CATAPULT
High Value Manufacturing

High Value Manufacturing Catapult
(Limited by Guarantee)

Directors' report and financial statements

Registered number 07708659

31 March 2013

Contents

Directors' report

The directors present their directors report and financial statements for the 6 month period ended 31 March 2013

Principal activities

The Company works with various national technology innovation centres across the UK bringing together expertise in different and complementary areas of high value manufacturing and drawing on excellent university research to accelerate the commercialisation of new and emerging manufacturing technologies in the UK

It operates its activities through 7 National Centres consisting of Advanced Forming Research Centre, based at University of Strathclyde, Advanced Manufacturing Research Centre, based at University of Sheffield, Centre for Process Innovation, based in Redcar and Sedgefield, The Manufacturing Technology Centre, based in Coventry, National Composites Centre, based at the University of Bristol, Nuclear Advanced Manufacturing Research Centre, based at University of Sheffield, and Warwick Manufacturing Group, based at the University of Warwick

Business review

Since the company was launched in October 2011, the Company has delivered against £86m in grant funding Following the UK Treasury approval of its long term business plan, thus securing its core funding to 2017, the Company has been awarded £79m for major projects The National Biologics Industry Innovation Centre, the expansion of the National Composites Centre and the UK Energy Storage R&D Centre The company therefore has secured a grant order book of £192m entering into the 2013-14 year

The Company has developed a strong position with the UK Catapult framework Catapult is the name for a network of new technology and innovation centres, designed to transform great research rapidly into commercial success The Catapults represent a long term investment by UK Government that will open up global opportunities for the UK and generate economic growth for the future The Catapults will help businesses to innovate by developing new solutions and products to meet current and future market needs, but not by developing technology for technology's sake The High Value Manufacturing Catapult was the first of the UK Catapults

In the 6 month period to March 2013 the Company has funded core activities of £29m in its Member Centres that has created over £75m in innovation activity and also £64m orders from collaborative public and private sector opportunities As at the end of March 2013 the Company will have access through its Member Centres to an asset base of around £250m hi-tech equipment and infrastructure operated by over 900 staff (an increase of over 150 in 6 months)

The results for the company for the last, and short, 6 month period - before returning to an annual reporting cycle per end March - show a pre-tax profit of £nil *(2011-12 £nil)* Turnover, including revenue grants, is £41,359,294 *(2011-12 £45,464,766)* The company has net current assets of £2,750,000 *(2011-12 £1,100,000)*

Future outlook

The High Value Manufacturing Catapult has continued to grow rapidly and has secured grants of £192m in the past 6 months All of these are at least matched by private sector company activities leveraged into the Centres All of its Member Centres are operating fully as businesses and delivering on their programmes

The support from UK government for the Catapult programme is strong with a five-year agreed funding plan with the Department of Business Innovation and Skills as well as HM Treasury The UK has an Advanced Manufacturing Strategy which has supported coherent and focused government investment in the Catapult as well as programmes to support the UK manufacturers such as the Advanced Manufacturing Supply Chain Initiative (AMSCI) The High Value Manufacturing Catapult has built a strong national network of support for innovation development and is beginning to build a broader international network With 18 months of operation experience behind it, the Directors are confident that the Company is well-placed to deliver what is expected from the government, academic and industrial stakeholders and thus provide secure growth of the High Value Manufacturing Catapult in the UK

Directors' report *(continued)*

Principal risks and uncertainties

The execution of the Company's strategy and the management and operation of the business are all subject to a number of risks and these are assessed by the Supervisory and Management Boards and Audit Committee The key risks going forward affecting the company relate to the economic uncertainty during its early years, the exploitation and growth of the Member Centres, the ability to increase the level of core funding to maintain the growing asset base and capabilities at leading edge, the availability of skilled resources, and the operation of the complex legal framework in which the Catapult operates

Key performance indicators

The Directors have already introduced a KPI framework including lead and lag indicators to understand the leverages generated by the business and other key aspects affecting the business These are enabling the Company to guide and steer an understanding of the performance development of the business in its complex environment of public and commercial activities Specific KPIs are being developed and reported vis-a-vis SME engagements

Dividends

No portion of the income of the Company shall be paid or transferred to any Members of the Company except where it is payment in good faith for remuneration for services rendered or Catapult grant allocation funding or repayment of out-of-pocket expenses to Directors

Directors and directors' interests

The directors who held office during the period and up to the date of this report were as follows

