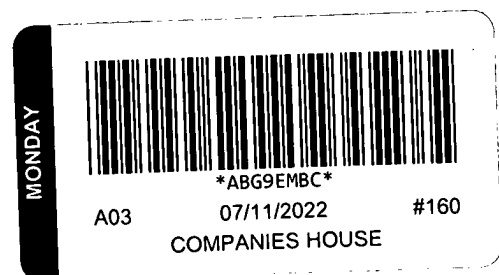


The Manufacturing Technology Centre Limited

**Annual report and consolidated
financial statements**

Registered number 06815480

31 March 2022



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Company information

Directors	Dr C Hickman (Chief Executive) K Govindasamy M Ewell (Chairman) V Sanderson Prof S Ratchev CP Nex D Webb H Clarke Prof T Jones Prof SJ Rothberg
Company secretary	K Govindasamy
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 2022.

Principal activities, review of business and future developments

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 includes 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.

12 months into the pandemic saw MTC enter a new financial year with a revised hybrid way of working across all sites, to ensure the continuing safety, health and welfare of staff, whilst allowing nearly all of MTC's activities, with the exception of the events and conferencing business, to continue as normal. Staff were encouraged to work either remotely or at an MTC site to balance their own welfare needs with those of customers and stakeholders, with many staff also adopting a fully flexible working pattern which is now being embedded into future working practices at MTC.

The group profit and loss for the year shows turnover of £96.6 million compared with prior year of £91.1 million. This strong growth 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 throughout the fallout of the pandemic. In addition, it also demonstrates the strong demand for R&D and training that is highly valued by UK industry.

During 2021-2022 MTC has expanded its scope of work geographically;

Work carried out at MTC's Liverpool Centre on a Modern Methods of Manufacturing programme which gained support and recognition from the All Party Parliamentary Group on manufacturing in April 2021.

MTC was selected as lead delivery partner for a Future Cube facility in Havering resulting from a partnership between Havering Council, SEGRO, the London Riverside Business Improvement District (BID), and the Greater London Authority. The facility, which opened in December 2021, is a brand new innovation centre designed to support and cultivate London's innovative manufacturing, logistics and construction businesses. MTC's specialists and expert guidance will help small and medium sized enterprises (SMEs) to address the practical, technical and strategic challenges that are critical to helping them to build long-term resilience and viability.

In October 2021, MTC was selected by the Construction Industry Training Board to produce training materials to support the development of offsite construction. The programme is part of a £1.2 million CITB project to increase the skills capacity in this fast-growing area which is revolutionising the way schools, hospitals and houses are designed, manufactured and built. The project was paused last year due to the pandemic but is now re-starting. MTC is part of the Construction Innovation Hub which is developing a range of technologies and processes to improve productivity in the construction and infrastructure sectors.

Assisting industry to move to a cleaner and more sustainable net zero future is an increasing important strand of MTC's work;

In January 2022, MTC underlined its net zero credentials by supporting Australian giant Fortescue Future Industries (FFI) in its goal to produce 15 million tonnes of green hydrogen a year by 2030.

Supporting the delivery of net zero, including green hydrogen, is core to MTC's vision for future manufacturing and creating clean growth jobs. Through our Liverpool, Midlands and South East UK facilities MTC is engaging to support the next generation of green manufacturing technologies to ensure clean growth and stimulate investment in the UK supply chain.

Strategic report (continued)

In February 2022 MTC hosted the second annual National Manufacturing Summit which focused on sustainable manufacturing, with MTC leading an industry request for specific funding for net zero manufacturing as part of a Government Manufacturing Strategy to ensure that UK industry is able to realise the innovation and economic opportunities that de-carbonisation offered.

Following the landmark National Manufacturing Summit at the MTC which looked at the implications of a net zero future, The MTC and The University of Birmingham have joined forces to launch a new research group aimed at leading a sustainable manufacturing revolution. The group will bring together the expertise of each institution across the research and development and product development lifecycle, and working with a range of industrial partners will establish a world-leading research group focused on the de-carbonisation of the manufacturing sector.

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.

Headcount at March 2022 was 819, compared with 783 at March 2021.

