

**Strategic Report, Report of the Directors and  
Financial Statements  
for the Year Ended 31 March 2021  
for  
Materials Processing Institute**



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for the Year Ended 31 March 2021**

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**Materials Processing Institute**  
**Company Information**  
**for the Year Ended 31 March 2021**

<b>DIRECTORS:</b>	C McDonald P Kitson J Bolton J R Neal C A Church D Cartwright
<b>SECRETARY:</b>	C Patton
<b>REGISTERED OFFICE:</b>	Materials Processing Institute Eston Road Middlesbrough Cleveland TS6 6US
<b>REGISTERED NUMBER:</b>	08919614 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	Simon Hook FCCA
<b>AUDITORS:</b>	Clive Owen LLP Chartered Accountants Statutory Auditors Kepier House Belmont Business Park Durham DH1 1TW

**Strategic Report  
for the Year Ended 31 March 2021**

The directors present their strategic report for the year ended 31 March 2021.

**REVIEW OF THE BUSINESS**

2020/21 was a year of significant change and opportunity for the Materials Processing Institute, as we adapted to the pandemic and a fall off in some commercial activity, whilst launching a major programme of government funded work, our largest ever investment programme and our fastest ever recruitment.

An overall comprehensive profit was recorded for the year of £116,676, which was a significant improvement on 2019/20 which saw a loss of £1,042,171. This improvement in financial performance was achieved despite a fall in turnover to £2,535,910, as a result of a significant increase in other operating income, arising from publicly funded research grants. This is the consequence of a deliberate strategy to shift the Institute funding model to a more sustainable mix of public and private sector funding, inline with other similar organisations.

With core funding now secured through to 2025 and record levels of competitively won collaborative projects, the Institute is now on course to achieve our desired mix of private, collaborative and core research funding. This increase in funding is allowing greater investment in capability, both research equipment and personnel, as we consolidate our areas of research expertise as Advanced Materials, Industrial Decarbonisation, the Circular Economy and Digital Technologies.

The Institute remains focussed on developing innovations and technologies that add commercial value to our clients and partners, but increasingly we are also developing our own intellectual property for future exploitation.

**NEW FACILITIES**

During the year an investment in a new, state of the art, Advanced Materials Characterisation Centre, was completed. This facility includes world leading capability for metallography, microscopy and powder metallurgy, including high temperature analysis. The Institute now holds the most advanced facility in the UK in this area and one of the most advanced in Europe.

**NEW PRODUCT DEVELOPMENT**

Partly in response to the pandemic we have adapted our business model to work remotely and this has included developing and launching an entirely new product of online training courses. These courses are available to purchase and download from the Institute website and have extended our reach into new markets including into South America and the Middle East.

**CAPABILITY ENHANCEMENT**

During the course of the year we experienced a significant uplift in personnel numbers, rising from 60 to 85 employees by the end of the financial year. We were able to take account of the prevailing market conditions, exceptional opportunities and the high level of interest in the Institute, to recruit exceptional quality and talented personnel that are recognised as leaders in their respective technical fields.

**RESPONSE TO THE COVID-19 PANDEMIC**

The business model of the Institute proved resilient to COVID-19 with our response focussed on meeting three objectives:

1. To keep all our colleagues, contractors, visitors and their families safe.
2. To continue commercial operations, in so far as possible.
3. To protect the incomes of employees

Our response was managed through a joint employee, management and trade union council, that met as required throughout the pandemic, to coordinate the response of the Institute. As such we were able to meet all of our objectives, including keeping the Institute and campus open throughout. We also responded to the national pandemic effort by setting up a hand sanitiser production facility, supplying free hand sanitiser to Marie Curie nurses for six months.

**ON BEHALF OF THE BOARD:**

.....*Glin McDonald*.....  
C McDonald - Director

Date: *13<sup>th</sup> December 2021*

**Report of the Directors  
for the Year Ended 31 March 2021**

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

**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.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report.

C McDonald  
P Kitson  
J Bolton  
J R Neal  
C A Church

Other changes in directors holding office are as follows:

R Ruddlestone - resigned 31 March 2021  
E Vitse - resigned 29 October 2020

D Cartwright was appointed as a director after 31 March 2021 but prior to the date of this report.

