



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

**Directors' report and financial
statements**

Registered number 07708659

31 March 2018



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 |
| Statement of Comprehensive Income | 8 |
| Balance Sheet | 9 |
| Statement of Changes in Equity | 10 |
| 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 2017 to March 2018 the Company has delivered against £108m in grant funding. This compares with £89m achieved in the previous year. The £108m comprises of £89m of core funding and £13m 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, and there is a further £8m contracted for the upcoming year alone for major projects.

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 scale of these assets has now topped £700m 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 3,700 companies in the year on over 1,500 projects bringing large companies together with SMEs.

Notable investments and achievements during the year include:

- The AFRC has invested in an automated robot path planning demonstrator that can be used to demonstrate the benefits of automated robotics for a broad range of industrial tasks. This has already prompted a prime oil and gas contractor to consider adopting robotic technology for its pipe cleaning process.

Strategic Report *(continued)*

Business review and results *(continued)*

- CPI have constructed the National Formulation Centre – an open access, state-of-the-art innovation facility based at NETPark in County Durham. The new centre will provide access to facilities and expertise to allow companies to overcome innovation challenges associated with the development and scale-up of formulated products. The centre is home to world-class laboratories, and accompanying expertise focusing on measurement, high-throughput formulation, chemistry and dispersions, process chemistry, process technology, complex particles, nanomaterials and composites.
- The Nuclear AMRC has completed a demonstration project with National Nuclear Laboratories and Sellafield Ltd to create an interactive model capable of being reconfigurable to adapt to handling a vast array of glovebox designs used to handle hazardous material for the decommissioning programme.
- In 2017 it was announced that the AFRC will run the Scottish Government's new £9m Lightweight Manufacturing Centre. The specialist centre will develop new manufacturing processes for lightweight materials such as titanium and carbon fibre and will be the first step towards creating a National Manufacturing Institute for Scotland. It will produce lightweight materials which are increasingly being used in the aerospace, automotive, oil & gas and renewables industries to increase efficiency and performance and help reduce carbon emissions.

The results for the Company for the last year show a pre-tax profit of £5,000 (2017: £2,000). Turnover, including revenue grants, is £108.4m (2017: £89.5m). The company has net current liabilities of £36,000 (2017: £12,000).

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 R & D income has increased substantially from £67m last year to £95m this year, an increase of 42%, with total commercial and collaborative R & D income increasing by 24% to £179m.

The Company has improved its return on gross assets since last year at 32% (2017: 30%) whilst gross asset value at the seven Centres grew by 11% from £617m to £683m.

Total full-time equivalent employees across the Centres have increased to 2,482 as at 31 March 2018, compared with 2,041 a year earlier. Number of private sector industrial clients increased by 11% to 3,763 (2017: 3,387). A significant increase of 24% in the CR&D sales order book, to £170m, has been achieved with total sales order book increasing by 14% to £234m.

The Centres continue to focus on providing support to SMEs with 4,421 SME engagements in the year, an increase of 61% on last year. They also successfully increased the number of active projects with academic institutions to 283, an increase of 17%.

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:

- Consequences of BREXIT and lack of clarity on the process
- Cyber security attack resulting in leakage of sensitive company/commercial data and breach of confidentiality or intellectual property causing reputational and financial risk
- The company fails to deliver targeted growth (despite funding) or KPI targets
- Core funding is restricted in future years due to change in Government policy, lack of support by Government/Civil Service of the Catapult programme or new Government

Future developments

As the 'go to' place for advanced manufacturing technologies we have become a principal delivery instrument for UK companies in innovation programmes, the Industrial Strategy, and sector deals. Our seven centres work as a network to provide world-class innovation capability and technical expertise to those companies with the potential to benefit from their support. We are central to the growth and future success of advanced manufacturing in the UK and to the achievement of the Government's ambition to grow investment in research and development (R&D) to 2.4% of Gross Domestic Product (GDP) by 2027. By removing risk and providing access to expertise and the tools of innovation we stimulate business investment in R&D and grow the UK's ability to capture global markets.