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 cashflow 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 happen. 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 or Scope 1 emissions for FY21-22 were:

- 265,275 cubic metres of gas (2,844,826 KWhrs).
- 68,486 kgCO₂e of F-Gas losses
- 9,712 miles of Diesel vehicle travel

Prior year was:

- 300,768 cubic metres of Gas (3,349,176 KWhrs).
- 0 kgCO₂e of F-Gas losses
- 11,101 miles of fleet travel (diesel)

Using the Normative carbon reporting platform this gives 657 tCO₂e scope 1 emissions

- 88.9% Gas consumption
- 10.4% F- gas losses
- 0.6 % fleet emissions

The scope 1 emissions have increased, largely because of the F-gas losses and addition of diesel emission, otherwise use has remained constant. The aim for FY22-23 is to show nominal reduction due to the F-gas and diesel vehicle calculation through leak prevention and change of vehicle type and ownership method. However, the technology to

Strategic report (continued)

convert away from gas supply is still in process of being identified and infrastructure is unlikely to be in place to show a discernible difference FY22-23.

Indirect emissions or Scope 2 emissions for FY21-22 were:

- 4,605,870 KWhrs of electricity consumed in operations

Prior year was:

- 4,625,247 KWhrs of electricity consumed in operations

Using the Normative carbon reporting platform this gives 1,455 tCO₂e scope 1 emissions

- 100% from electricity use

The MTC has achieved a reduction in electricity usage through implementation of behavioural change and efficiency measures. This financial year the company will be committing to a 100% renewable energy tariff from the grid as well as implementing systems to further increase the electrical efficiency, so the aim for FY22-23 is to decrease our carbon footprint whether we use location or market-based analysis.

Total energy consumed for FY21-22 was 7,350,696 KWhrs or 9,522 KWhrs per employee (772 employees). Prior year was 7,974,423 KWhrs or 10,397 KWhrs per employee (767 employees).

MTC has Photovoltaic cells on the roof of two buildings. For MTC Group, these cells generated the equivalent of 3.61% of the total electricity KWhrs consumed (prior year was 4.5%).

Indirect value chain or Scope 3 emissions for FY21-22 were estimated to be 8,770 tCO₂e through Normative carbon reporting platform for FY21-22. This may change as our understanding increases and is broken down as follows:

- 48.7% Purchased goods & services (4,269 tCO₂e)
- 28.3% Capital goods (2,484 tCO₂e)
- 12.2 % Employee commuting (1,073 tCO₂e)
 - o From employee survey data
- 4.2 % Fuel & energy related activities (370 tCO₂e)
- 4.1 % Waste generated in operations (359 tCO₂e)
 - o *Not all Waste generated in operations currently captured, systems to improve being developed
- 2.3% Business commuting (204 tCO₂e)
 - o *Not all business travel currently captured, systems to improve being developed
- 0.1% Upstream & Downstream distribution (9.5 tCO₂e)
 - o Not all captured separately from purchased goods and services. Increasing understanding to better capture data

As with most companies 79.9% of MTC emissions are currently understood to be scope 3 and this may increase as our understanding of how to measure these increases.

Since last financial year our carbon reporting has improved because of multiple factors:

- Dedicated resource to focus on sustainability
- Metrics defined for the business on CO₂e, Water footprint & waste intensity with the intention to add biodiversity, social value and sustainability impact of output going forward once we have figured out a viable method of quantifying these.
- Calculated our own footprint internally to identify data gaps and have now moved onto a proprietary calculation platform, Normative.
- The gap analysis has allowed us to start to add in required systems of data capture and begin to implement improvement initiatives such as the change to fully renewable electricity, LED lighting and gas alternative identification while working on the longer-term changes such as asset and supply chain management and support to enable cross supply chain transition.

Strategic report (continued)

The previous year a carbon calculator from the National Energy Foundation was used and did not consider various factors such as energy supplier, fleet emission, scope 3 etc. This has resulted in an increase in our scope 1 emissions despite a marginally lower gas consumption figure.

MTC activities resulted in 124.5 Tonnes of waste being generated, of which 100% was diverted away from landfill. Prior year was 48T of generated waste, which is vastly lower due to the lack of staff onsite due to the pandemic.

57.27 Tonnes (46%) was recycled, 45 Tonnes (36%) waste to energy which is equivalent to 1 Tonne of CO₂e saved. Prior year was 26.7 Tonnes (48%) recycled which was equivalent to 1 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 and does not capture 100% for the MTC waste streams.

