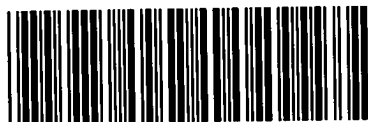


Company Registration No. 08791933 (England and Wales)

ADVANCED PROPULSION CENTRE UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2023

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ADVANCED PROPULSION CENTRE UK LIMITED

COMPANY INFORMATION

Directors	Mr Geoffrey Bicknell Professor Colin Garner Mr Ian Constance Professor Robert Dover Mr Charles Haswell Ms Hannah Boardman Mr Neville Jackson Mr Michael Biddle Ms Joanne Bray
Company number	08791933
Registered office	6 th Floor 60 Gracechurch Street London EC3V 0HR
Auditors	RSM UK Audit LLP Chartered Accountants 103 Colmore Row Birmingham B3 3AG

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31st March 2023.

Principal activities

The company's principal activity is to support the UK automotive industry through facilitating funding for innovation in low carbon propulsion and on-vehicle energy storage systems, development of the supply chain, and industrialisation of technologies. This is achieved predominantly by establishing co-funded collaborative projects run by industry. These are selected through competing projects bidding into regular competitions over an initial ten-year lifecycle. The overall funding was based on an initial £1 billion over ten years, provided jointly by government and the automotive industry project participants. The programme is supported by Innovate UK, which administers the government funding for the main competitions in collaboration with and on behalf of the APC. New projects have been approved by DBT which take us beyond the original £1bn ten-year commitment by Government on a competition-by-competition basis under the 2021 Spending Review (SR21), together with the Automotive Transformation Fund (ATF) activity to support capital investment in industrial capacity which was announced as up to £1bn from July 2020.

In February 2023 the UK Government announced that the company's previous grant awarding authority, the Department for Business, Energy and Industrial Strategy (BEIS) was being restructured into three new departments, of which the new Department for Business and Trade (DBT) is responsible for the company's grant funding.

Review of Business

This financial year has seen a further strengthening of the project portfolio, focusing on technologies and processes to meet net zero, and now consisting of awards to 87 collaborative Research & Development (CR&D) competition projects, engaging more than 400 organisations and has committed circa £1.4bn of investment, including over £600m of grant funding to projects. 8 projects were awarded and contracted via 2 competition rounds in the year, resulting in a current live portfolio of 38 CR&D projects (up from 36 as at 31st March 2022), with the latest projects forecast to extend through to 2026/27 before completion. Including ATF Feasibility Studies and Scale-up Readiness Validation projects, APC was managing 69 live projects at year end, more than double the run-rate of earlier years. Overall, the project portfolio is currently projecting 312 million tonnes of CO2 savings and to safeguard/secure in excess of 50,000 jobs, significantly exceeding initial target for both metrics.

With the evolution of the automotive landscape increasingly towards electric vehicles (EV) and the supply chain, APC continued to focus activity in this area to identify opportunities for large UK scale up to support the growth in EV demand from the UK through feasibility studies, and support gigafactory and other key technologies such as eMachines, hydrogen fuel cell and power electronics deployment through the Automotive Transformation Fund.

APC published a number of technology and product roadmap reports in 2022 to complement the Roadmaps, and now publishes quarterly demand reports for key technologies and materials such as batteries and input metals. These reports are proving pivotal in attracting investment through the ATF and provide context for CR&D project assessments, being widely quoted in technical media.

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

The Technology Developer Accelerator Programme, designed to help fast track innovative low carbon propulsion SME's towards commercialisation with direct grant funding from APC, continues its progress - with waves 1 to 5 being completed, and waves 6 and 7 progressing well. Through the mentoring of technology developers, the APC aims to accelerate development of each SME's product and organisational capability through better understanding of the Automotive Industry requirements and visibility to a range of industry players. The APC also continues to support the Niche Vehicle Network (NVN), facilitating funding of smaller projects (typically £500k) through SME consortia, focussing on smaller volume vehicle manufacture exploitation.

The APC continues to co-ordinate an automotive International Events Programme on behalf of the Department for Business and Trade, 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. Post-pandemic, 2022 saw international events resume in Japan, Germany, US and the UK with LCV.

The APC's CEO sits on the joint industry and Ministerial Automotive Council. Since 2019 the APC has grown its contribution to the UK automotive industry through increased responsibilities at the Automotive Council. Leading the Transition to Zero Mission including sub teams such as the Heavy Duty and Net Zero workstreams and playing a pivotal role as part of the industry senior leadership to provide insight and industrial recommendations for Government in order to reach its 2035 targets.

