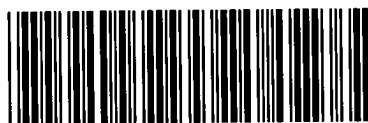


ADVANCED PROPULSION CENTRE UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

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ADVANCED PROPULSION CENTRE UK LIMITED

COMPANY INFORMATION

Directors	Mr Geoffrey Bicknell Mr Robert Evans Professor Colin Garner Dr Thomas Pixton Mr Simon Edmonds Mr Ian Constance Professor Robert Dover Ms Sabine Mosner
Company number	08791933
Registered office	6 th Floor 60 Gracechurch Street London EC3V 0HR
Auditors	RSM UK Audit LLP Chartered Accountants Abbotsgate House Hollow Road Bury St Edmunds Suffolk IP32 7FA

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31st March 2017. The comparative figures cover the period from 1st April 2015 to 31st March 2016.

Principal activities

The company's principal activity is to support the UK automotive industry through funding innovation in low carbon propulsion systems. It is doing this by running twice yearly themed competitions over a ten year lifecycle. The overall funding is based on £1 billion over ten years, provided jointly by government and the automotive industry. The government funding for the main competitions is currently administered, as grants to successful applicants, by Innovate UK.

This financial year has seen a strengthening of the project portfolio which has or is now supporting 31 core competition projects, engaging more than 120 organisations and committing circa £520m of funding to projects. A number of projects awarded in APC1 have successfully completed in the 2016-17 financial year and subsequent projects resulting from the APC2 to APC6 competitions will complete in the following years. These projects should realise approximately 28 million tonnes of CO2 savings and safeguard/secure in excess of 19,000 jobs.

Following completion of the pilot in 2016, the first wave of the Technology Developer Accelerator Programme was launched in early 2017 which is designed to help fast track low carbon propulsion technology towards commercialisation. Through mentoring of technology developers and SME's, the APC aims to aid the development of both their product and organisational capability through better understanding of the Automotive Industry requirements and visibility to a range of industry players.

Following release of the UK wide capability study in the summer of 2016, a refresh programme of the UK's Automotive Roadmaps is in progress, with workshops having been held and data now being processed with spoke leads and steering groups. Product roadmap strawman refreshes will be developed following discussion with Industry.

The APC continues to co-ordinate an automotive international events programme, positioning the UK as a centre of excellence of low carbon propulsion technologies and promoting the UK's capability in key strategic markets for UK companies and Government. A number of thought leadership events were also held at the Royal Institution on the "Future of Technologies".

The National propulsion showcase, established at the hub on the University of Warwick campus, had in excess of 1,300 visitors in the year, which ranged from Government officials, industry personnel, students and school children, and hosted a number of events. The smaller showcase at the APC London office on the Queen Elizabeth Olympic Park in Stratford was opened in 2016 and has held a number of meetings, workshops and events.

The APC outreach continues to develop, with six spokes covering a range of strategic and enabling technologies all aimed at developing communities of expertise that can focus on the acceleration of their core themes, in order to drive the development and adoption of improved Low Carbon Propulsion Technologies into the Automotive Systems of tomorrow. In 2017 a new project was launched to develop a distributed vehicle environment that will provide means of coordinating the approach to whole vehicle virtualisation and analysis-led development through the use of models with open access.

The APC and EPSRC have been working together for the last nine months to engage the UK's world class academic community in the key challenges of the auto sector, through Feasibility Study programmes such as 'Preparing for the Grand Challenge'. A number of activities were also launched around electrification of the supply chain and air quality.

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

The APC's CEO also sits on the joint industry and Ministerial Automotive council and presents the progress the APC is making in this high level forum.

At the request of the Automotive Council the APC has been working closely with the Government's Centre for Connected and Autonomous Vehicles (CAV) to establish a separately branded hub that will act as the focal point for UK wide testing and development infrastructure for CAV's. This activity was piloted in early 2017 and is expected to be fully operational as an APC subsidiary later in the year.

The company earns revenue based on the level of funding obtained by successful grant applicants and the accounts should be read in the context of a 10 year period where the excess expenditure in any one year will be subject to grant applications and related income that will be received in subsequent years.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future and for this reason, the going concern basis continues to be an appropriate basis on which to prepare the financial statements.

In reaching this conclusion the directors have considered the financial position of the company and its funding for a period of at least 12 months from the date of approval of the financial statements. The directors have undertaken a detailed review of the company's forecasts and associated risks.

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors and key management personnel of the company.

