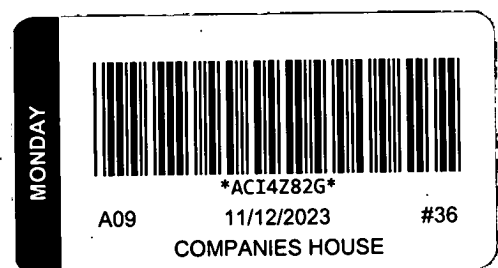




The Manufacturing Technology Centre Limited
Annual report and consolidated financial statements

Registered number 06815480

31 March 2023



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Company information

Directors	Dr. C Hickman V Sanderson Prof. S Ratchev CP Nex H Clarke I Joesbury R Williams P Conway Prof. S Jarvis Dr. G Hoare R English
Company secretary	M Thumpston
Registered office	Pilot Way Ansty Business Park Coventry CV7 9JU
Company number	06815480
Auditor	KPMG LLP 4th Floor EastWest Tollhouse Hill Nottingham NG1 5FS
Banker	Lloyds Bank plc Caxton Gate 3 Corporation Street Birmingham B2 4LP
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Strategic report

The Directors present their strategic report for the year ended 31 March 2023.

Group's objectives

The purpose of the Manufacturing Technology Centre ('MTC' or the 'Group') is to bridge the gap between academia and the UK industrial and manufacturing sectors. The Group's objective is to advance UK and global manufacturing capability by solving the industrial problems that others cannot or will not.

Strategy and business model

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

Working with the MTC through this structure provides manufacturers with an opportunity to access new and innovative technologies relevant to manufacturing, and in a managed-risk environment. The Group provides this technology focused research, development and training to its customers to enable capability building, including within:

- Intelligent automation;
- Additive and near net shape manufacturing;
- Advanced laser processing;
- Digital manufacturing;
- Product manufacturing incubation; and
- Apprentice & manufacturing process training.

These activities are designed to meet the needs of both small and large businesses, and are delivered across a range of industry sectors by a diverse team of highly trained industry and process specialists from the Group's modern and secure facilities in Coventry, Liverpool and Oxford.

The MTC delivers its services through a combination of capability building and research to develop knowledge, skills and technologies, supported by funding from the Catapult network, as well as working a significant customer base of small, medium and larger commercial organisations. In addition, the Group facilitates a unique platform for collaboration between academia and industry for the development of new manufacturing technologies through its corporate membership programme.

Business review

Achievements in the year

In February 2023, MTC Training received its first full Ofsted inspection with an overall grade of "Good", with "Outstanding" grades for Personal Development and Behaviours and Attitudes.

In March 2023, the MTC hosted the third annual National Manufacturing Summit which focused on digital manufacturing and how to accelerate a digital revolution to transform the UK.

The MTC continued to lead 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 offer. This included the Group being awarded a grant of £6.9m in March 2023 for investment in delivering substantial carbon reduction in its own operations to demonstrate the implementation of technologies available to UK industry.

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, the European Horizon 2020 programme and certain other public-private sector initiatives. The MTC continues to provide technical leadership in Net Shape and Additive Manufacture through the National Centre located at MTC.

Strategic report (continued)

Business review (continued)

Operational changes in the year

The current financial year has included a period of change and expansion of the MTC's operations as the Group looks to build foundations for future growth and technology development to continue to deliver on its objectives. Significant activities in the year include:

- The successful development and implementation a new business-wide enterprise resource and financial management system, which was put into use immediately after 31 March 2023.
- Changes and enhancements to the support and administrative teams within the business to reflect management system changes and the changing needs of the business in a digital, hybrid working environment.
- Preparation for the transition of leadership of the Group to a new CEO, Dr. Graham Hoare OBE, who joined the business on 3 April 2023 following the planned transition from Executive duties of the previous CEO and founding director, Dr. Clive Hickman, to that of the Group's Chairman.
- Continued expansion of operations at the Group's Liverpool and Oxford locations alongside strategic business partners, increasing MTC's presence and ability to positively impact industry across a geographically wider area of the UK.

These changes were successfully executed whilst the business was running at a consistent level of activity with external customers. The directors acknowledge the significant contribution of the Group's employees in delivering successful outcomes not only to customers but also to further strengthen the MTC's own operations in tandem.

Trading activity

The consolidated profit and loss account set out on page 22 shows the Group's performance for the financial year.

The directors consider annual financial performance to be a key component of the overall financial resilience of the Group, being reflected in the following consolidated turnover and operating profit metrics.

	2023	2022	Year-on-Year Change	
	£000	£000	£000	%
Turnover	100,221	96,645	+3,576	+3.7%
Operating profit	3,174	4,581	-1,407	-30.7%

Turnover has increased year-on-year by 3.7%; included within this is non-recurring income of £4.8m and after adjusting for this, turnover from normal trading activities has remained broadly flat. This reflects a continued demand for research, development and training services offset with the UK-wide economic challenges and related uncertainty for business during the year causing some projects to be pushed out for later delivery by customers and impacting year-on-year growth.

Operating profit has declined year-on-year by 30.7%. Economic headwinds building during the year are a key driver of reduced profitability through higher costs to the business. The impact of price increases has a significant impact on material, subcontractor and energy costs to the Group during the year. Whilst the Group sought to manage this through price increases where possible, which were generally accepted in good faith by the Group's regular customer base, not all costs were able to be recovered in the period.

The Group also took the position that employee welfare was of paramount importance and enabled a Group-wide incremental pay increase to help support employees (excluding directors) through the 'cost of living crisis' that has defined much of the previous 12 months. This has further impacted profitability for the short-term, but the Board of Directors took the position early on that the MTC's workforce is the Group's most significant asset and believes that this was the right short-term action to take for wellbeing of MTC employees and their dependants.

The directors are satisfied with the current year performance in the context of the external economic environment and related challenges for UK businesses this generated.

Strategic report (continued)

Business review (continued)

Non-recurring income and expenditure in the year

Non-recurring income of £4.8m has been recognised in respect of grant funding for the implementation of the Group's new management system. This reflects a substantial investment and upgrade to the systems and underpin the Group's operations and financial management. In common with the approach taken by many vendors of advanced software systems, the Group has implemented a cloud computing based solution, which the directors believe represents a future-ready, adaptable and scalable product to fit with the Group's strategy.

Consistent with recognition of grant funding income, the implementation cost of system has been fully expensed in the financial year too, at an expense of £4.8m. Whilst the directors firmly view this expense as an investment in the future performance of the Group, they have determined that it does not meet the requirements for capitalisation under FRS 102 as a result of the need for the Group to be able to exercise control over the underlying system architecture in order for it to qualify as a Group asset. Further details are given in note 5.

Net asset position

The consolidated balance sheet set out on page 23 shows the Groups financial position at the end of the financial year.

The directors consider the net asset position of the Group to be a key component of the overall financial resilience of the Group and one that is monitored regularly.

	2023	2022	Year-on-Year Change	
	£000	£000	£000	%
Net assets	21,472	19,356	+2,116	+10.9%

The increase in net assets year-on-year is reflective of the profit from operations generated by the Group, offset against other deductions for interest and tax payable. There were no other significant transactions that contributed to the growth in net assets.

The directors are satisfied with the continued growth in net assets through internally generated profits.

Outlook

Subsequent to the year end, the business has continued to trade broadly in line with the director's expectations and the Group's own forecasts.

The directors take a cautious view to the short-term outlook but continue to be optimistic about the future opportunities for MTC's capabilities, growth in its markets and the ability to further increase the impact the Group has on industry as well as society as a whole.

Based on recent economic trends and short-term forecasts, cost pressures are expected to continue to impact the Group at least for the next financial year.