A number of the APC team sit in the Council's working group forums feeding insight into the subgroups and aligning the key mission with the critical agenda of the industry including Connected Automated Mobility, Skills, Competitiveness and Supply Chain.

Additionally, the APC supports the inward investment activities of the Government's Office for Investment, largely associated with potential ATF capital grants, together with the Government's focus on critical materials where the APC's Automotive Transformation Director sits on the Department for Business & Trade's Critical Minerals Task & Finish Group established in April 2023, led by the Auto Minister.

Future developments

The Automotive Transformation Fund (ATF) continues to commission and deliver feasibility studies to support companies involved in the complete end-to-end electrified vehicle supply chain opportunity in the UK. The initial £500m has been extended toward the £1bn upper commitment by £350m as a result of the Government's spending review at the end of 2021. Significant progress has been made in securing investment commitments for battery gigafactories, Electric Drive Units for volume cars and other key supply chain elements.

APC continues to launch competitions in collaborative R&D in 2023/24 with significant over-subscription demonstrating continued appetite for the programme. Successful projects have continued to be approved by DBT such that project committed spend earning APC commercial income in 2023/24, together with the confirmed grant from DBT, more than covers our core running costs.

The APC is supporting DBT to develop proposals for a longer-term funding framework for both R&D and capital programmes beyond the current Spending Review period.

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Going concern

The company has performed financial modelling for a period exceeding 12 months from the date of signing these financial statements and which takes into consideration the impact of the Covid-19 outbreak and inflationary pressures on the forecast position. The key assumptions used are in relation to expected R&D activity on APC projects, and thus project income; and in effective cost management to continue delivering to our stakeholders. The forecasts have not identified any material uncertainties in relation to going concern. The company continues to be financed from existing resources.

The company continues to be supported by grant funding from DBT which, together with income from grant recipients as project support fees, covers the costs of running APC. As noted above, APC has significantly expanded its activities as it takes responsibility as the delivery partner for the Automotive Transformation Fund, which too is funded by both project income and a grant from DBT.

Having considered all factors noted above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual 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
Professor Colin Garner
Mr Simon Edmonds (resigned 27th September 2022)
Mr Ian Constance
Professor Robert Dover
Mr Charles Haswell
Ms Hannah Boardman
Mr Neville Jackson
Mr Michael Biddle (appointed 10th November 2022)
Ms Joanne Bray (appointed 6th July 2023)

Results

The results for the year are set out on page 10.

Auditor

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

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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.

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

Date: 28th September 2023

ADVANCED PROPULSION CENTRE UK LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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

We have audited the financial statements of Advanced Propulsion Centre UK Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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
- 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 material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks

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

of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, and evaluating the tax computation.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions, recognition date and transactions entered into outside the normal course of business, challenging judgments, estimates and timing applied to the recognition of income streams.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.

Paul Oxtoby

Paul Oxtoby (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG
Date: 28/09/23

ADVANCED PROPULSION CENTRE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	3,337,564	2,497,106
Administrative expenses		(3,679,966)	(3,100,056)
Operating expenses		(3,601,190)	(3,306,084)
Other operating income	4	5,012,202	4,465,654
Operating profit		<u>1,068,610</u>	<u>556,620</u>
Interest receivable and similar income	5	226	173
Profit before taxation	6	<u>1,068,836</u>	<u>556,793</u>
Taxation	9	(199,553)	(101,895)
Profit for the financial period		<u>869,283</u>	<u>454,898</u>
Total comprehensive income for the period		<u><u>869,283</u></u>	<u><u>454,898</u></u>

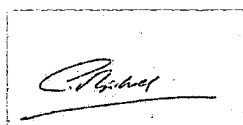
ADVANCED PROPULSION CENTRE UK LIMITED
STATEMENT OF FINANCIAL POSITION

Company number: 08791933

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		-		-
Tangible assets	11		156,204		66,981
Investments	12		1		1
			<u>156,205</u>		<u>66,982</u>
Current assets					
Debtors due within one year	13	2,611,063		3,108,917	
Cash at bank and in hand		2,973,603		2,284,438	
		<u>5,584,666</u>		<u>5,393,355</u>	
Creditors: amounts falling due within one year	14	(4,475,172)		(5,072,241)	
Net current assets			<u>1,109,494</u>		<u>321,114</u>
Provision for deferred taxation	15		(8,320)		-
Net assets			<u><u>1,257,379</u></u>		<u><u>388,096</u></u>
Reserves					
Profit and loss account			<u>1,257,379</u>		<u>388,096</u>