Directors

The directors who held office and served the company during the year and up to the date of signature of the financial statements were as follows:

Mr Geoffrey Bicknell
Mr Robert Evans
Professor Colin Garner
Doctor Thomas Pixton
Mr Simon Edmonds
Mr Ian Constance
Professor Robert Dover (appointed 6 April 2016)
Ms Sabine Mosner (appointed 5 July 2016)

Results

The results for the year are set out on page 8.

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has expressed its willingness to continue in office.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr Ian Constance
Director

4/7/2017
Date

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ADVANCED PROPULSION CENTRE UK LIMITED

Opinion on financial statements

We have audited the financial statements on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ADVANCED PROPULSION CENTRE UK LIMITED

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit LLP

Peter Howard BA ACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

12/07/17

ADVANCED PROPULSION CENTRE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	3	1,462,961	832,016
Administrative expenses		(2,933,982)	(3,017,061)
Operating expenses		(1,065,595)	(264,189)
Other operating income	4	2,533,308	1,738,228
Operating loss		<u>(3,308)</u>	<u>(711,006)</u>
Interest receivable and similar income	5	948	556
Interest payable and similar charges	6	(475)	(1,741)
Loss on ordinary activities before taxation	7	<u>(2,835)</u>	<u>(712,191)</u>
Taxation	10	(162)	-
Loss for the financial period		<u>(2,997)</u>	<u>(712,191)</u>
Total comprehensive income for the period		<u><u>(2,997)</u></u>	<u><u>(712,191)</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

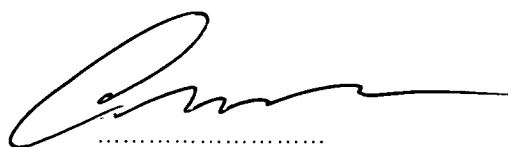
ADVANCED PROPULSION CENTRE UK LIMITED
STATEMENT OF FINANCIAL POSITION

Company number: 08791933

AS AT 31 MARCH 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		4,549		7,627
Tangible assets	12		700,602		429,017
			<u>705,151</u>		<u>436,644</u>
Current assets					
Debtors due within one year	13	3,755,316		1,765,547	
Cash at bank and in hand		780,854		473,672	
		<u>4,536,170</u>		<u>2,239,219</u>	
Creditors: amounts falling due within one year	14	<u>(6,772,120)</u>		<u>(4,203,665)</u>	
Net current liabilities			<u>(2,235,950)</u>		<u>(1,964,446)</u>
Net liabilities			<u>(1,530,799)</u>		<u>(1,527,802)</u>
Reserves					
Profit and loss account			<u>(1,530,799)</u>		<u>(1,527,802)</u>

The financial statements on pages 8 to 23 were approved by the board of directors and authorised for issue on 4/7/17 and are signed on its behalf by:



Mr Geoffrey Bicknell
Director



Mr Ian Constance
Director

ADVANCED PROPULSION CENTRE UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Profit and loss account £
Balance at 1 April 2015	(815,611)
Year ended 31 March 2016:	
Loss and total comprehensive income for the period	(712,191)
Balance at 31 March 2016	(1,527,802)
Year ended 31 March 2017	
Loss and total comprehensive income for the year	(2,997)
Balance at 31 March 2017	(1,530,799)

ADVANCED PROPULSION CENTRE UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Operating activities			
Cash generated from/(used in) operations	18	852,995	(38,973)
Interest paid		(475)	(1,741)
Net cash from/(used in) operating activities		<u>852,520</u>	<u>(40,714)</u>
Investing activities			
Purchase of intangible assets		(5,446)	-
Purchase of tangible fixed assets		(535,412)	(76,811)
Interest received		948	556
Net cash used in investing activities		<u>(539,910)</u>	<u>(76,255)</u>
Financing activities			
Repayments of obligations under finance leases		(5,428)	(6,129)
Net cash used in financing activities		<u>(5,428)</u>	<u>(6,129)</u>
Net increase/(decrease) in cash and cash equivalents		<u>307,182</u>	<u>(123,098)</u>
Cash and cash equivalents at beginning of period		473,672	596,770
Cash and cash equivalents at end of period		<u><u>780,854</u></u>	<u><u>473,672</u></u>
Relating to:-			
Bank balances and short term deposits included in cash at bank and in hand		<u><u>780,854</u></u>	<u><u>473,672</u></u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

General information

Advanced Propulsion Centre UK Limited ("the company") is a company limited by guarantee domiciled and incorporated in England and Wales. As a company limited by guarantee it does not have share capital and in the event of a winding up or dissolution of the company each member's liability towards the debts of the company is restricted to a sum not exceeding £1.