The services that the Group provides are however well placed to support businesses improve performance and reduce costs through enhancements to their own processes and technology use. Demand for MTC's services remains strong as a result and the directors believe this also represents an opportunity for the business to positively contribute to the resilience of the manufacturing industry at a critical and economically challenging moment.

Other performance measures

The directors consider the MTC's energy efficiency and carbon footprint to be key performance measures in determining the success of the business. These measures are discussed in the Streamlined Energy and Carbon Reporting section to this report.

Strategic report (continued)

Streamlined Energy & Carbon Reporting

Net Zero Carbon Strategy

Zero-carbon economic growth is at the heart of the MTC's purpose of creating a significant positive impact on society through its activities. The nature of the Group's work includes significant investments in research, design and industrialisation of technologies to reduce carbon emissions, including significant projects with customers involving electrification and hydrogen initiatives.

The MTC is committed to reducing the impact its operations have on the environment through a reduction in the Group's own carbon emissions, with the intention to be a leader in the manufacturing industry in carbon reduction. The knowledge and skills gained in the MTC's own Net Zero journey will then enable the Group to support carbon reduction initiatives across the various industries in which the Group operates.

As part of the strategy to deliver this, the Group has put in place funding for internal activities towards becoming a Net Zero business. This includes investments in renewable energy and heat sources as well as advanced building control systems to reduce energy usage. Implementation is anticipated to take place over the next 2 to 3 financial years.

Whilst successfully delivering a significant reduction in carbon emissions represents a challenge to the Group, the Directors believe this represents a significant opportunity to build and then demonstrate the capabilities of the MTC within carbon reduction as well as to drive an improvement in the wider progress towards Net Zero within UK manufacturing.

Energy Usage

The Group uses kilowatt hours ("KWH") as a key measure of consumption for Scope 1 and Scope 2 energy. The MTC provides manufacturing and engineering related technical services to its customers through its experienced and capable employees; the Group considers average KWH per employee to be an appropriate energy intensity metric based on its operations.

Direct energy consumption and sources of that energy in KWH were as follows:

Energy Consumption	2023 KWH	2023 KWH per Employee	2022 KWH	2022 KWH per Employee
Natural gas (scope 1)	2,701,670	3,102	2,844,826	3,685
Electricity (scope 2)	4,571,028	5,248	4,605,870	5,966
Total Energy Consumption	7,272,698	8,350	7,450,696	9,651

Energy Sources	2023 KWH	2023 KWH %	2022 KWH	2022 KWH %
Internally generated solar electricity	183,192	3%	166,272	2%
Other direct energy purchased externally	7,089,506	97%	7,284,424	98%
Total Energy Sourced	7,272,698		7,450,696	

The majority of energy consumption occurs in buildings that the MTC operates and controls the purchasing of natural gas and electricity. All energy sourcing contracts for these locations are purchased either from renewable source energy or with full carbon offset included in the purchase cost. The MTC has an array of photovoltaic cells in the roof of its larger buildings that contributes approximately 4% of total electricity consumption and 3% of overall energy consumption.

Strategic report (continued)

Streamlined Energy & Carbon Reporting (continued)

Energy usage (continued)

The Directors have reviewed the Group's current and expected future energy consumption as part of the overall business strategy to reduce the carbon emissions of operations. The key outcomes of this review are:

- Overall energy consumption and KWH per employee has decreased year on year as the business has successfully implemented several targeted energy reduction initiatives to address energy usage.
- One such initiative that contributed to energy use reduction was a project to monitor energy use through better understanding of the information available from building management systems. This allowed the Group to identify where energy usage could be reduced by amending the timing profiles of lighting, heat, and air management without affecting the wellbeing of the Group's employees.
- To build on the success of this initiative, the MTC plans to further improve the building management system to allow better levels of control to increase optimisation and reduction opportunities in future years.
- The MTC's main location has two solar arrays installed covering an area of some 2,000 square metres, which has been an additional driver in reducing energy usage from external sources and replacing it with renewable electricity.
- The Group's electricity demand may increase in the next financial year as the business begins to transition away from heating generated from natural gas boilers. It is anticipated that this may result in a reduction in overall KWH usage due to improved efficiency of replacement systems.
- The Group is actively engaged in the research and development of new renewable energy technologies as part of its core service offering and maintains a regular review of opportunities to improve its own renewable energy generation as technology becomes available.

Emissions

The Group's emissions across Scope's 1 to 3 were as follows:

	2023 tCO ₂ e	2023 tCO ₂ e %	2022 tCO ₂ e	2022 tCO ₂ e %
Scope 1	556	9%	657	6%
Scope 2	625	11%	1,455	13%
Scope 3	4,713	80%	8,770	81%
Total Emissions	5,894		10,882	

Sources of Scope 1 Emissions

The Group has used the Normative Carbon Reporting Platform to calculate Scope 1 emissions based on the following usage metrics:

	2023		2022	
Natural gas	2,701,670	KWH	2,844,826	KWH
F-Gas losses	6,220	kgCO ₂ e	68,486	kgCO ₂ e
Diesel vehicle travel	4,969	Miles	9,712	Miles

Strategic report (continued)

Streamlined Energy & Carbon Reporting (continued)

Emissions (continued)

These metrics are available to the MTC through what are considered to be reliable and reasonably complete data sources, comprising energy usage meters, purchased quantities and mileage records for company vehicles.

Natural gas is solely used for heating both water and the environment within MTC's buildings. Gas usage has decreased marginally through the amendment of timing of heating systems activation as a result of efficiency reviews conducted in the year. A more significant change will occur in future years as the business transitions away from gas use for heating. The first phase of this programme is expected to be implemented in the next financial year with the aim to achieve a 20% natural gas demand as result.

F-Gas losses arise primarily from leaks from legacy air conditioning systems. Whilst regular preventative and reactive maintenance takes place to minimise losses, these systems are considered to be near end-of-life. The Group is exploring possible replacement options, with efficiency and emissions being significant determinants when selecting any new systems for building air management.

Company vehicle miles are generated from the use of three company vehicles for company business, primarily within the UK. The Group discourages the use of internal combustion engine vehicles wherever possible and intends to actively consider alternative fuel vehicles as each of the current vehicle fleet reaches replacement age.

Sources of Scope 2 Emissions

The Group has used the Normative Carbon Reporting Platform to calculate Scope 2 emissions based on the following usage metrics, being solely related to electricity consumption:

	2023		2022	
Electricity – consumption	4,571,028	KWH	4,605,870	KWH
Electricity – emissions	625	tCO ₂ e	1,455	tCO ₂ e

The Group's electricity consumption is primarily within the buildings it owns and operates, incurred in the running of those buildings and from the operation of the Group's equipment and machinery. The key basis for measurement, being KWH, is available to the Group using data from onsite electricity meters and considered to be a reliable source for reporting emissions.

The carbon footprint is converted from KWH using market-based analysis. This considers the fuel mix of the electricity supplier and the contracted commitment of the business such that renewable energy purchases are reflected consistently. As a business MTC are keen to drive demand reduction so reports both market-based emissions and energy consumption to key internal stakeholders at least quarterly.

In September 2022, the Group renewed its electricity purchase agreements to require a fully renewable energy commitment from its supplier, backed by industry standard Certificates of Generation (REGOs). This is the main driver in a 57% reduction in carbon emissions from electricity consumption in the financial year. The Group expects a further significant reduction in future years as the full year impact of the change to fully renewable energy is realised.

