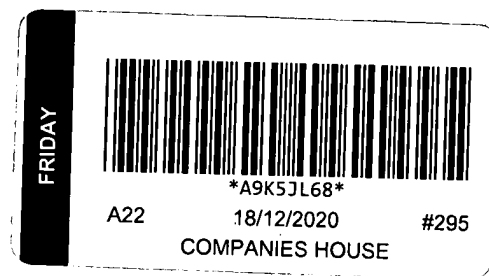


REGISTERED NUMBER: 08919614 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 March 2020
for
Materials Processing Institute**



**Contents of the Financial Statements
for the Year Ended 31 March 2020**

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Materials Processing Institute
Company Information
for the Year Ended 31 March 2020

DIRECTORS:

C McDonald
P Kitson
J M Bolton
R Ruddleston
J Neal
A S Aitken
M S Brunnock
C A Church

SECRETARY:

C Patton

REGISTERED OFFICE:

Materials Processing Institute
Eston Road
Middlesbrough
Cleveland
TS6 6US

REGISTERED NUMBER:

08919614 (England and Wales)

**SENIOR STATUTORY
AUDITOR:**

Simon Hook FCCA

AUDITORS:

Clive Owen LLP
Chartered Accountants
Statutory Auditors
Kepier House
Belmont Business Park
Durham
DH1 1TW

**Strategic Report
for the Year Ended 31 March 2020**

The directors present their strategic report for the year ended 31 March 2020.

REVIEW OF BUSINESS

The Materials Processing Institute is an independent, not-for-profit, research and technology organisation, developing new technologies in the areas of advanced materials, industrial decarbonisation, circular economy and digital technologies. The Institute offers research and consultancy services to organisations in the global steel and materials sector, operating out of a well equipped campus in the UK.

Turnover for the year fell to £3.7m, which even after accounting for a small increase in other operating income, led to an overall drop in income as compared with the previous year, of £932,119. This drop in income resulted largely from the Institute's then second largest client, British Steel, being placed into compulsory liquidation and a decline in other steel related business, reflecting the ongoing challenges in the UK Steel sector. In response, savings of over £600,000 were made in administration expenses, limiting the total comprehensive loss for the year to £1,042,171.

The ongoing difficulties in the UK steel sector emphasise the rationale for the ongoing programme of diversification in the Institute's client base. As mentioned in the strategic report accompanying the previous accounts, there is now a greater focus on collaborative and grant funded research projects, particularly following a shift in the UK funding landscape, enabling new opportunities in areas where the Institute has capability. In 2019/20 the Institute achieved considerable success in the digital technologies area, winning a project worth £1.5m to the Institute over 18 months, which started in April 2020. The Institute consultancy offer has also been well received with new clients in both the UK and overseas.

The changes in funding sources are leading to a shift in the Institute business model, from a largely private sector funded organisation, to a greater mix of public and private sector research funding. In addition to the competitively won collaborative research funding mentioned above, the Chancellor of the Exchequer announced in the budget a grant of £22m over five years, for the Institute to carry out research in support of the UK steel and metals sector.

EVENTS SINCE THE YEAR END

As of the date of this report, the first tranche of the £22m budget funding has been approved, being £3.332m granted to the Institute for the 2020/21 financial year. Of this funding approximately £2.4m is available for investment in capital assets and associated infrastructure. Approval of the remainder of the £22m announced in the budget is anticipated in Spring 2021.

The Institute has responded well and shown resilience in relation to the COVID-19 crisis, achieving the objectives of keeping everyone safe, continuing commercial operations and protecting the incomes of colleagues. The Institute campus and research facilities have remained operational throughout, with the great majority of research staff working from home for most of their time. Operations in the large steelmaking facilities, the Institute's Normanton Plant, were paused for a period to make them COVID secure but resumed in July 2020. The measures taken at the Institute to ensure the safety of colleagues and visitors in relation to COVID-19 have been subject to external audit and were commended.

The Institute has contributed to the national effort on COVID-19, registering workshop facilities to be available for the manufacture of PPE, and during the initial shortage, converting a laboratory into a hand sanitiser manufacturing facility, from which we have supplied hand sanitiser free of charge to Marie Curie nurses.

