

# Technology Strategy Board

Driving Innovation

## Annual Report and Accounts 2011-12

# **Technology Strategy Board**

## **Annual Report and Accounts 2011-2012**

Presented to Parliament pursuant to schedule 1, Sections 2(2) and 3(3) of the  
Science and Technology Act 1965

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This *Annual report and accounts* covers the financial year 2011-12, ending 31 March 2012.

### **About the Technology Strategy Board**

The Technology Strategy Board is the UK's national innovation agency. Our goal is to accelerate economic growth by stimulating and supporting business-led innovation.

We understand business; our people come mainly from a business background. We work across government, business, and the research community – removing barriers to innovation, bringing organisations together to focus on opportunities and investing in the development of new technology-based products and services for future markets.

**Our vision:** for the UK to be a global leader in innovation and a magnet for innovative businesses which can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life.

Everything we do is driven by one question - will it help UK business bring new ideas and technologies to market?

[www.innovateuk.org](http://www.innovateuk.org)

## INTRODUCTION FROM OUR CHAIRMAN

I am very pleased to introduce the Technology Strategy Board's Annual Report and Accounts for 2011-12, the year during which I became Chairman of the Governing Board.

When I took this role in December 2011, I was already impressed by the progress the organisation had made since its establishment. We are now at an exciting time, with the Technology Strategy Board recognised as the UK innovation agency and leading on a wide range of tools and programmes to drive business-led innovation, including major new developments such as the Catapults programme.

At the same time I recognise that there is still a need to raise the profile of the Technology Strategy Board and its programmes further, particularly among the businesses that will drive growth in the economy but also more widely across Government itself; this will be a focus for us over the coming year.

In my role as Chair, I also aim to allow the Governing Board to have closer and more regular oversight of the financial management of our programmes and a more structured approach to risk management, to ensure that we understand factors that could affect our ability to deliver on our objectives.

The job we do is specialist and complex, and it is vital to have the right people in place to achieve our goals. We will be instituting a regular talent review to ensure that we secure and retain the right capabilities as we mature, enabling us to operate at the level and scale needed to help deliver real economic growth.

I am looking forward to working with the Governing Board, with the Chief Executive and Executive Directors, and with the organisation's highly capable teams, to achieve our goals and contribute to UK growth over the coming years.

**Phil Smith**  
Governing Board Chairman

## FOREWORD FROM OUR CHIEF EXECUTIVE

2011/12 marked the first year of our four-year *Concept to Commercialisation* strategy, which will generate some £2.5bn of investment to stimulate and encourage business innovation and drive economic growth. We have made a good start on delivering that strategy, and after a year its direction is still valid; the search for novel ideas and innovative technologies which can help to generate future economic growth is no less urgent.

The year 2011/12 saw new growth in our roles and responsibilities and consolidation of our role as the UK's innovation agency.

In April we relaunched the Grant for R&D (later renamed Smart) scheme, which supports R&D among young or early-stage companies, replacing a similar scheme previously run by the RDAs.

We also progressed with the £200m programme to fill a gap in the innovation system by introducing a network of Catapults – world-leading centres of innovation designed to accelerate commercialisation in specific fields. We opened the first, in high value manufacturing, in November 2011. During the year we announced six further Catapults, and have been working with the research and business communities to develop these centres so that all should be open for business during 2013.

The Government's Innovation and Research Strategy, published in December 2011, further underlined our role as the UK's innovation agency. It emphasised the importance of high-potential, small-to-medium sized businesses (SMEs) in driving economic recovery, with measures including £75m of additional funding through the Technology Strategy Board. This will enable expansion of the Smart scheme, increased funding for the SBRI programme, which helps the public sector to access innovative ideas and products from business, and new Launchpad competitions to support clusters of small technology-based firms.

One of the main ways we stimulate innovation is through open competitions for collaborative research and development (R&D) funding. These are usually focused on our priority themes such as energy, the built environment, high value manufacturing or advanced materials, and are complemented by an increasing number of feasibility study competitions, and programmes such as Smart, SBRI and Launchpads. During 2011/12 we ran more than 50 competitions for R&D funding.

Measuring the impact of our work is vital. During the year we commissioned an evaluation of 400 collaborative R&D projects started after 2004 and finished in 2009, which showed an average return of £6.71 in additional GVA per £ spent. This was on top of other benefits for the businesses involved – including new products, additional turnover and profits, and new jobs.

Much of the work we do is only possible through strong partnerships with others, and during the year we deepened our relationships with our partners – including research councils, government departments and devolved administrations. We also improved the way we communicate with businesses, through events such as Innovate '11 and also by steadily growing the membership of our on-line virtual network platform **\_connect**, with nearly 50,000 members now participating.

Finally on a more personal note, during the year Graham Spittle reached the end of his term as Chairman. I thank him for all his support – and I welcome Phil Smith, UK and Ireland Chief Executive at technology company Cisco, to the Chairman's role as we enter the next exciting phase in our work.



**Iain Gray**  
Chief Executive

# BUSINESS REVIEW OF THE YEAR

## Statutory basis and history

The Technology Strategy Board was incorporated by Royal Charter on 7 February 2007 and was established as a research council for the purposes of the Science and Technology Act 1965 by the Technology Strategy Board Order 2007 (S.I. 2007/280). It commenced operations on 1 July 2007, when it took over certain activities previously carried out by the Secretary of State for Trade and Industry relating to energy and technology innovation. The Technology Strategy Board is an executive non-departmental public body (NDPB) and its primary source of funds is the Request for Resources Grant-in-Aid allocated by its sponsoring body, the Department for Business, Innovation and Skills (BIS).

These financial statements have been prepared in accordance with the Accounts Direction given by the Secretary of State for Business, Innovation and Skills in accordance with section 2(2) of the Science and Technology Act 1965.

## Purpose

The Technology Strategy Board's purpose, expressed in its vision, is to accelerate economic growth by stimulating and supporting business-led innovation, so that the UK can be a global leader in innovation and a magnet for innovative businesses, which can apply technology rapidly, effectively, and sustainably to create wealth and enhance quality of life.

## Delivering our strategy

In 2011 we launched a new four-year strategy designed to accelerate economic growth by stimulating and supporting business-led innovation.

The strategy – *Concept to Commercialisation* – was backed by a budget of over £1bn over the period and was designed to generate investment in innovation of around £2.5bn, including contributions from business and partners. It concentrated on five strategic themes:

- ⤴ accelerating the journey between concept and commercialisation
- ⤴ connecting the innovation landscape
- ⤴ turning government action into business opportunity
- ⤴ investing in priority areas based on potential
- ⤴ continuously improving our capability.

In the first year covered by the strategy we have made excellent progress in getting major elements under way while laying down foundations for work over the next three years. At the same time, we try to be responsive to the fast-changing needs of the global economy and to take advantage of opportunities as they emerge. That means we may change our plans and develop new ones.

As to be expected in the first year of a four-year plan, some programmes reflect a great deal of investment and activity while others are in the start-up phase.

## **Innovation and Research Strategy**

The Government's Innovation and Research Strategy, published in December 2011, included £75m of additional Technology Strategy Board funding targeted at small and medium-sized businesses, putting them at the forefront of economic recovery.

In our role as the UK's innovation agency, the Technology Strategy Board had input into key policy areas and sector plans. The Strategy included a range of developments to stimulate innovation and presented a strong role for the Technology Strategy Board in delivering these. The announcements included:

- additional funding for the Smart scheme (previously Grant for Research and Development)
- extra funding for the SBRI scheme – opportunities for companies to engage with the public sector to solve specific problems
- extension of the Launchpad initiative, supporting business clusters
- an innovation voucher programme to support collaboration between SMEs and external knowledge providers
- further initiatives to stimulate innovation, including demonstrators, emerging technology programmes, and assistance for UK businesses to secure more EU funding.
- £25m of funding for large-scale demonstrators.

## **Accelerating the journey between concept and commercialisation**

There are many twists and turns in the path from initial idea to market-ready product or service. Our role is to offer the best possible support at appropriate points in that process, building understanding of the innovation journey and the support needed for different business types, sectors and stages of development.

### **Catapult centres**

We have made rapid progress in establishing a £200m-plus network of world-leading innovation centres, called Catapults, to transform the UK's capability for innovation in specific technology areas and to help propel economic growth.

In May 2011 we published a Technology and Innovation Centres Strategy & Implementation Plan, in which we set out to establish a minimum of six centres by summer 2013.

The first Catapult, in high value manufacturing, opened for business in October 2011, less than a year after Prime Minister David Cameron announced the programme. A second Catapult in cell therapy is to be located in London and a UK-wide consortium is to establish an offshore renewable energy Catapult, to focus on technologies applicable to offshore wind, tidal and wave power.

In the fourth quarter of 2011/12 we unveiled plans for four more Catapults to focus on satellite applications, the connected digital economy, future cities and transport systems. All these are planned to be open for business in 2013.

## **Support for high-potential SMEs**

The UK's prospects for economic growth depend to a large extent on small and medium-sized enterprises (SMEs), whether they are early-stage entrepreneurial businesses needing to bring their ideas more rapidly to market or more mature businesses with potential seeking to deliver stronger growth.

In April we relaunched the Grant for R&D scheme (now renamed Smart), which supports R&D among young or early-stage-companies, replacing a similar programme previously run by the RDAs. The scheme proved popular and during the year we issued companies with 482 grants under the programme.

During the year we reviewed the overall support we offered to SMEs with a view to developing a more coherent package of support, focusing on access to finance; partners and supporting clusters; intelligent lead customers; and knowledge and skills.

