

KELVIN NANOTECHNOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 July 2019



Registered in Scotland
Company Registration Number SC173061

Kelvin Nanotechnology Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2019

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Kelvin Nanotechnology Limited

COMPANY INFORMATION

Directors	John Lumsden CBE Steven Beaumont OBE Brendan Casey Gordon Mills Prof David RS Cumming
Auditors	Ernst & Young LLP 5 George Square Glasgow G2 1DY
Bankers	HSBC Bank Plc Glasgow City Office 2 Buchanan Street Glasgow G1 3LB
Registered Office	70 Oakfield Avenue Glasgow G12 8LS
Company Number	SC173061

Kelvin Nanotechnology Limited

DIRECTORS' REPORT (continued)

The directors present their report and financial statements for Kelvin Nanotechnology Limited (the "Company") for the year ended 31st July 2019.

RESULTS AND DIVIDENDS

The Company made a loss for the financial year of £593,881 (2018: profit £184,177). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of advanced components and nanofabrication services for the datacoms, telecoms, photonics and quantum technology market places.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

For the 2018-19 financial year the Company has reported a loss for the financial year of £593,881 compared to a profit of £184,177 in the prior year.

The outcome reported has been driven by two significant events that occurred during the year; the charge to the profit and loss account arising from the finalisation of the 2017 valuation of the Universities Superannuation Scheme (USS), and a reduction in turnover and gross profit due to a significant loss of production that arose from the availability of the University JWNC facility. The issues with the JWNC have since been addressed.

The Company participates in the USS and has included within its results the outcome of the 2017 valuation which was finalised in January 2019 and has made a charge to its profit and loss account of £373,491.

During the financial year, the company continued to invest in its quantum technology product portfolio.

The directors are satisfied with the anticipated future performance of the Company and have no plans to change its principal activity.

DIRECTORS

The directors during the year and at the date of this report are shown on page 2.

POST BALANCE SHEET EVENTS

Subsequent to the year-end date a new Schedule of Contributions has been agreed with respect to the USS pension scheme, based on the 2018 actuarial valuation. This results in a decrease of £235.6k in the provision for the Obligation to fund the deficit on the USS pension. Further details are set out in Note 13.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each of the Directors at the time the report is approved are aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors, subject to approval by the Company's Directors.

GOING CONCERN

The Company's principal operations together with the factors likely to affect its future development and its financial position are noted above. The Company has financial resources and access to funding. At 31 July 2019 the company reported net liabilities of £298,733, due to the pension liability of £585,013. The company reported net current assets of £259,398 and has sufficient assets to meet its liabilities, including for pensions, as they fall due. Note 13 to the financial statements also outlines the post yearend impact of changes to the USS pension provision which is expected to reduce the future payments due.

Kelvin Nanotechnology Limited

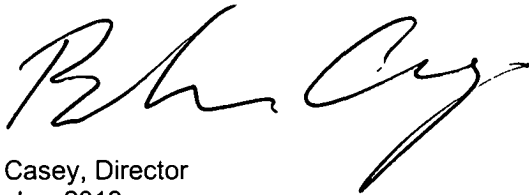
DIRECTORS' REPORT (continued)

After making enquiries and performing a scenario analysis of future revenue, costs, risks and cash flow, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the approval of these financial statements. Consequently, the Company is well placed to manage its business risks successfully. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (S.I. 2015/980) and with the Financial Reporting Standard 102 Section 1A Small Entities.

By order of the Board

A handwritten signature in black ink, appearing to read 'Brendan Casey', written over a light blue horizontal line.

Brendan Casey, Director
11 December 2019

Registration Number SC173061

Kelvin Nanotechnology Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors follow the Corporate Governance Procedures of the University of Glasgow as detailed in the financial statements of the University. The financial statements of Kelvin Nanotechnology Limited are also presented to the University Court of the University of Glasgow.

