Commercial in confidence

High Value Manufacturing

High Value Manufacturing Catapult
(Limited by Guarantee)

Directors' report and financial statements

Registered number 07708659

31 March 2020

Contents

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, being a not-for-profit organisation, 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 the Centres invest the core funding they receive to ensure that their asset base and capabilty is at the leading edge. They then use that capability to support industry on commercially funded projects and, together with industry, win competitive funding for collaborative research projects

Business review and results

In the period from April 2019 to March 2020 the Company has delivered against £132m in grant funding. This compares with £118m achieved in the previous year. The £132m comprises £128m of core funding and £4m of non-recurring grant income for major projects. The Company's core funding from UK Government is secured to March 2023 subject to annual approval of the rolling delivery plan.

At the heart of our offer is the access to leading-edge, full-scale manufacturing equipment and the expertise to develop new processes and technology. The total capital base now stands at £791m across our 7 centres and represents by far the greatest concentration of manufacturing R&D activity in the UK, cementing our position as the go-to place for advance technology in our field. Also, at the heart of what we do is collaboration, we've worked with 4,646 companies in the year and on 3,174 projects bringing large companies together with SMEs.

Notable investments and achievements during the year include:

- In the closing weeks of this year, the HVM Catapult showed how it can use its unique position in the UK economy to help the nation respond to unprecedented challenges. The coronavirus (COVID-19) pandemic demanded decisive leadership to ensure that the NHS front line had the tools and equipment it needed to care for critically ill patients and limit the spread of the virus within the healthcare system. The HVM Catapult immediately stepped forward to use its established and trusted relationships with the UK's manufacturing community to provide the leadership and expertise required to build ventilators, manufacture Personal Protective Equipment (PPE) and to develop new tools and equipment that would protect the NHS staff who were battling the virus on a daily basis.
- Continuing a strong partnership with academia in the North West, MTC have successfully established a base in the heart of Liverpool's Knowledge Quarter, strategically positioned to

mobilise partnerships with regional universities and allow local businesses to test their processes in a de-risked environment.
With support from the Liverpool City Region Combined Authority, the MTC are set to expand their impact in the region, boosting productivity, skills, and job creation. Their work is bolstering manufacturing and creating high-skilled jobs for the region.

- AMRC Cymru, a new £20m state-of-the-art research and development facility in Broughton, has been described by Welsh government ministers as a 'game changer' for the economies of North Wales and the northern powerhouse.

  Officially opened in November 2019 and situated in the Deeside Enterprise Zone, AMRC Cymru focuses on advanced manufacturing sectors including aerospace, automotive, nuclear and food. With Airbus as the first major tenant and much more planned, it is predicted the new facility could increase GVA to the Welsh economy by as much as £4 billion over the next 20 years.
  Only months after opening its doors, AMRC Cymru started playing an essential role in helping save lives in the fight against Covid-19 as a production facility for thousands of vital medical ventilators, demonstrating the HVM Catapult's versatility and responsiveness in the face of global crisis.

- With a variety of urban and rural environments and a large transport infrastructure, the West Midlands is the perfect place to develop the future of mobility. WMG plays a pivotal role in creating a regional centre for transport innovation.
  With a leading position in the Midlands Future Mobility project, WMG are bringing companies from across the country to a 300km road network to trial 'Connected and Automated Mobility' in the real-world. Users are trialling vehicles, systems and infrastructure capturing key data through smart monitoring systems using the latest in wireless connectivity.
  WMG's national Energy Innovation Centre also supports the transport industry in the development of efficient, cheaper, safer batteries. Its work has attracted the UK Battery Industrialisation centre to the region, allowing companies to move to high-volume (Gigafactory) battery manufacturing.

- Metal forging remains a vital part of the global metal production industry. The AFRC's FutureForge facility will transform the forging sector, helping it to embrace the gains of digitalisation.
  With construction completed in early 2020, FutureForge is a world-first, helping companies of all sizes explore less energy intensive methods of forging and eliminate the costly trial and error traditionally associated with the forging process. Planned to be in full operation by early 2021, the facility is predicted to generate around £40 million of new collaborative R&D projects over 10 years, revolutionising forging for the 21st century.