Work is currently underway to better document our recycling and reuse through other streams such as the scrap metal recovery and other providers as better re-use is a key driver with our sustainability strategy.

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. The 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 FY21-22 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.

FY22-23 will be the final year of this 5 year funding commitment, and the High Value Manufacturing Catapult is already working with Government towards seeking agreement on the next 5 year funded delivery plan programme.

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group does not believe that IBOR reform will impact the level of its interest rate transactions.

Overall, the Directors believe that the MTC is a going concern, as detailed in Note 1.3.

By order of the board



Dr C Hickman
Director

22nd August 2022

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2022.

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 (2021: £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 (resigned 30 June 2022)
K Govindasamy (appointed 4 July 2022)
M Ewell *
V Sanderson
Prof S Ratchev
CP Nex
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 (2021: £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

22nd August 2022

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 2022 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement 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 2022 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 does not exist, 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 capital grant project costs should be capitalised.

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 debit or credit journals posted to operating profit and unexpected credit postings to 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 group'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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Gareth Woods

Gareth Woods (Senior Statutory Auditor)

22nd August 2022

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 2022**

	<i>Note</i>	2022 £000	2021 £000
Turnover	<i>1,2</i>	96,645	91,127
Research and administrative expenses	<i>3</i>	(94,873)	(89,233)
Other operating income	<i>4</i>	2,809	2,546
Operating profit		4,581	4,440
Interest payable and similar expenses	<i>7</i>	(136)	(197)
Profit before taxation		4,445	4,243
Tax on profit	<i>8</i>	(628)	(859)
Profit for the financial year being total comprehensive income for the year		3,817	3,384

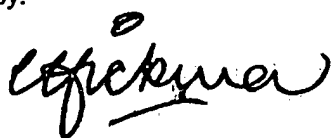
In both the current and preceding year, the Group made no material acquisitions and had no discontinued operations.

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 2022

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		139		187
Tangible assets	10		84,264		87,232
			<u>84,403</u>		<u>87,419</u>
Current assets					
Stock	12	132		68	
Debtors	13	39,480		39,000	
Cash at bank and in hand	14	13,242		16,122	
		<u>52,854</u>		<u>55,190</u>	
Creditors: amounts falling due within one year	15	<u>(58,310)</u>		<u>(56,518)</u>	
Net current liabilities			<u>(5,456)</u>		<u>(1,328)</u>
Total assets less current liabilities			<u>78,947</u>		<u>86,091</u>
Creditors: amounts falling due after more than one year	16		<u>(59,591)</u>		<u>(70,552)</u>
Net assets			<u>19,356</u>		<u>15,539</u>
Capital and reserves					
Profit and loss account			19,356		15,539
Capital and reserves			<u>19,356</u>		<u>15,539</u>

These financial statements were approved by the board of directors on 22nd August 2022 and were signed on its behalf by:



Dr C Hickman
Director

Company registered number: 06815480

Company balance sheet
as at 31 March 2022

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		139		187
Tangible assets	10		84,264		87,232
Investments	11		4,000		1,000
			<hr/>		<hr/>
			88,403		88,419
Current assets					
Debtors	13	46,623		40,526	
Cash at bank and in hand	14	4,243		13,981	
		<hr/>		<hr/>	
		50,866		54,507	
Creditors: amounts falling due within one year	15	(91,847)		(91,020)	
		<hr/>		<hr/>	
Net current liabilities			(40,981)		(36,513)
Total assets less current liabilities			<hr/>		<hr/>
			47,422		51,906
Creditors: amounts falling due after more than one year	16		(46,643)		(50,914)
			<hr/>		<hr/>
Net assets			779		992
			<hr/>		<hr/>
Capital and reserves					
Profit and loss account			779		992
			<hr/>		<hr/>
Capital and reserves			779		992
			<hr/>		<hr/>

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss and Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £213,000 (2021: loss of £137,000).