Strategic report (continued)

Streamlined Energy & Carbon Reporting (continued)

Emissions (continued)

Sources of Scope 3 Emissions

Scope 3 emissions from the MTC's indirect value chain have been estimated using the Normative Carbon Reporting Platform and are estimated to be as follows:

	2023 tCO ₂ e	2023 tCO ₂ e %	2022 tCO ₂ e	2022 tCO ₂ e %
Purchased goods & services	2,417	51%	4,270	49%
Capital goods	544	12%	2,484	29%
Employee commuting	475	10%	1,073	12%
Fuel and energy related activities	407	9%	370	4%
Waste generated in operations	92	2%	359	4%
Business commuting	764	16%	204	2%
Upstream and downstream distribution	14	-	10	-
Total Scope 3 Emissions	4,713		8,770	

The above estimations of Scope 3 emissions are based on the Group's current understanding of its indirect value chain from a variety of sources of information. As is common for Scope 3 emissions reporting across many sectors of the economy, the Group has limited definitive and verifiable data available for emissions not within its direct control and so a number of assumptions are included within the amounts reported. The level and content of emissions may change as this understanding increases in future years.

The key sources of information for estimating Scope 3 emissions include:

- Purchase value information
- Purchase quantity information
- Employee surveys and returns

The Directors are aware that the key areas of Scope 3 emissions where not all data may be captured are:

- i. Employee commuting – the current estimate is based on employee survey data
- ii. Waste generated in operations – not all waste is captured. The current estimate is based on the reported weight of waste collected by third parties
- iii. Business commuting – the current estimate is based on employee expense claims
- iv. Upstream and downstream distribution – not all information is currently separable from purchased goods and services data. The current estimate is based on known information

The Group has several long-term workstreams underway in order to improve understanding and reporting in these areas through improved data capture.

Strategic report (continued)

Streamlined Energy & Carbon Reporting (continued)

Waste & recycling

Where waste from operations cannot be minimised any further the MTC strongly advocates its recycling or reuse as a key component of the Group's sustainability strategy. It is the policy of the Group that all waste generated is diverted away from landfill.

Waste generated by the Group and its destination after leaving the Group is as follows:

	2023 Tonnes	2023 Tonnes %	2022 Tonnes	2022 Tonnes %
Waste recycled	80	34%	57	46%
Waste converted to energy	78	33%	45	36%
Waste disposed via other non-landfill sources	78	33%	23	18%
Total waste	236		125	

Waste and reuse information is provided by the Group's third-party waste collection agents. Not all waste is collected through these agents and the Group is developing improved data collection on certain other waste sources including scrap metal recovery, which may lead to increased waste volumes being reported in future years.

Waste data collection has improved this year to include additional waste streams not previously reported, resulting in both an increase in reported waste volume and changes to the reported mix of waste types. The exercise to improve reporting also identified that further clarity was needed to better understand how waste volume is captured consistently and where alternative reuse options are available. Further review will be conducted in the next financial year with the dual aim of improving information available and identifying additional opportunities for waste reduction.

Engagement with key stakeholders – Section 172 statement

Section 172 of the Companies Act 2006 requires that the directors act in a way that they consider, in good faith, what would be most likely to promote the success of the Company for the benefit of its members and in doing so have regard to all stakeholders. The following sets out the steps the Board of Directors have taken to address this requirement.

The likely consequences of any decision in the long term

The Board of Directors takes ultimate responsibility for the strategic management of the Group, with day to day responsibility delegated to the Group's Executive Committee.

During the year, the Board of Directors and Executive Committee have met regularly to:

- Review the performance of the Group's business against financial and strategic objectives;
- Consider the expected future developments in technologies and industrial sectors that the Group operates within or may wish to operate within in future, and ratify the amount of related investment in assets or infrastructure where appropriate; and
- Approve the recruitment of certain roles aimed at enhancing the Group's technological capability strategy execution, business planning and financial resilience.

All key business decisions are made based on verifiable business plans, which set out the anticipated financial, operational and strategic consequences and benefits of the decision in the long term.

Strategic report (continued)

Engagement with key stakeholders – Section 172 statement (continued)

The interests of the Group's employees

The Group's employees principally work from its UK facilities in Coventry, Liverpool and Oxford. The directors recognise that the workforce is the Group's most valuable asset and places the interests of its employees at the heart of all decision making.

The Group continually engages with its employees through:

- Periodic Town Hall meetings, providing in person updates on business activities and direct access to leadership including the directors;
- Regular local leadership meetings with smaller groups of employees attended by senior management;
- A monthly cascade of key Group activities and information utilising the Group's line management structure;
- An employee engagement survey, conducted at least annually, with a programme of feedback and learning to address concerns raised; and
- An annual Employee Day for employees and family members, enabling them to see the MTC's facilities in action and provide a means for leadership to thank employees directly for their contribution to the Group's success.

The Group has a HR function who are responsible for managing a talent review process to ensure that talented employees are given the support that they need to successfully further their careers, including professional development and access to support for obtaining and maintaining professional accreditations.

The need to foster the company's business relationships with suppliers, customers and others

Members & customers

The Group has a large and diverse customer base, with each individual customer key to the success of the MTC and meeting the Group's objectives of developing manufacturing capability. Each project conducted by the MTC is individual to the needs of the customer and involves an investment of time in collaborative working by all parties. In this regard, to maintain the delivery of impactful results from its services, the Group is committed to building and maintaining deep, long-lasting relationships with all customers of any size or scale.

Many customers also join as members of the MTC, a unique status set out in the Articles of Association that enables those businesses to directly influence certain areas of focus for the MTC's research work.

Suppliers

The MTC has a diverse range of suppliers covering subcontracted work, supply of materials and the supporting services required to administer the business, facilitate the work performed by employees and maintain physical assets.

Maintaining strong relationships with suppliers is key to the success of the MTC. Relationships with suppliers are based on the following principles:

- Open dialogue and transparent decision-making;
- Setting clear expectations; and
- Ensuring fair payment practices.

Strategic report (continued)

Engagement with key stakeholders – Section 172 statement (continued)

Catapult Network and affiliated organisations

The Group is one of seven members of the High Value Manufacturing Catapult network, a body that is funded by the UK Government through Innovate UK. All parties to this network including the funding organisations have a common goal of furthering UK economic growth in their respective areas.

The directors view these organisations as key stakeholders through the shared purpose and take steps to engage regularly through collaborative research projects, providing technical support within the Group's specialisms and the sharing of best practice.

Other stakeholders

In addition to the stakeholders considered elsewhere in this statement, the directors also have regard to the impact of their decisions on other stakeholders, including local and national government bodies, industry professional bodies and regulators, third parties with whom the Group deals with both within its service offerings and in other settings, and potential future employees.

The Group does not take a 'one size fits all' approach to engagement with other stakeholders but rather looks to build meaningful and long-lasting engagement through understanding the requirements and aspirations of each group as they come into contact with the MTC.

The impact of the company's operations on the community and the environment

Environmental factors are central to how the Group engages with clients, decides on the project work it takes on and manages its operations. A key focus of the technological research and development that the Group is involved in the decarbonisation of UK industry; deploying new manufacturing techniques and materials through the services the Group provides has a positive impact on the journey to net zero carbon.

The MTC is committed to leading the way with decarbonisation and is undertaking a significant investment across 2023 and 2024 to trial the latest renewable energy and building management advancements on its own sites as a real-world demonstration of the level of carbon reduction that can be achieved.

Reporting on energy use and related information under the Streamlined Energy and Carbon Reporting requirements is set out earlier in this report.

The MTC is committed to its local communities and believes this begins with creating a working environment where individuals can thrive whilst supporting them outside of their working day. Employees are encouraged to take part in local and national fundraising events across the calendar year and take part in various social groups, many of which interact outside of the Group.

The desirability of the company maintaining a reputation for high standards of business conduct

The MTC defines high standards of business conduct within its shared Corporate Values of:

- Responsibility
- Integrity
- Great environment
- Honest and integrity
- Teamwork

The Group has policies on ethical behaviour, fair competition, anti-bribery and corruption practices, modern slavery and anti-discriminatory practices. Regular review and training on these policies is required for all employees. Many individual employees also maintain a professional qualification as part of their role and are bound by the business conduct standards of those professional accreditation bodies.