The address of the company's registered office is 6th Floor, 60 Gracechurch Street, London, EC3V 0HR. The principal place of business is University Road, Coventry, CV4 7HP.

The company's principal activities are disclosed in the Directors' Report.

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, and under the historical cost convention.

The financial statements are presented in sterling, which is also the functional currency of the company.

Going concern

The directors feel it is appropriate to prepare the financial statements on a going concern basis, as they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors also believe that there are no material uncertainties related to events or conditions that may cast significant doubt over the ability of the company to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Although the company has net liabilities of £1,530,799 the APC has support from the Department of Business, Energy and Industrial Strategy (BEIS) in the form of a 10 year grant to 31st March 2023 for £17.464m to contribute towards the running costs of the APC. The progress of APC is reviewed annually to confirm continued support from BEIS and the grant for the next year is agreed in advance. The contribution from BEIS has been front-loaded to recognise the set-up period of the APC and the ramp up of project activity on which APC earns commercial income. Hence there is a deferred income balance of £3.406m that will be released over the coming years, recognising increasing commercial income that will match public funding over the life of the APC.

Turnover

Turnover represents amounts receivable in relation to the administration of grant funding applications, net of VAT. Turnover is recognised at the point the company becomes entitled to the income, which is when the grant claim is submitted.

It also includes income from management of events and PR activity, net of VAT.

Other income

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Government grants

Income from government grants is recognised when the associated performance conditions are met and is presented within operating income.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Intangible fixed assets

Intangible assets purchased are recognised when future economic benefits are probable and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Computer software	3 years
-------------------	---------

Amortisation is revised for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Plant and machinery	3 years
Fixtures, fittings and equipment	5 years
Motor vehicles	3 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses and recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Grants awarded

Grants awarded include claims made under the Technology Developer Accelerator Programme, the Grand Challenge project and the Multi-Spoke distributed vehicle environment from project participants and are credited to profit or loss when claims fall due and are included within other income.

Borrowing costs

All borrowing costs are expensed as incurred.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit or loss for the period. Taxable profit or loss differs from total comprehensive income because it excludes items which are not taxable or allowable for tax purposes and items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits or losses and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities, and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Leases

Finance leases

An asset and corresponding liability are recognised for leasing and hire purchase agreements that transfer to the company substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease and hire purchase payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement has not been recognised in financial statements.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Retirement benefits

Defined contribution plans

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets:

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity:

Trade creditors

Trade creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

2 Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation charges:

Depreciation charges to recognise consumption of economic benefits of tangible fixed assets by the company are calculated based on rates of depreciation. Depreciation rates are determined by estimation of the diminution in the recoverable amounts in respect of tangible fixed assets over their estimated useful economic lives.

Accruals and deferred income:

Accruals and deferred income are present obligations arising from past events that result in the outflow of resources embodying economic benefits. Accruals are determined by estimating the present obligation of the future outflow of resources embodying economic benefits.

Prepayments and accrued income:

Prepayments and accrued income are resources controlled by the company from which future economic benefits are expected to flow. Prepayments and accrued income are determined by estimating the cost or value of the resource from which the flow of future economic benefits is expected to be derived.

Critical areas of judgement

Recognition of deferred tax assets:

In order to determine the value of deferred tax assets, judgements are required regarding the extent of which the flow of future economic benefits is sufficiently probable to meet the deferred tax asset recognition criteria.

Grant income recognition:

In order to determine the value of grant income, judgements are required regarding whether grants will be received and whether conditions attached to the grants have been met.

3 Turnover

The company's turnover is all derived from the provision of professional services relating to grant funding applications and PR support within the United Kingdom.

4	Other operating Income	2017 £	2016 £
	Government grant income	4,847,688	2,506,375
	Grants awarded	(2,314,380)	(768,147)
		<u>2,533,308</u>	<u>1,738,228</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

5	Interest receivable and similar income	2017	2016
		£	£
	Interest on bank deposits	948	556
		<u> </u>	<u> </u>

6	Interest payable and similar charges	2017	2016
		£	£
	Interest on finance leases and hire purchase contracts	475	1,741
		<u> </u>	<u> </u>

7	Loss on ordinary activities before taxation	2017	2016
		£	£

Loss on ordinary activities before taxation is stated after charging or crediting:

Depreciation of tangible fixed assets		
- owned	259,112	152,168
- held under finance leases and hire purchase contracts	13,362	13,097
(Profit)/Loss on disposal of tangible fixed assets	(20,581)	375
Amortisation of intangible assets	8,524	7,476
Operating lease rentals	240,268	240,114
Finance lease rentals	5,903	7,870
	<u> </u>	<u> </u>