Kelvin Nanotechnology Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELVIN NANOTECHNOLOGY LIMITED for the year ended 31 July 2019

Opinion

We have audited the financial statements of Kelvin Nanotechnology Limited (the 'company') for the year ended 31 July 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 13, 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 FRS 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 company's affairs as at 31 July 2019 and of its loss 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 below. 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 the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

Kelvin Nanotechnology Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELVIN NANOTECHNOLOGY LIMITED for the year ended 31 July 2019

information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Kelvin Nanotechnology Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELVIN NANOTECHNOLOGY LIMITED for the year ended 31 July 2019

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.



*Stephen Reid (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
Date: 12 December 2019*

Kelvin Nanotechnology Limited

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 July 2019

	Note	2019 £	2018 £
TURNOVER	2	1,482,131	1,694,996
Cost of sales		<u>(349,197)</u>	<u>(392,157)</u>
GROSS PROFIT		1,132,934	1,302,839
Administrative expenses		(1,773,629)	(1,112,520)
Interest payable		(4,675)	(4,276)
Interest receivable		<u>496</u>	<u>-</u>
(LOSS)/PROFIT BEFORE TAXATION	3	(644,874)	186,043
Taxation on (loss)/profit	4	50,993	(1,866)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(593,881)</u></u>	<u><u>184,177</u></u>

All amounts relate to continuing activities.

The company has no recognised gains and losses other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 12 to 18 form part of these financial statements.

Kelvin Nanotechnology Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 July 2019

	Share capital £	Pension reserve £	Profit & loss reserve £	Total £
Balance at 1 August 2017	250,002	(223,875)	92,617	118,744
Profit from the income statement	-	12,353	171,824	184,177
Gift aid distribution	-	-	-	-
Balance at 1 August 2018	250,002	(211,522)	264,441	302,921
Loss from the income statement	-	(373,491)	(220,390)	(593,881)
Gift aid distribution	-	-	(7,773)	(7,773)
Balance at 31 July 2019	250,002	(585,013)	36,278	(298,733)

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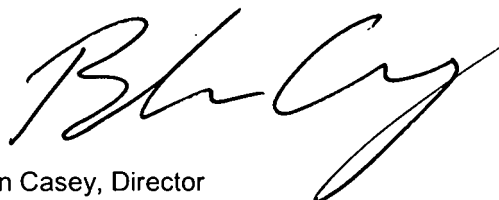
BALANCE SHEET

at 31 July 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	6	26,882	26,894
CURRENT ASSETS			
Stocks	7	69,286	43,914
Debtors	8	329,591	640,130
Cash at bank and in hand		294,655	180,939
		<u>693,532</u>	<u>864,983</u>
CREDITORS: amounts falling due within one year	9	<u>(434,134)</u>	<u>(377,434)</u>
NET CURRENT ASSETS		259,398	487,549
NET ASSETS EXCLUDING PENSION LIABILITY		<u>286,280</u>	<u>514,443</u>
Pension liability	10	(585,013)	(211,522)
NET (LIABILITIES) / ASSETS		<u>(298,733)</u>	<u>302,921</u>
CAPITAL AND RESERVES			
Share capital	11	250,002	250,002
Pension reserve		(585,013)	(211,522)
Profit and loss reserve		36,278	264,441
EQUITY SHAREHOLDER'S FUNDS		<u>(298,733)</u>	<u>302,921</u>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (S.I. 2015/980) and with the Financial Reporting Standard 102 Section 1A Small Entities.

Approved by the Board of Directors on 11 December 2019



Brendan Casey, Director

Company Registration Number SC173061

Kelvin Nanotechnology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2019

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently through the current year.

(a) Statement of compliance

Kelvin Nanotechnology Limited is a limited liability company incorporated in Scotland. The registered office is 70 Oakfield Avenue, Glasgow, G12 8LS. The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) as it applies to the financial statements of the company for the year ended 31 July 2019.

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (S.I. 2015/980) and with the Financial Reporting Standard 102 Section 1A Small Entities. These financial statements have been prepared on a going concern basis, more information is provided in the directors' report on page 3.