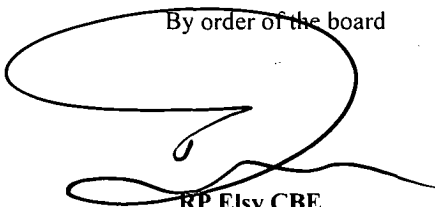
An independent retrospective evaluation of our performance from 2011 to 2016 conducted by SQW found "robust evidence that the HVM Catapult has led to outcomes for businesses and individuals and influenced the high value manufacturing landscape" and that the HVM Catapult "has effectively supported firms to 'bridge the gap' between research and commercial exploitation, delivering against the core rationale of a Catapult.". Although their evaluation focused largely on SMEs, they concluded that in aggregate the effect of our work with large firms was likely to be "very substantial" and will be quantified further. This finding was also supported in the Ernst & Young (EY) review which recognised our strength in delivering positive economic impact.

We will create the conditions for economic growth by enabling UK manufacturers to achieve significant improvements in their performance and productivity. We do this by providing open access to world-class innovation capability and technical expertise, enabling companies to embrace different ways of working, adopt new technologies and see a step-change in their performance.

The core funding investment will continue the strong trajectory of industry match-funded innovation programmes and deliver valuable outcomes for the UK: export success, inward investment and progress toward the Industrial Strategy ambition of raising investment in R&D to 2.4%.

Core funding from Innovate UK to 31 March 2023 was secured post year end.

By order of the board



RP Elsy CBE
Director

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

11 October 2018

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 March 2018.

Directors

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

| | |
|--------------------------|------------------------------|
| Mr RM Gilbert CBE | (resigned 31 March 2018) |
| Professor Sir MJ Gregory | (resigned 30 June 2018) |
| Dr HG Mughal OBE | (resigned 30 June 2018) |
| Mr BA Holliday | |
| Mr RP Elsy CBE | |
| Mr J Greenwell CBE | (resigned 31 August 2018) |
| Dame JE Hackitt | |
| Mr K Singh | |
| Mrs MA Wood | (appointed 14 December 2017) |
| Ms MA Carroll | (appointed 14 December 2017) |
| Mr SM Burgess | (appointed 14 December 2017) |
| Mr A Neely | (appointed 14 December 2017) |
| Mr AE Cook | (appointed 14 December 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 CBE
Director

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

11 October 2018

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, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG 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

Opinion

We have audited the financial statements of High Value Manufacturing Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss account, the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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 (*continued*)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

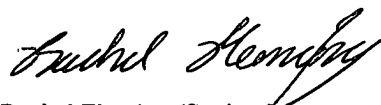
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

11 October 2018

Profit and Loss Account
for the year ended 31 March 2018

| | <i>Note</i> | 2018 £000 | 2017 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | <i>1,2</i> | 108,382 | 89,487 |
| Operating expenses | | (105,640) | (87,111) |
| Administration expenses | | (2,761) | (2,391) |
| Other operating income | <i>3</i> | 24 | 17 |
| | | <hr/> | <hr/> |
| Operating profit | <i>4-6</i> | 5 | 2 |
| Interest receivable and similar income | | - | - |
| | | <hr/> | <hr/> |
| Profit for the financial year before taxation | <i>2-6</i> | 5 | 2 |
| Taxation | <i>7</i> | (5) | (2) |
| | | <hr/> | <hr/> |
| Profit for the financial year after taxation | | - | - |
| | | <hr/> <hr/> | <hr/> <hr/> |

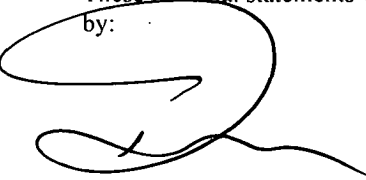
Statement of Comprehensive Income
for the year ended 31 March 2018

| | 2018 £000 | 2017 £000 |
|--|----------------------------|----------------------------|
| Profit for the financial period | - | - |
| Other comprehensive income for the period | - | - |
| | <hr/> | <hr/> |
| Total comprehensive income for the period | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