Strategic report (continued)

Engagement with key stakeholders – Section 172 statement (continued)

The need to act fairly between members of the company

The Company is limited by guarantee and as such, does not have shareholders and fully reinvests all profits in its activities. The Group does have multiple key stakeholders, including those organisations that have a paid membership of the MTC enabling them to influence the direction of elements of the Group's research activities through a democratic voting system. Further details on stakeholder engagement are set out in the previous sections to this report.

Principal risks and uncertainties

The directors review and agree policies for managing each of the risks summarised below as part of the regular programme of meetings of the Board throughout the year.

The risks set out below comprise those identified and actively managed by the Board, but do not necessarily include all those potentially faced by the Group nor are they presented in an intentional order of priority.

Renewal of Catapult network long-term funding agreements by UK Government

A key component of the Group's income arises from the UK Government funding of the High Value Manufacturing Catapult network, in which the MTC participates. Catapult funding enables the MTC to de-risk its own investment into new and advanced manufacturing technologies that may drive the future of the industry but their application and commercial viability is unproven.

This risk of loss of Catapult funding has an immediate short term impact on income and the financial stability of the Group but also a longer term risk over the ability to bring forward new and unproven technologies to a level that is viable for industry to adopt, which is key to the MTC's overall purpose and objectives.

Catapult income could be withdrawn through 2 key means; a reduction in Catapult support from UK Government or a breach of funding terms by the MTC.

The current five-year commitment to Catapult funding expired on 31 March 2023; significant Management time has been invested during the year and subsequently to define the terms of the next funding arrangement. This including work collaboratively alongside the other six centres within the High Value Manufacturing Catapult as well as the Catapult and Innovate UK as the providers of funding to achieve an agreement that delivered benefits to UK industry and the wider economy. The directors have been actively involved in bringing these discussions to the conclusion of a new five-year agreement applicable from 1 April 2023 and confirming that the risk of a reduction in Catapult support from the UK Government is managed. This agreement is now in place, reducing the level of uncertainty over future funding from Catapult significantly.

The MTC is required to report performance quarterly to the High Value Manufacturing Catapult under a number of measures and KPIs, as well as submitted detailed records to support funding claims made regularly and on request. The directors monitor the performance measures and the controls in place to prepare accurate and compliant funding claims on a regular basis.

Liquidity

Liquidity risk arises from the possibility of the Group not having sufficient cash or access to debt funding available to meet its payment obligations as they fall due. Liquidity can be impacted by business decisions within the Group's control and macroeconomic financial and political factors that are outside of the Control of the directors, including the current inflationary pressures in the UK economy.

The directors seek to manage this risk through effective budgeting, accompanied by timely and accurate forecasting and cash flow management. The Group has agreed with its bankers for access to a range of accessible and largely unused debt funding arrangements providing additional short-to-medium term security over liquidity.

Strategic report (continued)

Principal risks and uncertainties (continued)

Health and safety

Through the operation of a manufacturing environment that seeks to develop new and technically complex manufacturing processes, the MTC is exposed to increased risks over the health and safety of its employees and those attending its locations relating to machinery use and industrial processes.

A dedicated team is in place to manage this risk, supported by policy and procedures for assessing and managing individual risks both preventative and during their existence. A Group-wide training programme exists to support employees understand their responsibilities and drive safety conscious behaviour; this includes a smart-phone app allowing employees to report risks in real time. The directors monitor the status of safety risks and related controls through a specific sub-committee of the Board of Directors.

Export Control

The risk of a breach of Export Control regulations arises through some of the leading technologies and materials that are used by the Group and necessarily have highly controlled access requirements due to their strategic importance. This risk primarily arises in respect of UK legislation but may occasionally derive from overseas jurisdictions where the technology or material is imported into the UK.

The Group manages this risk through education of employees, strict physical access controls according to individual need within MTC locations and robust data security management over electronic information and virtual assets.

Research and development taxation policy

The Group receives research and development tax credits in respect of its work over the development of new technologies. This is completed via a robust process for preparing the claim in line with legislation and is an important funding source to enable work on technology applications that may otherwise be financially unviable.

In 2023, the UK Government announced a consultation on the research and development tax credits scheme that could change the ability of the Group to claim for tax credits in periods after March 2024 if certain proposals within the consultation were enacted. The directors have contributed to feedback to the consultation to highlight the potential impacts and keep a watching brief on developments with support from the Group's tax advisors.

Employees

The Board of Directors acknowledge that the most valued asset the Group has is its workforce, who are the principal drivers of the Group's income and the wider impact the MTC has through the development and delivery of leading technology solutions to industry.

Employee engagement

The Group has implemented a range of benefits and ways of engaging with employees as a key stakeholder in the success of the MTC. Further information is given within the Stakeholder Engagement and Section 172 Statement included in this Strategic Report.

Equal Opportunities and Dignity at Work

The Group'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. It is the policy of the Group that recruitment, training, career development, progression and employment terms of disabled colleagues should, as far as possible, be identical to that of for all employees.

For job applicants with disabilities or health conditions, the Group will ask whether the applicant needs any reasonable adjustments for any part of the recruitment process. For employees, the Group makes reasonable adjustments to work provisions, criteria and practices, to the physical work environment or to provide auxiliary aids and services to ensure that the disabled person is not placed at a substantial disadvantage.

Strategic report (continued)

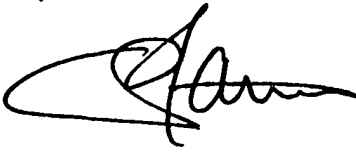
Employees (continued)

Equal Opportunities and Dignity at Work (continued)

In the event that a colleague becomes disabled during their employment, the Group has a defined practice for providing support and expert external advice to the individual. Every effort is made to ensure that their employment and continued success in their role continues.

The Group has a training programme in place for all employees to support them understand their rights and responsibilities in relation to equal opportunities and dignity at work, including guidance on what they can do to create a work environment that is free from discrimination, bullying and harassment.

By order of the board



Dr. G Hoare
Director

4 December 2023

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2023.

Principal activities

The Group and Company's principal activity is that of a Research and Technology Organisation in the manufacturing sector, The Group's work includes research, development, training and advisory services in respect of advanced technology applications within industrial processes.

Disclosures presented in the Strategic report

As permitted, the directors have presented certain information within the Strategic report on page 2 owing to the strategic importance of these disclosures to the Group and Company. These include:

- Business review of the results for the year;
- Future developments and expected outlook;
- Streamlined Energy and Carbon reporting;
- Employee engagement disclosures;
- Stakeholder engagement (Section 172) disclosures; and
- Principal risks and uncertainties disclosures.

Directors

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

Dr. C Hickman

V Sanderson

Prof. S Ratchev

CP Nex

H Clarke

K Govindasamy (appointed 4 July 2022, resigned 24 October 2023)

I Joesbury (appointed 16 August 2022)

R Williams (appointed 1 January 2023)

P Conway (appointed 22 February 2023)

Prof. S Jarvis (appointed 22 February 2023)

Dr. G Hoare (appointed 31 March 2023)

R English (appointed 24 May 2023)

AJ Cooper (resigned 30 June 2022)

Prof. SJ Rothberg (resigned 22 February 2023)

Prof. T Jones (resigned 22 February 2023)

M Ewell (resigned 31 March 2023)

D Webb (resigned 24 May 2023)

Directors' indemnities

During the year, an indemnity was available from the Company to the directors against liabilities incurred by them in defending proceedings against them in relation to affairs of the Company. The indemnity is subject to the provisions of the Companies Act 2006.