Despite the restrictions of COVID-19 strategic recruitment has continued, including investment in long term capability development through our Millman Scholarship programme and paid student internships. The operating model of the Institute allows for continued use of remote working indefinitely and so the Institute is well placed to weather COVID regardless of the duration of the crisis.

FORWARD OUTLOOK

Whilst forward commercial opportunity remains uncertain, the timely shift of the Institute business model to a greater mix of public and private funding creates resilience and confidence in the forward outlook. £2m of collaborative grant funding has already been secured for 2020/21, with a similar level forecast for 2021/22 and 2022/23, when combined with the budget announcement, this will see the Institute having secured around 60% of base operating income over the next three years, in addition to ongoing commercial contracts.

**Strategic Report
for the Year Ended 31 March 2020**

Development of the Institute campus continues, with two key tenants continuing to grow their operations on site, developing new technologies and bringing new products to market. The proximity of the Institute adjacent to the South Tees Development Corporation site, the UK's largest industrial development zone, is anticipated to bring more such opportunities for co-location and collaboration in future.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink that reads "Chris McDonald". The signature is written in a cursive, flowing style.

C McDonald - Director

6 November 2020

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of research and development.

RESEARCH AND DEVELOPMENT

During the year the company was active in the development of new technology and services to support current and future customer requirements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

C McDonald
P Kitson
R Ruddlestone
J Neal
A S Aitken
M S Brunnock
C A Church

Other changes in directors holding office are as follows:

J M Bolton - appointed 31 January 2020
S N Hodgson - resigned 6 February 2020
C Vaughan - resigned 22 May 2019
E Vitse - resigned 29 October 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 these 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Materials Processing Institute (Registered number: 08919614)

**Report of the Directors
for the Year Ended 31 March 2020**

AUDITORS

The auditors, Clive Owen LLP, are deemed to be appointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink that reads "Chris McDonald". The signature is written in a cursive, flowing style.

C McDonald - Director

6 November 2020

Report of the Independent Auditors to the Members of Materials Processing Institute

Opinion

We have audited the financial statements of Materials Processing Institute (the 'company') for the year ended 31 March 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2020 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.

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 Auditors' 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.

Material uncertainty related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Materials Processing Institute

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 Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.



Simon Hook FCCA (Senior Statutory Auditor)
for and on behalf of Clive Owen LLP
Chartered Accountants
Statutory Auditors
Kepier House
Belmont Business Park
Durham
DH1 1TW

6 November 2020

**Profit and Loss Account
for the Year Ended 31 March 2020**

	Notes	2020 £	2019 £
TURNOVER	3	3,731,624	4,663,743
Cost of sales		<u>2,816,407</u>	<u>3,243,123</u>
GROSS PROFIT		915,217	1,420,620
Administrative expenses		<u>2,513,912</u>	<u>3,159,866</u>
		(1,598,695)	(1,739,246)
Other operating income		<u>599,202</u>	<u>506,659</u>
OPERATING LOSS	5	(999,493)	(1,232,587)
Interest receivable and similar income		<u>65</u>	<u>630</u>
		(999,428)	(1,231,957)
Interest payable and similar expenses	6	<u>8,502</u>	<u>-</u>
LOSS BEFORE TAXATION		(1,007,930)	(1,231,957)
Tax on loss	7	<u>34,241</u>	<u>(726,099)</u>
LOSS FOR THE FINANCIAL YEAR		(1,042,171)	(505,858)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(1,042,171)</u>	<u>(505,858)</u>

The notes form part of these financial statements

Materials Processing Institute (Registered number: 08919614)