The additional £75m of funding announced in the Innovation and Research Strategy will enable funding to be increased for the Smart scheme and enhancement of other programmes to stimulate and support small business innovation.

We supported the Clean and Cool Mission 2012 in which 16 of the UK's most promising clean technology businesses, selected through a competition, took part in a trade mission to San Francisco where they showcased their products and services and explored business growth opportunities with potential investors, customers and partners. The Mission was a partnership between the Technology Strategy Board, UK Trade & Investment (UKTI) and other sponsors and delivery partners.

## **New forms of knowledge exchange & networking**

Our online platform, [\\_connect](#), is a vital social network for innovative businesses, bringing together people with ideas and resources. It also hosts our 15 Knowledge Transfer Networks which allow us to work directly with disparate communities of businesses and researchers to develop new programmes such as the Catapult centres and our thematic strategies. Membership of the platform continued to grow, reaching almost 50,000 by the end of the year.

Recognising the importance of networking for innovation, we also began the development of a new networking strategy to guide future activity.

## **Connecting the innovation landscape**

In recognising that the disconnected nature of the innovation landscape poses difficulties for businesses trying to find support, we are broadening our role nationally and internationally to build and strengthen strategic relationships with other UK organisations and support mechanisms. In that way, we can create a more effective innovation environment for business.

In February 2012 the Department for Business, Innovation and Skills launched the Business Coaching for Growth programme (now called the Growth Accelerator). This provides dedicated coaching for executives in high growth businesses and offers us another opportunity to work in partnership to provide 'joined up' support.

One of our declared aims is to include the potential and benefit from EU and international interaction in our thematic strategies.

In October 2011, we announced a competition for funding for collaborative research and development projects to develop and stimulate technology within the European Organic and Large Area Electronics (OLAE) community. The Technology Strategy Board is contributing up to €4m and the European Commission up to €2m to co-fund participation by UK companies. This is part of a larger multi-themed European ERA-NET Plus competition with total funding of up to €18.2m.

## **Innovate '11**

Innovate 11, the sixth such event, brought businesses, government and academia together in one place on one day for a networking, conference and exhibition event with the aim of making innovation happen – creating opportunity and growth for the future.

In seeking to address all aspects of challenge-led and technology innovation this year's event broadened the growth opportunities to include the areas of digital, health and wellbeing, energy, high value manufacturing, travel & transport, agri-food and the built environment.

It was the biggest Innovate event yet, with 2,500 registrations, 75% of whom were new to the innovation community, 24 seminars and 240 business exhibitors.

The Rt Hon Vince Cable MP, Secretary of State for Business, Innovation and Skills, and David Willetts MP, Minister of State for Universities and Science, were keynote speakers. Dr Cable also presented the overall winner's trophy at the annual Knowledge Transfer Partnership awards.

Other speakers included entrepreneurs Hermann Hauser and Pilgrim Beart; broadcaster and writer Will Hutton, brand identity designer Michael Wolff and Alex van Someren, partner at Amadeus Capital. In addition a full programme of seminars and meetings covered topics such as the 'internet of things', stratified medicine and future cities.

The aim of Innovate is to stimulate innovation; in surveys after the event, 77% of attendees to Innovate '11 said they would do something different and better as a result.

## **Turning government action into business opportunity**

### **Procurement**

Government departments and agencies can influence markets and create opportunities for innovative businesses. We have worked with government to identify areas where policy, procurement, standards and the use of regulation can stimulate business innovation and have continued to develop our innovation platforms and programmes with these objectives in mind.

The SBRI programme is one of the ways in which we enable government procurement to encourage innovation. As an example three small companies were awarded government contracts worth £100k to develop services to help older adults live independently for longer by adopting better approaches to food and nutrition. The awards followed the companies' success in the 'Independence Matters – Home and Away' competition for development contracts, a joint programme between the Technology Strategy Board and the Design Council.

### **Our role as a delivery partner**

We aim to act as an effective, proactive and trusted delivery partner to other government organisations, helping them to maximise the impact of their support for innovation.

During 2011/12 we increased our role as an effective delivery partner for a number of government organisations, using our knowledge of running competitions for funding, and of engaging with business, to best effect.

Among the outcomes were the signing of a service level agreement as UK Space Agency delivery partner for telecoms, navigation and integrated projects funded through the European Space Agency, and running a Space for Growth collaborative research and development competition with UKSA and SEEDA.

We also became the confirmed delivery partner for the innovation work of the Department for Transport and OLEV, with funding agreed. Other partnerships included working with BIS and Birmingham City Council on the delivery of the Advanced Manufacturing Supply Chain Initiative, and participating in the NHS innovation review.

## **Innovation platforms**

During the year we continued to drive forward programmes under our innovation platforms approach. We currently run innovation platforms in six areas:

- low carbon vehicles
- assisted living
- low impact buildings
- detection and identification of infectious agents
- sustainable agriculture and food
- stratified medicine

The earlier innovation platforms in particular have already made significant impact. In low carbon vehicles we have leveraged more than £200m of innovation investment and run Europe's largest real-life trial of ultra low carbon vehicles; the low impact buildings has galvanised the sector with the Retrofit for the Future programme for social housing and contributed to the Code for Sustainable Homes; while the assisted living platform is about to launch an ambitious large-scale demonstrator (see below).

## **Investing in priority areas based on potential**

We have developed our thematic programme to focus on areas that address global challenges and market opportunities, complemented and supported by innovation in competencies and enabling technologies.

During 2011/12 we began a programme to refresh our thematic strategies in consultation with business, academia, government our networks. The revised strategies will be published in 2012, beginning with the high value manufacturing strategy.

## **Demonstrator projects**

Large scale demonstrators help to overcome barriers, bringing partners together to test and validate what can be achieved and so move new products closer to wider application.

Drawing on our experience of enabling demonstrators in sectors such as low-carbon vehicles and home retrofit, we are establishing up to four communities of 10,000 people each across the UK through the £23m UK-wide DALLAS programme – Delivering Assisted Living Lifestyles at Scale. This demonstrator programme, announced in June 2011, comprises an £18m investment by the Technology Strategy Board and the National Institute for Health Research, with a further £5m from the Scottish Government, Highlands and Islands Enterprise and Scottish Enterprise.

## **Collaborative R&D**

During 2011/12 we opened more than 50 competitions, many of which were for collaborative R&D funding, mostly focusing on specific thematic areas.

This included a more general 'technology-inspired' competition of broader scope. It offered around £18m of government investment to more than 150 British companies, further education institutions and other organisations in targeted technology areas ranging from advanced materials to electronics, photonics & electrical systems and from ICT to nanotechnology,

More examples of Collaborative R&D competitions are given in the thematic areas, such as Energy.

## Feasibility studies

We launched our third Technology Inspired Feasibility Competition in January 2012, with up to £25k available to small and micro-sized businesses progressing studies in the enabling technologies of biosciences,

There were 12 other feasibility competitions supporting innovation in areas such as carbon abatement, building performance evaluation, power distribution and demand, low carbon vehicles and sustainable manufacturing for the process industry.

## Sustainability

The effective use of resources, energy and social capital is a prerequisite for long-term economic success. Those businesses that can manage these successfully are likely to have the most staying power.

Many of our programmes have a clear theme of environmental or resource sustainability as a driver of innovation, and about two-thirds of the projects we fund have a sustainability objective, but we try to incorporate sustainability principles into everything we do.

During the year we developed a sustainability framework with Forum for the Future to help evaluate the candidate Catapult centres, refresh our technology strategy and evaluate new areas of investment under development.

The framework considered a broad set of issues to help in addressing the question of whether the markets we are target are targeting sustainable in the long run, and whether we are we approaching them with solutions that are likely to be sustainable.

After testing this framework we plan to make it available to anyone looking for a way to incorporate sustainability thinking into their activities.

## Challenge-led areas

### Energy

The applicable global market for wind, tidal and wave is expected to exceed £64bn by 2050. Our four-year strategy sees us focusing on four key areas where UK businesses can take advantage of opportunities in energy technology development.

- ▲ offshore renewable technologies
- ▲ fuel cells and hydrogen
- ▲ carbon abatement technologies
- ▲ future grid and digital energy.

During the year we announced competitions focusing on marine energy, carbon abatement, and fuel cell and hydrogen technologies.

As the year ended, government announced £15m of investment in technologies for use in the construction, commissioning, operation, maintenance, waste management and decommissioning of nuclear plant. The funding, through the Technology Strategy Board the Department of Energy and Climate Change, the Nuclear Decommissioning Authority and the Engineering and Physical Sciences Research Council, will support feasibility projects, collaborative research and development and Knowledge Transfer Partnerships.

## **Built environment**

Buildings are responsible for more than 40% of carbon emissions. UK legislation on tackling climate change sets reduction targets that offer huge opportunities to industry, not just in the home market but also globally. Our approach during 2011/12 has been to demonstrate the value of changing practices through our programmes – Design for Future Climate, Building Performance Evaluation and Retrofit for the Future.

We announced early in the financial year that we would invest up to £12 million through three new research and development competitions designed to accelerate the development of innovative technologies:

- materials technologies for use in energy generation, transmission, distribution & storage
- strategies to improve the resistance of buildings to climate change
- ICTs for the manufacturing and construction sectors.

Our four-year Building Performance Evaluation programme added a total of 51 new building developments to those already undergoing intensive environmental impact assessments. The £8m programme provides full funding for the evaluation of the energy and sustainability performance of new buildings and developments in both domestic and non-domestic sectors.