M S Brunnock and A S Aitken ceased to be directors after 31 March 2021 but prior to the date of this report.

**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.

**Report of the Directors  
for the Year Ended 31 March 2021**

**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.

**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:**

  
.....  
C McDonald - Director

Date: 13<sup>th</sup> December 2021.....

## **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 2021 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 2021 and of its profit 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**

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 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 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.

### **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 three, 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.



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

### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Our audit must be alert to the risk of manipulation of the financial statements and seek to understand the incentives and opportunities for management to achieve this.

We undertake the following procedures to identify and respond to these risks of non-compliance:

- Understanding the key legal and regulatory frameworks that are applicable to the Company. We communicated identified laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit. We determined the most significant of these to be financial reporting legislation, taxation legislation, health & safety, and employment law.
- Enquiry of directors and management as to policies and procedures to ensure compliance and any known instances of non-compliance.
- Review of board minutes and correspondence with regulators.
- Enquiry of directors and management as to areas of the financial statements susceptible to fraud and how these risks are managed.
- Challenging management on key estimates, assumptions and judgements made in the preparation of the financial statements. These key areas of uncertainty are disclosed in the accounting policies.
- Identifying and testing unusual journal entries, with a particular focus on manual journal entries.

Through these procedures, we did not become aware of actual or suspected non-compliance.

We planned and performed our audit in accordance with auditing standards but owing to the inherent limitations of procedures required in these areas, there is an unavoidable risk that we may not have detected a material misstatement in the accounts. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve concealment, collusion, forgery, misrepresentations, or override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Our audit must be alert to the risk of manipulation of the financial statements and seek to understand the incentives and opportunities for management to achieve this.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

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

**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.

*Clive Owen*

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

Date: *13/12/14* .....

**Profit and Loss Account**

**for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
<b>TURNOVER</b>	3	2,535,910	3,731,624
Cost of sales		<u>2,920,651</u>	<u>2,816,407</u>
<b>GROSS (LOSS)/PROFIT</b>		(384,741)	915,217
Administrative expenses		<u>2,274,890</u>	<u>2,513,912</u>
		(2,659,631)	(1,598,695)
Other operating income	4	<u>2,349,187</u>	<u>599,202</u>
<b>OPERATING LOSS</b>	6	(310,444)	(999,493)
Interest receivable and similar income		<u>223</u>	<u>65</u>
		(310,221)	(999,428)
Interest payable and similar expenses	7	<u>7,859</u>	<u>8,502</u>
<b>LOSS BEFORE TAXATION</b>		(318,080)	(1,007,930)
Tax on loss	8	<u>(434,756)</u>	<u>34,241</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		116,676	(1,042,171)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u>116,676</u>	<u>(1,042,171)</u>

The notes form part of these financial statements

**Balance Sheet**  
**31 March 2021**

	Notes	2021 £	2020 £
<b>FIXED ASSETS</b>			
Tangible assets	9	7,752,795	7,167,993
<b>CURRENT ASSETS</b>			
Stocks	10	128,189	159,269
Debtors	11	2,850,004	1,057,629
Cash at bank		<u>234</u>	<u>201,851</u>
		2,978,427	1,418,749
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>2,153,136</u>	<u>2,003,980</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>825,291</u>	<u>(585,231)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,578,086	6,582,762
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(4,415,836)	(2,353,486)
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(853,068)</u>	<u>(1,036,770)</u>
<b>NET ASSETS</b>		<u>3,309,182</u>	<u>3,192,506</u>
<b>RESERVES</b>			
Revaluation reserve	18	3,137,165	3,355,665
Retained earnings	18	<u>172,017</u>	<u>(163,159)</u>
		<u>3,309,182</u>	<u>3,192,506</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13/04/21 and were signed on its behalf by:

