

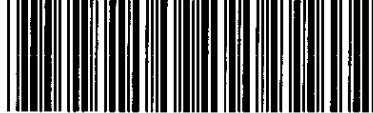
The Manufacturing Technology Centre Limited

**Annual report and consolidated
financial statements**

Registered number 06815480

31 March 2021

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COMPANIES HOUSE		

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Company information

Directors	Dr C Hickman (Chief Executive) AJ Cooper M Ewell (Chairman) V Sanderson Prof S Ratchev CPNex D Webb H Clarke Prof T Jones Prof SJ Rothberg
Company secretary	AJ Cooper
Registered office	Pilot Way Ansty Business Park Coventry CV7 9JU
Company number	06815480
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Banker	Lloyds TSB Bank plc 125 Colmore Row Birmingham B3 3SF
Solicitor	Mills & Reeve LLP 78 – 84 Colmore Row Birmingham B3 2AB

Strategic report

The Directors present their strategic report for the year ended 31 March 2021.

Principal activities, review of business and future developments

The Manufacturing Technology Centre is a company limited by guarantee, and has 3 founding partners which are University of Birmingham, University of Nottingham and Loughborough University.

The Manufacturing Technology Centre ('MTC' or 'the group') has been established to research, develop and disseminate innovative manufacturing processes and technologies in partnership with industry, academia and other institutions. The MTC group provides a unique opportunity for manufacturers to develop new and innovative processes and technologies in a low risk environment. The areas of the MTC's technology focus include intelligent automation, additive and near net shape manufacturing, advanced laser processing, digital manufacturing, product manufacturing incubation, and apprentice training & manufacturing process training. All of these activities are appropriate to both large and small companies and are applicable across a range of industry sectors.

The MTC is part of a confederation of seven research centres appointed to run the High Value Manufacturing Catapult, initiated and supported by the UK Government.

The start of MTC's trading year coincided with the Covid19 pandemic taking hold in the UK. The first 2 weeks of MTC's year saw a self-enforced shutdown to allow management and staff time to plan how business activities would continue during the pandemic.

The main priority of MTC was for the health and welfare of all staff during this time, and business continuity plans were invoked to ensure that R&D activities and apprentice training could continue, whilst still following relevant government guidelines.

The events and conferencing business halted all face to face activities, with many of these staff placed onto the government's job retention scheme. MTC claimed a total of £0.5m under this scheme during FY20-21.

The group profit and loss for the year shows turnover of £91.1 million compared with prior year of £83.0 million. This strong growth, in such a turbulent, uncertain and testing environment stands testament to the hardwork and dedication of all staff who worked tirelessly to ensure that R&D project deliverables were met, and young apprentices were trained. In addition, it also demonstrates the strong demand for R&D and training that is highly valued by UK industry.

In May 2020, in partnership with Rolls-Royce and leading medical practitioners, the MTC developed aerosol generating procedure (AGP) shields to protect frontline NHS staff when carrying out intubation procedures for COVID-19 patients. A new face visor, designed using laser cutting technology, was also developed, and an open-source technical pack was made available for free download to manufacturers.

Another Covid-specific initiative led to the development of a new product innovation designed to protect dentistry staff and patients against contaminated aerosol particles. MTC engineers developed and deployed a high volume extraction device to divert patient aerosol away from the face of the dental practitioner.

Several MTC collaborative projects have been shortlisted for the prestigious Collaborate to Innovate awards. The awards, organised by The Engineer, celebrate UK-led engineering projects with genuine innovation at their core. Projects shortlisted were:

- The £15 million DRAMA project (Digital Reconfigurable Additive Manufacturing facilities for Aerospace). DRAMA is a supply chain programme to accelerate the uptake of additive manufacturing in the UK aerospace sector, giving supply chain companies access to facilities and know-how that can support the development of their own products, processes and facilities.
- Concrete Reinforcement of the Future project (ReBar), undertaken as part of the Construction Innovation Hub, identified opportunities to innovate standard rebar by laser cutting each piece, substantially reducing repetitive strain injury, labour time and costs. This collaborative project, in conjunction with MetLase, shows how even the most traditional process has potential for innovation. Based on current rebar use in the UK, this innovative project has identified potential savings of £1.35bn in labour time and 54,000,000 hours.

Strategic report *(continued)*

- National Centre for Additive Manufacturing's PowderCleanse project which demonstrates the benefits of a newly developed sieving and recycling process for metal powder used in additive manufacturing production, particularly with safety critical, high value components. The PowderCleanse process was created in collaboration with Carpenter Technology Corporation, Farleygreene, Malvern Panalytical and Aegleseq and can be integrated into the AM production process.

The DRAMA and ReBar projects won their respective categories and DRAMA was declared the readers favourite with ReBar a close second.

Throughout the year MTC has continued to develop capability and technology for the aerospace, rail, automotive, defence, construction and energy sectors. The company has been active in many collaborative research and development projects supported by Innovate UK and the European Horizon 2020 programme. MTC continues to provide technical leadership in Net Shape and Additive Manufacture through the National Centre located at MTC. Average headcount at March 2021 was 783, compared with 785 at March 2020.

s.172 Companies Act 2006 disclosure

MTC's Purpose is to create a significant positive impact on society by enabling product based businesses to generate economic growth, and people to develop technical skills and knowledge.

