



**High Value Manufacturing Catapult
(Limited by Guarantee)**

**Directors' report and financial
statements**

Registered number 07708659

31 March 2017



Contents

Strategic report	1
Directors' report	4
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	5
Independent auditor's report to the members of the High Value Manufacturing Catapult	6
Profit and Loss Account	8
Balance Sheet	9
Cash Flow Statement	11
Notes	12

Strategic Report

Principal activities

The High Value Manufacturing Catapult works with 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 seven National Centres: Advanced Forming Research Centre (AFRC), based at University of Strathclyde; Advanced Manufacturing Research Centre (AMRC), based at University of Sheffield; Centre for Process Innovation (CPI), based in Redcar, Sedgefield and Darlington; Manufacturing Technology Centre (MTC), based in Coventry; National Composites Centre (NCC), based at University of Bristol; Nuclear Advanced Manufacturing Research Centre (NAMRC), based at University of Sheffield; and WMG, based at University of Warwick.

The Company is limited by guarantee and its membership comprises the seven National Centres. The Company applies for grant funding from Innovate UK on behalf of itself and its members and makes grants to the members with the funding received.

Business model

Establishing and maintaining the network of National Centres with world-leading technical capabilities requires a sustained investment from both the public and private sectors. The Centres also need to create a critical mass of activity surrounding them which will anchor the activities of globally mobile companies in the UK.

The seven Centres that form the HVM Catapult receive funding from the Company for long term investment in infrastructure, expertise and skills development; Collaborative Research and Development projects (CR&D), funded jointly by the public and private sectors and awarded on a competitive basis; and business funded Research and Development (R&D) contracts. The HVM Catapult model requires that as the Centres grow their competitive income, then the core funding will increase to maintain equality and ensure the asset base is at the leading edge.

Business review and results

In the period from April 2016 to March 2017 the Company has delivered against £89m in grant funding. This compares with £83m achieved in the previous year. The £89m comprises of £80m of core funding and £9m of non-recurring grant income for major projects. The Company's core funding from UK Government is secured to March 2018, and there is a further £8m contracted for the upcoming year alone for major projects. Investments made to increase capacity were commissioned and became operational. This included the Battery Facility Scale-up Line at WMG, construction of the National Biologics Manufacturing Centre and Graphene facility at CPI and research for the Government's Digital Built Britain programme.

Other notable achievements during the year included:

- The HVM Catapult used its convening power to set the nation on its journey to achieving the aim of establishing a world leading design and manufacturing capability to enable vehicle electrification. This resulted in £246 million of Government funding for the Faraday challenge which will help to develop industrial scale battery technology to market and create new and valuable supply chains in the UK.
- Working with KUKA robotics and other partners the AFRC produced a full size, flexible inspection automation cell for Spirit Aerosystems which has delivered a technological shift in manufacturing inspection – significantly reducing cycle times for inspecting complex geometry on large wing systems.
- US aerospace company Boeing announced it will open a brand new manufacturing facility alongside the AMRC in Sheffield with a planned investment of more than £20 million for the manufacture of key actuation components and systems used in Boeing's next generation 737 and 777 aircraft to improve production efficiency and reduce cost.

Strategic Report *(continued)*

Business review and results *(continued)*

- Luxury, high performance sports car manufacturer McLaren Automotive announced the development of a new Composites Technology Centre to develop advanced manufacturing processes and transfer them to the new facility for full scale manufacture where production is due to commence by 2020.

The results for the Company for the last year show a pre-tax surplus of £2,000 (2016: £1,000). Turnover, including revenue grants, is £89.5m (2016: £83.5m). The company has net current assets of £nil (2016: £nil).

Key performance indicators

The Company reported the direct return on investment of 2 to 1 in the last year from its core Government funding, against the target of 2 to 1. The Centre's collaborative income has increased from £58m last year to £67m this year.

The Company has remained steady in its return on gross assets since last year at 30% (2016: 28%) whilst gross asset value at the seven Centres grew from £561m to £617m.

Total employees across the Centres have increased to 2,114 as at 31 March 2017, compared with 1,913 a year earlier. Number of private sector industrial clients increased by 11% to 3,387 (2016: 3,036). A 46% increase in the CR&D order book has been achieved with total order book increasing by 31%.

The Board believes that these KPIs provide a comprehensive understanding of the performance and development of the business in its complex environment of public and commercial activities.