In partnership with the Department for Energy and Climate Change, we are also managing a £10m, three-year SBRI competition to show how innovative technologies and processes can be used to make significant energy savings in non-domestic buildings such as schools, shops, offices and hotels.

## **Food**

Global demand for food is expected to rise by 75% over the next half century (UN FAO 2008), driven by population growth and rising affluence in the developing world. That will require a quantum leap in sustainable food productivity.

Our strategy guides our work in the following areas:

- food manufacturing and supply chain efficiency
- trait measurement and phenotyping
- integrated farming systems
- engineering innovation

In September 2011 we embarked on 29 major new collaborative research and development projects that will help to secure the sustainable supply of protein, such as meat, fish and animal feed. This entails nearly £16m investment in a partnership with the Global Food Security Programme, Defra, the Biotechnology and Biological Sciences Research Council and the Scottish Government.

## Transport

Transport is responsible for 25% of UK carbon emissions and congestion in the transport system is expected to cost the economy £22bn by 2025. The impact of growing demand for transport in terms of the environment, energy use and efficiency demands a transformation in performance to deliver a sustainable transport system.

We work in the aerospace, rail, road and marine sectors with our strategic approach being to work on vehicle-specific activities and then to understand the value of integration in improving the overall system.

In November 2011 we marked the start of a long-term strategic partnership with the Rail Safety & Standards Board (RSSB), sharing a £4m investment in a collaborative R&D competition, Accelerating Innovation in Rail.

During the year, government increased its support for road transport innovation and extra money through the Office for Low Emission Vehicles allowed us to make available an additional £10m of grant funding to research, develop and demonstrate technologies that will achieve significant cuts in carbon emissions from road transport.

In addition, a £7.5m Collaborative R&D demonstrator programme will help speed up the adoption of hydrogen and fuel cell technologies, bringing them into everyday use.

In partnership with the Department for Transport, we launched a £9.5m demonstration programme to encourage road haulage operators in the UK to buy and use low carbon commercial vehicles. The programme will part-fund refuelling/charging points.

The Technology Strategy Board is also planning to invest in research and development to support innovation and growth in the UK's marine industry.

## Health

Our pharmaceuticals and biotechnology industries enjoy a global reputation and contributed 4% of total UK value added in 2008 at £30.1bn while the healthcare and equipment services sector was responsible for 0.5% at £3.7bn.

They are well placed to meet the challenge of providing for a growing, ageing population with an increasing burden of disease.

Our healthcare programmes concentrate on:

- ▲ assisted living
- ▲ detection and identification of infectious agents (DIIA)
- ▲ stratified medicines
- ▲ regenerative medicine

The Catapult in cell therapy will support the development and commercialisation of cell therapies and advanced therapeutics, as well as the underpinning technologies for manufacturing, quality control, safety and efficiency.

In September 2011 we launched the Keeping Connected Business Challenge under the Assisted Living Innovation Platform, with a prize fund of £495k. This was delivered in partnership with the Design Council.

In July 2011 we announced investment of up to £7.5m with the Department of Health in research and development to improve the diagnosis, detection and management of sepsis.

We followed up with three major projects receiving over £1m of government funding to develop health-economics tools or products that would assist and improve the design and evaluation of diagnostic clinical trials for infectious agents (Assessing the Impact of Near-Patient Testing).

Our first investment through the Stratified Medicine Innovation Platform (SMIP) was made jointly with the Medical Research Council (MRC), providing more than £3.7m for seven major research projects to help place the UK at the forefront of developments into personalised medicine.

Six further collaborative research and development projects received nearly £6m to carry out R&D in the areas of tumour profiling and data capture while, in partnership with the Department of Health, we also invested up to £7.5m in the development of novel diagnostic tests and assessments to determine an individual patient's response to therapeutic intervention.

At the same time we have been working with a range of stakeholders to develop a national vision and roadmap for stratified medicine. We also channelled nearly £8.5m of grants to 14 commercially-focused research and development projects that will lead to innovation in regenerative medicines. Ten of the collaborative projects are addressing generic challenges in the development of cell based therapies, and will lead to demonstrators with commercial applicability. The others are developing regenerative medicine therapeutics, all as part of the joint investment of £21.5m with the research councils in the Regenerative Medicine Programme.

## **Competences**

### **Digital services**

Our strategy recognises that digital is not just about the IT sector, nor solely about technology. It is about services and how the current explosion of communications and computing power is transforming them.

We will often pilot innovation activities in content-dependent creative industry applications, then aim to migrate this learning across to other sectors.

In July 2011 we increased the amount of funding available for the Tech City Launchpad initiative in East London to £2m, enabling it to provide support in the form of £100k grants to twice as many companies..

Later we revealed the 10 companies who would receive up to £50k each to undertake preparatory studies towards an application and services marketplace in the 'Internet of Things'. Following completion of these studies, we will invest up to £4m million in a funding competition that will lead to the development of a convergence demonstrator.

Within our IC Tomorrow programme we launched a £180k Digital Licensing Framework (DLF) contest challenging start-ups and companies to develop innovative systems and services that help the exchange of licensing information between copyright holders and users in music, publishing or museums and galleries.

Advanced uses of metadata can increase the value of digital content so we provided nearly £3m of funding for nine major development projects creating metadata production tools. The grants span the breadth of the creative industries and have been awarded to companies working in architecture, design, fashion, film, television, computer games and publishing. That was followed by a further round of funding totalling £220k, supporting four more short-term collaborative projects.

We also announced investment of nearly £6m in nine strategic research and development projects and trials to show how co-operation between digital infrastructure providers, content producers, users and software developers can be improved to earn revenue.

## High value manufacturing

The UK is the world's seventh biggest manufacturer with an industry worth £140bn, which represents 11% of GDP and around 50% of exports. It provides employment for three million people.

The importance of manufacturing in helping this country to reach its innovation potential is clear. That is why the first Catapult centre to open was in high value manufacturing. We are investing £140m over six years in order to stimulate manufacturing in the UK, to reduce the risk of innovation for new and established UK manufacturing businesses and to attract international business to the UK.

While we were in the process of refreshing our high value manufacturing strategy to cover the period 2012-15 we launched a series of Collaborative R&D competitions designed to inspire innovation across the manufacturing sector.

We announced the 10 research, development and demonstration projects that will harness talent within the UK's information and communication technology sectors to improve productivity and competitiveness in manufacturing and construction. With support from the Engineering and Physical Sciences Research Council and match funding from the businesses taking part, the total value of the R&D is more than £12m.

The British and Norwegian governments are also working together to support nine research and development projects that will create innovative processes to generate high-value chemicals through industrial biotechnology and bio-refining. The Technology Strategy Board has offered grant funding totalling £1.82m to the nine UK-led projects.

## Enabling technologies

### Advanced materials

UK businesses operating in this sector – those processing, fabricating and recycling materials – have an annual turnover of around £170bn. They contribute about 15% of UK GDP, with a GVA of around £60bn, and form an important element in the supply chain of many high value manufacturing businesses.

Among our priorities during 2011/12 was to see innovative materials technologies applied and demonstrated in energy generation, transmission and distribution as well as storage. We therefore allocated funding of up to £3m for a collaborative R&D competition in Materials for Energy, part of a wider £12m investment to accelerate the development of innovative technologies in different areas.

In partnership with the Engineering and Physical Sciences Research Council (EPSRC), we also provided up to £9m in grants to support business-led collaborative research projects into nano-scale technology-enabled solutions for the healthcare sector. The competition focused on the targeted delivery of therapeutic agents and diagnostics. The EPSRC contributed up to £6m to the venture.

### Biosciences

Given the UK's strong base in the biosciences, there are considerable opportunities arising from the global need for secure energy and food supply, also affordable healthcare. Our businesses are well positioned to exploit these opportunities through development of advanced biofuels, new crop varieties, bio-based materials, novel medicines and sustainable alternatives to petroleum-derived products.

Among our priorities has been support for development of technologies that underpin advances in the agriculture and food sectors. In October 2011, under the banner of Nutrition for Life, we launched more than 50 research projects and studies aimed at developing bio-based technologies, processes and methods leading to healthier, safer and more nutritious food.

This collaborative R&D and feasibility competition attracted up to £6.75m government investment from the Technology Strategy Board and our partners, the Engineering and Physical Sciences Research Council, the Biotechnology and Biological Sciences Research Council, the Medical Research Council, Defra and Scottish Enterprise.

The UK, along with 15 partner countries in ERA-IB, a network of organisations seeking to reduce the fragmentation of national research in the area of industrial biotechnology, is also seeking proposals for innovative industrially-relevant research and development and applied research projects. The Technology Strategy Board is offering grant funding of up to €300k per UK company, per project.

### **Electronics, Photonics and Electrical Systems (EPES)**

In October 2011 we launched a ERANET+ EU competition designed to remove barriers to industrialisation by developing technology and stimulating business relationships in the European Organic and Large Area Electronics (OLAE) community. We are contributing up to €4m and the European Commission is providing additional support up to €2m to co-fund participation by UK companies. This is part of a larger European ERA-NET Plus competition with total funding of up to €18.2m.

### **ICT**

ICT has the potential to contribute an additional £50bn to the UK's total GVA over the next five to seven years.

The effective exploitation of parallel computing could have substantial economic impact. Companies that can take advantage of the trend towards multi-core processor chips are likely to have a competitive advantage.

We announced investment of up to £1m in a competition to establish 15 new knowledge transfer partnerships (KTPs) in the field of parallel computing and multi-core programming to increase awareness and ensure that UK industry maintains world-class innovation capability.