The financial statements on pages 10 to 26 were approved by the board of directors and authorised for issue on 28th September 2023 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 2023

	Profit and loss account £
Balance at 1 April 2021	(66,802)
Year ended 31 March 2022: Profit and total comprehensive income for the year	454,898
Balance at 31 March 2022	<hr/> 388,096
Year ended 31 March 2023: Profit and total comprehensive income for the year	869,283
Balance at 31 March 2023	<hr/> <hr/> 1,257,379

ADVANCED PROPULSION CENTRE UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Operating activities			
Cash generated from operations	17	920,688	843,479
Tax paid		(93,009)	(95,037)
Net cash from operating activities		<u>827,679</u>	<u>748,442</u>
Investing activities			
Purchase of tangible fixed assets		(138,514)	(35,937)
Proceeds of fixed assets sale		-	999
Interest received		-	173
Net cash used in investing activities		<u>(138,514)</u>	<u>(34,765)</u>
Net increase in cash and cash equivalents		<u>689,165</u>	<u>713,677</u>
Cash and cash equivalents at beginning of period		2,284,438	1,570,761
Cash and cash equivalents at end of period		<u>2,973,603</u>	<u>2,284,438</u>
Relating to:-			
Bank balances and short term deposits included in cash at bank and in hand		<u>2,973,603</u>	<u>2,284,438</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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 7AL.

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. Monetary amounts in the financial statements are rounded to the nearest £.

The company has taken advantage of the exemption in section 399 of the Companies Act 2006 from the requirement to prepare consolidated financial statements on the basis that the group qualifies as small. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

Going concern

The company has performed financial modelling for a period exceeding 12 months from the date of signing these financial statements and which takes into consideration the impact of inflationary pressures on the forecast position. The key assumptions used are in relation to expected R&D activity on APC projects, and thus project income; and in effective cost management to continue delivering to our stakeholders. The forecasts have not identified any material uncertainties in relation to going concern. The company continues to be financed from existing resources.

The company continues to be supported by grant funding from DBT which, together with income from grant recipients as project support fees, covers the costs of running APC. As noted above, APC has significantly expanded its activities as it takes responsibility as the delivery partner for the Automotive Transformation Fund, which too is funded by both project income and a grant from DBT.

Having considered all factors noted above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual 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.

The company has net assets of £1,257,379 (2022: £388,096) and has support from the Department for Business and Trade (DBT) in the form of a 2 year grant to 31st March 2025 for £3.709m to contribute towards the running costs of the APC, which follows a 10 year grant to 31st March 2023 for £17.464m. The progress of APC is reviewed annually to confirm continued support from DBT and the grant for the next year is agreed in advance.

APC also has a Grant Funding Agreement with DBT for the delivery of the ATF programme to 31st March 2026 for £12.78m.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

The contribution from DBT has been front-loaded to recognise the set-up period of the APC and ATF programmes, and the ramp up of project activity earning commercial income. Hence there is a deferred income balance of £2.9m (2022: £3.0m) 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 for delivery of events on behalf of stakeholders and commissioned studies.

Other operating income

Government grants

These are shown net of grants received and those awarded. Income from government grants is recognised when the associated performance conditions are met and is presented within other operating income. Grants awarded are recognised when spend has been incurred and the associated performance conditions are met.

Intercompany recharges

Recharges for support services provided to its subsidiary, Zenzi-UK Ltd, are recharged on an as-incurred basis at cost.

Interest income

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

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

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

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.

Investment in subsidiaries

Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are accounted for at cost less impairment.

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.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

Operating Leases

All 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 the 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.

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 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.

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.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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.

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

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 Public Relations support within the United Kingdom.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4	Other operating Income	2023	2022
		£	£
	Government grant income	6,236,460	6,691,222
	Grants awarded	(1,380,258)	(2,406,408)
	Net grant income	<u>4,856,202</u>	<u>4,284,814</u>
	Management charge income	156,000	180,840
		<u>5,012,202</u>	<u>4,465,654</u>

The company receives grants as principal and agent and the net balance represents the amounts received as principal.