We aim to meet this purpose by:

- Being the best in the world at creating communities that deliver high impact transformation through manufacturing systems thinking
- Generating positive cash flow per head, for investment into capability and cutting-edge assets
- Having a Passion to Transform Industry for a Sustainable World

Our people are MTC. Their skills, knowledge and behaviours are the fulcrum around which societal impact happens. Our industrial partners and members share their problems, hopes and aspirations with us. They trust us to help them change the way they design, make, assemble, manage and monetise their products. Our Research Partners are our window to the future. The local communities we work with trust us to lead them to a better place and provide opportunity for the people they care for. Our Government Partners trust us to work with them to solve long-term problems together.

There are many benefits to being a member of MTC, which is why since being founded in 2010, membership has grown year-on-year, with organisations keen on aligning their long term strategic growth plans with the latest developments in high value manufacturing. MTC now has more than 100 members ranging from SMEs to some of the biggest brands in the world such as Unilever, Rolls-Royce, BAE Systems and Siemens. Membership allows companies to maximise their return on investment through a truly flexible way of working. Our members see enormous value in engaging with other organisations at MTC, especially in different sectors, to identify opportunities where ideas and best practice can be shared, and proven technology can be replicated in completely different markets.

Our people believe in the shared Values of MTC and this is our corporate DNA:

- Responsibility,
- Integrity,
- Great environment,
- Honest & Integrity and
- Teamwork.

MTC, its Directors and our people uphold strong ethical principles:

- * Support British Government to improve people's lives
- * Recognise our responsibility to humanity over profit or power
- * Strive to create a sustainable world
- * Promote British Values
- * Promote & Celebrate Diversity & Inclusiveness

Strategic report (continued)

Equal Opportunities and Dignity at work policy

MTC's Equal Opportunities and Dignity at work policy sets out its full commitment and responsibility to treat all of its colleagues and job applicants equally. MTC takes all reasonable steps to employ, train and promote colleagues on the basis of their experience, abilities and qualifications and avoids unlawful discrimination in all aspects of employment including recruitment and selection, promotion, transfer, opportunities for training, pay and benefits, other terms of employment, discipline and dismissal.

For job applicants with disabilities or health conditions, we will ask whether a job applicant needs any reasonable adjustments for any part of the recruitment process and we will have regard to its duty to make reasonable adjustments to work provisions, criteria and practices or to physical features of work premises or to provide auxiliary aids or services to ensure that the disabled person is not placed at a substantial disadvantage.

If a colleague were to become disabled whilst employed at MTC we will work with our colleague and with expert advice (e.g. from an occupational health therapist and/ or the employee's GP) to understand how the impairment/ disability affects the way they function day to day and identify/ provide reasonable adjustments and support. We will also provide reasonable adjustments to training, if required, including possibly the way it is delivered, so a colleague with a disability can undertake the training and not be disadvantaged.

We will train all colleagues to help them understand their rights and responsibilities in relation to equal opportunities and dignity at work and what they can do to create a work environment that is free from discrimination, bullying and harassment. All managers will be responsible for ensuring that they actively promote equal opportunity within the teams for which they are responsible. In promotion and career development opportunities, colleagues will not be discriminated against because of their disability, perceived disability, association with someone with a disability or something linked to their disability.

Streamlined Energy & Carbon Reporting

The Purpose of The Manufacturing Technology Centre Limited (MTC) is to create significant positive impact on society by enabling product based business to generate zero carbon economic growth, and people to develop technical skills and knowledge.

MTC is the holding company of subsidiaries that consume direct and indirect energy in performing R&D activities, the providing of training facilities for apprentice training, and events for R&D dissemination.

Direct emissions for FY20-21 for the Group were: 300,768 cubic metres of Gas (3,349,176 KWhrs)
Prior year was: 265,308 cubic metres of Gas (2,954,314 KWhrs).

Indirect emissions for the Group were 4,625,247 KWhrs of electricity consumed in operations.
Prior year was 5,585,621 KWhrs.

Total energy consumed for FY20-21 was 7,974,423 KWhrs or 10,397 KWhrs per employee.
Prior year was 8,539,932 KWhrs, or 10,879 KWhrs per employee.

MTC has Photovoltaic cells on the roof of two buildings. For MTC Group, these cells generated the equivalent of 4.5% of the total electricity KWhrs consumed (prior year was 3.6%).

Using a carbon calculator from the National Energy Foundation, MTC Group had total emissions of 2,242,836 kgCO₂e. This is equivalent to 612T of Carbon.
Prior year was 2,507,747 kgCO₂e equivalent to 685T of Carbon.

MTC activities resulted in 48 Tonnes of waste being generated, of which 100% was diverted away from landfill.
Prior year was 172T of generated waste.

Strategic report *(continued)*

26.7 Tonnes (55%) was recycled, which is equivalent to 1 Tonne of CO₂e saved.
Prior year was 83.5 Tonnes (48%) recycled which was equivalent to 4 Tonnes of CO₂e saved.

KWhr consumption figures comes from metered gas and electricity supplies.
Photovoltaic energy generation is taken directly from the metered solar roof system.

Waste and recycling data is from Veolia Ltd.

Principal risks

The principal risk facing the group is to ensure it has the funding required to support its growth and expansion plans. The Directors actively monitor the funding position of the group, producing forward-looking cash flow forecasts and regular covenant testing of banking facilities. MTC and its subsidiaries are profit-orientated businesses, with any surplus being reinvested into R&D activities (see Note 8 on tax status).

In August 2018, the Government announced a further 5 year funding commitment to manufacturing R&D, via the Catapult initiative, providing MTC with £122m of funding over the five year period. This is at a higher level than in prior years for the group, with MTC receiving funding of £25m in FY20-21 from the Catapult programme. This has allowed MTC to continue to accelerate industrial growth, deliver innovation, create and embed engineering skills, whilst delivering its sustainable growth expectations.