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. These are assessed by the Supervisory and Management Boards and the Audit Committee. The key risks going forward relate to:

- Core funding is restricted in future years and does not match delivery plan aspirations. Current funding is secured to March 2019 with a further 4 year funding agreement in the approval process. See note 1.2 for further details.
- Difficult Brexit process
- The company fails to deliver targeted growth (despite funding) or KPI targets
- Cyber security
- Failure of stakeholders buy-in to the Catapults coupled with policy uncertainty on Industrial Strategy

Future developments

The HVMC has cemented its position as the "go-to" place for advanced manufacturing technology in the UK. The HVMC is a key instrument in the Government's new Industrial Strategy, which had been announced in green paper form, and is being developed into a more detailed proposals. The Government is showing full intent to invest in advanced manufacturing with over £4.0bn of new funding being placed into science, innovation and delivery (through the Industrial Strategy Challenge Fund). The HVM Catapult maintains a strong national network of support for innovation development and continues to build a broader international network – extending its capability to work with European partners and companies.

Looking forward, the Company will continue its work to develop and exploit the technology offer for target markets – maximising its capabilities and acting as a 'thought leader' for high value / advanced manufacturing. HVM Catapult will initiate and deliver large scale innovation programmes where the combination of market pull, technology development and Catapult capability can be brought together to strengthen UK manufacturing.

Strategic Report *(continued)*

Future developments *(continued)*

In 2016-17 the Company undertook an independent Impact Evaluation Framework that will provide the Company and Government with a better understanding of the current and likely future economic impact of its work on the UK manufacturing sector and in turn help inform the design of future interventions and activities. The initial report from this evaluation looks encouraging, especially the impact that has been made with SME's.

By order of the board

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a series of loops and a long horizontal stroke.

RP Elsy
Director

The Regus Building
Blythe Valley Business Park
Shirley
Solihull
B90 8AG

12 December 2017

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2017.

Directors

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

Mr RM Gilbert CBE
Professor Sir MJ Gregory
Dr HG Mughal OBE
Mr BA Holliday
Mr RP Elsy
Mr J Greenwell CBE
Dame JE Hackitt
Mr K Singh (appointed 1 February 2017)

Political contributions

The Company made no political donations during the year or previous period.

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.

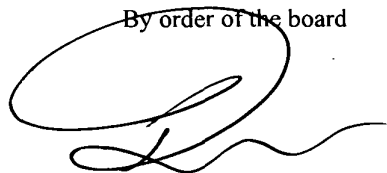
Disclosure of information to auditor

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.

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 Regus Building
Blythe Valley Business Park
Shirley
Solihull
B90 8AG

12 December 2017

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 of their profit or loss of the company for that period. In preparing the company 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 group and to prevent and detect fraud and other irregularities.



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

We have audited the financial statements of High Value Manufacturing Catapult for the year ended 31 March 2017 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 5, 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 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 website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of its result for the year 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



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

12 December 2017

Profit and Loss Account
for the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	<i>1,2</i>	89,487	83,508
Operating expenses		(87,111)	(81,226)
Administration expenses		(2,391)	(2,304)
Other operating income	<i>3</i>	17	21
		<hr/>	<hr/>
Operating profit/(loss)	<i>4-6</i>	2	(1)
Interest receivable and similar income		-	2
		<hr/>	<hr/>
Profit for the financial year before taxation	<i>2-6</i>	2	1
Taxation	<i>7</i>	(2)	(1)
		<hr/>	<hr/>
Profit for the financial year after taxation		-	-
		<hr/>	<hr/>

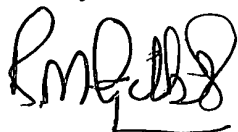
Statement of Comprehensive Income
for the year ended 31 March 2017

	2017 £000	2016 £000
Profit for the financial period	-	-
Other comprehensive income for the period	-	-
	<hr/>	<hr/>
Total comprehensive income for the period	-	-
	<hr/>	<hr/>

Balance Sheet
at 31 March 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Intangible assets	8	-	-	1	
Tangible assets	9	12	12	23	
			12		24
Current assets					
Debtors	10	27,406		29,299	
Cash at bank and in hand	11	921		945	
		28,327		30,244	
Creditors: amounts falling due within one year	12	(28,339)		(30,244)	
Net current liabilities			(12)		-
Total assets less current liabilities			-		24
Creditors: amounts falling due after more than one year	13		-		(24)
Net assets			-		-
Capital and Reserves					
Profit and loss account			-		-
Reserves			-		-

These financial statements were approved by the board of directors on 12 December 2017 and were signed on its behalf by:



RM Gilbert CBE
Director

Company registered number: 07708659

Statement of Changes in Equity
for the year ended 31 March 2017

	Profit and loss account £000
Opening balance on 1 April 2015	-
	<hr/>
Total comprehensive income for the period	
Profit	-
Other comprehensive income	-
	<hr/>
Total comprehensive income for the period	-
	<hr/>
Balance at 31 March 2016	-
	<hr/> <hr/>
Opening balance on 1 April 2016	-
	<hr/>
Total comprehensive income for the period	
Profit	-
Other comprehensive income	-
	<hr/>
Total comprehensive income for the period	-
	<hr/> <hr/>
Balance at 31 March 2017	-
	<hr/> <hr/>

Cash Flow Statement
for the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the period		-	-
<i>Adjustments for:</i>			
Depreciation and amortisation charges		16	21
Capital grants received		5	75
Capital grants released		(17)	(51)
Loss on disposal of tangible asset		1	-
Decrease/(increase) in trade and other debtors		1,893	(2,837)
(Decrease)/increase in trade and other creditors		(1,917)	2,040
Net cash from operating activities		(19)	(752)
Cash flows from investing activities			
Acquisition of tangible and intangible assets		(5)	(17)
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(24)	(769)
Cash and cash equivalents at the start of the year		945	1,714
Cash and cash equivalents at end of the year	<i>11</i>	921	945

Notes

(forming part of the financial statements)

1 Accounting policies

High Value Manufacturing Catapult (the "Company") is a company limited by guarantee and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The High Value Manufacturing Catapult initially secured core funding to support its activities for the five years ending 31 March 2017, with an extension agreed to 31 March 2019. A new funding agreement for a further four years is being considered but has not yet been formally approved due to a number of ongoing reviews as detailed below.

In August 2016, Innovate UK commissioned SQW Limited to carry out an impact evaluation of the HVM Catapult. The review was completed in July 2017 and SQW concluded "There is robust evidence the HVMC has led to outcomes for businesses and individuals, and influenced the high value manufacturing landscape" and that "The HVMC has effectively supported firms to 'bridge the gap' between research and commercial exploitation, delivering against the core rationale of a Catapult".

In late 2016 BEIS recommended that the seven mature Catapults' 5 year Delivery plans ending 31 March 2022 be independently reviewed by a Catapult Review Committee to confirm that the strategy and performance of each was satisfactory to justify continued support by BEIS. The HVM Catapult review took place on 18 and 19 July 2017. The Committee concluded that the HVM Catapult was delivering on its objectives and should continue to be supported giving an unconditional approval of the five year delivery plan. Core funding of £586m is being requested in the plan. The Committee will be reporting their conclusions/recommendations to BEIS by late August 2017.

Whilst the above review was on going Core funding allocation of £88m for 2017-18 and 2018-19, representing the first two years of the five year plan, based on strong evidence of demand, was approved by Innovate UK.

In March 2017, BEIS Ministers asked for a comprehensive independent review of the wider Catapult network in collaboration with Innovate UK to ensure that the Catapult network continues to deliver maximum impact for the UK. Ernst & Young are leading the review, and are expected to be using the review to make recommendations on the future of the Catapult network, by October 2017. HVM Catapult have met with and provided the data requested by Ernst & Young. The directors are confident that Ernst & Young will conclude that the structure of HVM Catapult is appropriate and productive, and no significant change recommendation is expected.

The Directors are confident that the company's financial statements should be prepared on a going concern basis on the grounds that they expect the five year delivery plan will be approved by BEIS in its current form and the sources of funding will be adequate for the company's needs.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- office equipment 2-3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software and website development 3 years

The basis for choosing these useful lives is the period over which the asset is expected to be utilised.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.8 Government grants

Government grants are accounted for using the accruals model. Elements of grants relating to future costs are deferred and released as the expense is recognised in the profit and loss account. Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to the payments and the grants will be received. Grants of a capital nature are credited to deferred grants and released to turnover over the useful life of the assets concerned. Grants which are revenue in nature are credited to deferred grants and are released to turnover in the period in which the related expenditure is incurred.

1.9 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 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 organisations of the Catapult. Grant income of £89,487,000 has been included within turnover in the year.