We aim to establish 15 KTPs through this pilot thematic competition that will run together as a cohort supported by a programme of networking between the partners. The cohort approach will encourage knowledge sharing across projects and associates, potentially giving the businesses involved access to knowledge and expertise held by a range of academic groups with different perspectives on the challenges.

### **Development**

We continued our work in programme development, which includes looking at creative industries, financial services, emerging technologies and industries, and other development opportunities.

For example, design can be crucial in developing innovative products or services to the point where they are desirable, useable or even feasible,

During the year we launched the Design Option, a free mentoring service for competition applicants, normally companies taking a lead role in a Collaborative R&D project. The role of the mentor is to show how design can be used in the early stages of a project and the commercial value of a holistic approach to design throughout a project and beyond.

## Continuously improving our capability

To deliver our programmes we need to be a highly capable organisation. During 2011/12 we reviewed our processes to ensure we add value for all the businesses that engage with us, and we made a number of operational enhancements.

We are in the process of bringing the administration of our grants into a 'one-platform' system and using the opportunities it brings to improve processes, information and reporting.

The Knowledge Transfer Partnerships programme (KTP) moved from outsourced to in-house management in January 2011 and is being integrated into the Technology Strategy Board. As part of this, the administrative and training costs of the programme have been halved. During the year the effective transfer of the core process and staff was completed, and a project begun to embed KTP application, approval and grant payment processes into the new Technology Strategy Board on-line systems.

During the year we published an externally conducted evaluation<sup>1</sup> of 400 collaborative R&D projects which had started after 2004 and finished by the end of 2009. This showed in aggregate a return of £6.71 in additional GVA per £ spent and a range of other benefits for the businesses involved – including new products, additional turnover and profits, and new jobs.



Iain G Gray  
Chief Executive

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<sup>1</sup> Ref to PACEC report

# CORPORATE ACTIVITIES

## Human resources management

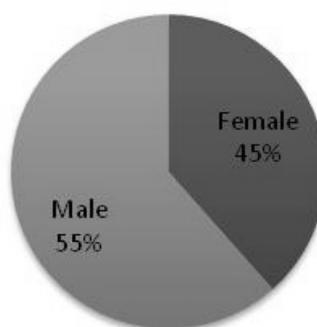
The following were the main objectives for human resources management in 2011-12:

- develop and resource a comprehensive workforce plan for the Technology Strategy Board to deliver the right number of people with the right skills, experiences, and competencies in the right jobs at the right time, at an optimum cost
- continue and develop effective staff consultation arrangements
- deliver new Technology Strategy Board values that ensure the development of a culture to underpin the overall objectives of the organisation and build strong employee engagement
- continue to manage the reward strategy to attract and retain the required skills and expertise
- develop appropriate arrangements for short-term specialist requirements and any associated knowledge transfer
- performance management –further embed and develop the processes for establishing a shared understanding of what is to be achieved in the organisation which supports the management and development of colleagues in a way that increases the probability of personal and organisational goals being achieved in the short and longer term
- develop capability – ensuring that the Technology Strategy Board management and staff have appropriate skills/experience to deliver high performance and the business objectives.
- deliver the first Technology Strategy Board staff survey and develop associated communication and improvement action plans

## Equal opportunities

The Technology Strategy Board’s policy on recruitment and selection is based on the ability of a candidate to perform the job regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Full and fair consideration is given to applications for employment from disabled people where they have the appropriate skills to perform the job. If disablement should occur during employment, the Technology Strategy Board would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.

As at 31 March 2012 the gender split for all staff employed at the Technology Strategy Board was as follows:



## Employee involvement

Information is provided to employees through the Human Resources Staff and Managers’ Guidance, office notices, e-mail and the intranet. Consultation with employees takes place through meetings with senior staff, the Staff Consultative Council, through bilateral, directorate, sectional meetings, and through working groups set up to look at specific organisational issues, and where appropriate through all-staff meetings.

The Technology Strategy Board disseminates financial information by issuing reports to the Governing Board, to the Executive Management Team and to budget holders. Successful Spending Review bids and budgetary information are detailed in e-mails, press notices and the Annual Report and Accounts, all of which have a wide circulation.

All staff receive a briefing on, and copies are made available of, the Technology Strategy Board's 2011-2015 corporate strategy *Concept to Commercialisation* and the current Delivery Plan, and are then involved in developing and implementing directorate and personal objectives, which flow from the Delivery Plan, through the performance management process.

Biannual all-staff meetings are in place to brief staff on progress, achievements and challenges associated with the plan. In addition, these meetings engage, consult with and empower staff towards continual organisational improvement.

### Health and safety

The Technology Strategy Board's policy is to set and maintain high standards of health and safety performance to ensure the health and safety of staff as well as that of others who may work in or visit the premises. To achieve this Technology Strategy Board has a Health and Safety statement and policy, signed by the Chief Executive and the other Executive Directors. The policy covers responsibilities, competencies, risks, controls, the provision of advice, performance measurement and staff consultation. The policy is accessible to all staff through the Technology Strategy Board's intranet along with all health and safety guidance and procedures.

The Technology Strategy Board Health and Safety Officer, and Representatives, meet on a regular basis as the Technology Strategy Board Health and Safety Committee; its role is to review the adequacy of safety training and the supply of information, consider accident statistics and safety audit reports and to help the Technology Strategy Board's Health and Safety Officer carry out his/her duties. Institution of Occupational Safety and Health training has been undertaken by members of the Health and Safety Committee. The Technology Strategy Board continues to monitor health and safety risks and take appropriate action.

### Sickness and absence

Calculation of the Technology Strategy Board sickness/absence rates is as follows, 2010-11 is shown in brackets. It should be noted that the year reported included a number of reported cases of swine flu.

<b>2011-12 (Prior Year 2010-11)</b>	<b>Absence Rate as a % of total working days</b>		<b>Average working days lost to sickness (per member of staff)</b>	
All staff	0.40%	(0.38 %)	1.5	(1.2)
Excluding 2 staff (2 staff in 2010-11) on long-term sick leave	0.20%	(0.31 %)	0.8	(1.0)

## **Reporting of personal data incidents**

Records are kept of personal data incidents. No members of staff had a laptop stolen (2010-11: nil); Five smart phones were lost (2010-11: eleven), however, there was a low risk of loss of personal data as all smart phones are encrypted.

The above incidents did not need to be reported to the Information Commissioner. No other loss of personal data has been reported during the financial year 2011-12.

## **Management of information risk**

Following the issue of the HMG Security Policy Framework by the Cabinet Office in December 2008 the Technology Strategy Board has ensured its continued compliance with the standard laid down by the Data Handling Review. Quarterly reviews and risk assessments regarding data held are undertaken with the identified information asset owners. In relation to personal data it has been identified that the Technology Strategy Board does not carry a great risk as it does not hold significant level of personal data. The audited Security Risk Management Overview (SRMO) 2011/12 established that the Technology Strategy Board has no identified issues. Established principles include:

- encryption of all laptops and mobile phones.
- communication of the Information Assurance policy to all staff and appropriate partners
- on-line Information Assurance training for all new staff with annual refresher training for all staff in line with Cabinet Office guidelines. Higher level annual training for identified information asset owners
- awareness sessions for identified partner and delivery bodies.

These arrangements to monitor and assess information risks will also identify and address any weaknesses and ensure continuous improvements.

## **Major contracts**

The Technology Strategy Board has a number of significant contracts for the support and delivery of its technology grant programmes. The costs of these are shown in Notes to the accounts under Note 3 as Programme Support Contracts.

## **Creditor payment policy**

The Technology Strategy Board's policy is to comply fully with the Better Payment Practice Code for the payment of goods and services. The policy is to make payments in accordance with the timing stipulated in the contract with suppliers. Where there is no contractual provision, every effort is made to ensure that payment is effected within 30 days of receipt of goods or services, or presentation of a valid invoice or similar demand for payment, whichever is the later. During 2011-12, the Technology Strategy Board paid 63% (2010-11: 60%) of its undisputed invoices within the 30 day period. As at 31 March 2012, the creditor days outstanding amounted to 3 days of annualised purchases (2010-11: 3 days).

In November 2008, a prompt payment target of 10 days was introduced for the public sector. In 2011-12, the Technology Strategy Board paid 10% (2010-11: 11%) of its invoices within the 10 day period.

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Our Governing Board has recognised the importance of taking sustainability into account in all our activities. We accept the definition of sustainability as that which “meets the needs of the present without compromising the ability of the future generations to meet their own needs” and have published a sustainability statement and policy that sets out the Technology Strategy Board’s position.

We take this rationale into account when evolving programmes and projects, and continue to focus our programme of investments in business innovation towards recognising the importance of markets created by the need to move to a more sustainable model.

Many of our programmes have a clear theme of environmental or resource sustainability as a driver of innovation, and about two-thirds of projects we fund have a sustainability objective. We have introduced methodology in assessing grant applications in our collaborative R&D competitions to ensure that sustainability considerations are central to the assessment and outcome.

In 2011/12 we developed a sustainability framework, together with Forum for the Future, to help in evaluating the candidate areas for Catapult centres, refreshing our technology strategies, and evaluating potential new areas of investment under development.

We cannot expect our external stakeholders to take our advice and leadership on sustainability unless we can show that we take this seriously in our own operations. The Technology Strategy Board is committed to following the joint Research Council Environmental Policy Statement which calls for:

- compliance with all relevant legislation
- minimising the adverse impacts of new buildings, refurbishments
- making efficient use of natural resources
- operating effective arrangements for waste disposal and recycling
- promoting effective environmental supply management
- working with staff to promote more economic forms of transport
- providing appropriate information and training to new staff.