Fees payable to RSM UK Audit LLP and its associates in respect of audit services are as follows:

	2017	2016
	£	£
Audit services – statutory audit of the company	7,500	7,500
Tax compliance	750	750
Grant accountants' reports	11,400	4,450
Tax advisory services	9,795	2,342
Other services	1,200	3,050
	<u> </u>	<u> </u>

8	Employees	2017	2016
		No.	No.
	The average monthly number of persons (including directors) employed by the Company during the year was:		
	Management & Administration	14	13
	Business Development	6	5
	Technology & Projects	9	7
		<u>29</u>	<u>25</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

8 Employees (continued)

	2017 £	2016 £
Staff costs for the above persons:		
Wages and salaries	1,404,088	1,205,715
Social security costs	162,271	139,905
Defined contribution pension cost	200,143	158,839
	<u>1,766,502</u>	<u>1,504,459</u>

9 Directors' remuneration

	2017 £	2016 £
Remuneration	<u>317,650</u>	<u>383,977</u>

Remuneration disclosed above includes £227,651 (2016: £214,056) paid to the highest paid director. The number of directors in the pension scheme in the year was 1 (2016: 1)

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax	<u>162</u>	<u>-</u>
Total tax on loss of ordinary activities	<u>162</u>	<u>-</u>

Factors affecting the tax charge for the period:

The tax assessed for the period is different to that calculated at the standard rate of corporation tax (20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before taxation	<u>(2,835)</u>	<u>(712,191)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	(567)	(142,438)
Effects of:		
Expenses not deductible in determining taxable loss	2,697	3,510
Unrelieved tax losses	(11,869)	116,721
Other short term timing differences	9,785	22,762
Movement in provisions	116	(555)
Tax expense	<u>162</u>	<u>-</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Taxation (continued)

As at the year end the company had tax losses of £1,599,432 (2016 - £1,642,218), which could provide future tax relief of £271,904 (2016 - £295,599) at current tax rates, for use against future taxable trading profits. The deferred tax asset in respect of these losses has not been recognised on the basis that there is uncertainty over when these losses will be utilised.

11 Intangible assets

	Computer software £
Cost	
1 April 2016	22,654
Additions	5,446
31 March 2017	<u>28,100</u>
Amortisation	
1 April 2016	15,027
Amortisation charged in the year	8,524
31 March 2017	<u>23,551</u>
Carrying amount	
31 March 2017	<u>4,549</u>
31 March 2016	<u>7,627</u>

The amortisation charge for the year is recognised within administrative expenses.

12 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
1 April 2016	219,523	459,633	39,687	718,843
Additions	49,995	494,064	-	544,059
Disposals	-	-	(39,687)	(39,687)
31 March 2017	<u>269,518</u>	<u>953,697</u>	<u>-</u>	<u>1,223,215</u>
Depreciation				
1 April 2016	131,818	131,683	26,325	289,826
Depreciation charged in the year	86,232	172,880	13,362	272,474
Eliminated in respect of disposals	-	-	(39,687)	(39,687)
31 March 2017	<u>218,050</u>	<u>304,563</u>	<u>-</u>	<u>522,613</u>
Carrying amount				
31 March 2017	<u>51,468</u>	<u>649,134</u>	<u>-</u>	<u>700,602</u>
31 March 2016	<u>87,705</u>	<u>327,950</u>	<u>13,362</u>	<u>429,017</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets (continued)

The net book value of motor vehicles includes £nil (2015: £13,362) in respect of assets held under finance leases and hire purchase contracts.

13 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	382,787	396,052
Other debtors	57,464	84,058
Prepayments and accrued income	690,176	644,751
Grant claims due	2,624,889	640,686
	<u>3,755,316</u>	<u>1,765,547</u>

14 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Obligations under finance leases and hire purchase contracts	16	-	26,009
Trade creditors		320,494	528,226
Corporation tax		162	-
Other taxes and social security		56,742	56,805
Other creditors		17,278	16,697
Accruals and deferred income		4,078,158	3,535,989
Grant claims payable		2,299,286	39,939
		<u>6,772,120</u>	<u>4,203,665</u>

Obligations under finance leases and hire purchase contracts are secured by the related assets and bear finance charges at 6.65% per annum (2015: 6.65% annum).