Directors' report (continued)

Dividends

The Company is limited by guarantee and therefore does not have shareholders with a right to receive dividend payments. All profits are reinvested into the business in support of advancing the Company and Group's objectives.

No dividend was recommended by the directors in respect of the current or preceding financial year.

Political contributions

The group made no political donations during the current or preceding financial year.

Research and development

Expenses incurred during the year in respect of research and development totalled £43.2m (2022: £41.7m)

Going concern

The Group had net current liabilities of £1.8m as at 31 March 2023, a profit for the year then ended of £2.1m and utilisation of net cash in operating activities for the year of £6.1m. The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the reasons set out in more detail in note 1.5.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that after taking into account reasonably possible downsides, the Group and Company will have sufficient funds to meet its liabilities as they fall due.

Consequently, the directors are confident that the Group and Company has sufficient funds available in the 12 months following date of approval of these financial statements that they have been prepared on a going concern basis.

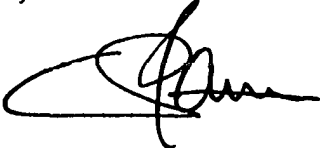
Statement as to disclosure of information to auditor

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. G Hoare
Director

Pilot Way
Ansty Business Park
Coventry
CV7 9JU
4 December 2023

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 2023 which comprise the Consolidated profit and loss account and statement of 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 2023 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 group 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 and audit committee 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 operations supporting grants and research projects 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 unusual 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.

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

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.

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 17, 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.

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

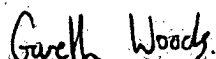
Auditor's responsibilities

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 (*Senior Statutory Auditor*)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
4th Floor, EastWest
Tollhouse Hill
Nottingham
NG1 5FS

4 December 2023

Consolidated profit and loss account and statement of comprehensive income

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	2	100,221	96,645
Research and administrative expenses	3	(99,886)	(94,873)
Other operating income	4	2,839	2,809
<i>Non-recurring items in respect of system implementation in the year:</i>			
<i>Income included in Turnover</i>	5	4,800	-
<i>Costs included in Research and administrative expenses</i>	5	(4,800)	-
		-	-
Operating profit		3,174	4,581
Interest payable and similar expenses	8	(183)	(136)
Profit before taxation		2,991	4,445
Tax on profit	9	(875)	(628)
Profit for the financial year being total comprehensive income for the year		2,116	3,817

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.

The accompanying notes form part of these financial statements.

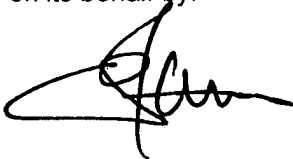
Consolidated balance sheet

as at 31 March 2023

	Note	2023		2022	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		81		139
Tangible assets	11		78,635		84,264
			<hr/>		<hr/>
			78,716		84,403
Current assets					
Stock	13	163		132	
Debtors	14	45,275		39,480	
Cash at bank and in hand	15	7,768		13,242	
			<hr/>		<hr/>
			53,206		52,854
Creditors: amounts falling due within one year	16		<hr/>		<hr/>
			(54,992)		(58,310)
Net current liabilities			<hr/>		<hr/>
			(1,786)		(5,456)
Total assets less current liabilities			<hr/>		<hr/>
			76,930		78,947
Creditors: amounts falling due after more than one year	17		<hr/>		<hr/>
			(55,458)		(59,591)
Net assets			<hr/>		<hr/>
			21,472		19,356
Capital and reserves					
Profit and loss account			<hr/>		<hr/>
			21,472		19,356
Capital and reserves			<hr/>		<hr/>
			21,472		19,356

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 4 December 2023 and were signed on its behalf by:



Dr. G Hoare

Director

Company registered number: 06815480

Company balance sheet
as at 31 March 2023

	Note	2023		2022	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		81		139
Tangible assets	11		78,635		84,264
Investments	12		4,000		4,000
			82,716		88,403
Current assets					
Debtors (including £10,600,000 (2022: £7,600,000) due in more than 1 year)	14	64,248		46,623	
Cash at bank and in hand	15	6,071		4,243	
			70,319		50,866
Creditors: amounts falling due within one year	16	(109,321)		(91,847)	
Net current liabilities			(39,002)		(40,981)
Total assets less current liabilities			43,714		47,422
Creditors: amounts falling due after more than one year	17		(43,376)		(46,643)
Net assets			338		779
Capital and reserves					
Profit and loss account			338		779
Capital and reserves			338		779

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 £441,000 (2022: loss of £213,000).

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 4 December 2023 and were signed on its behalf by:



Dr. G Hoare
Director

Company registered number: 06815480

Consolidated statement of changes in equity *for the year ended 31 March 2023*

	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	15,539	15,539
<i>Total comprehensive income for the year</i>		
Profit for the year being total comprehensive income for the year	3,817	3,817
Balance at 31 March and 1 April 2022	19,356	19,356
<i>Total comprehensive income for the year</i>		
Profit for the year being total comprehensive income for the year	2,116	2,116
Balance at 31 March 2023	21,472	21,472

The accompanying notes form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2023

	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	992	992
<i>Total comprehensive loss for the year</i>		
Loss for the year being total comprehensive loss for the year	(213)	(213)
Balance at 31 March and 1 April 2022	779	779
<i>Total comprehensive loss for the year</i>		
Loss for the year being total comprehensive loss for the year	(441)	(441)
Balance at 31 March 2023	338	338

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit for the year		2,116	3,817
<i>Adjustments for:</i>			
Depreciation and amortisation	10, 11	6,963	7,288
Interest payable and similar expenses	8	183	136
Profit on sale of tangible fixed assets	4	(57)	(397)
Research and development expenditure credit	4	(2,782)	(2,362)
Taxation	9	875	628
Release of deferred government grants		(2,982)	(3,120)
Operating cash inflow before movement in working capital		4,316	5,990
Increase in stock		(31)	(64)
(Increase)/decrease in trade and other debtors		(4,381)	255
Decrease in trade and other creditors		(6,329)	(5,178)
Cash (used in)/generated from operations		(6,425)	1,003
Interest paid		(164)	(146)
Research and development credit received		493	999
Net cash (used in)/generated from operating activities		(6,096)	1,856
Cash flows from investing activities			
Proceeds from sale of tangible and intangible fixed assets		70	412
Acquisition of tangible and intangible fixed assets		(2,359)	(4,273)
Net cash used in investing activities		(2,289)	(3,861)
Cash flows from financing activities			
Repayment of Finance Lease Liabilities		(261)	(513)
Receipt of bank loan		4,000	-
Repayment of bank loans		(828)	(362)
Net cash generated from/(used in) financing activities		2,911	(875)
Net decrease in cash and cash equivalents		(5,474)	(2,880)
Cash and cash equivalents at 1 April	15	13,242	16,122
Cash and cash equivalents at 31 March	15	7,768	13,242

The accompanying notes form part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

1.1. Company information

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.

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 during the year, as defined by s469 of the Corporation Tax Act 2010.

1.2. Basis of preparation

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, unless otherwise stated.

In these financial statements, the parent Company is included in the consolidated financial statements of the Group and has applied the exemptions available to a qualifying entity under FRS 102 paragraphs 1.8 to 1.12 in respect of the following disclosures, which are included on a consolidated basis within the Group financial statements:

- A cash flow statement and related notes;
- A reconciliation of opening to closing share capital for the comparative period;
- Directors remuneration and compensation of Key Management Personnel;
- Disclosures in respect of Basic and Other Financial Instruments otherwise required under FRS 102.11 and 102.12

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2023. A subsidiary is an entity that is controlled by the Group. 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.

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. The ownership of subsidiaries included in the consolidated financial statements is disclosed in note 12.

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

Notes (continued)

1. Accounting policies (continued)

1.4. Measurement convention

The financial statements are prepared on the historical cost basis.