Figures for the joint Swindon-based Research Councils show that approximately 70.3% of waste is recycled.

We also seek to be a socially responsible employer. As a small organisation we have in place an effective policy and programme to deliver at a scale relative to our organisation. To achieve this we have introduced a range of measures to:

- help us to understand and measure the impacts of our operations and various activities on the environment and reduce those impacts over time
- promote staff purchase of bicycles and cycling to work
- support staff acting as science, technology, engineering and maths (STEM) ambassadors
- support staff requiring childcare (through a childcare voucher scheme)
- increase the use of remote (video and telephone) conferencing instead of travel
- support staff through continuous training and development.

## FINANCIAL HIGHLIGHTS

### Net expenditure for the year

In total, net expenditure for the year decreased to £299.9m (2010-11: £396.3m, £308.2m restated).

### Technology grants expenditure and accruals

There was decreased expenditure of £11.7m in technology grants expenditure to £301.8m. A breakdown of grant expenditure by grant stream has been provided in Note 6.

Most grants are paid on claims for reimbursement made quarterly in arrears. Consequently, a substantial proportion of the grant expenditure has been accrued. The policy for accruing grant expenditure is outlined at Note 1h and 1o.

### Operating costs

Average staff numbers in 2011-12, including interims and agency temps, increased by 25 to 160 in order to build up resource levels to deliver the ramping up of new and existing programmes and to improve the efficiency of operations. This resulted in staff costs increasing by £2.8m, or 26.6%, to £13.3m. Programme support contract costs increased by £1.2m, or 7.8%, to £16.2m. This increase occurred in a period of significantly increased activity.

Other operating costs increased by £4m, or 62.2%, to £10.5m, primarily due to increased activity in intervention management.

### Pension liabilities

The accounting treatment of pension liabilities and details of the funding arrangements are set out in Notes to the accounts at 1i Pension Costs and 3e Pension arrangements. Scheme documents may be obtained on request. Details of the salary and pensions benefits of senior employees are included in the Remuneration report in this document.

### Cash flow

As reported in the cash flow statement, there was a net cash outflow from operating activities in the year of £352.8m (2010-11 restated: £256.2m).

### Current liquidity

Cash held at 31 March 2012 was £27k (31 March 2011: £32.8 m) and assets less liabilities were £116.2m (31 March 2011 restated: £134.4m).

### Financing

Grant-in-Aid financing received during the year from BIS increased by £37.3m to £320.0m.

Co-funding for the year also increased by £2.6m to £39.1m. This represents an increase in a variety of cross-collaborative grants, which are managed and administered by the Technology Strategy Board.

Other income of £1.4m was received from the recharging of Knowledge Transfer Partnership management fees to the other co-funders (2010-11: £1.3m).

## Allocation and outturn

In the 2011-12 year, the budget decreased by £15.6m to £371.6m (2010-11: £387.2m). The budget included £46m allocated for Catapult centres, £20m for Smart and £16.2m for activities transferred from the Regional Development Agencies.

Overall, the Technology Strategy Board recorded £70m non usable underspend against the budget allocation.

The following table gives a comparison of outturn against allocation:

	<b>Non-cash<sup>1</sup></b>	<b>Resource</b>	<b>Capital</b>	<b>Total</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>
Total expenditure for the year <sup>2</sup>	1,662	298,193	-	299,855
Treatment of capital grants	-	(12,220)	12,220	-
Expenditure on non-current assets <sup>4</sup>	-	-	7	7
FY11-12 Outturn	1,662	285,973	12,227	399,862
FY11-12 Budget Allocation	1,150	354,150	16,300	371,600
Variances	(512)	68,177	4,073	71,738
<i>of which:</i>				
Non-usable underspend	(512)	68,177	4,073	71,738
In year (over-)/underspend	-	-	-	-

<sup>1</sup> A non-cash item is an expense or income that appears on the statement of net expenditure yet does not actually represent a real cash outflow or inflow; the non-cash figure shown is the sum of the depreciation and amortisation expense.

<sup>2</sup> Taken from the statement of comprehensive net expenditure

<sup>4</sup> Taken from the statement of cash flows

## Underspend

The Technology Strategy Board had an under-spend of £70m during the Financial Year 2011/12.

The under-spend is made up of three parts, which are described below.

### **£25.9m Risk contingency budget**

During the FY11/12 mid year review (Oct 2011), a potential issue was identified.

The issue was related to the Technology Strategy Board having to recognise a large project grant in FY11/12, which should have been realised in FY10/11.

BIS provided budget to allow for this contingency, however the costs were kept in FY10/11 and therefore did not materialise in FY11/12.

### ***£10.8m Revenue recognition policy***

Historically the Technology Strategy Board have recognised all income from other Government departments on a cash received basis.

In order to comply with the latest International Financial Reporting Standards, we have been requested by BIS to change our policy to recognise our revenue on the basis of the Memoranda of Understanding that we have in place.

The impact of this has been to bring forward a large amount of revenue from future years, creating an increase in revenue.

### ***£35.0m Grant accrual provision***

During FY11/12 the Technology Strategy Board has changed its grant accrual methodology.

For the past two years the organisation has been using an average grant spend profile and accrued on this basis. The problem with this approach has been that the basis for making the accruals has been under the Technology Strategy Board control and therefore not seen as objective; it has also resulted in making high accruals which have not materialized, which has added to the time taken to produce our accounts.

We are now using the grant participants forecasts, adjusted for the accuracy levels the grant participants have achieved historically. For example, when a participant is forecasting spend for a period to be £10K, and has been 90% accurate historically, we will accrue £9K.

The Technology Strategy Board have been implementing this approach with its grant recipients and Monitoring Officers since November 2011. The change to this approach has meant that the amount to be accrued at year-end is lower than previously anticipated and therefore has created an under-spend.

### **Going concern**

The total expenditure of £299.9m has been transferred to reserves. Total government funds at 31 March 2012 amounted to a deficit of £114.5m (31 March 2011: deficit of £134.4m restated). Other reserve movements are shown in the statement of changes in taxpayers' equity.

The deficit reflects the inclusion of liabilities falling due in future years which will be met by future Grant-in-Aid from the Technology Strategy Board's sponsoring department, BIS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid for 2012-13, taking into account the amounts required to meet the Technology Strategy Board's liabilities falling due in that year, has already been included in BIS's estimates for the year, which have been approved by Parliament. Longer term commitments are contained within existing funding allocations arising from the Government's spending review settlement figures which cover up to 2014-15. The Technology Strategy Board's financial commitments on grants beyond that period can be met well within the minimum reasonably anticipated income for those years. Such grants issued by the Technology Strategy Board are made under statutory powers within the terms of the Science and Technology Act 1965, applied upon the objects set out in Article 2 of the Technology Strategy Board Royal Charter. This is confirmed in the Technology Strategy Board Management Statement issued by DIUS, the Department for Innovation, Universities and Skills, the precursor to BIS, in June 2007. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Risk

The governance statement outlines the Technology Strategy Board's policy with regard to corporate governance, internal control and risk management. The factors and influences that may have an effect on present and future performance are listed in risk registers and the most important are identified to the Governing Board at each of its meetings.



.....  
Iain G Gray  
Accounting Officer  
13<sup>th</sup> July 2012

# REMUNERATION REPORT

## General

Section 421 of the Companies Act 2006 requires the preparation of a Remuneration Report containing certain information about the directors' remuneration in accordance with the requirements of Part 4 and Schedule 8 of Statutory Instrument 2008 No. 410.

## Remuneration policy

The remuneration of the Chief Executive of the Technology Strategy Board is reviewed and proposed by the Remuneration Committee and approved by the Director General – Innovation, Enterprise and Better Regulation Executive, BIS. The performance of Executive Directors is assessed annually by the Chief Executive through the performance management process and approved by the Technology Strategy Board's Remuneration Committee. In the light of these assessments, performance-related pay is made in accordance with the contractual arrangements and the provisions of the Pay Remit approved by BIS. The remuneration of the Technology Strategy Board's Governing Board Members and Chairman is reviewed annually by BIS. Membership of the Technology Strategy Board's

Remuneration Committee consisted of:

Graham Spittle (to November 2011) - (Chairman)  
Phil Smith (from December 2011) – (Chairman)  
David Grant – (Governing Board member)  
Lord Jonathan Kestenbaum - (Governing Board member)  
Iain G Gray (Chief Executive).

The performance rewards paid to the Chief Executive and five Executive Directors (David Bott had a contract for service to February 2012) are based on achievement of individual and corporate objectives, agreed at the beginning of the performance cycle. Performance bonus for the Chief Executive is up to 40% on base salary, for Executive Directors up to 20%.

## Contractual policy

The Chief Executive is contracted for the period 31 October 2007 to 30 October 2012. The Director of Innovation Programmes is contracted through a contract for service up until the 28 February 2012, and an employment contract since the period 1 March 2012. All other Executive Directors are permanent employees of the Technology Strategy Board. The Chief Executive is subject to a notice period of 12 months; all Executive Directors are subject to a notice period of six months.

Governing Board Members and the Chairman are not employees of the Technology Strategy Board and received a letter of appointment from BIS. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also be removed from office by the Secretary of State on grounds of incapacity, misbehaviour or a failure to observe the terms and conditions of appointment. The tenure of the previous Chairman, Dr Graham Spittle, came to an end on the 30<sup>th</sup> November 2011. The new Chairman, Phil Smith, was appointed from the 1<sup>st</sup> December 2011.