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2017 £000	2016 £000
Core funding from Innovate UK	71,421	54,577
Administration funding	2,391	2,304
Feasibility studies for Centres	6,006	1,373
Non core Innovate UK funding	9,669	25,188
Other grant funding	-	66
	<u>89,487</u>	<u>83,508</u>

3 Other operating income

	2017 £000	2016 £000
Capital grant released	<u>17</u>	<u>21</u>

Notes (continued)

4 Operating profit

The operating loss is stated after charging:

	2017 £000	2016 £000
Depreciation and amortisation	16	21
Operating lease rentals	105	60
Auditor's remuneration:		
Audit of these financial statements	13	12
Other services relating to taxation	7	2
Other grant audit services	29	9
	<u> </u>	<u> </u>

5 Staff numbers and costs

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

	2017 Number of employees	2016 Number of employees
Directors	7	7
Other staff	7	5
	<u> </u>	<u> </u>
	14	12
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	1,020	884
Social security costs	124	115
Other pension costs (see note 16)	56	38
	<u> </u>	<u> </u>
	1,200	1,037
	<u> </u>	<u> </u>

6 Remuneration of directors

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

	2017 £000	2016 £000
Directors' emoluments	434	424
	<u> </u>	<u> </u>
	434	424
	<u> </u>	<u> </u>

Retirement benefits were accruing to no directors (2016: no director) at 31 March 2017.

Notes (continued)

6 Remuneration of directors (continued)

The remuneration of the highest paid director was £302,991 (2016: £319,101) and company pension contributions of £nil (2016: £nil) were made to a money purchase pension scheme on his behalf. Remuneration includes contributions in lieu of pension contributions.

7 Taxation

Analysis of charge in period

	2017 £000	2016 £000
Current tax		
Current tax on income in the period	2	-
Adjustment in respect of prior periods	-	(8)
	<hr/>	<hr/>
Total current tax	2	(8)
Deferred tax (see note 10)		
Origination and reversal of timing differences	-	8
Effect of tax rate changes	-	1
	<hr/>	<hr/>
Total deferred tax	-	9
	<hr/>	<hr/>
Total tax	2	1
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK, 20% (2016: 20%).

	2017 £000	2016 £000
Profit for the year	-	-
Total tax expense	2	1
	<hr/>	<hr/>
Profit excluding taxation	2	1
Tax using the UK corporation tax rate of 20% (2016: 20%)	-	-
Effects of:		
Expenses not deductible for tax purposes	2	1
Adjustments in respect of prior periods	-	(8)
Losses carried back	-	8
	<hr/>	<hr/>
Total current tax	2	1
	<hr/>	<hr/>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax at 31 March 2017 has been calculated based on these rates.

Notes (continued)

8 Intangible fixed assets

	Software £000	Total £000
Cost		
At beginning and end of year	16	16
	<hr/>	<hr/>
Depreciation		
At beginning of year	15	15
Charge for year	1	1
	<hr/>	<hr/>
At end of year	16	16
	<hr/>	<hr/>
Net book value		
At 31 March 2017	-	-
	<hr/>	<hr/>
At 31 March 2016	1	1
	<hr/>	<hr/>

9 Tangible fixed assets

	Office equipment £000	Total £000
Cost		
At beginning of year	59	59
Additions	5	5
Disposals	(1)	(1)
	<hr/>	<hr/>
At end of year	63	63
	<hr/>	<hr/>
Depreciation		
At beginning of year	36	36
Charge for year	15	15
	<hr/>	<hr/>
At end of year	51	51
	<hr/>	<hr/>
Net book value		
At 31 March 2017	12	12
	<hr/>	<hr/>
At 31 March 2016	23	23
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	2017 £000	2016 £000
Trade debtors	-	82
Grant debtors	20,500	22,364
Prepayments and accrued income	304	267
Grant in advance to related parties (note 18)	6,450	6,450
Other debtor	145	127
Deferred tax asset (see below)	1	1
Corporation tax debtor	6	8
	<hr/> 27,406	<hr/> 29,299
	<hr/>	<hr/>
Due within one year	27,406	29,299
Due after more than one year	-	-
	<hr/> 27,406	<hr/> 29,299
	<hr/>	<hr/>

Deferred tax assets are attributable to short term timing differences.

The movement in temporary differences during the year ended 31 March 2017 was as follows:

	2017 £000
Balance at 1 April 2016	(1)
Charge to profit and loss account (note 7)	-
	<hr/>
Balance at 31 March 2017	(1)
	<hr/>

11 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	921	945
	<hr/>	<hr/>
Cash and cash equivalents per cashflow statement	921	945
	<hr/>	<hr/>

Notes (continued)

12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	511	397
Amounts owed to related parties (note 18)	20,631	22,602
Other grant creditors	-	66
Accruals and deferred income	405	351
Other creditors	42	78
Corporation tax creditor	-	-
Creditors for advances on grants	6,750	6,750
	<u>28,339</u>	<u>30,244</u>

Advances on grants are unsecured and interest free. They are repayable at the end of the core funding cycle (nominally 31 March 2018) or when alternative long term financing becomes available.