Dr W Barton	
Mr RM Gilbert	
Prof Sir MJ Gregory	
Dr HG Mughal	
Mr JW Maier	
Mr GD Armstrong	
Mr RP Elsy	(appointed 1 October 2012)
Mr J Greenwell	(appointed 1 October 2012)

None of the directors who held office at the end of the period had any disclosable interest in the shares of the company

Political and charitable contributions

The Company made no political or charitable donations during the period

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company s auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company s auditor is aware of that information

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

RP Elsy
Director

The Oracle Building
Blythe Valley Business Park
Shirley
Solihull
B90 8AD

27 June 2013

Statement of directors' responsibilities in respect of the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of the High Value Manufacturing Catapult (Limited by Guarantee)

We have audited the financial statements of the High Value Manufacturing Catapult for the 6 month period ended 31 March 2013 set out on pages 7 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its result for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of the High Value Manufacturing Catapult (Limited by Guarantee) *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

27 June 2013

Profit and Loss Account

for the 6 month period ended 31 March 2013

	Note	**6 month period ended 31 March 2013**	14 month period ended 30 September 2012
		£	£
Turnover	*1,2*	**41,359,294**	45,464,766
Operating expenses		**(40,535,199)**	(45,035,329)
Adminstation expenses		**(824,777)**	(429,527)
Other operating income	*3*	**682**	90
Operating profit	*4-6*	**-**	-
Interest receivable and similar income		**-**	-
Interest payable and similar charges		**-**	-
Profit/(loss) for the financial year before taxation		**-**	-
Taxation	*7*	**-**	-
Profit/(loss) for the financial year after taxation		**-**	-

The company has no recognised gains or losses other than the profit above and therefore no statement of total recognised gains and losses has been presented

There is no material difference between the company profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents

Balance Sheet
at 31 March 2013

	Note	31 March 2013		30 September 2012	
		£	£	£	£
Fixed assets					
Tangible assets	*8*		**24,662**		1,939
Current assets					
Debtors (including £2,500,000 *(2012 £1,000,000)* due after more than one year)	*9*	**31,527,510**		5,808,564	
Cash at bank and in hand		**106,597**		1,376,740	
		31,634,107		7,185,304	
Creditors amounts falling due within one year	*10*	**(28,884,107)**		(6,085,304)	
Net current assets			**2,750,000**		1,100,000
Total assets less current liabilities			**2,774,662**		1,101,939
Creditors amounts falling due after more than one year	*11*		**(2,750,000)**		(1,100,000)
Deferred income	*13*		**(24,662)**		(1,939)
Net assets			**-**		-
Capital and Reserves					
Profit and loss account	*14*		**-**		-
			-		-

These financial statements were approved by the board of directors on 27 June 2013 and were signed on its behalf by

RM Gilbert
Director

Company registered number 07708659

Cash Flow Statement

for the 6 month period ended 31 March 2013

Reconciliation of operating profit to net cash outflow from operating activities

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Operating profit/(loss)	-	-
Depreciation charges	682	90
Increase in debtors	(25,718,946)	(5,808,564)
Increase in creditors	22,821,526	6,087,242
Net cash (outflow)/inflow from operating activities	**(2,896,738)**	278,768
Returns on investments and servicing of finance		
Interest paid	-	-
Interest received	-	-
Net cash outflow from returns on investment and servicing of finance	-	-
Taxation		
Corporation tax received/(paid)	-	-
	-	
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(23,405)	(2,028)
Net cash outflow from capital expenditure and financial investment	(23,405)	(2,028)
Net cash (outflow)/inflow before financing	(2,920,143)	276,740
Financing		
New advances on grant	1,650,000	1,100,000
Net cash inflow from financing	1,650,000	1,100,000
(Decrease)/increase in cash	(1,270,143)	1,376,740

Cash Flow Statement *(continued)*
for the 6 month period ended 31 March 2013

Reconciliation of net cash outflow to movement in net funds (note 16)

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
(Decrease)/increase in cash in the period	**(1,270,143)**	1,376,740
Increase in advances on grants	**(1,650,000)**	(1,100,000)
Change in net funds	**(2,920,143)**	276,740
Opening net funds	**276,740**	-
Closing net (deficit)/funds	**(2,643,403)**	276,740