These financial statements were approved by the board of directors on 22nd August 2022 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 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
	<hr/>	<hr/>
Balance at 31 March 2021	15,539	15,539
	<hr/> <hr/>	<hr/> <hr/>
	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	15,539	15,539
Total comprehensive income for the year		
Profit for the year being total comprehensive income for the year	3,817	3,817
	<hr/>	<hr/>
Balance at 31 March 2022	19,356	19,356
	<hr/> <hr/>	<hr/> <hr/>

Company statement of changes in equity

	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)
	<hr/>	<hr/>
Balance at 31 March 2021	992	992
	<hr/> <hr/>	<hr/> <hr/>
	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	992	992
Total comprehensive loss for the year		
Loss for the year being total comprehensive loss for the year	(213)	(213)
	<hr/>	<hr/>
Balance at 31 March 2022	779	779
	<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statement
for year ended 31 March 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit for the year	3,817	3,384
<i>Adjustments for:</i>		
Depreciation and amortisation	7,288	6,862
Interest payable and similar charges	136	197
Profit on sale of tangible fixed assets	(397)	(50)
Research and development expenditure credit	(2,362)	(1,999)
Taxation	628	859
Release of government grants	(3,120)	(3,636)
	<hr/> 5,990	<hr/> 5,617
(Increase)/decrease in stock	(64)	194
Decrease in trade and other debtors	255	2,639
Decrease in trade and other creditors	(5,178)	(7,595)
	<hr/> 1,003	<hr/> 855
Interest paid	(146)	(197)
Research and development credit received	999	2,138
	<hr/> 1,856	<hr/> 2,796
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from sale of tangible and intangible fixed assets	412	332
Acquisition of tangible and intangible fixed assets	(4,273)	(2,282)
	<hr/> (3,861)	<hr/> (1,950)
Net cash outflow from investing activities		
Cash flows from financing activities		
Repayment of Finance Lease Liabilities	(513)	(472)
Receipt of other loan	-	4,000
Repayment of bank loans	(362)	(210)
	<hr/> (875)	<hr/> 3,318
Net cash (outflow)/inflow from financing activities		
Net (decrease)/increase in cash and cash equivalents	(2,880)	4,164
Cash and cash equivalents at 1 April	16,122	11,958
	<hr/> 13,242	<hr/> 16,122
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 2022. 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 £5.5m as at 31 March 2022 (2021: £1.3m) and net current liabilities in the parent company of £41.0m (2021: £36.5m), the financial statements have been prepared on a going concern basis, which the Directors consider appropriate for the reasons below.

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 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. FY22-23 will be the final year of this 5 year funding commitment, and the High Value Manufacturing Catapult is already working with Government towards seeking agreement on the next 5 year funded delivery plan programme. Management believes that the MTC will be able to secure at least the same level of funding across the next 5 years.

During August 22 the group secured additional financing facilities of £15m to assist with continued working capital growth and capital investment plans which will both assist with the Group growing strongly across the next 3 to 5 years.

Included within group creditors due within one year are the following amounts which would not result in a cash outflow in future periods. Deferred income of £25.0m, of which £8.0m relates to membership income which is released to revenue over the life of the membership and £0.6m relates to sponsorship income released to revenue over the period of the sponsorship. £2.2m relates to In-Kind revenue where services are exchanged for membership. The deferred grant income of £3.0m is released to the profit and loss account over the life of the asset.

Included in group creditors falling due after more than one year are the following amounts which would not result in a cash outflow in future periods. Deferred grant income of £44.1m relating to initial start-up funding and deferred income of £12.9m relating to grant funding for capital assets released over the life of the asset.

Trading has been buoyant in FY21-22 across all revenue streams with the exception of conferencing & events, with both R&D activities and apprentice training showing strong growth as both MTC and the UK economy learn to live with the fallout from the covid pandemic.

MTC's order book was strong at the end of March 2022 with £31m of future orders confirmed and a further £41m of proposals.

The Directors continue to prepare monthly cash flow forecasts to help them assess their continuing funding and financing requirements, including several business planning scenarios to model further growth options. In each of these Board-approved scenarios, MTC maintains positive banking facility headroom across the next twelve months from the date of this report.

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.

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 be 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.