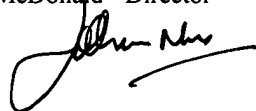
**Balance Sheet
31 March 2020**

	Notes	2020	2019
		£	£
FIXED ASSETS			
Tangible assets	8	7,167,993	7,541,964
CURRENT ASSETS			
Stocks	9	159,269	207,012
Debtors	10	1,057,629	1,109,766
Cash at bank		<u>201,851</u>	<u>40,698</u>
		1,418,749	1,357,476
CREDITORS			
Amounts falling due within one year	11	<u>2,003,980</u>	<u>1,002,132</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(585,231)</u>	<u>355,344</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,582,762	7,897,308
CREDITORS			
Amounts falling due after more than one year	12	(2,353,486)	(2,674,449)
PROVISIONS FOR LIABILITIES	16	<u>(1,036,770)</u>	<u>(988,182)</u>
NET ASSETS		<u><u>3,192,506</u></u>	<u><u>4,234,677</u></u>
RESERVES			
Revaluation reserve	17	3,355,665	3,513,165
Retained earnings	17	<u>(163,159)</u>	<u>721,512</u>
		<u><u>3,192,506</u></u>	<u><u>4,234,677</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 6 November 2020 and were signed on its behalf by:



C McDonald - Director



J Neal - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 April 2018	1,008,870	3,731,665	4,740,535
Changes in equity			
Transfer between reserves	218,500	(218,500)	-
Total comprehensive loss	<u>(505,858)</u>	<u>-</u>	<u>(505,858)</u>
Balance at 31 March 2019	<u>721,512</u>	<u>3,513,165</u>	<u>4,234,677</u>
Changes in equity			
Transfer between reserves	157,500	(157,500)	-
Total comprehensive loss	<u>(1,042,171)</u>	<u>-</u>	<u>(1,042,171)</u>
Balance at 31 March 2020	<u><u>(163,159)</u></u>	<u><u>3,355,665</u></u>	<u><u>3,192,506</u></u>

The notes form part of these financial statements

**Cash Flow Statement
for the Year Ended 31 March 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	(254,512)	(782,768)
Interest paid		(8,502)	-
Government grants		146,804	146,804
Taxation refund		<u>-</u>	<u>729,148</u>
Net cash from operating activities		<u>(116,210)</u>	<u>93,184</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(24,654)	(13,905)
Interest received		<u>65</u>	<u>630</u>
Net cash from investing activities		<u>(24,589)</u>	<u>(13,275)</u>
 (Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	40,698	(39,211)
Cash and cash equivalents at end of year	2	<u>(100,101)</u>	<u>40,698</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 March 2020

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020 £	2019 £
Loss before taxation	(1,007,930)	(1,231,957)
Depreciation charges	398,625	427,849
Government grants	(146,804)	(146,804)
Finance costs	8,502	-
Finance income	(65)	(630)
	(747,672)	(951,542)
Decrease/(increase) in stocks	47,743	(5,493)
Decrease in trade and other debtors	66,484	510,106
Increase/(decrease) in trade and other creditors	378,933	(335,839)
Cash generated from operations	(254,512)	(782,768)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2020

	31/3/20 £	1/4/19 £
Cash and cash equivalents	201,851	40,698
Bank overdrafts	(301,952)	-
	<u>(100,101)</u>	<u>40,698</u>

Year ended 31 March 2019

	31/3/19 £	1/4/18 £
Cash and cash equivalents	40,698	-
Bank overdrafts	-	(39,211)
	<u>40,698</u>	<u>(39,211)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1/4/19 £	Cash flow £	At 31/3/20 £
Net cash			
Cash at bank	40,698	161,153	201,851
Bank overdrafts	-	(301,952)	(301,952)
	<u>40,698</u>	<u>(140,799)</u>	<u>(100,101)</u>
Total	<u>40,698</u>	<u>(140,799)</u>	<u>(100,101)</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. STATUTORY INFORMATION

Materials Processing Institute is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

There has been no material departures from this standard.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

The company is exempt from the requirement to have a name ending with "limited" or permitted alternative in accordance with section 60 of the Companies Act 2006.

Going concern

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of at least one year from the date the financial statements are approved.

At the date of approval, the country and indeed the rest of the world is in the midst of dealing with the Covid-19 pandemic. This has impacted unfavourably on the levels of work possible. The company has taken steps to deal with the financial impact of this, including the preparation of revised forecasts and some employees being furloughed. Whilst there is uncertainty around the length of time the Covid-19 pandemic will last and the full impact on the global economy, the directors believe that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements due to the financial support available.

The financial statements are prepared on the going concern basis which assumes that the company will continue to trade. If the company is unable to continue to trade, adjustments would be required to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to analyse long term liabilities as current liabilities.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates.