## Details of 2011-12 remuneration for the Technology Strategy Board Chief Executive and Executive Directors

### Remuneration of senior employees

The UK corporate governance code requires the disclosure of information on salary and pension entitlements of each company director. Government is committed to adopting best commercial practice and therefore requires non-departmental public bodies to report in accordance with modified UK corporate governance code principles. The following disclosures are considered appropriate for the Technology Strategy Board:

### Salary, performance pay and benefits in kind

Where an individual has only served for part of the year, equivalent salary is reported in brackets.

Chief Executive and Executive Directors	2011-12			2010-11		
	£'000			£'000		
	Salary and allowances banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent)	Salary and allowances banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent)
Iain Gray Chief Executive	210 – 215	45 - 50	-	210 - 215	45 - 50	-
Graham Hutchins Executive Director	110 – 115	15 - 20	-	110- 115	15 - 20	-
Dr Allyson Reed Executive Director	115 – 120	15 - 20	-	115 - 120	15 - 20	-
David Way Executive Director	90 – 95	10 - 15	-	90 - 95	15 - 20	-
Mark Glover* Executive Director	110 – 115	15 - 20	-	5 - 10 (100 - 105 full year equivalent)	15 - 20	-
Dr David Bott** Executive Director	10 - 15 (165 - 170 full year equivalent)	0 - 5 (10 - 15 full year equivalent)	-	See note	See note	-
Highest Earner's Total Remuneration (£'000)	255-265			255-265		
Median Total Remuneration	34,917			40,294		
Ratio	7.45			6.45		

\* Mark Glover was formally appointed as an Executive Director on 1st March 2011. Salary and allowances disclosure for 2010-11 only cover the time he was an Executive Director with full year equivalent shown in brackets.

\*\* Dr David Bott was contracted for his services as an Executive Director till February 2012. From 1 March 2012 he was employed on a fixed term contract. Salary and allowances disclosure only cover the time he has been on a fixed term contract with full year equivalent shown in brackets. The 2011-12 accounts include charges of £263,289 for the period of his services as a contractor (2010-11: £265,250)

	2011-12 £'000	2010-11 £'000
<b>The aggregate of salary costs, bonus and benefits in kind for senior employees:</b>	780	707

#### Salary and allowances, including performance pay

Salary and allowances, including performance pay, covers both pensionable and non-pensionable amounts and includes: gross salaries; performance pay or bonuses; overtime; allowances and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties. It does not include the charges for David Bott's services as a Director to February 2012. These are included in the charges for agency and interim staff (Note 3b).

#### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

#### Pension Benefits

Chief Executive and Executive Directors	Total of accrued pension at age 60 as at 31 March 2012 and related lump sum.	Real increase / (decrease) of pension and related lump sum at age 60*	Cash Equivalent Transfer Value (CETV) at 1 April 2011	CETV at 31 March 2012	Real increase / (decrease) in CETV*
£'000					
Iain Gray Chief Executive	20 - 25	5 - 7.5	162	234	52
Graham Hutchins Executive Director	10 - 15	0 - 2.5	107	127	8
Dr Allyson Reed Executive Director	15 - 20	2.5 - 5	107	168	49
David Way Executive Director	50 - 55	(2.5) - 0	967	1,015	(37)
Mark Glover Executive Director	5 - 7.5	2.5 - 5	36	61	19
Dr David Bott** Executive Director	N/A	N/A	N/A	N/A	N/A

\* Where this figure is negative, taking into account inflation and other factors, the pension and CETV funded by the employer has decreased in real terms.

\*\* Dr David Bott was contracted for his services as an Executive Director till February 2012. From 1 March 2012 he was employed on a fixed term contract for which there are no pension entitlements.

## ***Unaudited Information***

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' Pension Schemes and for which the schemes have received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

The real increase in the value of the CETV reflects the increase effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. Where the individual was not in post for the full year, the CETV at 31 March 2011 represents the value at their start date and the CETV at 31 March 2012 represents the value as at their end date.

**Audited information**

**Remuneration of Governing Board members**

The standard honorarium paid to Governing Board members amounted to £9,180 (2010-11: £9,180 pa). The emoluments of the outgoing Chairman, Dr Graham Spittle, were £10,480 for the period to November 2011(2010-11: £15,720 pa). The emoluments of the present Chairman, Phil Smith, were £5,240 for the period from December 2011. Non-consolidated bonus, benefits in kind and pension arrangements do not apply to Governing Board members. Total remuneration paid to Governing Board members is as follows:

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Governing Board Members' Annual Honoraria</b>		
Dr John Brown	5 - 10	5 - 10
Eur Ing Nick Buckland OBE	0 - 5	5 - 10
Michael Carr	5 - 10	-
Dr Stewart Davies	5 - 10	5 - 10
Dr Joseph Feczko	0 - 5	5 - 10
Anne Glover CBE	5 - 10	5 - 10
Dr David Grant CBE	5 - 10	5 - 10
Lord Jonathan Kestenbaum	5 - 10	5 - 10
Andrew Milligan	-	-
Sara Murray	5 - 10	5 - 10
Colin Paynter	5 - 10	-
Ian Shott CBE	5 - 10	-
Professor, Sir Christopher Snowden	5 - 10	5 - 10
Dr Robert Sorrell	5 - 10	-

Andrew Milligan has elected to forego his honorarium.

Eur Ing Nick Buckland and Dr. Joseph Feczko left office in June 2011.

The services of EurIng Nick Buckland were retained from July 2011 to assist the Chair of the Audit Committee; an honorarium of £6,885 was paid for his services.



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Iain G Gray  
Accounting Officer  
13<sup>th</sup> July 2012

## STATEMENT OF RESPONSIBILITIES of the Technology Strategy Board and of its Chief Executive

Under the Science and Technology Act 1965, the Secretary of State for Business, Innovation and Skills (with the consent of the Treasury) directed the Technology Strategy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Technology Strategy Board and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State for the sponsor department (with the consent of the Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

The Accounting Officer for the Department for Business, Innovation and Skills appointed the Chief Executive as Accounting Officer of the Technology Strategy Board. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Technology Strategy Board's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

# GOVERNANCE STATEMENT

## Chief Executive & Accounting Officer

Iain G Gray was Chief Executive and Accounting Officer throughout the period covered by these financial statements.

## Scope of responsibility

As Accounting Officer, I have responsibility for ensuring that there is a sound system of governance and internal control structures; and that the organisation's business is conducted in accordance with Managing Public Money to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

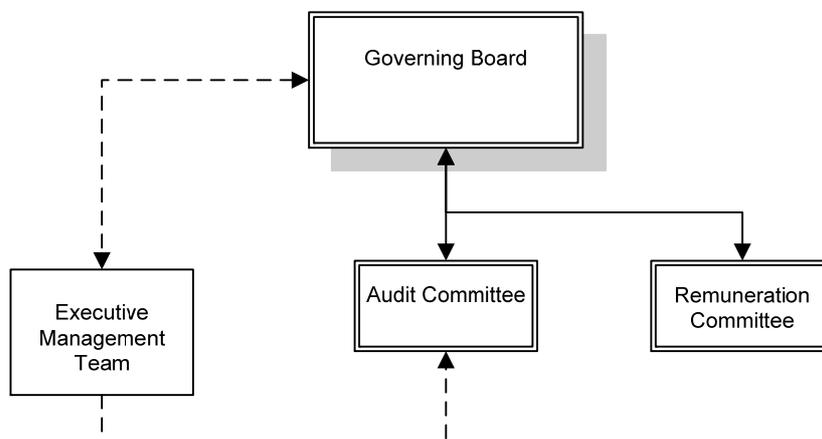
## The purpose of the Governance Statement

The Governance Statement, for which I take personal responsibility, gives a clear understanding of the dynamics of the business and its control structure. Essentially it records the stewardship of the organisation to supplement the accounts, providing a sense of the organisation's performance; and of how successfully it has coped with the challenges it faces. It provides an insight into the business of the organisation and its use of resources to allow me, the Accounting Officer, to make informed decisions about progress against business plans and if necessary steer performance back on track.

In doing this I have been supported by a Governance framework which includes the Governing Board, its Committees and Executive Directors. This statement explains how the Technology Strategy Board has complied with the principles of good governance and reviews the effectiveness of these arrangements.

## The Organisations' Governance Framework/Structure

The Technology Strategy Board governance structure:



## Governing Board members

Governing Board members are appointed by the Secretary of State of our sponsor department (the Department for Business, Innovation and Skills during the period covered by this report) and are drawn from business, the public sector and research communities by reason of their knowledge and experience of the exploitation of science, technology and new ideas by business.

Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Governing Board members are required to declare their personal interests. Details of Board members' declared interests are available on the Governing Board's web site. Members of the Governing Board are individually assessed by the Chair for contribution and effectiveness when the Secretary of State is considering their reappointment.

The following persons were members of the Technology Strategy Board's Governing Board during the year 2011-12 and up to the date of approval of these accounts unless otherwise indicated; their attendance rate at meetings is also shown.

<u>Role</u>	<u>Name</u>	<u>Joined</u>	<u>Left</u>	<u>Attendance Rate</u>
<b>Chair</b>	Dr Graham Spittle CBE		Nov-11	100%
	Phil Smith	Dec-11		100%
<b>Chief Executive</b>	Iain G Gray			100%
<b>Members – Whole Year</b>	Dr John Brown			50%
	Anne Glover CBE			67%
	Dr David Grant CBE			83%
	Lord Jonathan Kestenbaum			50%
	Andrew Milligan			83%
	Professor, Sir Christopher Snowden			67%
	Dr Stewart Davies			83%
	Sara Murray			100%
<b>Members – Part Year</b>	Dr Joseph Feczko		Jun-11	0%
	Eur Ing Nick Buckland OBE		Jun-11	100%
	Mike Carr	Aug-11		100%
	Ian Shott CBE	Aug-11		100%
	Dr Robert Sorrell	Aug-11		100%
	Colin Paynter	Aug-11		80%

During 2011-12, the Governing Board met six times during the year, with an average attendance rate of 80%. Three members left the Governing Board, and five new members were appointed, including a new Chair of the Board.