The results for the Company for the last year show a pre-tax profit of £0 *(2019: £5,000)*. Turnover, including revenue grants, is £131.7m *(2019: £117.6m)*. The company has net current liabilities of £29,000 *(2019: £51,000)*.

Key performance indicators

The Company reported the direct return on investment of 2 to 1 in the year from its core Government funding, against the target of 2 to 1. The Centres' total Commercial and Collaborative R&D income increased significantly by 15% to £226m from £197m last year, with Commercial income increasing by 21% and Collaborative R&D income increasing by 9%.

The Company has improved its return on gross assets since last year at 39% *(2019: 33%)* whilst gross asset value at the seven Centres grew by 2% to £791m. Total full-time equivalent employees across the Centres have increased to 3,130 as at 31 March 2020, compared with 2,913 a year earlier. Number of industrial clients (repeat and new) remained consistent at 4,646 *(2019: 4,650)*. The sales order book remains healthy with total value of £267m. The Centres continue to focus on providing support to SMEs with 4,745 SME engagements in the year. They also undertook 341 projects with academic/RTO institutions, an increase of 24%.

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.

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

- Impact of Covid-19 virus on economic performance and processes of Catapult Centres
- Cyber security attack resulting in leakage of sensitive company/commercial data and breach of confidentiality or intellectual property causing reputational and financial risk
- Consequences of BREXIT and lack of clarity on the process
- Lack of materialisation of relevant CR&D competitions and awards
- Core funding is restricted due to change in Government policy, lack of support by Government/Civil Service of the Catapult programme

Future developments

For the past nine years, the HVM Catapult has helped industry, academia and government to exploit more of the UK's expertise in manufacturing research and development helping manufacturers of all sizes harness this expertise and use the knowledge obtained to address the future challenges of a changing business environment: improving productivity, reducing carbon emissions, developing more resilient supply chains, and creating more agile manufacturing techniques. Now, as we slowly and cautiously emerge from the pandemic, the HVM Catapult will focus on the work needed to stimulate an economic recovery.

2019 delivered a landmark commitment from the UK government to achieve net zero greenhouse gas emissions within thirty years. National emissions have been steadily reducing for three decades, but serious effort is required to meet the net zero target. This will require rethinking the way we travel, the way we generate electricity, the way we heat our buildings and the way we use resources. Manufacturing is a key area where that transformation can happen. By innovating the essential products that people use and the processes that create them, the HVM Catapult is in the vanguard of our national (and global) emission reduction journey.

We are seeking to grasp the opportunity to redeploy some of our capability and capacity, displaced from planned project activities due to COVID-19, to "supercharge" the first phase of the innovation-based UK economy. We have identified work packages closely aligned with the missions of ISCF challenges and other programmes of critical national importance that the HVM Catapult can deliver. These work packages address the following themes aligned to Government priorities:

- Net zero transportation
- Transition to carbon-free energy
- Sustainable material and manufacturing.

Collectively, these challenges build towards the manufacturing content of the "Race to Zero" launched by Business Secretary and COP26 President, Alok Sharma, on 5th June.

The High Value Manufacturing Catapult can use its unique position at the intersection of industry, academia, and government, and its role as the custodian of our national capability in advanced manufacturing technology to spur clean growth right across the nation. We can bring our insight and expertise, our world-leading facilities and the trusting relationships we have established to help forge a refreshed and more resilient UK economy that works better for more of its citizens with a manufacturing strategy for Place and Resilience, Workforce development and training and SME support.

In the coming year, our Centres across the country will work with local, regional and national Governments to lead the way forward. We will reach into the UK's manufacturing communities and help

Strategic Report (Continued)

Future developments (Continued)

firms of all sizes to harness the new knowledge flowing from our world-leading research base and the power of new technology.