	2022 £000	2021 £000
Operations supporting grant income	55,506	61,539
Research members	3,173	2,766
Research non-members	30,572	20,725
In-kind members	3,157	3,418
Sponsorship	833	833
Training	2,587	1,827
Events and catering	817	19
	<hr/>	<hr/>
Total turnover	96,645	91,127
	<hr/> <hr/>	<hr/> <hr/>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2022 £000	2021 £000
Research and development expensed as incurred	41,659	30,542
Restructuring costs	257	440
Profit on disposal of fixed assets	397	50
Amortisation of intangible fixed assets	118	278
Depreciation of tangible fixed assets	7,170	6,584
	<hr/>	<hr/>

Auditor's remuneration:

	2022 £000	2021 £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	112	107
	<hr/>	<hr/>

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

4 Other income

	2022 £000	2021 £000
Research and development credit	2,362	1,999
Job Retention Scheme grant	50	497
Profit on sale of fixed assets	397	50
	<hr/>	<hr/>
	2,809	2,546
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)**4 Other income (continued)**

Included in other operating income is the research and development expenditures credit of £2,362,000 (2021: £1,999,000) 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 £50,000 (2021: £497,000) 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	
	2022	2021
Employees and directors	790	783

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	35,335	34,497
Social security costs	3,861	3,624
Contributions to defined contribution plans	2,447	2,267
	<u>41,643</u>	<u>40,388</u>

6 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	1,100	936
Company contributions to money purchase pension plans	44	15
Compensation for loss of office	151	-
	<u>1,295</u>	<u>951</u>

The aggregate of emoluments of the highest paid director was £483,000 (2021: £446,000), and company pension contributions of £nil (2021: £nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2022	2021
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**

	2022	2021
	£000	£000
Member loan interest	12	13
Finance leases interest	33	58
Bank loan interest	91	126
	<u>136</u>	<u>197</u>

8 Tax on profit**Total tax expense recognised in the profit and loss account**

	2022		2021
	£000	£000	£000
<i>Current tax</i>			
Current tax on income for the year	899		538
Adjustments in respect of prior years	681		290
	<u> </u>		<u> </u>
Total current tax		1,580	828
<i>Deferred tax (note 19)</i>			
Origination and reversal of timing differences	(283)		31
Adjustments in respect of prior years	(470)		-
Effect of tax rate change on opening balance	(199)		-
	<u> </u>		<u> </u>
Total deferred tax		(952)	31
		<u> </u>	<u> </u>
Total tax		<u>628</u>	<u>859</u>

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**

	2022 £000	2021 £000
Profit for the year	3,817	3,384
Total tax expense	628	859
	<hr/>	<hr/>
Profit excluding taxation	4,445	4,243
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2021: 19%)	844	806
Research and development credit taxed in prior period	(212)	(266)
Adjustment in respect of prior period	211	290
Remeasurement of deferred tax for changes in tax rates	(267)	-
Expenses not deductible for tax purposes	52	29
	<hr/>	<hr/>
Total tax expense included in profit or loss	628	859
	<hr/>	<hr/>

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge.

9 Intangible assets

Group and Company	Development costs £000
Cost	
Balance at 1 April 2021	2,974
Additions	70
	<hr/>
Balance at 31 March 2022	3,044
Amortisation and impairment	
Balance at 1 April 2021	2,787
Amortisation for the year	118
	<hr/>
Balance at 31 March 2022	2,905
	<hr/>
Net book value	
At 31 March 2022	139
	<hr/>
At 31 March 2021	187
	<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 2021	69,885	44,367	43	16,187	5,624	136,106
Transfer	10	401	-	9	(420)	-
Additions	4	785	-	1,183	2,231	4,203
Disposals	-	(1,318)	-	-	-	(1,318)
Balance at 31 March 2022	69,899	44,235	43	17,379	7,435	138,991
Depreciation						
Balance at 31st March 2021	11,569	27,572	34	9,699	-	48,874
Depreciation charge for the year	1,723	3,934	5	1,508	-	7,170
Disposals	-	(1,317)	-	-	-	(1,317)
Balance at 31 March 2022	13,292	30,189	39	11,207	-	54,727
Net book value						
At 31 March 2022	56,607	14,046	4	6,172	7,435	84,264
At 31 March 2021	58,316	16,795	9	6,488	5,624	87,232

Leased plant and machinery

At 31 March 2022 the net carrying amount of fixtures and fitting leased under a finance lease was £338,000 (2021: £589,000).

At 31 March 2022 the net carrying amount of plant and machinery leased under a finance lease was £1,367,000 (2021: £2,092,000).

Depreciation charged in the year on finance lease assets was £975,000 (2021: £490,000).