The business continuity plan that MTC initiated in March 2020 has enabled it to minimise the impacts of the pandemic during the year. The breadth and diversified range of industrial sectors in which MTC now offers R&D services, along with highly valued apprentice training courses has enabled MTC to grow by 10% year on year, during the fall-out of a global pandemic.

Management are confident that this experience coupled with our robust business continuity plans and strong demand for R&D project work and training services will allow MTC to perform well in the coming year notwithstanding the potential economic impact of COVID-19 on the UK economy.

The MTC does not see any current or future risks surrounding Brexit.

By order of the board



Dr C Hickman
Director

Date: 27 August 2021

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2021.

Results and dividends

The profit for the year is shown in the attached profit and loss account.

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors

The Directors of the company during the year and to the date of this report, are:

Dr C Hickman (Chief Executive)
Prof SJ Rothberg
AJ Cooper
M Ewell *
V Sanderson
Prof S Ratchev
CPNex
D Webb
H Clarke
Sir D Brown (Chairman) resigned 8th August 2021
Prof T Jones

* Mel Ewell appointed Chairman on 17th August 2021

Political contributions

The group made no (2020: £nil) political donations during the year.

Statement as to disclosure of information to auditor

The Directors who are in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The Directors have confirmed that they 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 it has been communicated to the auditor.

Auditor

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

By order of the board



Dr C Hickman
Director

Pilot Way
Ansty Business Park
Coventry
CV7 9JU

Date: 27 August 2021

Statement of directors' responsibilities in respect of the strategic report, the 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of The Manufacturing Technology Centre Limited

Opinion

We have audited the financial statements of The Manufacturing Technology Centre Limited ("the company") for the year ended 31 March 2021 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated 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 group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 102 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:



Independent auditor's report to the members of The Manufacturing Technology Centre Limited *(continued)*

- Enquiring of directors, the audit committee and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, and whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue from catapult funding, project and collaborative income is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries in relation to the capitalisation and treatment of income where project costs or income include capital items.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected journals posted to operating profit and cash and borrowings during the financial year.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



Independent auditor's report to the members of The Manufacturing Technology Centre Limited *(continued)*

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.

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 7, 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 group and parent 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 group or the parent 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.

Craig Parkin *(Senior Statutory Auditor)*

27 August 2021

*for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants*

St Nicholas House
Park Row, Nottingham, NG21 6FQ

Consolidated profit and loss account and other comprehensive income
for year ended 31 March 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	<i>1, 2</i>	91,127	83,045
Research and administrative expenses	<i>3</i>	(89,233)	(81,274)
Other operating income	<i>4</i>	2,546	1,908
		<hr/>	<hr/>
Operating profit		4,440	3,679
Interest payable and similar expenses	<i>7</i>	(197)	(202)
		<hr/>	<hr/>
Profit before taxation		4,243	3,477
Tax on profit	<i>8</i>	(859)	(521)
		<hr/>	<hr/>
Profit for the financial year being total comprehensive income for the year		3,384	2,956
		<hr/> <hr/>	<hr/> <hr/>

In both the current and preceding year, the Group made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of comprehensive income has been presented.

Consolidated balance sheet
as at 31 March 2021

	<i>Note</i>	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		187		402
Tangible assets	10		87,232		92,169
			<u>87,419</u>		<u>92,571</u>
Current assets					
Stock	12	68		262	
Debtors	13	39,000		42,744	
Cash at bank and in hand	14	16,122		11,958	
		<u>55,190</u>		<u>54,964</u>	
Creditors: amounts falling due within one year	15	<u>(56,518)</u>		<u>(64,630)</u>	
Net current liabilities			<u>(1,328)</u>		<u>(9,666)</u>
Total assets less current liabilities			<u>86,091</u>		<u>82,905</u>
Creditors: amounts falling due after more than one year	16		<u>(70,552)</u>		<u>(70,750)</u>
Net assets			<u><u>15,539</u></u>		<u><u>12,155</u></u>
Capital and reserves					
Profit and loss account			<u>15,539</u>		<u>12,155</u>
Capital and reserves			<u><u>15,539</u></u>		<u><u>12,155</u></u>

These financial statements were approved by the board of directors on 27 August 2021 and were signed on its behalf by:



Dr C Hickman
Director

Company registered number: 06815480

Company balance sheet
as at 31 March 2021

	Note	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		187		402
Tangible assets	10		87,232		92,169
Investments	11		1,000		1,000
			<u>88,419</u>		<u>93,571</u>
Current assets					
Debtors	13	40,526		36,162	
Cash at bank and in hand	14	13,981		10,722	
		<u>54,507</u>		<u>46,884</u>	
Creditors: amounts falling due within one year	15	<u>(91,020)</u>		<u>(85,017)</u>	
Net current liabilities			<u>(36,513)</u>		<u>(38,133)</u>
Total assets less current liabilities			<u>51,906</u>		<u>55,438</u>
Creditors: amounts falling due after more than one year	16		<u>(50,914)</u>		<u>(54,309)</u>
Net assets			<u>992</u>		<u>1,129</u>
Capital and reserves					
Profit and loss account			<u>992</u>		<u>1,129</u>
Capital and reserves			<u>992</u>		<u>1,129</u>

These financial statements were approved by the board of directors on 27 August 2021 and were signed on its behalf by:



Dr C Hickman
 Director

Company registered number: 06815480

Consolidated statement of changes in equity

	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	9,199	9,199
Total comprehensive income for the year		
Profit for the year being total comprehensive income for the year	2,956	2,956
Balance at 31 March 2020	12,155	12,155
	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	12,155	12,155
Total comprehensive income for the year		
Profit for the year being total comprehensive income for the year	3,384	3,384
Balance at 31 March 2021	15,539	15,539

Company statement of changes in equity

	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	1,441	1,441
Total comprehensive loss for the year		
Loss for the year being total comprehensive loss for the year	(312)	(312)
Balance at 31 March 2020	<u>1,129</u>	<u>1,129</u>
	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	1,129	1,129
Total comprehensive loss for the year		
Loss for the year being total comprehensive loss for the year	(137)	(137)
Balance at 31 March 2021	<u>992</u>	<u>992</u>

Consolidated cash flow statement
for year ended 31 March 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the year	3,384	2,956
<i>Adjustments for:</i>		
Depreciation and amortisation	6,862	6,599
Interest payable and similar charges	197	202
Profit on sale of tangible fixed assets	(50)	(45)
Research and development expenditure credit	(1,999)	(1,863)
Taxation	859	521
Release of government grants	(3,636)	(3,689)
	<hr/> 5,617	<hr/> 4,681
Decrease in stock	194	-
Decrease/(increase) in trade and other debtors	2,639	(13,960)
(Decrease)/increase in trade and other creditors	(7,595)	16,526
	<hr/> 855	<hr/> 7,247
Interest paid	(197)	(211)
Research and development credit received	2,138	638
	<hr/> 2,796	<hr/> 7,674
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from sale of tangible and intangible fixed assets	332	45
Acquisition of tangible and intangible fixed assets	(2,282)	(12,113)
	<hr/> (1,950)	<hr/> (12,068)
Net cash outflow from investing activities		
Cash flows from financing activities		
Repayment of Finance Lease Liabilities	(472)	(675)
Receipt of other loan	4,000	-
Repayment of bank loans	(210)	(420)
	<hr/> 3,318	<hr/> (1,095)
Net cash inflow/(outflow) from financing activities		
Net increase/(decrease) in cash and cash equivalents	4,164	(5,489)
Cash and cash equivalents at 1 April	11,958	17,447
	<hr/> 16,122	<hr/> 11,958
Cash and cash equivalents at 31 March		

Notes

(forming part of the financial statements)

1 Accounting policies

The Manufacturing Technology Centre Limited (the "Company") is a company limited by guarantee and incorporated and domiciled in the UK. The registered number is 06815480 and the registered address is Pilot Way, Ansty Business Park, Coventry, CV7 9JU.

These group and parent company 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 parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

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 25.

1.1. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Going concern

Notwithstanding net current liabilities of £1.3m as at 31 March 2021 (prior year was £9.7m), the financial statements have been prepared on a going concern basis, which the Directors consider appropriate for the reasons below.

General

The company's "start-up" property and tangible fixed assets were funded by grants from Advantage West Midlands, East Midlands Development Agency and the Technology Strategy Board. The company is supported in its continuing operations by grants from the Catapult initiative (these grants being used to support the core operations and ongoing

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Going concern *(continued)*

capital expenditure needs at the discretion of the directors), capital grants received from other government connected sources (together "government grants") and other parties.

The new round of 5-year government Catapult funding announced in August 2018 ensures an increased level of grant funding support for the company across the 5 years, allowing the company to continue its growth strategy, whilst increasing innovative R&D activities. In the current trading year, the company received £25m of core funding from the Catapult initiative.

In addition, the company and group have committed term loan and revolving credit facilities of £3.3m and £3m respectively. The term loan is repayable over the period to April 2028. The revolving credit facility is due for renewal in November 2022 and was £0.4m drawn down at the year end. Both facilities are subject to financial covenants. The group held cash of £16.1m at 31 March 2021.

Included within group creditors due within one year are the following amounts which would not result in a cash outflow in future periods. Of the total deferred income balance of £31.2m, £7.4m relating to membership income which is released to revenue over the life of the membership, £2.1m relating to In-Kind revenue where services are exchanged for membership and £0.6m of sponsorship income released to revenue over the period of the sponsorship. The deferred grant income of £3.3m is released to the profit and loss account over the life of the asset and therefore does not impact cashflow.

Covid-19 specific

The trading year FY20-21 has proven that MTC has the internal capabilities and sought-after services that are demanded by UK industry, even during the worst periods of the global pandemic.

MTC provides R&D and training services to UK industry that are unique and sought-after by companies who want a competitive advantage in their market space.

MTC is still in a very positive position in that a high proportion of its income is linked to long-term commercial project delivery agreement and contracts. This gives a minimum level of income – between £60m to £70m for FY21-22, before any proposals are converted into orders, and excluding the training business.

The Directors have prepared monthly cashflow forecasts for the period to the end of September 2023. The forecasts include scenarios for an ongoing negative impact due to COVID19.

These forecasts indicate that, even in reasonably possible downside scenarios, the Company will be able to operate within its revised banking facilities and will be able to meet its liabilities as they fall due for payment for at least 12 months from the date of approval of these financial statements. As a result, the Directors consider it appropriate to prepare the accounts on a going concern basis.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group'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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.5 Basic financial instruments

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs is determined on a standard cost method. Where necessary, provision is made for obsolete and defective inventories. **1.5. Basic financial instruments** (continued)

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. 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.

Trade and other creditors

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. 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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) 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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold	- Over the term of the lease
Property	- 2.5% straight line
Plant and machinery	- 10% - 25% straight line
Motor vehicles	- 20% straight line
Fixtures and fittings	- 10% - 25% straight line

Assets under construction are not depreciated until they become operational and/or available for product research.