We will work to make sure that UK businesses are ready to rise to the challenges and seize the opportunities our changed world presents. As we do so we will use our resources to spur the investment in R&D that will keep the UK ahead of competitive markets and re-establish its position as a leader on the global stage. The outcome will not only be the improved productivity and performance of those firms we work with, but increased and safeguarded employment in manufacturing, increased manufacturing GVA and a surge in the high value inward investment projects that boost their host communities.

Manufacturing is critical to the lifeblood of the nation. The HVM Catapult is playing a key role in making sure that the UK harnesses the power of science and engineering to build on its proud industrial heritage, create the markets of the future and lead those already here.

By order of the board,

RP Elsy CBE
Director

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

22 September 2020

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 March 2020.

Directors

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

Mr AE Cook CBE (Chairman)
Mr RP Elsy CBE (Chief Executive)
Mr K Singh
Mr SM Burgess
Ms MA Carroll
Dame JE Hackitt
Mr BA Holliday
Mr A Neely
Mrs MA Wood (resigned 31 December 2019)
Mr Clive Johnson (appointed 21 October 2019)
Mrs Sarah Newbitt (appointed 21 October 2019)

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 each director is aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' liabilities

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of the approving the directors report.

Auditor

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

By order of the board

RP Elsy CBE
Director

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

22 September 2020

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 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland) as adopted by the European Union. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RP Elsy CBE
Director
22 September 2020

Independent auditor's report to the members of the High Value Manufacturing Catapult

Opinion

We have audited the financial statements of High Value Manufacturing Catapult (the 'company') for the year ended 31 March 2020, which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[1] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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[1] The term used to describe the annual report should be the same as that used by the directors.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt J Buckingham
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

30
~~22~~ September 2020

Profit and Loss Account
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	1,2	**131,725**	117,611
Operating expenses		**(128,688)**	(114,888)
Administration expenses		**(3,066)**	(2,740)
Other operating income	3	**29**	22
Operating profit	4-6	**-**	5
Interest receivable and similar income		**-**	-
Profit for the financial year before taxation	2-6	**0**	5
Taxation	7	**(0)**	(5)
Profit for the financial year after taxation		**-**	-

Statement of Comprehensive Income
for the year ended 31 March 2020

	2020 £000	2019 £000
Profit for the financial period	**-**	-
Other comprehensive income for the period	**-**	-
Total comprehensive income for the period	**-**	-

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

Balance Sheet
at 31 March 2020

	Note	**2020**		2019	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**29**		51
			29		51
Current assets					
Debtors	*9*	**26,530**		29,083	
Cash at bank and in hand	*10*	**408**		388	
		26,938		29,471	
Creditors: amounts falling due within one year	*11*	**(26,967)**		(29,522)	
Net current liabilities			**(29)**		(51)
Net Assets			-		-
Capital and Reserves			-		
Profit and loss account			-		-
Reserves			-		-

These financial statements were approved by the Board of Directors on 22 September 2020 and were signed on its behalf by:

RP Elsy CBE
Director

Company registered number: 07708659

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

Statement of Changes in Equity
for the year ended 31 March 2020

	Profit and loss account £000
Opening balance on 1 April 2018	-
Total comprehensive income for the period	
Profit	-
Other comprehensive income	-
Total comprehensive income for the period	-
Balance at 31 March 2019	-
Opening balance on 1 April 2019	-
Total comprehensive income for the period	
Profit	-
Other comprehensive income	-
Total comprehensive income for the period	-
Balance at 31 March 2020	-

Cash Flow Statement
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the period		**0**	-
Adjustments for:			
Depreciation and amortisation charges	8	**29**	22
Capital grants received		**7**	37
Capital grants released		**(29)**	(22)
Decrease/(increase) in trade and other debtors		**2,053**	3,086
(Decrease)/increase in trade and other creditors		**(2,129)**	(3,063)
Tax paid		**(4)**	-
Net cash from operating activities		**(73)**	60
Cash flows from investing activities			
Acquisition of tangible assets	8	**(7)**	(37)
Financing activities			
Advances repaid		**(400)**	(5)
Advances received		**500**	-
Net cash from financing activities		**100**	(5)
Net decrease in cash and cash equivalents		**20**	18
Cash and cash equivalents at the start of the year		**388**	370
Cash and cash equivalents at end of the year	10	**408**	388