New members received a formal induction to the Technology Strategy Board, which involved meeting with the Executive Directors, introductory meetings with Governing Board members and the Governing Board Secretary and information on the Technology Strategy Board's current Strategy and Delivery Plan, as well as previous Board papers, Management Statement (including Royal Charter) and Financial Memorandum.

The Governing Board operates collectively, through its formally convened meetings. With a view to the long-term health and success of the organisation, the Governing Board is specifically responsible for setting the strategic direction, vision and mission, agreeing corporate objectives, and approving the published strategies and annual delivery plans. It seeks to ensure that all activities, either directly or indirectly, contribute towards its mission; bringing an external perspective to ensure that the organisation is challenged on its economic impact and monitors in-year progress against the Delivery Plan.

Taking account of the broader political context, the Governing Board provides support and advice on strategy for the engagement and partnership with key business and public sector stakeholders. It also agrees performance metrics, sets broad priorities for future investment, approves adoption of new products and mechanisms and periodically reviews the quality and effectiveness of products and programmes.

In 2011-12, the Governing Board's work has been dominated by responding to the changes brought to the innovation policy agenda by the Government's Innovation and Research Strategy, the requirement to prioritise and establish a network of Catapult Centres and to a lesser extent the closure of England's Regional Development Agencies.

The Governing Board periodically undertakes a self-assessment exercise. This was last done in October 2009 and a new exercise is due in October 2012. A review of the way the Governing Board operates was instigated by the new Chair. It seeks to clarify the Governing Board's role in respect of developing new strategic directions and improving the management information it receives to provide effective oversight of progress against plans.

As part of the review, the respective roles of the Governing Board and the Executive Management Team will be updated. The revised ways of working will be implemented through 2012-13.

The Governing Board is supported and informed by the Audit Committee and the Remuneration Committee.

#### The Audit Committee

The Audit Committee, comprising of three members of the Governing Board and one independent member, met four times in FY2011-12 to review internal and external audit matters and the Technology Strategy Board's accounts.

Its terms of reference include monitoring of the application of internal controls and oversight of the Technology Strategy Board's response to the corporate governance initiative and risk management. The Audit Committee receives and considers reports from both internal and external auditors.

Minutes of the Audit Committee are forwarded to all members of the Governing Board. During 2011-12, the Committee undertook a formalised meeting structure and maintained and improved its knowledge through continuing education.

The Audit Committee consisted of:

Andrew Milligan – Chair (Governing Board Member)  
John Brown (Governing Board Member)  
Mike Carr (Governing Board Member)  
Nick Buckland (Independent Member)

#### The Remuneration Committee

The Remuneration Committee (membership is indicated in Remuneration Report) meets twice a year with additional meetings as required. The Committee is comprised of 3 members of the Governing Board. The Remuneration Committee advises on executive salaries and other benefits.

#### Executive Management Team

The following persons were Executive Directors during the year 2011-12 and up to the date of approval of these accounts unless otherwise indicated:

Dr David Bott	Director of Innovation Programmes
Graham Hutchins	Director of Finance & Operations
Dr Allyson Reed	Director of Strategy & Communications
David Way	Director of Knowledge Exchange & Special Projects
Mark Glover	Director of Business Planning

The Executive Directors meet twice a month as an Executive Management Team when issues of operations and strategy are discussed.

## **Auditors**

The accounts of the Technology Strategy Board are audited by the Comptroller and Auditor General under the terms of paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. A fee of £129,000 is due for this service. There was no other auditor remuneration for non-audit work.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

The Accounting Officer has taken all the steps that he ought to have taken, to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

## **The Risk and Internal Control Framework**

The Executive Management Team has identified the key internal and external risks facing the Technology Strategy Board and the completion of its objectives; and reviews progress in managing these risks regularly.

The internal control process ensures that all risk procedures and activities are reviewed by the management and staff delegated to do so. Delegated members of staff are aware of their responsibility to embed risk management in their activities.

The risk management framework operates as part of the business planning process through the initial identification of risks that threaten achievement of the Technology Strategy Board's objectives.

These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk.

This process establishes the level of residual risk to which the Technology Strategy Board is exposed, which is monitored over time. Ownership for each risk is assigned to a named individual.

Risk appetite is determined by the nature of the risk. The Technology Strategy Board has a high tolerance for risk associated with research and development work, but a much lower tolerance for operational risks.

A risk register provides the basis for continual review of risk priorities. The Executive Management Team agreed appropriate action on any changes necessary following the introduction of the risk policy.

The Executive Management Team meets bi-monthly and reviews the risk register, agrees appropriate action on any changes necessary, and ensures that recommendations have been implemented.

From the Technology Strategy Board's high-level risk register, the following are identified as being business critical:

1. Additional projects requested outside of Delivery Plan divert resource from current key objectives leading to reputational damage among key stakeholders.
2. The loss of valuable tacit knowledge, due to key individuals leaving the organisation.
3. Companies not providing accurate financial forecast information over grants leads to a system which is unable to accurately report on Technology Strategy Board financial position.

The Executive Management Team reports management of corporate risks to the Governing Board through the Chief Executive's report.

In 2011-12, the Technology Strategy Board conducted a full review of their financial systems as part of the HM Treasury directive (Managing Risk of Financial Loss) to encourage more effective management of exposure to financial risk.

Process owners have been appointed and have responsibility for end-to-end processes. The conclusion of this initial exercise was to give assurance that the financial systems are adequately controlled. Annual reviews will be undertaken to further develop process maps and monitor changes to the Technology Strategy Board risk profile.

An internal audit review programme is developed annually in consultation with the Audit Committee and the internal auditors to audit specific aspects of the Technology Strategy Board's business. The outcomes of these reviews are discussed by the Audit Committee. Updates on corrective action to be taken, if any, are also reviewed by the Audit Committee.

The Director of RCIAS, through his annual report, provides a positive reasonable assurance to me as the Accounting Officer. From the audit programme as a whole, I am able to gain the necessary confidence and assurance on the workings of the audit framework.

## Review of Effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the organisation's system of governance, risk management and internal control. This review is informed by the work of executive managers and internal auditors within the organisation who have responsibility for the development and maintenance of the governance structures, internal control framework, and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

My review of the effectiveness of the system of internal control is informed by:

- The Governing Board which meets every two months in order to consider the Technology Strategy Board's plans, strategic direction, performance reports and corporate governance issues;
- Directors' Annual Statements on Internal Control (DASIC). The DASIC exercise provides the main evidence informing the nature of my own assurance on internal controls as these assurances come from Executive Directors responsible for the development and maintenance of the Technology Strategy Board internal controls framework;
- Regular reports by the Research Councils' Internal Audit Service including the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the Technology Strategy Board's systems of internal control;
- The Audit Committee which meets at least three times a year to discuss all aspects of corporate governance, including risk management and internal control. The Chairman of the Committee reports to the Governing Board on the work and findings of the committee. The minutes of Audit Committee meetings are circulated to the Governing Board;
- Directors' and senior managers' meetings which oversee the implementation of the Technology Strategy Board's plans; and
- A research and development grant validation procedure involving monitoring officer visits and reports, and periodic audit reports which provide assurance on the regularity of research and development project expenditure by grant recipients.

I have been advised on the implications of the result of the review of the effectiveness of the system of the Governance including internal control and risk management by the Governing Board's Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of the review is that the Organisation's overall governance and internal control structures are fit for purpose. However, I note that the internal control structure will be strengthened by implementing planned improvements to:

- Risk management – introducing a revised risk management process, articulating the risk appetite and clarifying responsibilities for risk management, including assigning a senior responsible officer for risk management.
- Internal financial reporting – revising the format and content of internal financial reporting to ensure that the information is understandable and comparable between months, allowing for more robust in-year financial control and supporting non-finance managers comprehension of financial information.



Iain G Gray

Accounting Officer

13<sup>th</sup> July 2012

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Technology Strategy Board for the year ended 31 March 2012 under the Science and Technology Act 1965. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## ***Respective responsibilities of the Technology Strategy Board, Chief Executive and auditor***

As explained more fully in the Statement of Council's & Chief Executive's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Science and Technology Act 1965. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## ***Scope of the Audit of the Financial Statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Technology Strategy Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Technology Strategy Board and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

**In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.**

## ***Opinion on Regularity***

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## ***Opinion on financial statements***

In my opinion:

- the financial statements give a true and fair view of the state of the Technology Strategy Board's affairs as at 31 March 2012 and of its comprehensive net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

## ***Opinion on other matters***

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State's directions issued under the Science and Technology Act 1965; and
- the information given in the Management Commentary part of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

***Matters on which I report by exception***

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

***Report***

I have no observations to make on these financial statements.

***Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP***

***Date: July 2012***

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2012

Expenditure		2011-12 <u>£000</u>	Restated 2010-11 <u>£000</u>
	<b>Notes</b>		
Staff costs	3	13,345	10,540
Programme support contracts	4	16,239	15,080
Other operating costs	5	10,450	6,441
Technology grants	6	301,824	313,499
Depreciation & Amortisation	10,11	1,662	492
<b>Total Operating Expenditure</b>		<u>343,520</u>	<u>346,052</u>
Operating Income	8	(1,357)	(1,283)
Co-funding income	9	(37,268)	(36,385)
EU co-funding	9	(1,920)	(160)
<b>Total Expenditure</b>		<u>302,975</u>	<u>308,224</u>
Net gain on acquisition of land and buildings		(3,120)	-
<b>Net Expenditure for the year</b>		<u><u>299,855</u></u>	<u><u>308,224</u></u>

All activities are continuing.