Colin McDonald  
C McDonald - Director

J R Neal  
J R Neal - Director

The notes form part of these financial statements

**Statement of Changes in Equity  
for the Year Ended 31 March 2021**

	Retained earnings £	Revaluation reserve £	Total equity £
<b>Balance at 1 April 2019</b>	721,512	3,513,165	4,234,677
<b>Changes in equity</b>			
Transfer between reserves	157,500	(157,500)	-
Total comprehensive loss	<u>(1,042,171)</u>	<u>-</u>	<u>(1,042,171)</u>
<b>Balance at 31 March 2020</b>	<u>(163,159)</u>	<u>3,355,665</u>	<u>3,192,506</u>
<b>Changes in equity</b>			
Transfer between reserves	218,500	(218,500)	-
Total comprehensive income	<u>116,676</u>	<u>-</u>	<u>116,676</u>
<b>Balance at 31 March 2021</b>	<u><u>172,017</u></u>	<u><u>3,137,165</u></u>	<u><u>3,309,182</u></u>

**Cash Flow Statement  
for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(89,626)	(254,512)
Interest paid		(7,859)	(8,502)
Government grants		138,506	146,804
Tax paid		<u>460,281</u>	<u>-</u>
Net cash from operating activities		<u>501,302</u>	<u>(116,210)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(962,737)	(24,654)
Interest received		<u>223</u>	<u>65</u>
Net cash from investing activities		<u>(962,514)</u>	<u>(24,589)</u>
<b>Cash flows from financing activities</b>			
New loans in year		<u>50,000</u>	<u>-</u>
Net cash from financing activities		<u>50,000</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>Decrease in cash and cash equivalents</b>		(411,212)	(140,799)
<b>Cash and cash equivalents at beginning of year</b>	2	(100,101)	40,698
		<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	2	<u>(511,313)</u>	<u>(100,101)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement  
for the Year Ended 31 March 2021**

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

	2021 £	2020 £
Loss before taxation	(318,080)	(1,007,930)
Depreciation charges	377,935	398,625
Government grants	(138,506)	(146,804)
Finance costs	7,859	8,502
Finance income	<u>(223)</u>	<u>(65)</u>
	(71,015)	(747,672)
Decrease in stocks	31,080	47,743
(Increase)/decrease in trade and other debtors	(2,001,602)	66,484
Increase in trade and other creditors	<u>1,951,911</u>	<u>378,933</u>
<b>Cash generated from operations</b>	<u><u>(89,626)</u></u>	<u><u>(254,512)</u></u>

**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 2021**

	31/3/21 £	1/4/20 £
Cash and cash equivalents	234	201,851
Bank overdrafts	<u>(511,547)</u>	<u>(301,952)</u>
	<u><u>(511,313)</u></u>	<u><u>(100,101)</u></u>

**Year ended 31 March 2020**

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

**3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1/4/20 £	Cash flow £	At 31/3/21 £
<b>Net cash</b>			
Cash at bank	201,851	(201,617)	234
Bank overdrafts	<u>(301,952)</u>	<u>(209,595)</u>	<u>(511,547)</u>
	<u><u>(100,101)</u></u>	<u><u>(411,212)</u></u>	<u><u>(511,313)</u></u>
<b>Debt</b>			
Debts falling due within 1 year	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
<b>Total</b>	<u><u>(100,101)</u></u>	<u><u>(461,212)</u></u>	<u><u>(561,313)</u></u>

The notes form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 31 March 2021**

**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 for a period of at least one year from the date the financial statements are approved. 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.



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

**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 £377,935.

**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.

**Stock provision** - management apply procedures to identify slow moving, defective and obsolete stock. An estimate is made for the price obtainable in the market in which the goods are expected to be sold and any costs of completion of the sale are taken into account. The value of the stock is then reduced by the deficit between cost and estimated net realisable value in the form of a stock provision. Due to the nature of the product certain lines can be held for a number of years without becoming obsolete which adds to the judgement making the provision. The provision for slow moving stock is nil.

**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 at deemed cost less accumulated depreciation and impairment.

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021**

**2. ACCOUNTING POLICIES - continued**

**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.

**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.

Revenue based project grants are credited to the profit and loss account inline with project expenditure.