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

Notes to 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"*). 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 16.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The High Value Manufacturing Catapult has secured core funding to support its activities until 2022-23 following approval by Innovate UK of the Company's long term business plan. This, together with the reconfirmation of £12m for major national projects, enables the Company to operate with a secured grant order book from 2018-19 onwards of £643m subject to annual approval of the rolling delivery plan. The directors are confident that the rolling delivery plan will continue to be approved by Innovate UK. 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, and its liabilities can be met as they fall due for at least the next twelve months.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 3-5 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 £131,725,245 has been included within turnover in the year.

1.12 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.

1.13 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Taxation (continued)

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2020	2019
	£000	£000
Core funding from Innovate UK for Centres	**122,624**	104,407
Administration funding (Core)	**3,037**	2,723
Feasibility studies for Centres (Cross-Centre)	**2,414**	2,481
Non core Innovate UK funding (One-off Projects)	**3,650**	8,000
	131,725	117,611

3 Other operating income

	2020	2019
	£000	£000
Capital grant released	**29**	22

4 Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation and amortisation	**29**	22
Operating lease rentals	**181**	148
Auditor's remuneration:		
Audit of these financial statements	**36**	19
Other services relating to taxation	**3**	3
Other grant audit services	**-**	23

Notes *(continued)*

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:

	2020 Number of employees	2019 Number of employees
Directors	**10**	10
Other staff	**10**	8
	20	18

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**1,439**	1,252
Social security costs	**169**	150
Other pension costs (see note 14)	**77**	67
	1,685	1,469

6 Remuneration of directors

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

	2020 £000	2019 £000
Directors' emoluments	**631**	613
	631	613

The remuneration of the highest paid director was £336,417 *(2019: £326,683).* Remuneration includes payments in lieu of pension contributions.

7 Taxation

Analysis of charge in period

	2020 £000	2019 £000
Current tax		
Current tax on income in the period	-	4
Prior year adjustment	-	1
Total current tax	-	5
Deferred tax (see note 9)		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax	-	5

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is in line (2019: in line) with the standard rate of corporation tax in the UK, 19% (2019: 19%).

	2020 £000	2019 £000
Profit for the year	-	-
Total tax expense	-	5
Profit excluding taxation	-	5
Tax using the UK corporation tax rate 19% *(2019:19%)*	-	-
Effects of:		
Expenses not deductible for tax purposes	-	4
Prior year adjustment	-	1
Total current tax	-	5

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax at 31 March 2020 has been calculated based on these rates.

8 Tangible fixed assets

	Office Equipment £000	Total £000
Cost		
At beginning of year	146	146
Items written off	(0)	(0)
Additions	7	7
At end of year	153	153
Depreciation		
At beginning of year	95	95
Items written off	(0)	(0)
Charge for year	29	29
At end of year	124	124
Net book value		
At 31 March 2020	29	29
At 31 March 2019	51	51

Notes *(continued)*

9 Debtors

	2020 £000	2019 £000
Trade debtors	**101**	72
Grant debtors	**19,822**	21,864
Prepayments and accrued income	**463**	557
Grant in advance to related parties (note 16)	**5,950**	6,450
Other debtor	**194**	140
Deferred tax asset (see below)	**-**	-
	26,530	29,083
Due within one year	**26,530**	29,083
Due after more than one year	**-**	-
	26,530	29,083

Deferred tax assets are attributable to short term timing differences.