	2017 £	2016 £
The total future minimum lease payments are payable:		
Less than one year	-	26,493
	<u>-</u>	<u>26,493</u>
Less future finance charges	-	(484)
	<u>-</u>	<u>26,009</u>

Finance lease and hire purchase payments represent rentals payable by the company in respect of assets included within motor vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The leases are for a term of 3 years, are on a fixed repayment basis, and have no arrangement for contingent rental payments.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15 Financial instruments

	2017 £	2016 £
Financial assets		
Debt instruments measured at amortised cost	3,305,348	1,125,707
	<u> </u>	<u> </u>
Financial liabilities		
Measured at amortised cost	2,846,230	676,632
	<u> </u>	<u> </u>

16 Borrowings

	2017 £	2016 £
Creditors: amounts falling due within one year:		
Finance lease and hire purchase liabilities	-	26,009
	<u> </u>	<u> </u>
Creditors: amounts falling due after more than one year:		
Finance lease and hire purchase liabilities	-	-
	<u> </u>	<u> </u>
Total	-	26,009
	<u> </u>	<u> </u>

17 Government grants

The company recognised income of £4,847,688 (2016: £2,506,375) in respect of capital and expenditure grants from the Department for Business, Energy and Industrial Strategy (BEIS) to cover part of the cost of grant fund applications and specific projects. The grants are conditional upon sufficient relevant expenditure being incurred. Typically grant funding is available at 50% of relevant expenditure. The grants recognised in the year were to cover the costs of running the APC (£1.468m), but also including delivery of the following projects:

- To develop a multi-spoke environment distributed vehicle environment that will provide means of coordinating the approach to whole vehicle virtualisation and analysis-led development through the use of models with open access. Grants were awarded to the 5 APC spokes to deliver this project (£1.628m);
- 'Preparing for the Grand Challenge' feasibility studies looking at the key challenges facing the auto sector. Grants were awarded to a number of consortia (£0.687m);
- Delivery of a co-ordinated international events programme, including attendance at autotech shows and conferences with a "UK Pavilion", and overseas technology missions (£0.618m);

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

18 Reconciliation of loss after tax to net cash (used in)/generated from operations

	2017 £	2016 £
Loss after tax	(2,997)	(712,191)
Adjustments for:		
Depreciation of tangible fixed assets	272,474	165,265
Amortisation of intangible assets	8,524	7,476
(Profit)/Loss on disposal of tangible fixed assets	(20,581)	375
Interest receivable	(948)	(556)
Interest payable	475	1,741
Operating cash flows before movements in working capital	256,947	(537,890)
Increase in trade and other debtors	(1,989,769)	(1,373,237)
Increase in trade and other creditors	2,585,817	1,872,154
Cash generated from/(used in) operations	852,995	(38,973)

19 Retirement benefits

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions payable by the company charged to profit or loss amounted to £200,143 (2016: £158,839). Contributions totalling £17,278 (2016: £16,697) were payable to the fund at the year end and are included in creditors.

20 Remuneration of key management personnel

The total remuneration of the directors and the executive team which are considered to be key management personnel of the company (including employers NI) was £790,592 (2016: £841,665).

21 Contingent liabilities

A contingent liability exists in respect of grant income recognised in excess of matched industry funding received to date. Any excess may become repayable in the future if a matched level of industry funding is not received. As at 31 March 2017 the maximum potential liability is £1,722,897 (2016: £1,690,390).

22 Other financial commitments

In 2015, the company entered into a 5 year agreement with Prolinx, for the provision of IT services. As at the year end the company had a total commitment under the remaining terms of the agreement of £205,713 (2016: £276,243)

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

23 Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases for property were as follows:

	2017 £	2016 £
Amounts due:		
Within one year	240,932	240,208
Between one and five years	421,631	660,572
	<u>662,563</u>	<u>900,780</u>

The annual rent increases by CPI on 1 May each year.

24 Reserves

Reserves of the company represent cumulative profit and loss.

25 Company limited by guarantee

The company is limited by guarantee and does not have share capital. In the event of the winding up or dissolution of the company each member's liability towards the debts and liabilities of the company is restricted to a sum not exceeding £1.

26 Capital commitments and other contractual obligations

	2017 £	2016 £
Capital expenditure contracted for but not provided for in the financial statements	-	365,913

27 Related party transactions

During the year, the Company entered into the following transactions with related parties:

	Other related parties	
	2017 £	2016 £
Income from project services	2,144	
Purchases of goods/services in year	96,434	123,384
Amounts owed by related parties at year end	217	-
Amounts owed to related parties at year end	-	90,994

These are related parties of the Company because the CEO of Cenex, Robert Evans, has been a Non-Executive director of APC since 1st October 2015, and sole member since its incorporation.