**Financial instruments**

**Financial assets**

Short term debtors including trade debtors, other debtors, prepayments and cash 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.

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

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:

	2021 £	2020 £
United Kingdom	2,051,147	3,613,919
Europe	461,063	115,960
Rest of world	<u>23,700</u>	<u>1,745</u>
	<u>2,535,910</u>	<u>3,731,624</u>

4. **GOVERNMENT SUPPORT**

	2021 £	2020 £
Government grants receivable	<u>2,138,841</u>	<u>465,461</u>

Government grants receivable consist of the government support received in respect of the Coronavirus Job Retention Scheme (CJRS), Bounce back loan (BBL) and government grants for capital assets and projects. The CJRS scheme enabled employees, whose employers were affected by the Covid-19 pandemic to receive support directly from their employer. Non-cash government support received was in the form of rates relief, VAT/PAYE payment deferral, government paid interest on the BBL and repayment holiday on loans for 12 months.

5. **EMPLOYEES AND DIRECTORS**

	2021 £	2020 £
Wages and salaries	2,312,275	2,121,757
Social security costs	242,706	207,390
Other pension costs	<u>393,688</u>	<u>365,548</u>
	<u>2,948,669</u>	<u>2,694,695</u>

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

	2021	2020
Administration	8	8
Direct labour	56	54
Directors	<u>3</u>	<u>3</u>
	<u>67</u>	<u>65</u>

	2021 £	2020 £
Directors' remuneration	220,245	193,121
Directors' pension contributions to money purchase schemes	<u>30,864</u>	<u>24,356</u>

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

	2021	2020
Money purchase schemes	<u>2</u>	<u>2</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

5. **EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director for the year ended 31 March 2021 is as follows:

	2021
	£
Emoluments etc	103,658
Pension contributions to money purchase schemes	<u>18,585</u>

6. **OPERATING LOSS**

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

	2021	2020
	£	£
Depreciation - owned assets	377,935	398,625
Auditors' remuneration	8,300	8,300
Foreign exchange differences	4,268	(6,325)
Operating leases	<u>11,029</u>	<u>40,915</u>

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2021	2020
	£	£
Bank overdraft interest	<u>7,859</u>	<u>8,502</u>

8. **TAXATION**

**Analysis of the tax (credit)/charge**

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

	2021	2020
	£	£
Current tax:		
UK corporation tax	(257,204)	(231,567)
Overprovision of tax in prior year	<u>6,150</u>	<u>217,220</u>
Total current tax	(251,054)	(14,347)
Deferred tax	<u>(183,702)</u>	<u>48,588</u>
Tax on loss	<u>(434,756)</u>	<u>34,241</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2021**

**8. TAXATION - continued****Reconciliation of total tax (credit)/charge included in profit and loss**

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

	2021 £	2020 £
Loss before tax	<u>(318,080)</u>	<u>(1,007,930)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(60,435)	(191,507)
Effects of:		
Expenses not deductible for tax purposes	53,685	35,202
Income not taxable for tax purposes	(68,907)	(45,703)
Utilisation of tax losses	35,520	17,811
Adjustments to tax charge in respect of previous periods	-	116,257
R & D enhanced deduction	(24,666)	(69,172)
Non qualifying depreciation	3,386	3,386
Tax credit and losses adjustments	(69,766)	182,314
R & D tax credit 2019 overprovision	-	217,220
R & D tax credit 2020 overprovision	6,150	-
Current year tax credit	<u>(309,723)</u>	<u>(231,567)</u>
Total tax (credit)/charge	<u>(434,756)</u>	<u>34,241</u>