Balance Sheet
at 31 March 2018

| | <i>Note</i> | 2018 £000 | £000 | 2017 £000 | £000 |
|---|-------------|----------------------------|-------------|----------------------------|-------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | - | - | - | - |
| Tangible assets | 9 | 36 | 36 | 12 | 12 |
| | | | <hr/> | | <hr/> |
| | | | 36 | | 12 |
| Current assets | | | | | |
| Debtors | 10 | 32,206 | | 27,406 | |
| Cash at bank and in hand | 11 | 370 | | 921 | |
| | | <hr/> | | <hr/> | |
| | | 32,576 | | 28,327 | |
| Creditors: amounts falling due within one year | 12 | (32,612) | | (28,339) | |
| | | <hr/> | | <hr/> | |
| Net current liabilities | | | (36) | | (12) |
| | | | <hr/> | | <hr/> |
| Net assets | | | - | | - |
| | | | <hr/> | | <hr/> |
| Capital and Reserves | | | | | |
| Profit and loss account | | | - | | - |
| | | | <hr/> | | <hr/> |
| Reserves | | | - | | - |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the board of directors on 11 October 2018 and were signed on its behalf by:


RP Elsy CBE
Director

Company registered number: 07708659

Statement of Changes in Equity
for the year ended 31 March 2018

| | Profit and loss account £000 |
|--|---|
| 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/> |
| Balance at 31 March 2017 | - |
| | <hr/> <hr/> |
| Opening balance on 1 April 2017 | - |
| | <hr/> |
| Total comprehensive income for the period | |
| Profit | - |
| Other comprehensive income | - |
| | <hr/> |
| Total comprehensive income for the period | - |
| | <hr/> <hr/> |
| Balance at 31 March 2018 | - |
| | <hr/> <hr/> |

Cash Flow Statement
for the year ended 31 March 2018

| | <i>Note</i> | 2018 £000 | 2017 £000 |
|---|-------------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Profit for the period | | - | - |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation charges | 8,9 | 24 | 16 |
| Capital grants received | | 48 | 5 |
| Capital grants released | | (24) | (17) |
| Loss on disposal of tangible asset | | - | 1 |
| (Increase)/decrease in trade and other debtors | | (4,807) | 1,893 |
| Increase/(decrease) in trade and other creditors | | 4,245 | (1,917) |
| Taxation | | 5 | - |
| Tax received | | 6 | - |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | (503) | (19) |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Acquisition of tangible and intangible assets | 9 | (48) | (5) |
| | | <hr/> | <hr/> |
| Net cash from financing activities | | - | - |
| | | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | | (551) | (24) |
| Cash and cash equivalents at the start of the year | | 921 | 945 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the year | 11 | 370 | 921 |
| | | <hr/> | <hr/> |

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 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 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.

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 £108,382,000 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

| | 2018 £000 | 2017 £000 |
|---------------------------------|----------------|---------------|
| Core funding from Innovate UK | 89,004 | 71,421 |
| Administration funding | 2,761 | 2,391 |
| Feasibility studies for Centres | 4,036 | 6,006 |
| Non core Innovate UK funding | 12,581 | 9,669 |
| | <u>108,382</u> | <u>89,487</u> |

3 Other operating income

| | 2018 £000 | 2017 £000 |
|------------------------|--------------|--------------|
| Capital grant released | 24 | 17 |
| | <u>24</u> | <u>17</u> |

4 Operating profit

The operating profit is stated after charging:

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Depreciation and amortisation | 24 | 16 |
| Operating lease rentals | 148 | 105 |
| Auditor's remuneration: | | |
| Audit of these financial statements | 13 | 13 |
| Other services relating to taxation | 2 | 7 |
| Other grant audit services | 22 | 29 |
| | <u>206</u> | <u>160</u> |