1.5. Going concern

The Group had net current liabilities of £1.8m as at 31 March 2023, a profit for the year then ended of £2.1m and net cash utilisation in operating activities of £6.1m. The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the reasons set out herein.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that after considering reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due.

The key variables in the assessment of going concern that required the Directors to exercise a level of judgement in determining appropriate downside scenarios to their cash flow modelling are:

- The level of income that the Group is able to generate that is not already contracted;
- The potential impact of cost increases through higher than expected inflationary pressures, which are outside the control of the Group; and
- The ability of the Group to access the finance facilities currently available whilst maintaining compliance with the banking covenants in place.

Considering each of the key judgements above, the directors assessment concluded that the Group was able to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these accounts should business performance lead to less available cash than current forecasts indicate.

In making this determination, the directors considered the nature of the income streams available to the Group. A significant proportion of income is generated through the Group's participation in the High Value Manufacturing Catapult; a new 5-year funding agreement for the Catapult network has been agreed from 1 April 2023, which provides a high degree of certainty to the Group over available income and at a potentially higher level than the previous 5-year agreement. The directors also assessed that the Group was well placed to access this grant funding based on prior experience of the demand for its services in this area and that this income stream was unlikely to be impacted further other by external factors.

In addition, the directors reviewed the current level of demand for its purely commercial-led work in the context of the current challenging economic climate in the UK. Whilst they determined that under-performance was more likely to arise from private sector work as customers could their own investment spend in an economic downturn, current experience showed that there was still a healthy demand for the Group's services. These services are generally targeted to deliver efficiency and technology differentiation, which is highly valued in a time of cost inflation. The directors' assessment concluded that, in the unlikely event of a marked reduction in demand from these sources as a result of an economic downturn, the Group had sufficient other income streams and available liquidity to manage through such a period.

The directors also reviewed the banking facilities, which included new agreements in place from August 2022 to provide access to short-term working capital liquidity should it be required. The directors concluded that there was sufficient headroom in the covenants attached to these facilities should cash forecasts fall below those that current forecasts indicate to continue to provide a sufficient level of additional funding in the downside performance scenarios considered.

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.

Consequently, the directors are confident that the Group has sufficient funds available in the 12 months following date of approval of these financial statements that they have been prepared on a going concern basis.

Notes (continued)

1. Accounting policies (continued)

1.6. Foreign currency

The Group and Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. 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.

1.7. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Where necessary, provision is made for obsolete and defective items.

1.8. Basic financial instruments

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.

1.9. Tangible fixed assets

Cost

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

Depreciation

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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. Land is not depreciated.

The estimated useful lives used by the Group are:

Property: Buildings	- 2.5% straight line
Plant and machinery	- 10% - 25% straight line
Motor vehicles	- 20% straight line
Fixtures and fittings	- 10% - 25% straight line

Notes (continued)

1. Accounting policies (continued)

1.9. 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.

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

Impairment

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. Impairment losses are charged to the profit and loss account in accordance with note 1.13.

Leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. All other leases are classified as operating leases.

Finance leased assets are capitalised at commencement of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Where there is no reasonable certainty that ownership of the finance leased asset will transfer to the Group at the end of the lease term, finance leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

1.10. Intangible assets

Software-as-a-service implementation costs

Software-as-a-service implementation costs are capitalised where the Group can demonstrate it retains control over the underlying system architecture or platform on which the development resides. Costs that do not meet this requirement of control are expensed as incurred in the profit and loss account.

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.

1.11. Fixed asset investments

Interests in subsidiaries are initially measured at cost and then subsequently at cost less any accumulated impairment losses. The carrying amount of the Company's fixed asset investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Notes (continued)

1. Accounting policies (continued)

1.11 Fixed asset investments (continued)

The investments are assessed for impairment at the balance sheet date and any impairment losses or reversals of such losses are recognised immediately in the profit and loss account. An impairment loss recognised in a prior period is only reversed where the recoverable amount supports such reversal and only to the extent of the original cost of the asset as if no impairment loss had been recognised.

1.12. 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.

1.13. Impairment excluding stocks and 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 Group 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 Group's non-financial assets, other than stocks and 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 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").

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.

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.

Notes (continued)

1. Accounting policies (continued)

1.14. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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.

1.15. 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 Group has opted to apply for the Research and Development Expenditure Credit ("RDEC") for qualifying expenditure. The RDEC is included within operating income.

1.16. Long term contracts

Research projects

Profits generated are recognised when the project reaches 75% complete against the project forecast, being 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.

Grant funded projects

Income 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.

1.17. Revenue recognition

Turnover represents income recorded from operations and related government grants supporting research projects. Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and value added taxes.

Rendering of services

Revenue for research and similar services provided to customers, including those related to operations supporting grant income, is recognised as turnover in line with costs recorded against individual projects less amounts recognised in previous years.

Income from services for training, catering and event hosting is recognised as turnover at the point of delivery of the service.

Membership fees received

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. Membership income is initially deferred on to the balance sheet, with revenue recognised in the profit and loss account in line with costs recorded against individual membership research projects less amounts recognised in previous years.

Notes (continued)

1. Accounting policies (continued)

1.17. Revenue recognition (continued)

Contributions in-kind

In certain instances members provide capital equipment or other services to the group as a payment of membership fees ("in-kind"). Income from in-kind members' is recognised on a straight-line basis over the life of the agreed membership.

Sponsorship

Sponsorship income is recognised on a straight-line basis over the life of the sponsorship agreement.

Grant income

Income from grants is recognised on an accruals basis according to the type of grant and length of time over which the funding relates to. Revenue grants are recognised in turnover in line with cost incurred. Asset-related grants are recognised in turnover over the life of the asset in line with depreciation.

1.18. Expenses

Operating leases

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 leases

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.

1.19. 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.

Notes (continued)

1. Accounting policies (continued)

1.19 Taxation (continued)

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.

2. Turnover

All revenue arises in the United Kingdom.

	2023 £000	2022 £000
Operations supporting grant income	49,091	55,506
Research members	4,210	3,173
Research non-members	38,529	30,572
In-kind members	2,431	3,157
Sponsorship	833	833
Training	3,269	2,587
Events and catering	1,858	817
	<hr/>	<hr/>
Total turnover	100,221	96,645
	<hr/>	<hr/>

3. Expenses and auditor's remuneration

Included in the annual profit are the following:

	2023 £000	2022 £000
<i>Included within Research and administrative expenses:</i>		
Research and development expensed as incurred	43,218	41,659
Restructuring costs	8	257
Profit on disposal of fixed assets	57	397
Amortisation of intangible fixed assets	58	118
Depreciation of tangible fixed assets	6,905	7,170
	<hr/>	<hr/>

Auditor's remuneration:

	2023 £000	2022 £000
Audit of these financial statements	-	-
<i>Amounts receivable by the company's auditor and its associates in respect of:</i>		
Audit of financial statements of subsidiaries of the company	143	134
	<hr/>	<hr/>

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

Notes (continued)

4. Other operating income

	2023	2022
	£000	£000
Research and development credit	2,782	2,362
Job Retention Scheme grant	-	50
Profit on sale of fixed assets	57	397
	2,839	2,809

Included in other operating income is the research and development expenditure credit of £2,782,000 (2022: £2,362,000) relating to claims for research and development expenditure credits 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 £nil (2022: £50,000) of government Job Retention Scheme grants obtained relating to supporting the payroll of the Group's employees.

5. Non-recurring income and expense

During the year, the Group undertook an investment project to design and implement a new operational and financial management system, which came into use on 1 April 2023. The investment was fully funded from grants made available through the Company's membership of the High Value Manufacturing Catapult.