The items in the financial statements where these estimates have been made include:

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset. An estimate of the useful economic life of assets is detailed in the depreciation accounting policy. The value of depreciation charge in the profit and loss account during the year was £398,625.

Recognition of government grants - the company receives a large amount of income from government grants. The significant estimate is the decision of how much and when the government grant is considered to be earned and therefore released to the profit and loss account. The policy is to release the grants inline with the expected life.

The items in the financial statements where these judgements have been made include:

Valuation of fixed assets - fixed assets are held at most recent valuation less accumulated depreciation and any accumulated impairment losses. The significant judgement involved is ensuring that the carrying amount is not materially different from the fair value.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Income recognition

Contracted income is recognised monthly for the services carried out in that period. Income from the provision of services is recognised on completion of the research project.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 1% on cost
Plant and machinery	- 10% on cost and 4% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 25% on cost

Tangible fixed assets are measured using the revaluation model. They are included at most recent revaluation cost less accumulated depreciation and any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately.

Stocks

Stocks are valued at the lower of cost and selling price less estimated costs to sell, after making due allowance for obsolete and slow moving items. Scrap iron stock is held at the scrap iron prices as per European Metal Recycling listings.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on pure and applied research (unless it is expenditure on fixed assets, which is capitalised and amortised over its useful life) is written off in the year of expenditure through the profit and loss account.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Government grants

Capital based grants are accounted for using the accruals model and are credited to the profit and loss account in equal instalments, over the estimated useful life of the related asset. Revenue based grants are credited to the profit and loss account on receipt.

Financial instruments

Financial assets

Short term debtors including trade debtors, other debtors and prepayments are measured at transaction price less any impairment. Other financial assets including cash and bank are measured at fair value.

Financial liabilities

Short term creditors including; trade creditors, other creditors, accruals and bank overdraft are measured at the transaction price.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	3,613,919	4,615,522
Europe	115,960	48,221
Rest of world	1,745	-
	<u>3,731,624</u>	<u>4,663,743</u>

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	2,121,757	2,322,935
Social security costs	207,390	240,572
Other pension costs	365,548	431,018
	<u>2,694,695</u>	<u>2,994,525</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

4. **EMPLOYEES AND DIRECTORS - continued**

The average number of employees during the year was as follows:

	2020	2019
Administration	8	10
Direct labour	54	57
Directors	<u>3</u>	<u>3</u>
	<u>65</u>	<u>70</u>

	2020	2019
	£	£
Directors' remuneration	193,121	197,446
Directors' pension contributions to money purchase schemes	<u>24,356</u>	<u>26,821</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

5. **OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation - owned assets	398,625	427,849
Auditors' remuneration	8,300	8,300
Foreign exchange differences	(6,325)	2,077
Operating leases	<u>40,915</u>	<u>62,441</u>

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£	£
Bank overdraft interest	<u>8,502</u>	<u>-</u>

7. **TAXATION**

Analysis of the tax charge/(credit)

The tax charge/(credit) on the loss for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	(231,567)	(451,316)
Overprovision of tax in prior year	<u>217,220</u>	<u>(83,264)</u>
Total current tax	(14,347)	(534,580)
Deferred tax	<u>48,588</u>	<u>(191,519)</u>
Tax on loss	<u>34,241</u>	<u>(726,099)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

7. TAXATION - continued

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Loss before tax	<u>(1,007,930)</u>	<u>(1,231,957)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(191,507)	(234,072)
Effects of:		
Expenses not deductible for tax purposes	35,202	8,412
Income not taxable for tax purposes	(45,703)	(36,624)
Utilisation of tax losses	17,811	8,731
Adjustments to tax charge in respect of previous periods	116,257	(116,255)
R & D enhanced deduction	(69,172)	(372,850)
Non qualifying depreciation	3,386	3,387
Tax credit and losses adjustments	182,314	547,752
R & D tax credit 2019 overprovision	217,220	-
R & D tax credit 2018 underprovision	-	(83,264)
Current year tax credit	<u>(231,567)</u>	<u>(451,316)</u>
Total tax charge/(credit)	<u>34,241</u>	<u>(726,099)</u>