Notes (continued)

1 Accounting policies (continued)

1.6. Tangible fixed assets (continued)

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

1.7. Intangible assets

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:

- capitalised development costs 5 years

The basis for choosing these useful lives is the estimated useful life of the asset.

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.

Intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.8. Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are 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.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Impairment excluding deferred tax assets *(continued)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans

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. Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed. The Company has opted to apply for the Research and Development Expenditure Credit (RDEC) for qualifying expenditure. The RDEC is included as a credit within research and administrative expenses and any associated taxation credit also within research and administrative expenses once the success of the claim is virtually certain.

1.12. Long term contracts

Operations Supporting grant income

Turnover for such contracts is stated at the cost appropriate to their stage of completion less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Research (members and non-members)

Profits generated are recognised after the project is 75% complete, when the outcome of the project can be assessed with reasonable certainty. These projects are highly specialised and outcomes can only be determined once the project nears its completion. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

1.13. Turnover

Turnover represents income recorded from operations supporting government grants and research projects.

Membership of the group comprises three tiers of membership allowing the members to obtain certain research services to the value of the membership fees paid. In certain instances members provide capital equipment or other services to the group as a payment of membership fees ("in-kind").

Operations supporting grant income, research members and research non-members turnover is recognised in line with costs booked to individual research projects less amounts recognised in previous years. In-kind members' turnover is recognised on a straight-line basis over the life of the membership. Sponsorship income is recognised on a straight-line basis over the life of the sponsorship agreement. Catering and training income is recognised as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Turnover *(continued)*

Grant income follows the accrual model, whereby revenue grants are recognised in turnover over the same period as the related costs and asset-related grants are recognised in turnover over the life of the asset.

1.14. 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.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

1.15. Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, 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.

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.

Notes *(continued)*

2 Turnover

All revenue arises in the United Kingdom.

	2021	2020
	£000	£000
Operations supporting grant income	61,539	48,473
Research members	2,766	4,131
Research non-members	20,725	21,741
In-kind members	3,418	3,975
Sponsorship	833	1,184
Training	1,827	1,559
Events and catering	19	1,982
	91,127	83,045
	91,127	83,045

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021	2020
	£000	£000
Research and development expensed as incurred	30,542	26,490
Restructuring costs	440	-
Profit on disposal of fixed assets	50	37
Amortisation of intangible fixed assets	278	431
Depreciation of tangible fixed assets	6,584	6,168
	38,194	33,126
	38,194	33,126

Auditor's remuneration:

	2021	2020
	£000	£000
Audit of these financial statements	-	-
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	107	103
Audit related assurance services	-	2
	107	105
	107	105

The audit fee for this entity is borne by another group company.

4 Other income

	2021	2020
	£000	£000
Research and development credit	1,999	1,863
Job Retention Scheme grant	497	-
Profit on sale of fixed assets	50	45
	2,546	1,908
	2,546	1,908

Notes (continued)

4 Other income (continued)

Included in other operating income is the research and development expenditures credit of £1,999,000 (2020: £1,863,000) relating to claims for research and development expenditure credits and the related withholding tax from qualifying expenditure under the UK Government research and development expenditure credit (RDEC) scheme which was substantively enacted on 2 July 2013.

Included in other income is £497,000 (2020: nil) of government Job Retention Scheme grants obtained relating to supporting the payroll of the Company's employees.

5 Staff numbers and costs

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

	Number of employees	
	2021	2020
Employees and directors	<u>783</u>	<u>785</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	34,497	32,644
Social security costs	3,624	3,366
Contributions to defined contribution plans	2,267	2,141
	<u>40,388</u>	<u>38,151</u>

6 Directors' remuneration

	2021	2020
	£000	(Restated) £000
Directors' emoluments	<u>951</u>	<u>932</u>

The aggregate of emoluments of the highest paid director was £446,000 (2020 restated: £447,000), and company pension contributions of £nil (2020: £nil) were made to a money purchase scheme on his behalf.

Change in classification of Directors remuneration

In the financial statements for the year ended 31 March 2020, the company presented all emoluments (£1,366,000) for all Directors serving in The MTC group of companies. In the current year the company has excluded Directors who are not Directors of the Parent company and also Directors employer NI contributions. In order to ensure consistency the company has changed the amounts disclosed for Directors remuneration in the comparative figures for the year ended 31 March 2020. The aggregate of emoluments of the highest paid director and the number of directors accruing benefits under money purchase pension schemes have also been restated. The effect of the change has no impact on the profit or loss, comprehensive income or balance sheet during either year.

	Number of directors	
	2021	2020
		(Restated)
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

Notes (continued)

7 Interest payable and similar expenses

	2021 £000	2020 £000
Member loan interest	13	13
Finance leases interest	58	95
Bank loan interest	126	94
	197	202
	197	202

8 Tax on profit

Total tax expense recognised in the profit and loss account

	2021		2020	
	£000	£000	£000	£000
<i>Current tax</i>				
Current tax on income for the year	538		453	
Adjustments in respect of prior years	290		183	
	828		636	
<i>Deferred tax (note 19)</i>				
Origination and reversal of timing differences	31		(108)	
Adjustments in respect of prior years	-		(7)	
	31		(115)	
Total deferred tax		31		(115)
Total tax		859		521

The Company was established as a company limited by guarantee with the purpose of supporting research and development activities in the UK and not to make any surplus available for distribution. The Company has operated as a scientific research association as defined by s469, Corporation Tax Act 2010 and consequently the directors are claiming an exemption from corporation tax. This exemption is limited to the Company and does not include the subsidiaries.