The system that the Group has implemented is a highly configured cloud computing-based solution, which the directors believe represents a future-ready, adaptable and scalable product to fit with the Group's strategy. Whilst the directors firmly view this expense as an investment in the future performance of the Group, they have determined that it does not meet the requirements for capitalisation under FRS 102. This is primarily by virtue of the system's cloud-based nature whereby the Group does not directly exercise control over the underlying system architecture, which is deemed a requirement in order for the investment to qualify as a Group asset.

As a result, all grant funding income and all implementation costs in relation to the system have been taken to the profit and loss account in the year. The following amounts have been included in their respective income and cost categories, but are also disclosed separately on the face of the profit and loss account due to their significance to the income and expense in the year.

	2023	2022
	£000	£000
<i>Non-recurring income included in Turnover</i>	4,800	-
<i>Non-recurring costs included in Research and administrative expenses</i>	(4,800)	-
	-	-

The directors do not expect these costs to reoccur in future periods.

Included in the income and expense above is an amount of £564,000 of grant income and cost respectively relating to system implementation work. These amounts were deferred and capitalised respectively in the prior financial year and have reversed to the profit and loss account in-line with the conclusion above to expense such costs. The amounts in the prior year were not material and therefore were not restated.

Notes (continued)

6. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year was as follows:

	Number of employees	
	2023	2022
Employees and directors	870	790

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	42,785	35,335
Social security costs	4,810	3,861
Contributions to defined contribution plans	2,930	2,447
	50,525	41,643

7. Directors' remuneration

	2023	2022
	£000	£000
Directors' remuneration	1,154	1,100
Company contributions to defined contribution pension plans	50	44
Compensation for loss of office	-	151
	1,204	1,295

The aggregate of emoluments of the highest paid director was £505,000 (2022: £483,000), and company pension contributions of £nil (2022: £nil) were made to a defined contribution pension scheme on their behalf.

	Number of directors	
	2023	2022
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	3	2

Notes (continued)

8. Interest payable and similar expenses

	2023	2022
	£000	£000
Member loan interest	20	12
Finance leases interest	18	33
Bank loan interest	145	91
	183	136
	183	136

9. Tax on profit

Total tax expense recognised in the profit and loss account

	2023		2022	
	£000	£000	£000	£000
<i>Current tax</i>				
Current tax on income for the year	462		899	
Adjustments in respect of prior years	(539)		681	
	(77)		1,580	
<i>Deferred tax (note 20)</i>				
Origination and reversal of timing differences	93		(283)	
Adjustments in respect of prior years	859		(470)	
Effect of tax rate change on opening balance	-		(199)	
	952		(952)	
	875		628	

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)

9. Tax on profit (continued)

Reconciliation of effective tax rate

	2023	2022
	£000	£000
Profit for the year	2,116	3,817
Total tax expense	875	628
	<hr/>	<hr/>
Profit excluding taxation	2,991	4,445
	<hr/> <hr/>	<hr/> <hr/>
Tax using the UK corporation tax rate of 19% (2022: 19%)	568	844
Research and development credits	(123)	(212)
Adjustment in respect of prior period	320	211
Remeasurement of deferred tax for changes in tax rates	23	(267)
Expenses not deductible for tax purposes	87	52
	<hr/>	<hr/>
Total tax expense included in profit or loss	875	628
	<hr/> <hr/>	<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 Group's future tax charge.

Notes (continued)

10. Intangible assets

Group and Company	Development costs £000
Cost	
Balance at 1 April 2022	3,044
Additions	-
	3,044
Balance at 31 March 2023	3,044
Amortisation and impairment	
Balance at 1 April 2022	2,905
Amortisation for the year	58
	2,963
Balance at 31 March 2023	2,963
Net book value	
At 31 March 2023	81
At 31 March 2022	139

Notes (continued)

11. 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 1 April 2022	69,899	44,235	43	17,379	7,435	138,991
Transfer	103	3,658	-	583	(4,344)	-
Additions	53	540	-	1,634	132	2,359
Disposals	-	(198)	-	-	(1,070)	(1,268)
Balance at 31 March 2023	70,055	48,235	43	19,596	2,153	140,082
Depreciation						
Balance at 1 April 2022	13,292	30,189	39	11,207	-	54,727
Depreciation charge for the year	1,724	3,586	4	1,591	-	6,905
Disposals	-	(185)	-	-	-	(185)
Balance at 31 March 2023	15,016	33,590	43	12,798	-	61,447
Net book value						
At 31 March 2023	55,039	14,645	-	6,798	2,153	78,635
At 31 March 2022	56,607	14,046	4	6,172	7,435	84,264

Leased assets

At 31 March 2023 the net carrying amount of fixtures and fitting leased under a finance lease was £113,000 (2022: £338,000).

At 31 March 2023 the net carrying amount of plant and machinery leased under a finance lease was £823,000 (2022: £1,367,000).

Depreciation charged in the year on finance lease assets was £770,000 (2022: £975,000).

Notes (continued)

11. Tangible fixed assets (continued)

Land and buildings

The net book value of land and buildings comprises:

	2023	2022
	£000	£000
Freehold	54,229	55,707
Leasehold	810	900
	<hr/> 55,039 <hr/>	<hr/> 56,607 <hr/>

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.

Notes (continued)

12. Fixed asset investments

Company	Shares in group undertakings £000
Cost	
At beginning and end of year	4,000
Impairment provisions	
At beginning and end of year	-
Net book value	
At 31 March 2023	4,000
At 31 March 2022	4,000

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	22,757	2,749	UK	100%	Ordinary
MTC (Manufacturing Technology Centre) Training Limited	659	(254)	UK	100%	Ordinary
Business Launch Centre Limited ('BLC')	1,715	61	UK	100%	Ordinary
Powerbuild Registry Limited (dormant)	-	-	UK	100%	Ordinary

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

13. Stock

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Raw materials and consumables	163	132	-	-

Stock recognised as an expense in the year is £252,000 (2022: £52,000).

Stock are stated after provisions for impairment of £nil (2022: £nil).

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

Notes (continued)

14. Debtors

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade debtors	19,825	8,731	10,030	3,247
Amounts owed by group undertakings	-	-	53,126	37,944
Amount receivable on research projects	10,228	19,306	927	5,405
Accrued income	2,036	1,452	-	-
Accrued in-kind income	2,207	2,173	-	-
Other debtors	4,559	2,199	24	15
Prepayments	6,261	4,508	141	12
Deferred tax assets (note 20)	159	1,111	-	-
	45,275	39,480	64,248	46,623

Included within 'Amounts owed by group undertakings' are amounts not expected to be recovered within one year of £10,600,000 (2022: £7,600,000).

15. Cash and cash equivalents

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash at bank and in hand	7,768	13,242	6,071	4,243

Included within cash and cash equivalents is £224,000 (2022: £232,000) of restricted cash held on behalf of other entities. A creditor is included within other creditors of £224,000 (2022: £232,000) to reflect this restriction.

Notes (continued)

16. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank loans (note 18)	4,429	829	4,429	829
Other loans (note 18)	8,275	8,500	4,275	4,500
Obligations under finance leases (note 18)	98	261	98	261
Trade creditors	12,681	9,207	-	-
Amounts owed to group undertakings	-	-	93,900	76,591
Other taxation and social security	1	1,078	-	57
Other creditors and accruals	5,143	8,291	1,643	1,878
Deferred income	19,182	24,979	2,000	4,739
Deferred in-kind income	2,207	2,173	-	-
Deferred grant income	2,976	2,992	2,976	2,992
	54,992	58,310	109,321	91,847

The Company has a bank term loan of £2,465,000 secured on the property asset it has funded. This loan is due for repayment in quarterly instalments up to 20 October 2026. Bank loans classified within 'Creditors: amounts falling due within one year' includes £429,000 (2022: £429,000) of this term loan.