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:

| | 2018 Number of employees | 2017 Number of employees |
|-------------|--------------------------------|--------------------------------|
| Directors | 9 | 7 |
| Other staff | 7 | 7 |
| | <hr/> | <hr/> |
| | 16 | 14 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 2018 £000 | 2017 £000 |
|-----------------------------------|--------------|--------------|
| Wages and salaries | 1,127 | 1,020 |
| Social security costs | 135 | 124 |
| Other pension costs (see note 15) | 59 | 56 |
| | <hr/> | <hr/> |
| | 1,321 | 1,200 |
| | <hr/> | <hr/> |

6 Remuneration of directors

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

| | 2018 £000 | 2017 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 576 | 434 |
| | <hr/> | <hr/> |
| | 576 | 434 |
| | <hr/> | <hr/> |

The remuneration of the highest paid director was £313,115 (2017: £302,991). Remuneration includes contributions in lieu of pension contributions.

7 Taxation

Analysis of charge in period

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Current tax | | |
| Current tax on income in the period | 4 | 2 |
| | <hr/> | <hr/> |
| Total current tax | 4 | 2 |
| Deferred tax (see note 10) | | |
| Origination and reversal of timing differences | 1 | - |
| | <hr/> | <hr/> |
| Total deferred tax | 1 | - |
| | <hr/> | <hr/> |
| Total tax | 5 | 2 |
| | <hr/> | <hr/> |

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK, 19% (2017: 20%).

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Profit for the year | - | - |
| Total tax expense | 5 | 2 |
| Profit excluding taxation | 5 | 2 |
| Tax using the UK corporation tax rate of 19% (2017: 20%) | - | - |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 5 | 2 |
| Total current tax | 5 | 2 |

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) 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 2018 has been calculated based on these rates.

8 Intangible fixed assets

| | Software £000 | Total £000 |
|------------------------------|------------------|---------------|
| <i>Cost</i> | | |
| At beginning and end of year | 16 | 16 |
| <i>Depreciation</i> | | |
| At beginning and end of year | 16 | 16 |
| <i>Net book value</i> | | |
| At 31 March 2018 | - | - |
| At 31 March 2017 | - | - |

Notes (continued)

9 Tangible fixed assets

| | Office equipment £000 | Total £000 |
|-------------------------|-----------------------------|---------------|
| <i>Cost</i> | | |
| At beginning of year | 63 | 63 |
| Additions | 48 | 48 |
| | <hr/> | <hr/> |
| At end of year | 111 | 111 |
| | <hr/> | <hr/> |
| <i>Depreciation</i> | | |
| At beginning of year | 51 | 51 |
| Charge for year | 24 | 24 |
| | <hr/> | <hr/> |
| At end of year | 75 | 75 |
| | <hr/> | <hr/> |
| <i>Net book value</i> | | |
| At 31 March 2018 | 36 | 36 |
| | <hr/> | <hr/> |
| At 31 March 2017 | 12 | 12 |
| | <hr/> | <hr/> |

10 Debtors

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Trade debtors | 110 | - |
| Grant debtors | 25,006 | 20,500 |
| Prepayments and accrued income | 480 | 304 |
| Grant in advance to related parties (note 17) | 6,450 | 6,450 |
| Other debtor | 160 | 145 |
| Deferred tax asset (see below) | - | 1 |
| Corporation tax debtor | - | 6 |
| | <hr/> | <hr/> |
| | 32,206 | 27,406 |
| | <hr/> | <hr/> |
| Due within one year | 32,206 | 27,406 |
| Due after more than one year | - | - |
| | <hr/> | <hr/> |
| | 32,206 | 27,406 |
| | <hr/> | <hr/> |

Deferred tax assets are attributable to short term timing differences.