The movement in temporary differences during the year ended 31 March 2020 was as follows:

	2020 £000
Balance at 1 April 2019	-
Charge to profit and loss account (note 7)	-
Balance at 31 March 2020	-

10 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**408**	388
Cash and cash equivalents per cashflow statement	**408**	388

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**821**	844
Amounts owed to related parties (note 16)	**19,152**	21,156
Accruals and deferred income	**492**	603
Other creditors	**252**	265
Corporation tax creditor	**-**	4
Creditors for advances on grants	**6,250**	6,650
	26,967	29,522

Advances on grants are unsecured and interest free. They are repayable at the end of the core funding cycle (nominally 31 March 2021) or when alternative long term financing becomes available.

12 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020 £000	2019 £000
Financial assets		
Cash	**408**	388
Trade debtors	**101**	72
Grant debtors	**19,822**	21,864
Grant in advance to related parties	**5,950**	6,450
Other debtors	**194**	140
Financial liabilities		
Trade creditors	**821**	844
Amounts owed to related parties	**19,152**	21,156
Accruals	**153**	139
Other creditors	**252**	265

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.

13 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:

	2020 Land and buildings £000	2019 Land and buildings £000
Less than one year	**156**	142
Between one and five years	**25**	23
More than five years	**-**	-
	181	165

Notes *(continued)*

14 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 £77,630 *(2019: £67,089)*. Contributions of £1,390 *(2019: £1,208)* were outstanding at the end of the financial year.

15 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 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.

16 Related party disclosures

During 2020 the following expenditure was incurred in respect of transactions with the member organisations:

	Centre funding £000	**Other projects £000**
Centre for Process Innovation Limited	**18,518**	**3,650**
Advanced Forming Research Centre (University of Strathclyde)	**16,239**	**-**
Advanced Manufacturing Research Centre (University of Sheffield)	**21,430**	**-**
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	**26,157**	**-**
National Composites Centre (University of Bristol)	**8,277**	**-**
The Manufacturing Technology Centre Limited	**13,552**	**-**
WMG (University of Warwick)	**20,865**	**-**
	125,038	**3,650**

Core Catapult funding transactions with member organisations comprise of Innovate UK core funding and funding for collaborative cross Centre projects.

Other projects comprise of Non-core Innovate UK funding for large one-off projects to assist with establishment of new large facilities.

Notes *(continued)*

At 31 March 2020 the following balances were outstanding with the member organisations:

	Grant creditors £000	Grant in advance debtors £000
Centre for Process Innovation Limited	3,025	1,950
Advanced Forming Research Centre (University of Strathclyde)	5,016	-
Advanced Manufacturing Research Centre (University of Sheffield)	2,009	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	1,612	-
National Composites Centre (University of Bristol)	1,778	-
The Manufacturing Technology Centre Limited	1,454	4,000
WMG (University of Warwick)	4,258	-
	19,152	5,950

During 2019 the following expenditure was incurred in respect of transactions with the member organisations:

	Core Catapult funding £000	Other projects £000
Centre for Process Innovation Limited	18,182	8,000
Advanced Forming Research Centre (University of Strathclyde)	10,539	-
Advanced Manufacturing Research Centre (University of Sheffield)	17,239	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	9,614	-
National Composites Centre (University of Bristol)	13,523	-
The Manufacturing Technology Centre Limited	20,848	-
WMG (University of Warwick)	16,943	-
	106,888	8,000

Core Catapult funding transactions with member organisations comprise of Innovate UK core funding.

Other projects comprise of Innovate UK funding for large one-off projects to assist with establishment of new large facilities.

Notes *(continued)*

At 31 March 2019 the following balances were outstanding with the member organisations.

	Grant creditors £000	Grant in advance debtors £000
Centre for Process Innovation Limited	5,345	2,450
Advanced Forming Research Centre (University of Strathclyde)	2,979	-
Advanced Manufacturing Research Centre (University of Sheffield)	2,944	-
Nuclear Advanced Manufacturing Research Centre (University of Sheffield)	2,263	-
National Composites Centre (University of Bristol)	2,765	-
The Manufacturing Technology Centre Limited	1,036	4,000
WMG (University of Warwick)	3,824	-
	21,156	6,450

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £710,341 *(2019: £684,960).*

17 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.