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The High Value Manufacturing Catapult has secured core funding to support its activities for the next four years following approval by UK Treasury of the Company's long term business plan This, together with the recent award of £79m for major national projects, enables the Company to operate with a secured grant order book from 2013-14 onwards of £192m The core funding will cover 100% of the company's costs The Directors are confident that the company's financial statements should be prepared on a going concern basis on the grounds that current and future potential sources of funding or support will be adequate for the company's needs

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax, and revenue grants received where the revenue grants received are part of the ordinary trading activity of the company and where the company is acting as principal on behalf of member organisation's of the Catapult Revenue grants of £41,359,294 have been included within turnover in the period

Services are typically provided on a contract basis Where contracts are performed over time, if there is sufficient certainty over the profitability of the contract then revenue is recognised as the contract activity progresses to reflect the partial performance of the contractual obligations The amount of revenue included within turnover reflects the accrual of the right to consideration as contract activity progresses by reference to the value of the work performed Contract are assessed on an individual basis and the amount by which recorded turnover is in excess of payments on account is classed as "amounts recoverable on contracts" and separately disclosed within debtors The balance of payments on account, in excess of amounts matched within turnover is included as a current liability within accruals and deferred income Contract losses are provided for in full and immediately

Research and development

Expenditure on research and development is written off in the year in which it is incurred with the exception that expenditure on development is capitalised where there is a clearly defined project for which the expenditure is separately identifiable, where the outcome of the project is believed to be technically feasible and commercially viable and where the aggregate development costs are reasonably expected to be exceeded by future revenues Such development expenditure is capitalised at cost Development costs are amortised on a straight line basis over the expected use of the asset commencing with the commercial application of the product

Taxation

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

Notes *(continued)*

1 Accounting policies *(continued)*

Grants

Grants of a capital nature are credited to Deferred income and released to the profit and loss account over the useful life of the assets concerned Grants which are revenue in nature are credited to amounts owed to related parties and are released to the profit and loss account over the period in which the related expenditure is incurred

2 Turnover

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Core Funding from TSB	**28,593,021**	34,547,747
Transition Funding	**-**	486,664
TSB Cap Ex Development Funding	**4,974,082**	10,000,918
Administration Funding	**824,095**	429,437
Non core TSB funding	**6,968,096**	-
	41,359,294	45,464,766

3 Other operating income

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Capital grant released	**682**	90

4 Operating profit

The operating loss is stated after charging/(crediting)

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Depreciation on owned fixed assets	**682**	90
Auditor's remuneration		
Audit of these financial statements	**5,200**	4,450
Other services relating to taxation	**2,250**	2,250

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	6 month period ended 31 March 2013 Number of employees	14 month period ended 30 September 2012 Number of employees
Directors	**7**	2
Other staff	**1**	-

The aggregate payroll costs of these persons were as follows

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Wages and salaries	**160,250**	28,750
Social security costs	**17,994**	3,365
Other pension costs (see note 18)	**15,138**	-
	193,382	32,115

6 Remuneration of directors

Included in staff costs (note 5) are the following amounts in respect of four directors' emoluments

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Directors' emoluments	**150,000**	28,750
Company contribution to money purchase pension schemes	**14,625**	-
	164,625	28,750

Retirement benefits were accruing to one *(2012 nil)* directors at 31 March 2013

The remuneration of the highest paid director was £97,500 *(2012 £12,500)* and company pension contributions of £14,625 were made to a money purchase pension scheme on his behalf

Notes *(continued)*

7 Taxation

Analysis of (credit)/charge in period

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Total current tax	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period is the same as the standard rate of corporation tax in the UK, 24% *(2012 25 14%)*

Factors effecting the future tax charge

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce any future current tax charge incurred by the Company

8 Tangible fixed assets

	Assets under construction £	Office equipment £	Total £
Cost			
At beginning of period	-	2,029	2,029
Additions	19,950	3,455	23,405
At end of period	19,950	5,484	25,434
Depreciation			
At beginning of period	-	(90)	(90)
Charge for period	-	(682)	(682)
At end of period	-	(772)	(772)
Net book value			
At 31 March 2013	**19,950**	**4,712**	**24,662**
At 30 September 2012	-	1,939	1,939

Notes *(continued)*

9 Debtors

	31 March 2013 £	30 September 2012 £
Grant debtors	**28,961,424**	4,754,345
Prepayments and accrued income	**66,086**	54,219
Loan debtors to related parties (note 19)	**2,500,000**	1,000,000
	31,527,510	5,808,564