(c) Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is charged to allocate the cost of assets, less their residual value, over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows:

- Computer & office equipment – 4 years
- Plant & machinery – 4 years

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

(e) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(f) Income recognition

Income from the sale of goods or rendering of services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash at bank and on hand.

(h) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

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NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 July 2019

2. TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

3. (LOSS) / PROFIT BEFORE TAXATION

This is stated after charging:

	2019	2018
	£	£
Depreciation	14,217	10,443
Loss on disposal	173	-
Auditor's remuneration - audit services	2,062	1,550

4. TAXATION ON (LOSS)/PROFIT

a) Factors affecting current tax charge

The tax assessed on the (loss)/profit before taxation for the year is higher from that of the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£	£
(Loss)/profit before taxation	(644,874)	186,043
(Loss)/profit before taxation multiplied by standard rate of corporation tax of 19% (2018: 19%)	(122,526)	35,348
Effects of:		
- Disallowed expenditure	72,118	(1,360)
- Depreciation	2,701	1,984
- Tax allowances	(2,949)	(1,313)
- Loss on disposal	33	-
- Trading losses utilised	-	(33,183)
- Trading losses carried forward	50,623	-
Current tax	-	1,476
Tax credit	-	(1,476)
Total current tax position	-	-
	£	£
Deferred tax:		
- Origination and reversal of timing differences	(50,993)	1,866
	(50,993)	1,866
Overall tax position	(50,993)	1,866

b) Factors that may affect future tax charges

There are no factors which are likely to affect the future tax charges.

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NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 July 2019

5. STAFF COSTS

	2019	2018
	£	£
Wages and salaries	911,019	778,484
Social security costs	111,095	82,276
Movement on USS provision	368,816	(16,629)
Other pension costs	157,227	117,636
	<u>1,548,157</u>	<u>961,767</u>

The average number of employees during the year was 20 (2018: 16).

Included within staff costs is directors' remuneration in respect of two of the directors for their qualifying services to the Company during the year of £253,976 (2018: £226,671), the other directors do not receive any remuneration.

6. TANGIBLE FIXED ASSETS

	Computer & office equipment £	Plant & machinery £	Total £
<i>Cost:</i>			
At 1 August 2018	67,002	14,400	81,402
Additions	11,797	2,581	14,378
Disposals	(19,686)	-	(19,686)
At 31 July 2019	<u>59,113</u>	<u>16,981</u>	<u>76,094</u>
<i>Depreciation:</i>			
At 1 August 2018	50,608	3,900	54,508
Charge for year	10,060	4,157	14,217
Disposals	(19,513)	-	(19,513)
At 31 July 2019	<u>41,155</u>	<u>8,057</u>	<u>49,212</u>
<i>Net Book Value:</i>			
At 31 July 2019	<u>17,958</u>	<u>8,924</u>	<u>26,882</u>
At 31 July 2018	<u>16,394</u>	<u>10,500</u>	<u>26,894</u>

7. STOCKS

	2019	2018
	£	£
Raw materials	<u>69,286</u>	<u>43,914</u>

Kelvin Nanotechnology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 July 2019

8. DEBTORS

	2019	2018
	£	£
Due from ultimate parent undertaking	83,083	268,912
Trade debtors	126,126	176,942
Other debtors	49,127	-
Prepayments and accrued income	71,255	194,276
	<u>329,591</u>	<u>640,130</u>

9. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Due to ultimate parent undertaking	364,405	253,416
Trade creditors	15,110	42,654
Other taxes and social security costs	9,316	9,197
Accruals	45,303	72,167
	<u>434,134</u>	<u>377,434</u>

10. PENSION LIABILITY

The Company participates in the Universities Superannuation Scheme (USS) and has recognised a provision for the present value of the deficit reduction plan for the scheme.