**9. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST OR VALUATION</b>					
At 1 April 2020	2,631,980	6,537,593	77,903	244,090	9,491,566
Additions	<u>161,765</u>	<u>691,742</u>	<u>-</u>	<u>109,230</u>	<u>962,737</u>
At 31 March 2021	<u>2,793,745</u>	<u>7,229,335</u>	<u>77,903</u>	<u>353,320</u>	<u>10,454,303</u>
<b>DEPRECIATION</b>					
At 1 April 2020	116,002	1,919,778	66,142	221,651	2,323,573
Charge for year	<u>26,320</u>	<u>328,139</u>	<u>9,366</u>	<u>14,110</u>	<u>377,935</u>
At 31 March 2021	<u>142,322</u>	<u>2,247,917</u>	<u>75,508</u>	<u>235,761</u>	<u>2,701,508</u>
<b>NET BOOK VALUE</b>					
At 31 March 2021	<u>2,651,423</u>	<u>4,981,418</u>	<u>2,395</u>	<u>117,559</u>	<u>7,752,795</u>
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>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

9. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 March 2021 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>1,943,746</u>	<u>1,979,336</u>	<u>77,903</u>	<u>353,320</u>	<u>4,354,305</u>
	<u>2,793,745</u>	<u>7,229,335</u>	<u>77,903</u>	<u>353,320</u>	<u>10,454,303</u>

10. STOCKS

	2021 £	2020 £
Raw materials	<u>128,189</u>	<u>159,269</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	503,297	550,579
Other debtors	351,202	-
Corporation tax asset	257,204	466,431
Prepayments and accrued income	<u>1,738,301</u>	<u>40,619</u>
	<u>2,850,004</u>	<u>1,057,629</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Bank loans and overdrafts (see note 14)	561,547	301,952
Trade creditors	623,123	376,311
Social security and other taxes	143,374	262,136
Other creditors	36,779	30,714
Accrued expenses	<u>788,313</u>	<u>1,032,867</u>
	<u>2,153,136</u>	<u>2,003,980</u>

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

	2021 £	2020 £
Accruals and deferred income	<u>4,415,836</u>	<u>2,353,486</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

14. **LOANS**

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Bank overdrafts	511,547	301,952
Bank loans	<u>50,000</u>	<u>-</u>
	<u>561,547</u>	<u>301,952</u>

15. **LEASING AGREEMENTS**

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

	2021 £	2020 £
Within one year	5,572	7,780
Between one and five years	<u>8,358</u>	<u>2,593</u>
	<u>13,930</u>	<u>10,373</u>

16. **SECURED DEBTS**

The following secured debts are included within creditors:

	2021 £	2020 £
Bank overdrafts	<u>511,547</u>	<u>301,952</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 the Institute's property at Eston, Middlesbrough TS6 6US.

17. **PROVISIONS FOR LIABILITIES**

	2021 £	2020 £
Deferred tax	<u>853,068</u>	<u>1,036,770</u>
		Deferred tax
		£
Balance at 1 April 2020		1,036,770
Accelerated capital allowances		<u>(183,702)</u>
Balance at 31 March 2021		<u>853,068</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

18. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2020	(163,159)	3,355,665	3,192,506
Profit for the year	116,676		116,676
Transfer between reserves	<u>218,500</u>	<u>(218,500)</u>	<u>-</u>
At 31 March 2021	<u>172,017</u>	<u>3,137,165</u>	<u>3,309,182</u>

Retained earnings - includes all current and prior period retained profits and losses less any distributions made.

Revaluation reserve - includes all prior period revaluations.

19. CAPITAL COMMITMENTS

	2021 £	2020 £
Contracted but not provided for in the financial statements	<u>121,543</u>	<u>-</u>

During the year the company committed to purchasing additional plant and machinery.

20. RELATED PARTY DISCLOSURES

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

	2021 £	2020 £
Sales	1,730,627	1,807,050
Purchases	-	57,776
Amount due from related parties	<u>407,858</u>	<u>143,582</u>

Key management personnel of the entity

	2021 £	2020 £
Compensation	<u>277,865</u>	<u>240,554</u>

Other related parties

	2021 £	2020 £
Amounts paid to third parties for director's services	<u>55,589</u>	<u>33,963</u>

21. POST BALANCE SHEET EVENTS

Post year end the company agreed terms for a £750,000 CBILS loan facility and to repay the £50,000 BBL facility in full.

Post year end the company received the next instalment of the £22m 5 year Government grant as part of the BEIS fund.

22. ULTIMATE CONTROLLING PARTY

The company is controlled by its members.