DIGITAL CATAPULT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Digital Catapult Services Limited	101 Euston Road, London, NW1 2RA	Commercial activities designed to drive UK Innovation and SME engagement	Ordinary	100 %

15. Debtors

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Due after more than one year				
Other debtors	-	1,908,000	-	1,908,000
	<u>-</u>	<u>1,908,000</u>	<u>-</u>	<u>1,908,000</u>
	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Due within one year				
Trade debtors	990,171	1,526,629	136,971	330,471
Amounts owed by group undertakings	-	-	563,739	9,232,621
Other debtors	2,973,781	823,839	2,818,780	668,839
Prepayments and accrued income	6,448,738	6,285,139	6,037,800	5,503,621
Deferred taxation	118,881	23,997	118,881	23,997
	<u>10,531,571</u>	<u>8,659,604</u>	<u>9,676,171</u>	<u>15,759,549</u>

Other debtors include £Nil (2022: £1,908,000) that is receivable after one year. The amount relates to a lease deposit due back at the end of the lease period.

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

16. Cash and cash equivalents

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Cash at bank and in hand	<u>1,604,289</u>	<u>3,175,217</u>	<u>885,416</u>	<u>1,468,913</u>

17. Creditors: Amounts falling due within one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade creditors	798,050	278,290	798,050	278,290
Amounts owed to group undertakings	-	-	-	6,619,445
Corporation tax	308,344	63,613	205,390	-
Other taxation and social security	496,144	413,804	496,144	413,804
Other creditors	289,945	355,092	289,945	355,092
Accruals and deferred income	10,248,566	8,280,841	9,512,059	7,704,777
	<u>12,141,049</u>	<u>9,391,640</u>	<u>11,301,588</u>	<u>15,371,408</u>

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

18. Creditors: Amounts falling due after more than one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Accruals and deferred income	<u>5,278,205</u>	<u>6,201,375</u>	<u>5,278,205</u>	<u>6,201,375</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

19. Financial instruments

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Financial assets				
Financial assets measured at fair value through profit or loss	1,604,289	3,175,217	885,416	1,468,913
Financial assets that are debt instruments measured at amortised cost	9,464,546	9,924,626	8,609,147	14,411,395
	<u>11,068,835</u>	<u>13,099,843</u>	<u>9,494,563</u>	<u>15,880,308</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(2,918,912)</u>	<u>(3,023,213)</u>	<u>(2,918,912)</u>	<u>(9,642,658)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise debtors excluding prepayments and deferred tax.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and finance lease obligations due in less than one year.

20. Deferred taxation**Group**

	2023 £	2022 £
At beginning of year	23,997	23,997
Charged to profit or loss	94,884	-
At end of year	<u>118,881</u>	<u>23,997</u>

The deferred tax asset is made up as follows:

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Pension surplus	23,997	23,997	23,997	23,997
Short term timing differences	<u>94,884</u>	<u>-</u>	<u>94,884</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

21. Provisions**Group and Company**

	Dilapidation provision £
At 1 April 2022	-
Charged to profit or loss	570,891
	<hr/>
At 31 March 2023	570,891
	<hr/> <hr/>

All of the Group's provisions are held in the Parent Company.

The dilapidation provision relates to an estimate of costs for restoration, repair and redecoration of the Company's leased premises at the termination of the lease in accordance with the terms of the lease agreement.

22. Reserves**Profit & loss account**

The profit & loss account is the Company's accumulated profits or losses at the year end date.

23. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £1,131,817 (2022: £948,907).

24. Commitments under operating leases

At 31 March 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Not later than 1 year	997,151	1,076,312	997,151	1,076,312
Later than 1 year and not later than 5 years	19,787	897,135	19,787	897,135
	<hr/>	<hr/>	<hr/>	<hr/>
	1,016,938	1,973,447	1,016,938	1,973,447
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

25. Related party transactions

During the year ended 31 March 2023 the Company reimbursed directors' travel and subsistence expenses for a total of £1,312 (2022: £2,677). A total of £nil (2022: £nil) was outstanding at the year end.

Entities over which the Company has control

The Company controls Digital Catapult Services Limited by way of its 100% shareholding. During the year ended 31 March 2023 the Company recharged costs of £2,332,474 (2022: £3,838,271). At 31 March 2022, Digital Catapult Services Limited owed the Company £563,739 (2022: £2,613,176) and £nil (2022: £nil) was owed to Digital Catapult Services Limited from the Company.

Other related party transactions

During the year ended 31 March 2023, the Company received project income of £33,851 from Nottingham Trent University, a related party of one of the Directors. At the year end £99,593 was owed by the Company.

During the year ended 31 March 2023, the Company received grant income of £22,654,368 from Innovate UK Governing Board, a related party of one of the Directors. At the year end £676,170 was owed by the Company.

During the year ended 31 March 2023, the Company received grant income of £4,632,364 from Department for Science, Innovation and Technology a related party of one of the Directors. At the year end £4,572,840 was owed by the Company.

During the year ended 31 March 2023, the Company paid VAT and other taxes of £557,415 to HMRC, a related party of one of the Directors. At the year end £143,612 was owed by the Company.

26. Post balance sheet events

After the year end, the Group elected to convert loan notes held with Hammerhead Interactive Limited to equity and to immediately dispose of these shares. The balance of the loan notes at 31 March 2023 was £155,000 (2022: £155,000).

The loan notes were converted into 781 £0.20 ordinary shares for a total consideration of £325,221. Subsequently, the equity was sold for £325,221.

A new Five Year Grant Funding Agreement was signed with Innovate UK, providing for funding of Digital Catapult for the period from April 2023 to March 2028.

27. Controlling party

There is no single controlling party.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.