Notes (continued)

8 Tax on profit (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit for the year	3,384	2,956
Total tax expense	859	521
	<hr/>	<hr/>
Profit excluding taxation	4,243	3,477
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	806	661
Tax exempt loss	-	59
Research and development credit taxed in prior period	(266)	(312)
Research and development credit taxed in future period	-	(55)
Other timing differences	-	(4)
Adjustment in respect of prior period	290	176
Deferred tax rate change	-	(5)
Utilisation of brought forward losses	-	1
Expenses not deductible for tax purposes	29	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	859	521
	<hr/>	<hr/>

On the 3rd March 2021 in the Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £50,365.

9 Intangible assets

	Development costs £000	Total £000
Group and Company		
Cost		
Balance at 1 April 2020	2,911	2,911
Additions	63	63
	<hr/>	<hr/>
Balance at 31 March 2021	2,974	2,974
Amortisation and impairment		
Balance at 1 April 2020	2,509	2,509
Amortisation for the year	278	278
	<hr/>	<hr/>
Balance at 31 March 2021	2,787	2,787
	<hr/>	<hr/>
Net book value		
At 31 March 2021	187	187
	<hr/>	<hr/>
At 31 March 2020	402	402
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

Group and Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
Balance at 31 March 2020	69,664	45,692	43	13,909	7,343	136,651
Transfer	127	1,179	-	1,394	(2,700)	-
Additions	94	549	-	1,127	981	2,751
Disposals	-	(3,053)	-	(243)	-	(3,296)
	<u>69,885</u>	<u>44,367</u>	<u>43</u>	<u>16,187</u>	<u>5,624</u>	<u>136,106</u>
Depreciation						
Balance at 31st March 2020	9,852	26,017	29	8,584	-	44,482
Depreciation charge for the year	1,717	3,681	5	1,181	-	6,584
Disposals	-	(2,126)	-	(66)	-	(2,192)
	<u>11,569</u>	<u>27,572</u>	<u>34</u>	<u>9,699</u>	<u>-</u>	<u>48,874</u>
Net book value						
At 31 March 2021	<u>58,316</u>	<u>16,795</u>	<u>9</u>	<u>6,488</u>	<u>5,624</u>	<u>87,232</u>
At 31 March 2020	<u>59,812</u>	<u>19,675</u>	<u>14</u>	<u>5,325</u>	<u>7,343</u>	<u>92,169</u>

Leased plant and machinery

At 31 March 2021 the net carrying amount of fixtures and fitting leased under a finance lease was £589,000 (2020: £16,000).

At 31 March 2021 the net carrying amount of plant and machinery leased under a finance lease was £2,092,000 (2020: £2,603,000).

Depreciation charged in the year on finance lease assets was £490,000 (2020: £641,000).

Land and buildings

The net book value of land and buildings comprises:

	2021 £000	2020 £000
Freehold	57,326	58,732
Leasehold	990	1,080
	<u>58,316</u>	<u>59,812</u>

Notes (continued)

10 Tangible fixed assets (continued)

The company's leasehold land and buildings and initial plant and machinery were supported by grant funding received from Advantage West Midlands (and its successors) who currently retain full legal title to the land, property and related plant and machinery. The company has a 99 year lease to use the land, property and related assets (at a cost of £1,800,000) which have been capitalised in the land and buildings figure noted above. The terms of the grant give the successors of Advantage West Midlands certain rights, including the right to reclaim the property and plant and machinery in the event that the company does not meet certain specified conditions (relating to its performance as a research centre) through its period of occupancy.

The directors consider that the risks and rewards of ownership of the MTC premises have substantially been transferred to the company by virtue of the lease arrangement and grant funding terms. On this basis, the land and buildings, initial plant and machinery and the costs of the lease have been capitalised as 'Tangible fixed assets' and the related grant funding received has been recorded within deferred income and is being amortised over the lives of the related assets.

The directors note that no conditions of the grant funding have been breached and they do not expect any circumstances where Advantage West Midlands (or its successors) would exercise the right to reclaim the property and related assets.

11 Fixed asset investments

Company	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	1,000,003
<hr/>	
<i>Provisions</i>	
At beginning and end of year	-
<hr/>	
<i>Net book value</i>	
At 31 March 2021	1,000,003
<hr/>	
At 31 March 2020	1,000,003
<hr/>	

The Company has the following investments in subsidiaries,

Company name	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporation	Percentage shareholding	Class of shares held
MTC Operations Limited	15,398	5,473	UK	100%	Ordinary
The MTC – Advanced Manufacturing Training Centre Limited ('AMTC')	(1,458)	(1,909)	UK	100%	Ordinary
Business Launch Centre Limited ('BLC')	1,605	(45)	UK	100%	Ordinary
Powerbuild Registry Limited (dormant)	-	-	UK	100%	Ordinary

All four subsidiaries have the same registered office address as the Company.

Notes *(continued)*

12 Stock

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Raw materials and consumables	68	262	-	-

Stock recognised as an expense in the period were £240,000 (2020: £150,000).

Stock are stated after provisions for impairment of £nil (2020: £66,000).

The value of stocks is not materially different from the replacement cost.

13 Debtors

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	20,150	20,998	12,918	14,895
Amounts owed by group undertakings	-	-	24,598	19,523
Amount receivable on research projects	9,939	11,755	2,930	1,744
Accrued in-kind income	2,134	2,319	-	-
Other debtors	5,975	7,105	69	-
Prepayments	643	377	11	-
Deferred tax assets (note 19)	159	190	-	-
	39,000	42,744	40,526	36,162

All debtors are due within one year.