5	Interest receivable and similar income	2023	2022
		£	£
	Interest on bank deposits	-	8
	Other interest receivable	226	165
		<u>226</u>	<u>173</u>

6	Profit before taxation	2023	2022
		£	£
	Profit before taxation is stated after charging:		
	Depreciation of tangible fixed assets		
	- owned	49,291	37,021
	(Profit)/loss on disposal of tangible fixed assets	-	(999)
	Operating lease rentals	284,909	264,016
	Foreign exchange (gains) / losses	-	(32)
		<u></u>	<u></u>

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

	2023	2022
	£	£
Audit services – statutory audit of the company	<u>16,250</u>	<u>13,575</u>

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

7 Employees

	2023 No.	2022 No.
The average monthly number of persons (including directors) employed by the Company during the year was:		
Management & Administration	15	12
Business Development	10	10
Technology & Projects	19	20
	<u>44</u>	<u>42</u>
	2023 £	2022 £
Staff costs for the above persons:		
Wages and salaries	2,980,130	2,773,350
Social security costs	362,937	323,193
Defined contribution pension cost	424,580	384,312
	<u>3,767,647</u>	<u>3,480,855</u>

8 Directors' remuneration

	2023 £	2022 £
Remuneration	423,442	383,652
Pension contributions	-	4,000
	<u>423,442</u>	<u>387,652</u>

Remuneration disclosed above includes £317,692 (2022: £288,652) paid to the highest paid director which includes £nil (2022: £4,000) in respect of pension contributions. The number of directors in the pension scheme in the year was 1 (2022: 1).

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9	Taxation	2023 £	2022 £
	Current tax		
	UK corporation tax	182,063	93,009
	Deferred tax		
	Origination and reversal of timing differences	17,490	14,588
	Effect of tax rate change on opening balance	-	(5,702)
	Total tax on profit	<u>199,553</u>	<u>101,895</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 (19%). The differences are explained below:

	2023 £	2022 £
Profit before taxation	1,068,836	556,793
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	203,079	105,791
Effects of:		
Expenses not deductible	210	131
Fixed asset differences	(7,934)	(1,826)
Effect of different rate of tax for deferred tax	4,198	(2,201)
Tax expense	<u>199,593</u>	<u>101,895</u>

10	Intangible assets	Computer software £
	Cost	
	1 April 2022 and 31 March 2023	24,305
	Amortisation	
	1 April 2022 and 31 March 2023	24,305
	Carrying amount	
	31 March 2023	-
	31 March 2022	-

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
1 April 2022	178,016	325,713	503,729
Additions	93,490	45,024	138,514
31 March 2023	271,506	370,737	642,243
Depreciation			
1 April 2022	137,006	299,742	436,748
Depreciation charged in the year	31,327	17,964	49,291
31 March 2023	168,333	317,706	486,039
Carrying amount			
31 March 2023	103,173	53,031	156,204
31 March 2022	41,010	25,971	66,981

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

12 Investments

Total fixed asset investments comprise:

	2023 £	2022 £
Investment in subsidiary	1	1

Interest in subsidiary:

At the year end the company had interests in the following subsidiary:

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation
Zenzic-UK Ltd	Ordinary	100%	United Kingdom

The subsidiary's business is to support the UK's Connected and Autonomous Vehicle programme.

For the period 1 April to 31 March 2023 Zenzic-UK Ltd recorded a loss of £224,413 (2022: profit £166,010) and as at 31 March 2023 had net assets of £21,721 (2022: £246,134).

Zenzic-UK Ltd registered office is 6th Floor, 60 Gracechurch Street, London. EC3V 0HR and its principal place of business is Spaces Victoria, 25 Wilton Road, Victoria, London SW1V 1LW.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13	Debtors	2023	2022
		£	£
	Amounts falling due within one year:		
	Trade debtors	815,578	602,165
	Amounts owed by group undertakings	160,025	167,740
	Other debtors	7,783	10,193
	Prepayments and accrued income	961,774	1,117,064
	Grant claims due	665,903	1,202,585
	Deferred tax asset	-	9,170
		<u>2,611,063</u>	<u>3,108,917</u>

The deferred tax asset is not recoverable within one year.

14	Creditors: amounts falling due within one year	2023	2022
		£	£
	Trade creditors	387,457	455,967
	Other taxes and social security	220,731	119,324
	Other creditors	37,206	-
	Accruals and deferred income	3,647,715	4,403,941
	Corporation tax	182,063	93,009
		<u>4,475,172</u>	<u>5,072,241</u>

15 Deferred tax asset / (liability)

The deferred tax asset/(liability) is as follows:

	2023	2022
	£	£
Fixed asset timing differences	(17,622)	9,170
Short term timing differences	9,302	-
	<u>(8,320)</u>	<u>9,170</u>

The deferred tax asset is expected to reverse within the foreseeable future.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Government grants

The company recognised income of £6,236,460 (2022: £6,691,222) in respect of capital and expenditure grants from the Department for Business and Trade (DBT), Innovate UK and EPSRC 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 (£1.8m), but also including delivery of the following projects:

- Support the Technology Developer Accelerator programme which is designed to fast track low emission technologies to commercialisation. TDAP provides mentoring as well as facilitating financial support for technology developers and SMEs, helping bringing forward their innovative technologies.
- Co-ordination of a programme of international events for government and project partners overseas to promote UK Automotive Innovation.
- Support the development of the APC Spoke community network programme with specific centres of technology excellence.
- Support the Automotive Transformation Fund initiatives and delivery of feasibility studies.