Loan debtors include advances on grants to partners of £2,500,000 *(2012 £1,000,000)* due after more than one year

10 Creditors: amounts falling due within one year

	31 March 2013 £	30 September 2012 £
Amounts owed to related parties (note 19)	**28,667,460**	6,031,085
Accruals	**43,427**	54,219
Trade creditors	**173,220**	-
	28,884,107	6,085,304

11 Creditors: amounts falling due after more than one year

	31 March 2013 £	30 September 2012 £
Creditors for advances on grants (note 12)	**2,750,000**	1,100,000

12 Creditors for advances on grants

	1 March 2013 £	30 September 2012 £
Amounts falling due within one year or on demand	**-**	-
Amounts falling due between one and two years	**-**	-
Amounts falling due in greater than 2 years and less than 5 years	**2,750,000**	1,100,000
	2,750,000	1,100,000

These amounts are unsecured and interest free

Notes *(continued)*

13 Deferred income

	31 March 2013 £	30 September 2012 £
Deferred government grants	**24,662**	1,939
Brought forward	**1,939**	-
Received in period	**23,405**	2,029
Released to profit and loss	**(682)**	(90)
	24,662	1,939

14 Reserves

	Profit and loss account £
At start of period	-
Profit for the period	-
At end of period	-

15 Reconciliation of movements in total shareholders' funds

	6 month period ended 31 March 2013 £	14 month period ended 30 September 2012 £
Profit/(loss) for the financial period	-	-
Retained profit for the period	-	-
Opening shareholders' funds	-	-
Closing shareholders' funds	-	-

Notes *(continued)*

16 Analysis of changes in net funds

	30 September 2012 £	Cash flow £	Non-cash £	**31 March 2013 £**
Cash at bank and in hand	1,376,740	(1,270,143)	-	**106,597**
	1,376,740	(1,270,143)	-	**106,597**
Advances on grants (note 12)	(1,100,000)	(1,650,000)	-	**(2,750,000)**
Total	276,740	(2,920,143)	-	**(2,643,403)**

17 Commitments

(a) The company had no capital commitments outstanding at the period end

(b) Annual commitments under non-cancelleable operating leases are as follows

	6 month period ended 31 March 2013		14 month period ended 30 September 2012	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire				
Within one year	11,262	-	15,768	-
In the second to fifth years inclusive	-	-	-	-
Over five years	-	-	-	-
	11,262	-	15,768	-

18 Pension scheme

The company does not operate any pension scheme but administers contributions to a stakeholder pension scheme for its employees and makes contributions to the personal pension schemes of certain employees The pension cost charge for the period represents contributions payable to the personal pension schemes and amounted to £15,138 *(2012 £nil)* Contributions of £513 *(2012 £nil)* were outstanding at the end of the financial period

Notes *(continued)*

19 Related party disclosures

During the period the following expenditure was incurred in respect of transactions with the member organisations

	Core catapult funding £	Other projects £
Centre for Process Innovation Limited	3,234,951	802,352
Advanced Forming Research Centre (University of Strathclyde)	4,742,620	450,732
Advanced Manufacturing Research Centre (University of Sheffield)	6,080,445	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	4,080,025	-
National Composites Centre (University of Bristol)	3,510,814	7,363,241
The Manufacturing Technology Centre Limited	4,170,242	1,825,900
Warwick Manufacturing Group (University of Warwick)	3,411,133	1,199,953
	29,230,230	11,642,178

At 31 March 2013 the following balances were outstanding with the member organisations

	Grant creditors £	Loan debtors £
Centre for Process Innovation Limited	1,608,292	1,200,000
Advanced Forming Research Centre (University of Strathclyde)	5,538,714	-
Advanced Manufacturing Research Centre (University of Sheffield)	5,213,106	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	2,497,189	-
National Composites Centre (University of Bristol)	8,581,891	-
The Manufacturing Technology Centre Limited	1,904,153	1,300,000
Warwick Manufacturing Group (University of Warwick)	3,324,115	-
	28,667,460	2,500,000

20 Company limited by guarantee

The company is limited by guarantee and its governing document is its Memorandum and Articles of Association The directors hold no shares in the company Each member of the company is a guarantor of the company, to an amount not exceeding £1, in the event of a winding up of the company The Articles of the Company affords, under certain circumstances, the right for the Technology Strategy Board to exercise a step-in to become a Member of the Company