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST OR VALUATION					
At 1 April 2019	2,631,980	6,518,463	77,903	238,566	9,466,912
Additions	<u>-</u>	<u>19,130</u>	<u>-</u>	<u>5,524</u>	<u>24,654</u>
At 31 March 2020	<u>2,631,980</u>	<u>6,537,593</u>	<u>77,903</u>	<u>244,090</u>	<u>9,491,566</u>
DEPRECIATION					
At 1 April 2019	89,682	1,591,798	46,666	196,802	1,924,948
Charge for year	<u>26,320</u>	<u>327,980</u>	<u>19,476</u>	<u>24,849</u>	<u>398,625</u>
At 31 March 2020	<u>116,002</u>	<u>1,919,778</u>	<u>66,142</u>	<u>221,651</u>	<u>2,323,573</u>
NET BOOK VALUE					
At 31 March 2020	<u>2,515,978</u>	<u>4,617,815</u>	<u>11,761</u>	<u>22,439</u>	<u>7,167,993</u>
At 31 March 2019	<u>2,542,298</u>	<u>4,926,665</u>	<u>31,237</u>	<u>41,764</u>	<u>7,541,964</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

8. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 March 2020 is represented by:

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
Valuation in 2015	849,999	5,249,999	-	-	6,099,998
Cost	<u>1,781,981</u>	<u>1,287,594</u>	<u>77,903</u>	<u>244,090</u>	<u>3,391,568</u>
	<u>2,631,980</u>	<u>6,537,593</u>	<u>77,903</u>	<u>244,090</u>	<u>9,491,566</u>

9. STOCKS

	2020 £	2019 £
Raw materials	<u>159,269</u>	<u>207,012</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	550,579	599,871
Other debtors	-	2,316
Corporation tax asset	466,431	451,316
Prepayments and accrued income	<u>40,619</u>	<u>56,263</u>
	<u>1,057,629</u>	<u>1,109,766</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Bank loans and overdrafts (see note 13)	301,952	-
Trade creditors	376,311	448,797
Social security and other taxes	262,136	141,251
Other creditors	30,714	75,512
Accrued expenses	<u>1,032,867</u>	<u>336,572</u>
	<u>2,003,980</u>	<u>1,002,132</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £	2019 £
Accruals and deferred income	<u>2,353,486</u>	<u>2,674,449</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

13. LOANS

An analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>301,952</u>	<u>-</u>

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Within one year	7,780	48,695
Between one and five years	<u>2,593</u>	<u>10,373</u>
	<u>10,373</u>	<u>59,068</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2020 £	2019 £
Bank overdraft	<u>301,952</u>	<u>-</u>

The bank overdraft is secured by way of a fixed and floating charge over the property or undertaking of the company.

There is a debenture charge over their property at Teesside Technology Centre, Grangetown, Middlesbrough TS6 6US.

16. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax	<u>1,036,770</u>	<u>988,182</u>
		Deferred tax
		£
Balance at 1 April 2019		988,182
Accelerated capital allowances		7,073
Deferred tax on revalued assets		<u>41,515</u>
Balance at 31 March 2020		<u>1,036,770</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

17. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2019	721,512	3,513,165	4,234,677
Deficit for the year	(1,042,171)		(1,042,171)
Transfer between reserves	<u>157,500</u>	<u>(157,500)</u>	<u>-</u>
At 31 March 2020	<u>(163,159)</u>	<u>3,355,665</u>	<u>3,192,506</u>

Retained earnings - includes all current and prior period retained profits and losses.

Revaluation reserve - includes all current and prior period revaluations.

18. RELATED PARTY DISCLOSURES

Entities with control, joint control or significant influence over the entity

	2020 £	2019 £
Purchases	57,776	26,267
Amount due from related parties	143,582	-
Amount due to related party	-	25,028
Recognised bad or doubtful debts due from related parties	<u>-</u>	<u>83,333</u>

Key management personnel remuneration is not disclosed as the directors were the only employees considered key management and disclosed separately.

19. ULTIMATE CONTROLLING PARTY

The company is controlled by its members.