Land and buildings

The net book value of land and buildings comprises:

	2022 £000	2021 £000
Freehold	55,707	57,326
Leasehold	900	990
	56,607	58,316

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 of year	1,000,003
Additions	3,000,000
	<hr/>
At end of year	4,000,003
	<hr/>
<i>Provisions</i>	
At beginning and end of year	-
	<hr/>
<i>Net book value</i>	
At 31 March 2022	4,000,003
	<hr/>
At 31 March 2021	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	20,008	4,610	UK	100%	Ordinary
The MTC – Advanced Manufacturing Training Centre Limited ('AMTC')	913	(629)	UK	100%	Ordinary
Business Launch Centre Limited ('BLC')	1,654	49	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	
	2022 £000	2021 £000	2022 £000	2021 £000
Raw materials and consumables	132	68	-	-

Stock recognised as an expense in the period were £52,000 (2021: £240,000).

Stock are stated after provisions for impairment of £nil (2021: £nil).

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

13 Debtors

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade debtors	8,731	20,150	3,247	12,918
Amounts owed by group undertakings	-	-	37,944	24,598
Amount receivable on research projects	19,306	9,939	5,405	2,930
Accrued income	1,452	425	-	-
Accrued in-kind income	2,173	2,134	-	-
Other debtors	2,199	5,550	15	69
Prepayments	4,508	643	12	11
Deferred tax assets (note 19)	1,111	159	-	-
	39,480	39,000	46,623	40,526

All debtors are due within one year. Included within 'Amounts owed by group undertakings' are amounts not expected to be recovered within one year of £7,600 (2021: £4,900).

14 Cash and cash equivalents

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash at bank and in hand	13,242	16,122	4,243	13,981
Cash and cash equivalents per cash flow statements	13,242	16,122	4,243	13,981

Included within cash and cash equivalents is £232,000 (2021: £556,000) of restricted cash held on behalf of other entities. A creditor is included within other creditors of £232,000 (2021: £556,000) to reflect this restriction.

Notes (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank loans (note 17)	829	420	829	420
Other loans (note 17)	8,500	4,000	4,500	4,000
Obligations under finance leases (note 17)	261	530	261	530
Trade creditors	9,207	4,072	-	621
Amounts owed to group undertakings	-	-	76,591	69,093
Other taxation and social security	1,078	903	57	41
Other creditors and accruals	8,291	12,085	1,878	2,432
Deferred income	24,979	29,032	4,739	10,541
Deferred in-kind income	2,173	2,134	-	-
Deferred grant income	2,992	3,342	2,992	3,342
	<u>58,310</u>	<u>56,518</u>	<u>91,847</u>	<u>91,020</u>

Bank loans classified within 'Creditors: amounts falling due within one year' includes a term loan of £429,000 (2021: £420,000) due for repayment in quarterly instalments up to 20 October 2026 and a revolving credit facility of £400,000 (2021: £400,000) due for repayment on or before 30 November 2022. This revolving credit facility was classified as 'Creditors: amounts falling due after more than one year' for the 31 March 2021 year end. The revolving credit facility has a floating charge over the assets of the group.

Other loans classified within 'Creditors: amounts falling due within one year' include an advance on grant capital funding provided by the High Value Manufacturing Catapult of £4,000,000 (2021: £4,000,000) due for repayment on demand. Also within other loans is an advance on funding provided by Innovate UK, to assist the Company during the pandemic, of £4,000,000 (2021: £4,000,000), which is not repayable until 31 March 2023 at the earliest. This advance on funding was classified as 'Creditors: amounts falling due after more than one year' for the 31 March 2021 year end.

Formal arrangements with the company's members of £500,000 are due for repayment on 31 March 2023 and were classified as 'Creditors: amounts falling due after more than one year' for the 31 March 2021 year end. Included within trade creditors and other creditors are amounts owed to members of £205,000 (2021: £663,000) and £621,000 (2021: £nil) respectively.

The deferred grant income relates to the element of the deferred grant income expected to be released during the year ended 31 March 2023 against the depreciation charge on grant funded tangible fixed assets.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank loans (note 17)	2,464	3,235	2,464	3,235
Other loans (note 17)	-	4,500	-	500
Obligations under finance leases (note 17)	98	342	98	342
Deferred grant income	44,081	46,837	44,081	46,837
Deferred income	12,948	15,638	-	-
	<u>59,591</u>	<u>70,552</u>	<u>46,643</u>	<u>50,914</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 £2,464,000, secured on the property asset it has funded, (2021: £2,835,000) due for repayment in quarterly instalments up to 20 October 2026.