Bank loans classified within 'Creditors: amounts falling due within one year' also includes a revolving credit facility of £4,000,000 (2022: £400,000) due for repayment on or before 4 April 2023 (2022: due for repayment on or before 30 November 2022), which was repaid in line with this agreement following the year end. During the year, the Group entered into a new revolving credit facility agreement with its bankers that led to the termination and repayment of existing facilities simultaneously. The new revolving credit facility has a floating charge over the assets of the group.

Other loans include an advance on grant capital funding provided by the High Value Manufacturing Catapult of £4,000,000 (2022: £4,000,000), which has no specific fixed term and is reviewed for repayment by the provider on a quarterly basis. Also within other loans is an advance on funding provided by Innovate UK, to assist the Company during the pandemic, of £4,000,000 (2022: £4,000,000), which also has no specific fixed term and is reviewed for repayment by the provider on a quarterly basis.

Formal arrangements with the company's members of £275,000 are due for repayment on demand (2022: £500,000 due for repayment on or before 31 March 2023). Subsequent to the balance sheet date, MTC has agreed with the relevant members to defer the settlement until 31 March 2025.

Included within trade creditors and other creditors are amounts owed to the company's members of £549,000 (2022: £205,000) and £621,000 (2022: £621,000) respectively.

The deferred grant income relates to the element of the deferred grant income expected to be released during the year ended 31 March 2024 against the depreciation charge on grant funded land and buildings within tangible fixed assets.

The deferred income includes 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.

Notes (continued)

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank loans (note 18)	2,036	2,464	2,036	2,464
Other loans (note 18)	225	-	225	-
Obligations under finance leases (note 18)	-	98	-	98
Deferred grant income	41,115	44,081	41,115	44,081
Deferred income	12,082	12,948	-	-
	55,458	59,591	43,376	46,643

The Company has a bank term loan of £2,465,000 secured on the property asset it has funded. This loan is due for repayment in quarterly instalments up to 20 October 2026. Bank loans classified within 'Creditors: amounts falling due after more than one year' includes £2,036,000 (2022: £2,464,000) of this term loan.

Formal arrangements with the company's members of £225,000 are due for repayment on 31 March 2025 and were classified as 'Creditors: amounts falling due within one year' for the 31 March 2022 year end.

Deferred grant income relates to grant funding received to finance the construction of the MTC research centre, the Advanced Manufacturing 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.

18. Interest-bearing loans and borrowings

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Creditors falling due more than one year				
Bank loans	2,036	2,464	2,036	2,464
Other loans	225	-	225	-
Finance lease liabilities	-	98	-	98
	2,261	2,562	2,261	2,562
Creditors falling due within less than one year				
Bank loans	4,429	829	4,429	829
Other loans	8,275	8,500	4,275	4,500
Finance lease liabilities	98	261	98	261
	12,802	9,590	8,802	5,590

Notes (continued)

18. Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2023 £000	2022 £000
Other loans	Sterling	-	On demand	4,000	4,000
Other loans	Sterling	LIBOR + 1.5%	31 March 2025	125	250
Other loans	Sterling	LIBOR + 1.5%	On demand	125	-
Other loans	Sterling	3%	31 March 2025	100	250
Other loans	Sterling	3%	On demand	150	-
Other loans	Sterling	-	On demand	4,000	4,000
Bank loans – revolving facility	Sterling	SONIA + 2.8%	On or before 4 April 2023	4,000	-
Bank loans – revolving facility	Sterling	Base rate + 2.8%	On or before 30 Nov 2022	-	400
Bank loans – term loan	Sterling	Base rate + 2.8%	On or before 20 October 2026	2,465	2,893
				14,965	11,793

19. Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group		Company	
	Minimum lease payments 2023 £000	Minimum lease payments 2022 £000	Minimum lease payments 2023 £000	Minimum lease payments 2022 £000
Less than one year	98	261	98	261
Between one and five years	-	98	-	98
	98	359	98	359

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

Notes (continued)

20. Deferred tax assets

Group

Movements in deferred taxation in the year:

	2023	2022
	£000	£000
At beginning of year	1,111	159
Recognised as tax (charge)/credit in year	(952)	952
	159	1,111
	159	1,111

Deferred tax assets are attributable to the following:

	Assets	
	2023	2022
	£000	£000
Unused tax losses	54	917
Other short term timing differences	105	194
	159	1,111
	159	1,111

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 (2022: £3,700,000).

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2023	2022
	£000	£000
Less than one year	160	151
One to two years	143	118
Two to five years	81	145
	384	414
	384	414

During the year £101,603 (2022: £281,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

22. Commitments

Capital commitments

The Group's contractual commitments to purchase tangible fixed assets at the year end were £1,317,000 (2022: £1,051,000).

23. 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 £2,930,000 (2022: £2,447,000). There were outstanding pension contributions of £464,000 (2022: £363,000) accrued at the year end.

24. 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 S Jarvis is an employee of the University of Birmingham. Director Prof S Ratchev is an employee of the University of Nottingham. Director P Conway is an employee of Loughborough University.

Transactions and balances with these related entities are as follows:

	Invoiced to related parties	Purchases from related parties	Amounts owed to related parties	Loan balances
	£000	£000	£000	£000
2023				
University of Birmingham	2,673	438	723	225
University of Nottingham	-	201	296	225
Loughborough University	3	105	151	50
2022				
University of Birmingham	2,068	299	422	225
University of Nottingham	-	170	276	225
Loughborough University	-	284	128	50

As at the balance sheet date, £275,000 of the loan balances were repayable on demand and £225,000 were repayable on 31 March 2025. Of the total £500,000 loan balances, £250,000 is bearing interest at 3% per annum and £250,000 is 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 £1,064,000 (2022: £911,000).

25. 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.

Notes (continued)

26. 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 or services other than cash are receipted in exchange for membership ("in-kind revenue"), management review each agreement and recognise revenue in accordance with an assessment of the open market value of the asset or service were it to have been procured for cash. The amount of in-kind revenue recognised in the year is disclosed in note 2.

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 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 project will generate a surplus of revenue over cost until the work is complete. Should the project identify further or unforeseen in-scope work to fulfil the outcome, then additional costs can quickly erode this surplus.

Management consider this approach to be a materially accurate application of the accounting standard given the uncertainty over outcomes in hi-tech R&D applications until a project is in the later stages of completion. This helps ensure an appropriate level of prudence against over-recognition of project surplus.

On this basis no profit is recognised until the project is 75% complete and at this point, given the uncertainties over eventual profit on completion, only 75% of the anticipated margin is recognised at this time. The sensitivity of this judgement to the results in these financial statements is as follows:

	2023	2022
	£000	£000
Profit recognised in the year	394	221
Profit impact of recognising profit in line with the % of project completion (When a project was at least 75% complete)	+62	+63

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 estimate of the claim relating to the current year is included in these financial statements and disclosed in note 4. The income is included within Other operating income and the net receivable after deduction of Corporation tax liabilities is included within Other debtors. The associated RDEC claim will not be submitted until after these accounts have been approved; 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 finalised 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, however this variance is not considered to present a material error in the financial statements.

Notes (continued)

27. Reconciliation of net debt

	Bank loans £000	Other loans £000	Finance lease liabilities £000	Total £000
Balance at 1 April 2022	3,293	8,500	359	12,152
Changes from financing cash flows				
New borrowings	4,000	-	-	4,000
Repayment of borrowings	(828)	-	-	(828)
Payment of finance lease liabilities	-	-	(261)	(261)
Total changes from financing cash flows	3,172	-	(261)	2,911
Other changes				
Interest expense	145	20	18	183
Interest paid	(134)	(12)	(18)	(164)
Interest accrual	(11)	(8)	-	(19)
Total other changes	-	-	-	-
Balance at 31 March 2023	6,465	8,500	98	15,063