Under the terms and conditions, some grants received from DBT for the 2023/23 financial year require separate disclosure of these grants as restricted/segregated funds to be used only for the specific purposes contained within those terms and conditions.

ATF

During the year, the APC received a grant of £1,642,030 (2022: £1,574,357) towards the delivery of the Automotive Transformation Fund projects (both R&D and capital) under the Grant Funding Agreement dated 2 February 2021. Given the requirement for APC, as the grant recipient, to receive at least 50% of its eligible expenditure for R&D funded activities as match funding from third parties, £1,477,827 (2022: £1,259,486) of the grant received under the Grant Funding Agreement was recognised as grant income during 2022/23 and £164,203 (2022: £314,871) has been deferred to future periods to be matched against third party income.

Advanced Route to Market Demonstrator (ARMD)

During the year, the APC recognised a grant of £nil (2022: £1,331,893) towards the delivery of the Advanced Route to Market Demonstrator (ARMD) programme, under the Grant Funding Agreement dated 3 July 2020. Related expenditure of £nil (2022: £1,331,893), being grants awarded to projects, was recognised in the same period.

Spokes

During the year, the APC recognised a grant of £229,168 (2022: £738,564) under the Grant Funding Agreement dated 12 June 2020 to mobilise the academic community ("Spokes") around six key strategic automotive technologies. Related expenditure of £229,168 (2022: £738,564) was recognised in the same period to cover delivery of the funded activities. The funding allows APC to support administration of the spokes, dissemination events, feasibility studies, Future of Technology seminars, and workshop events. It also included a grant of £nil (2022: £379,234) awarded to support the Institute of Digital Engineering (IDE) on behalf of DBT.

International Events

Funding for the International Events programme is received from DBT as a grant, recognising that costs are committed/incurred significantly in advance of event delivery. The recognition of grant income and associated expenditure in the financial statements only occurs when events are delivered.

During the year, the APC recognised a grant of £719,541 (2022: £422,160) towards the costs of events delivered. At 31 March 2023 £401,376 (2022: £810,208) of grant income has been deferred for delivery of the 2023/24 International Events programme.

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Reconciliation of Profit after tax to net cash generated from operations

	2023 £	2022 £
Profit after tax	869,283	454,898
Adjustments for:		
Depreciation of tangible fixed assets	49,291	37,021
(Profit)/loss on disposal of tangible fixed assets	-	(999)
Interest receivable	(226)	(173)
Corporation taxation	199,553	101,895
Operating cash flows before movements in working capital	1,117,901	592,642
Decrease in trade and other debtors	488,910	3,412,199
(Decrease) in trade and other creditors	(686,123)	(3,161,362)
Cash generated from operations	920,688	843,479

18 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 £424,580 (2022: £384,312). Contributions totalling £37,207 (2022: £nil) were payable to the fund at the year end and are included in creditors.

19 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 £1,069,333 (2022: £1,211,457).

20 Other financial commitments

In 2020, the company entered into a 3 year agreement with Zenzero, subsequently renewed for one year to 2024, 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 £87,804 (2022: £89,264).

ADVANCED PROPULSION CENTRE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

21 Commitments under operating leases

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

	2023 £	2022 £
Amounts due:		
Within one year	347,454	308,287
Between one and five years	270,275	551,250
	<u>617,729</u>	<u>859,537</u>

The annual rent increases by CPI on 1 May each year on the Head Office premises in Coventry.

22 Reserves

Reserves of the company represent cumulative profit and loss.

23 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.

24 Related party transactions

One of the company's directors serves as a director of UK Battery Industrialisation Centre Limited. The company made sales to UK Battery Industrialisation Centre Limited during the year amounting to £21,578 (2022: £nil). The amount outstanding at the year end was £nil (2022: £nil).

One of the company's directors serves as a director of Aceleron Limited. The company made sales to Aceleron Limited during the year amounting to £3,018 (2022: £nil). The amount outstanding at the year end was £nil (2022: £nil).