	2019	2018
	£	£
At beginning of the year	211,522	223,875
Utilised in the year	(11,874)	(13,724)
Revaluation/additions in the period	380,690	(2,905)
Unwinding of the discount rate	4,675	4,276
USS deficit reduction plan provision at 31 July	<u>585,013</u>	<u>211,522</u>

Members of the USS scheme give-up a portion of their contractual gross pay equal to their employees' pension contribution as a part of a HMRC approved salary sacrifice scheme, members may opt out of this scheme if they so wish. No charges to staff pensionable salaries or total pension scheme contributions arise from this arrangement. The figures within note 5 to the financial statements reflect both the reduced gross pay earned by staff and the increased employer contributions under this arrangement.

The total pension costs shown above and in note 5 reflect the increased employer contributions under this arrangement.

Kelvin Nanotechnology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2019

PENSION LIABILITY (continued)

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout preceding periods was a defined benefit only pension scheme. With effect from 1st October 2016, the scheme changed from defined benefit only to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits.

The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the Schemes' assets are not hypothecated to individual organisations and a scheme-wide contribution rate is set. The Company is therefore exposed to actuarial risks associated with other organisations' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as is required by Section 28 of FRS 102, "Employee Benefits", accounts for the scheme as a defined contribution scheme.

As a result, the amount charged to the Statement of Comprehensive Income in respect of the above, represents the contributions payable to the Scheme in the year.

On conversion to FRS 102, the Company has recognised a provision for the present value of the deficit reduction plan for the USS scheme. The discount rate used by the Company to calculate the provision was 1.62% in 2019 (2018: 2.21%). The Company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the Company's employees, this percentage is 18% to 31 March 2019, 19.5% from 1 April 2019 (2018: 18%).

The total USS pension cost for the Company was £157k (2018: £118k). This includes £14k (2018: £11k) of outstanding contributions at the balance sheet date.

The latest available full actuarial valuation of the Scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unity method. Since the Company cannot identify its share of Scheme's assets and liabilities, the following disclosures reflect those relevant for the Scheme as a whole.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme was at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method.

The 2017 valuation was the fourth valuation for the Scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £60.0 billion and the value of the Scheme's technical provisions was £67.5 billion, indicating a shortfall of £7.5 billion and a funding ratio of 89%.

Defined benefit liability numbers for the Scheme have been produced using the following assumptions:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.11%	2.02%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation.

Kelvin Nanotechnology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2019

PENSION LIABILITY (continued)

The mortality assumptions used in these figures are as follows:

	2019	2018
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Mortality base table	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8
Existing benefits		
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the Company has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £211.5k to £585.0k, of this £373.5k is attributable to the change in the deficit contributions contractual commitment.

Kelvin Nanotechnology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 July 2019

PENSION LIABILITY (continued)

Since the year end, following the completion of the 2018 actuarial valuation, which indicated a shortfall of £3.6 billion and a funding ratio of 95%, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £349.4k, a decrease of £235.6k from the current year-end provision and a reduced charge to the Statement of Comprehensive Income of £137.9k.

11. SHARE CAPITAL

	2019	2018
	£	£
Allotted, called-up and fully paid:		
Equity interests: 250,002 ordinary shares of £1 each	<u>250,002</u>	<u>250,002</u>

12. ULTIMATE PARENT UNDERTAKING

The directors consider that the University Court of the University of Glasgow, a body corporate created under the Universities (Scotland) Act 1889, is the Company's ultimate parent undertaking.

The Company has taken advantage of the exemption in FRS 102 Section 1AC.35, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate parent undertaking. The Company has not transacted with any other related parties in the year.

Copies of the consolidated financial statements of the University of Glasgow can be obtained at the Finance Office, University of Glasgow, G12 8QQ.

13. EVENTS AFTER THE REPORTING PERIOD

As set out in Note 10 in respect of the Universities Superannuation Scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £235.6k in the provision for the Obligation to fund the deficit on the USS pension which would reduce the balance to £349.4k. This adjustment will be reflected in the Company's Financial Statements for the year ended 31 July 2020.