14 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and in hand	16,122	11,958	13,981	10,722
Cash and cash equivalents per cash flow statements	16,122	11,958	13,981	10,722

Included within cash and cash equivalents is £556,000 (2020: £80,000) of restricted cash held on behalf of other entities. A creditor is included within other creditors of £556,000 (2020: £80,000) to reflect this restriction.

Notes (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans (note 17)	420	820	420	820
Other loans (note 17)	4,000	4,500	4,000	4,500
Obligations under finance leases (note 17)	530	513	530	513
Trade creditors	4,072	14,377	621	727
Amounts owed to group undertakings	-	-	69,093	60,846
Other taxation and social security	903	1,125	41	41
Other creditors and accruals	12,085	4,241	2,432	1,441
Corporation taxation	-	107	-	-
Deferred income	29,032	32,956	10,541	12,457
Deferred in-kind income	2,134	2,319	-	-
Deferred grant income	3,342	3,672	3,342	3,672
	<u>56,518</u>	<u>64,630</u>	<u>91,020</u>	<u>85,017</u>

Bank loans classified within 'Creditors: amounts falling due within one year' is a term loan of £420,000 (2020: £420,000) due for repayment in quarterly instalments up to 29 April 2028. A revolving credit facility of £400,000 in the prior year was previously due for repayment on 19 July 2020. This repayment date was extended to on or before 30 November 2022 in April 2020 and therefore has been reclassified to 'Creditors: amounts falling due after more than one year' for the 31 March 2021 year end. This revolving credit facility has a floating charge over the assets of the group.

Other loans classified within 'Creditors: amounts falling due within one year' comprise an advance on grant capital funding provided by the High Value Manufacturing Catapult of £4,000,000 (2020: £4,000,000) due for repayment on demand. Formal arrangements with the company's members of £500,000 in the prior year were due for repayment on 31 March 2021. Prior to the year end the repayment date was extended to 31 March 2023 and therefore this has been reclassified to 'Creditors: amounts falling due after more than one year' for the 31 March 2021 year end.

The deferred grant income relates to the element of the deferred grant income expected to be released during the year ended 31 March 2022 against the depreciation charge on grant funded tangible fixed assets.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans (note 17)	3,235	3,045	3,235	3,045
Other loans (note 17)	4,500	-	500	-
Obligations under finance leases (note 17)	342	299	342	299
Deferred grant income	46,837	50,965	46,837	50,965
Deferred income	15,638	16,441	-	-
	<u>70,552</u>	<u>70,750</u>	<u>50,914</u>	<u>54,309</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year (continued)

Bank loans classified within 'Creditors: amounts falling due after more than one year' includes a term loan of £2,835,000, secured on the property asset it has funded, (2020: £3,045,000) due for repayment in quarterly instalments up to 29 April 2028. Also within bank loans is a revolving credit facility of £400,000 (2020: £nil) with a repayment date that was extended to on or before 30 November 2022 in April 2020.

Other loans classified within 'Creditors: amounts falling due after more than one year' include formal arrangements with the Company's members of £500,000 (2020: £Nil). Prior to the year end the repayment date was extended to 31 March 2023. Also within other loans is an advance on funding provided by Innovate UK, to assist the Company during the pandemic, of £4,000,000 (2020: £nil), which is not repayable until 31 March 2023 at the earliest.

Deferred grant income relates to grant funding received to finance the construction of the MTC research centre, the AMTC training centre, the purchase of the initial plant and machinery used to start the operations of the company and subsequent capital grants received for the security enhancement project. This deferred income is being released to the profit and loss account over the expected useful lives of the assets to which it relates. The estimated amount that will be released over the next twelve months has been shown within 'Creditors: amounts falling due within one year'.

Deferred income relates to grant funding received to finance capital asset additions. This deferred income is released to revenue in the profit and loss account over the life of the capital asset addition to which it relates.

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Creditors falling due more than one year				
Bank loans	3,235	3,045	3,235	3,045
Other loans	4,500	-	500	-
Finance lease liabilities	342	299	342	299
	<u>8,077</u>	<u>3,344</u>	<u>4,077</u>	<u>3,344</u>
Creditors falling due within less than one year				
Bank loans	420	820	420	820
Other loans	4,000	4,500	4,000	4,500
Finance lease liabilities	530	513	530	513
	<u>4,950</u>	<u>5,833</u>	<u>4,950</u>	<u>5,833</u>

Included within finance lease liabilities, for both group and company, are amounts repayable after five years by instalments of £nil (2020: £nil).

Notes (continued)

17 Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2021 £000	2020 £000
Other loans	Sterling	-	On demand	4,000	4,000
Other loans	Sterling	LIBOR + 3%	31 March 2023	500	500
Other loans	Sterling	-	On or after 31 March 2023	4,000	-
Bank loans – revolving facility	Sterling	LIBOR + 2.8%	On or before 30 Nov 2022	400	400
Bank loans – term loan	Sterling	LIBOR + 2.8%	On or before 29 April 2028	3,255	3,465
				12,155	8,365
				12,155	8,365

The finance lease borrowings are secured on the assets to which they relate.