13 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	-	24
	<u>-</u>	<u>24</u>

Notes (continued)

14 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017 £000	2016 £000
Financial assets		
Cash	921	945
Trade debtors	-	82
Grant debtors	20,500	22,364
Grant in advance to related parties	6,450	6,450
Other debtors	145	127
	<hr/>	<hr/>
Financial liabilities		
Trade creditors	511	397
Amounts owed to related parties	20,631	22,602
Other grant creditors	-	66
Accruals	134	131
Other creditors	42	78
	<hr/>	<hr/>

There were no material differences between the book value of financial assets and liabilities noted above, and their fair value.

The company's financial assets and liabilities comprise cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations.

15 Commitments

- (a) The company had no capital commitments outstanding at the year end.
- (b) Non-cancellable operating lease rentals are payable by the company as follows:

	2017 Land and buildings £000	2016 Land and buildings £000
Less than one year	148	-
Between one and five years	27	80
More than five years	-	-
	<hr/>	<hr/>
	175	80
	<hr/>	<hr/>

16 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 year represents contributions payable to the personal pension schemes and amounted to £55,717 (2016: £37,914). Contributions of £7,054 (2016: £5,499) were outstanding at the end of the financial year.

Notes (continued)

17 Accounting estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Recoverability of trade debtors and amounts recoverable on contracts

An assessment as to the ability of the company to recover trade debtors and amounts recoverable on contracts at each financial period end. A provision is made for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgement based on knowledge of the customer and the level of uncertainty as to whether the company has sufficient funds to pay these amounts.

Recoverability of grant debtors and provision for grant clawback

The company's activities are funded by various grant agreements. The nature of these agreements is such that expenditure is funded where it meets specific criteria set out in the grant funding agreement. The company therefore makes an assessment as to whether it considers the expenditure to be in accordance with the funding agreements when recognising grant income. If the company considers that it is probable that any amounts will not be recoverable or that grant income may be clawed back by the funder then an estimate of the provision is made.

18 Related party disclosures

During 2017 the following expenditure was incurred in respect of transactions with the member organisations:

	Core Catapult and admin funding £000	Other projects £000
Centre for Process Innovation Limited	10,806	8,932
Advanced Forming Research Centre (University of Strathclyde)	9,365	-
Advanced Manufacturing Research Centre (University of Sheffield)	11,083	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	9,302	-
National Composites Centre (University of Bristol)	9,160	-
The Manufacturing Technology Centre Limited	10,555	537
WMG (University of Warwick)	11,150	200
	71,421	9,669

Notes (continued)

18 Related party disclosures (continued)

At 31 March 2017 the following balances were outstanding with the member organisations.

	Grant creditors £000	Loan debtors £000
Centre for Process Innovation Limited	4,190	2,450
Advanced Forming Research Centre (University of Strathclyde)	3,115	-
Advanced Manufacturing Research Centre (University of Sheffield)	1,747	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	1,946	-
National Composites Centre (University of Bristol)	2,982	-
The Manufacturing Technology Centre Limited	1,568	4,000
WMG (University of Warwick)	5,083	-
	<u>20,631</u>	<u>6,450</u>

During 2016 the following expenditure was incurred in respect of transactions with the member organisations:

	Core Catapult and admin funding £000	Other projects £000
Centre for Process Innovation Limited	7,978	23,468
Advanced Forming Research Centre (University of Strathclyde)	6,384	-
Advanced Manufacturing Research Centre (University of Sheffield)	7,676	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	7,478	-
National Composites Centre (University of Bristol)	7,307	-
The Manufacturing Technology Centre Limited	10,887	-
WMG (University of Warwick)	6,867	1,720
	<u>54,577</u>	<u>25,188</u>

At 31 March 2016 the following balances were outstanding with the member organisations.

	Grant creditors £000	Loan debtors £000
Centre for Process Innovation Limited	8,850	2,450
Advanced Forming Research Centre (University of Strathclyde)	992	-
Advanced Manufacturing Research Centre (University of Sheffield)	1,983	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	1,590	-
National Composites Centre (University of Bristol)	3,036	-
The Manufacturing Technology Centre Limited	3,456	4,000
WMG (University of Warwick)	2,695	-
	<u>22,602</u>	<u>6,450</u>

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £485,985 (2016: £474,791).

Notes *(continued)*

19 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 Innovate UK to exercise a step-in to become a Member of the Company.