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	
	2022 £000	2021 £000	2022 £000	2021 £000
Creditors falling due more than one year				
Bank loans	2,464	3,235	2,464	3,235
Other loans	-	4,500	-	500
Finance lease liabilities	98	342	98	342
	<u>2,562</u>	<u>8,077</u>	<u>2,562</u>	<u>4,077</u>
Creditors falling due within less than one year				
Bank loans	829	420	829	420
Other loans	8,500	4,000	4,500	4,000
Finance lease liabilities	261	530	261	530
	<u>9,590</u>	<u>4,950</u>	<u>5,590</u>	<u>4,950</u>

Notes (continued)

17 Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2022 £000	2021 £000
Other loans	Sterling	-	On demand	4,000	4,000
Other loans	Sterling	LIBOR + 1.5%	31 March 2023	250	250
Other loans	Sterling	3%	31 March 2023	250	250
Other loans	Sterling	-	On or after 31 March 2023	4,000	4,000
Bank loans – revolving facility	Sterling	Base rate + 2.8%	On or before 30 Nov 2022	400	400
Bank loans – term loan	Sterling	Base rate + 2.8%	On or before 20 October 2026	2,893	3,255
				11,793	12,155
				11,793	12,155

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 2022 £000	Minimum lease payments 2021 £000	Minimum lease payments 2022 £000	Minimum lease payments 2021 £000
Less than one year	261	530	261	530
Between one and five years	98	342	98	342
	359	872	359	872
	359	872	359	872

19 Deferred tax assets

Group

Movements in deferred taxation in the year:

	2022 £000	2021 £000
At beginning of year	159	190
Recognised as tax credit/(charge) in year	952	(31)
At end of year	1,111	159
	1,111	159

Notes (continued)**19 Deferred tax assets (continued)**

Deferred tax assets are attributable to the following:

	Assets	
	2022	2021
	£000	£000
Unused tax losses	917	41
Other short term timing differences	194	118
	<u> </u>	<u> </u>
Tax assets	<u>1,111</u>	<u>159</u>

Company

No deferred tax assets have been recognised in the Company. The Company has unrecognised gross timing differences on fixed assets of £3,700,000 (2021: £3,700,000).

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£000	£000
Less than one year	151	343
One to two years	118	167
Two to five years	145	227
	<u> </u>	<u> </u>
	<u>414</u>	<u>737</u>

During the year £281,000 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £337,000).

21 Commitments*Capital commitments*

The Group's contractual commitments to purchase tangible fixed assets at the year-end were £1,051,000 (2021: £591,000).

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 £2,447,000 (2021: £2,267,000). There were outstanding pension contributions of £363,000 (2021: £320,000) 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:

	Involved to related parties £000	Purchases from related parties £000	Amounts owed to related parties £000	Loan balances £000
2022				
University of Birmingham	2,068	299	422	225
University of Nottingham	-	170	276	225
Loughborough University	-	284	128	50
2021				
University of Birmingham	1,689	336	270	225
University of Nottingham	-	-	244	225
Loughborough University	9	156	149	50

The loan balances are repayable on 31 March 2023 with £250,000 bearing interest at 3% per annum and £250,000 bearing interest at 1.5% plus 3 month LIBOR as on the first day of each quarter.

Transactions with key management personnel

Total compensation of key management personnel (excluding directors) in the year amounted to £911,000 (2021: £685,000).

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 2022 are profits of £221,000, if the calculation was changed to recognising 75% of the profits when a project was 50% complete this would increase the profits recognised to £526,000.

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 FY22 is included in these financial statements as an accrual. This is £1,250,000 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 FY22 RDEC claim will not be submitted until March 2023; 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 25% 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 2021	3,655	8,500	872	13,027
<i>Changes from financing cash flows</i>				
New borrowings	-	-	-	-
Repayment of borrowings	(362)	-	-	(362)
Payment of finance lease liabilities	-	-	(513)	(513)
Total changes from financing cash flows	(362)	-	(513)	(875)
<i>Other changes</i>				
New finance leases	-	-	-	-
Interest expense	91	12	33	136
Interest paid	(101)	(12)	(33)	(146)
Interest accrual	10	-	-	10
Total other changes	-	-	-	-
Balance at 31 March 2022	3,293	8,500	359	12,152