18 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group		Company	
	Minimum lease payments 2021 £000	Minimum lease payments 2020 £000	Minimum lease payments 2021 £000	Minimum lease payments 2020 £000
Less than one year	530	513	530	513
Between one and five years	342	299	342	299
	872	812	872	812
	872	812	872	812

19 Deferred tax assets

Group

Movements in deferred taxation in the year:

	2021 £000	2020 £000
At beginning of year	190	75
Recognised as tax (charge)/credit in year	(31)	115
	159	190
	159	190

Notes *(continued)*

19 Deferred tax assets *(continued)*

Deferred tax assets are attributable to the following:

	Assets	
	2021	2020
	£000	£000
Unused tax losses	41	41
Other short term timing differences	118	149
	159	190

Company

No deferred tax assets have been recognised in the Company.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021	2020
	£000	£000
Less than one year	343	233
One to two years	167	63
Two to five years	227	32
	737	328

During the year £337,000 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £102,000).

21 Commitments

Capital commitments

The Group's contractual commitments to purchase tangible fixed assets at the year-end were £591,000 (2020: £748,000).

22 Defined contribution plans

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The total pension cost charged for the year was £2,267,000 (2020: £2,141,000). There were outstanding pension contributions of £320,000 (2020: £295,000) accrued at the year end.

Notes (continued)

23 Related parties

Identity of related parties with which the Company has transacted

The University of Birmingham, University of Nottingham and Loughborough University are members of the company.

Director Prof T Jones is an employee of the University of Birmingham. Director Prof S Ratchev is an employee of the University of Nottingham. Director Prof S Rothberg is an employee of Loughborough University.

Transactions and balances with these related entities are as follows:

	Invoiced to related parties £000	Purchases from related parties £000	Amounts owed to related parties £000	Loan balances £000
2021				
University of Birmingham	1,689	336	270	225
University of Nottingham	-	-	244	225
Loughborough University	9	156	149	50
2020				
University of Birmingham	1,517	411	518	225
University of Nottingham	-	97	244	225
Loughborough University	-	81	168	50

The loan balances are repayable on 31 March 2023 and bear interest at 3% per annum.

Transactions with key management personnel

Total compensation of key management personnel (excluding directors) in the year amounted to £685,000 (2020: £433,000).

24 Company status

The company is a private company, limited by guarantee, and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

Ultimate control is vested in the individual members and directors as, being a company limited by guarantee, there are no shareholders.

25 Accounting estimates and judgements

Critical accounting judgements in applying the Group accounting policies

Principal vs agent

Where grant monies are collected on behalf of third parties each grant agreement is reviewed individually to ascertain whether the Group is operating as principal or agent with regards this transaction. Where the Group has direct responsibility for the agreement and terms and control over the cash received and how this is allocated it is defined as acting as principal. Where the Group is acting as principal the full amounts received under the grant are recorded in turnover with the corresponding third party costs recorded in research and admin costs. Where the Group is acting as agent the amounts received under the grant are netted off the costs incurred from the third party in research and admin costs.

In-kind revenue

Where assets other than cash are receipted in exchange for membership (in-kind revenue), management review each agreement and recognise revenue in accordance with the tier of membership per the agreement signed.

Notes *(continued)*

25 Accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty

Contract accounting

The Group has a wide array of different research and operational R&D projects underway at any one time. Some of these have quite defined deliverables or outcomes, whilst others are based around lower Technology Readiness levels, where the project outcome is not known. Due to the diversity of complexity of R&D work involved, in many cases it is impossible to estimate whether a margin will remain on a project until the work is complete. Should the work come up against an issue that necessitates further work (in scope) to fulfil the project outcome, then any margin can quickly be eroded, for MTC to meet the project deliverables.

Therefore, a traditional ‘contracting accounting’ approach on Research projects that recognises a proportion of profit at stages throughout the life of a project is not particularly relevant to MTC as it operates in an environment of high uncertainty in terms of project outcomes due to the hi-tech and novel nature of the R&D work involved. Until a project is in the later stages of completeness, MTC cannot be certain that any profit margin will be realised. On this basis no profit is recognised until the project is 75% complete and at this point given the uncertainties over profit levels only 75% of the anticipated margin is recognised at this time. Recognised in the year ended 31st March 2021 are profits of £4,000, if the calculation was changed to recognising 75% of the profits when a project was 50% complete this would increase the profits recognised to £118,000.

R&D Tax Credit estimation

The Group prepares and submits annual R&D tax credit claims to HMRC, with the assistance of an external advisor, based on an analysis and critique of projects deemed to be eligible as qualifying expenditure under the UK Government research and development expenditure credit scheme. Claims are lodged 1 year in arrears, due to the complexity of preparing and evaluating such claims.

An estimation of the claim relating to FY21 is included in these financial statements as an accrual. This is £600,000 and is included in Other operating income and in the balance sheet reducing the tax creditor to nil with the balance in Other debtors. The associated FY21 RDEC claim will not be submitted until March 2022; this estimate is based on management judgement regarding the mix of project activity during the year, and the likely quantum of project work that meets the RDEC scheme rules. Such estimates made before the detailed claim calculations are performed will have some degree of inherent uncertainty, which could result in the actual claim being between a 30% variance higher or lower than the estimate level accrued for in these financial statements.

Notes *(continued)*

26 Reconciliation of net debt

	Bank loans £000	Other loans £000	Finance lease liabilities £000	Total £000
Balance at 1 April 2020	3,865	4,500	812	9,177
Changes from financing cash flows				
New borrowings	-	4,000	-	4,000
Repayment of borrowings	(210)	-	-	(210)
Payment of finance lease liabilities	-	-	(472)	(472)
Total changes from financing cash flows	(210)	4,000	(472)	3,318
Other changes				
New finance leases	-	-	532	532
Interest expense	126	13	58	197
Interest paid	(126)	(13)	(58)	(197)
Interest accrual	-	-	-	-
Total other changes	-	-	532	532
Balance at 31 March 2021	3,655	8,500	872	13,027