The movement in temporary differences during the year ended 31 March 2018 was as follows:

| | 2018 £000 |
|--|--------------|
| Balance at 1 April 2017 | (1) |
| Charge to profit and loss account (note 7) | 1 |
| | <hr/> |
| Balance at 31 March 2018 | - |
| | <hr/> |

Notes *(continued)*

11 Cash and cash equivalents

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Cash at bank and in hand | 370 | 921 |
| Cash and cash equivalents per cashflow statement | <u>370</u> | <u>921</u> |

12 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|---|---------------|---------------|
| Trade creditors | 1,051 | 511 |
| Amounts owed to related parties (note 17) | 24,174 | 20,631 |
| Accruals and deferred income | 579 | 405 |
| Other creditors | 54 | 42 |
| Corporation tax creditor | 4 | - |
| Creditors for advances on grants | 6,750 | 6,750 |
| | <u>32,612</u> | <u>28,339</u> |

Advances on grants are unsecured and interest free. They are repayable at the end of the core funding cycle (nominally 31 March 2019) or when alternative long term financing becomes available.

13 Financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Financial assets | | |
| Cash | 370 | 921 |
| Trade debtors | 110 | - |
| Grant debtors | 25,006 | 20,500 |
| Grant in advance to related parties | 6,450 | 6,450 |
| Other debtors | 160 | 145 |
| | <u></u> | <u></u> |
| Financial liabilities | | |
| Trade creditors | 1,051 | 511 |
| Amounts owed to related parties | 24,174 | 20,631 |
| Accruals | 137 | 134 |
| Other creditors | 54 | 42 |
| | <u></u> | <u></u> |

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.

Notes *(continued)*

14 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:

| | 2018 Land and buildings £000 | 2017 Land and buildings £000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Less than one year | 142 | 148 |
| Between one and five years | 165 | 27 |
| More than five years | - | - |
| | <hr/> 307 <hr/> | <hr/> 175 <hr/> |

15 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 £59,163 (2017: £55,717). Contributions of £1,485 (2017: £7,054) were outstanding at the end of the financial year.

16 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.

Notes (continued)

17 Related party disclosures

During 2018 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 | 14,944 | 8,100 |
| Advanced Forming Research Centre (University of Strathclyde) | 8,320 | - |
| Advanced Manufacturing Research Centre (University of Sheffield) | 13,744 | - |
| Nuclear Advanced Manufacturing Research Centre (University of Sheffield) | 9,185 | - |
| National Composites Centre (University of Bristol) | 11,994 | - |
| The Manufacturing Technology Centre Limited | 17,703 | 883 |
| WMG (University of Warwick) | 13,114 | 3,598 |
| | <hr/> | <hr/> |
| | 89,004 | 12,581 |
| | <hr/> | <hr/> |

At 31 March 2018 the following balances were outstanding with the member organisations:

| | Grant creditors £000 | Grant in advance debtors £000 |
|--|----------------------------|--|
| Centre for Process Innovation Limited | 2,441 | 2,450 |
| Advanced Forming Research Centre (University of Strathclyde) | 2,046 | - |
| Advanced Manufacturing Research Centre (University of Sheffield) | 3,053 | - |
| Nuclear Advanced Manufacturing Research Centre (University of Sheffield) | 2,106 | - |
| National Composites Centre (University of Bristol) | 4,638 | - |
| The Manufacturing Technology Centre Limited | 1,857 | 4,000 |
| WMG (University of Warwick) | 8,033 | - |
| | <hr/> | <hr/> |
| | 24,174 | 6,450 |
| | <hr/> | <hr/> |

Notes (continued)

17 Related party disclosures (continued)

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 |
| | <hr/> 71,421 <hr/> | <hr/> 9,669 <hr/> |

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

| | Grant creditors £000 | Grant in advance 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 | - |
| | <hr/> 20,631 <hr/> | <hr/> 6,450 <hr/> |

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £645,445 (2017: £485,985).

18 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.