The notes on pages 41 to 65 form part of these accounts

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2012

		31 March 2012 £000	Restated 31 March 2011 £000	Restated 31 March 2010 £000
<b>Assets</b>	Notes			
<b>Non-current assets:</b>				
Property, plant and equipment	10	307	386	461
Intangible assets	11	5,841	7,417	5,923
Investment Properties	12	2,934	-	-
<b>Total non-current assets</b>		<u>9,082</u>	<u>7,803</u>	<u>6,384</u>
<b>Current assets:</b>				
Trade and other receivables	13	13,395	6,124	4,905
Cash and cash equivalents	14	27	32,792	8,129
<b>Total current assets</b>		<u>13,422</u>	<u>38,916</u>	<u>13,034</u>
<b>Total assets</b>		<u>22,504</u>	<u>46,719</u>	<u>19,418</u>
<b>Current liabilities</b>				
Trade and other payables	15	(57,748)	(19,197)	(27,925)
Accruals	15	(79,013)	(161,925)	(100,411)
<b>Total current liabilities</b>		<u>(136,761)</u>	<u>(181,122)</u>	<u>(128,336)</u>
<b>Non-current assets less net current liabilities</b>		<u>(114,257)</u>	<u>(134,403)</u>	<u>(108,918)</u>
<b>Assets less liabilities</b>		<u>(114,257)</u>	<u>(134,403)</u>	<u>(108,918)</u>
<b>Taxpayers' equity</b>				
Government funds		<u>114,257</u>	<u>134,403</u>	<u>108,918</u>
		<u>114,257</u>	<u>134,403</u>	<u>108,918</u>



Iain G Gray  
Accounting Officer  
13<sup>th</sup> July 2012

The notes on pages 41 to 65 form part of these accounts.

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2012

	Notes	2011-12 <u>£000</u>	2011-12 <u>£000</u>	Restated 2010-11 <u>£000</u>	Restated 2010-11 <u>£000</u>
<b>Cash flows from operating activities</b>					
Total expenditure for the year		(301,775)		(308,384)	
EU Income		1,920		160	
Adjusted for:					
Depreciation & Amortisation	10,11	1,662		492	
Other non cash movements		(14)			
Gain on acquisition - non cash		(3,120)			
Decrease / (Increase) in receivables	13	(7,271)		(1219)	
(Decrease) / Increase in payables	15	(44,160)		52,786	
<b>Net cash outflows from operating activities</b>			(352,758)		(256,165)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	11	-		(1,902)	
Purchase of property, plant and equipment	10	(7)		(9)	
<b>Net cash outflows from investing activities</b>			(7)		(1,911)
<b>Cash flows from financing activities</b>					
Funding from the EU					
Funding from UK partners					
Grant-in-aid received		320,000		282,739	
<b>Net cash inflows from financing activities</b>			320,000		282,739
Net (decrease) / increase in cash and cash equivalents			(32,765)		24,663
Cash and cash equivalents at 1 April			32,792		8,129
Cash and cash equivalents at 31 March			27		32,792

The notes on pages 41 to 65 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2012

	Notes	Income and Expenditure Reserve	Total Reserves
		<u>£000</u>	<u>£000</u>
<b>Balance at 1 April 2010</b>		<b>(103,627)</b>	<b>(103,627)</b>
Changes in taxpayers Equity 2010-11			
MoG transfers		(8,654)	(8,654)
Change in accounting policy		3,363	3,363
<b>Restated opening balance</b>		<b>(108,918)</b>	<b>(108,918)</b>
Changes in taxpayers Equity 2010-11			
Retained deficit		(308,224)	(308,224)
Grant-in-aid		282,739	282,739
<b>Balance at 31 March 2011</b>		<b>(134,403)</b>	<b>(134,403)</b>
Retained deficit		(302,975)	(302,975)
Gain on acquisition		3,121	3,121
<b>Total recognised income and expense for 2011-12</b>		<b>(299,854)</b>	<b>(299,854)</b>
Grant-in-aid		320,000	320,000
<b>Balance at 31 March 2012</b>		<b>(114,257)</b>	<b>(114,257)</b>

The notes on pages 41 to 65 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1 STATEMENT OF ACCOUNTING POLICIES

### a. Basis of Accounting and Accounting Convention

These financial statements have been prepared in accordance with the 2011-12 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Technology Strategy Board for the purpose of giving a true and fair view has been selected.

These financial statements have been prepared under the historical cost convention, modified by the revaluation of non-current assets, where material. They comply with the Accounts Direction issued by the Secretary of State for Business, Innovation and Skills on 31 March 2010 in accordance with section 2(2) of the Science and Technology Act 1965.

The particular policies adopted by the Technology Strategy Board for 2011-12 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Going Concern

The accounts have been prepared on the basis of a Going Concern. Any deficit shown on the Income and Expenditure Reserve will be extinguished over time, having regard to the resource and capital budgets to which the Technology Strategy Board can expect to have access from the sponsoring department, BIS.

#### Adoption of Standards and Changes in Policy 2011-12

These financial statements are presented in £ sterling, the functional currency, and all values are rounded to the nearest thousand, except where indicated otherwise.

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2012, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. There has been a change in the FReM regarding accounting for government grants. This is explained in note 1(l).

IAS 40 Investment Properties requires classification of land and/or buildings held for rental income and/or capital appreciation under IAS 40 rather than IAS 16 Property, plant and equipment. The Technology Strategy Board has acquired land and buildings valued at £2.4m as a result of a transfer from One North East, one of the Regional Development Agencies. There was no consideration supplied for the transfer, as both organisations are under common control and as such the transaction is disclosed as a transfer in, rather than an acquisition.

#### Adoption of Standards and Changes in Policy effective for future financial years

The IASB and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to Technology Strategy Board's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on the Technology Strategy Board's reported income or net assets in the period of adoption.

IFRS 9 Financial Instruments: Classification and Measurement (effective for periods beginning on or after 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

IFRS 10 Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

IFRS 11 Joint Arrangements: IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

**b. Machinery of Government change (MoG) – civil space activities**

On 1 April 2011 under a MOG change, the Technology Strategy Board transferred activities relating to agreed ESA civil space activities and specified UK civil space activities to the UK Space Agency (UKSA) under a directive received from BIS.

The comparative figures in the financial statements have been restated to exclude the results arising from UKSA activities for the period 1 April 2010 to 31 March 2011, in accordance with the FReM regarding MoG changes using merger method of accounting.

**c. Non-current assets, depreciation and amortisation**

Capital expenditure includes the purchase of property, plant and equipment valued at £5,000 or more. Individual items valued at less than the threshold are capitalised if they constitute integral parts of a composite asset that is in total valued at more than the threshold. Individual items valued at less than the threshold and not forming part of a composite asset have not been capitalised.

Capital expenditure to date on tangible assets comprises furniture and fittings and computers only.

### Property, plant and equipment

Property, plant and equipment are accounted for in accordance with IAS16. These assets are carried at modified historical cost less accumulated depreciation and any accumulated impairment losses.

### Depreciation

Depreciation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are available to use and continuing to depreciate them until they are derecognised, even if during that period the items are idle. Furniture and fittings are depreciated over five to ten years and computers over three years.

### Intangible assets

Intangible assets are accounted for in accordance with IAS38 and are carried at historical cost less accumulated amortisation. Acquired software is depreciated over five years.

Capital expenditure on intangible assets includes the finance system and the website comprising a grant management system and a collaboration platform for Knowledge Transfer Networks, other industry groups and Technology Strategy Board technologists.

### Amortisation

Amortisation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are available to use. Information Technology (IT) expenditure is amortised over five years.

### Impairment

The recoverable amount of the assets is measured annually to establish whether there is need for impairment in accordance with IAS36. The Technology Strategy Board conducted its annual impairment review and concluded that there was no impairment requirement in 2011-12.

The impairment tests are conducted at the same time every year and the indicators for impairment constitute mostly internal sources of information, as there is no homogenous market for the bespoke grant management system developed in house and therefore its market value is unknown. For this reason, its value in use is used to determine its recoverable amount.

The value in use represents the net economic benefit of the asset and this is arrived at by assessing the costs and savings attributable to the asset. The net economic benefit is then compared to the net book value in the accounts and if the latter is higher, the asset is impaired to arrive at the net economic benefit value.

In the opinion of the Technology Strategy Board there is no material difference between the depreciated historical and current cost values of the computing, office equipment and intangible assets. Accordingly these assets have not been revalued. This position is kept under review.

### Investment properties

Investment properties are measured using the fair value model. The fair value of investment properties reflects the market conditions at the end of the reporting period based on the rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

A gain or loss arising from a change in the fair value of investment property is recognised in the statement of comprehensive net expenditure in the period it arises.

#### **d. Ownership of equipment purchased with Technology Strategy Board grants**

Equipment purchased by an organisation with grant funds supplied by the Technology Strategy Board belongs to the organisation and is not included in the Technology Strategy Board's non-current assets. Through the Conditions of Grant applied to funded organisations, if, during the life of the grant, an asset is not used for the purpose for which it was funded, the Technology Strategy Board reserves the right to recover grant paid. Once the grant has been completed, and in some grant schemes after a further period of time, the organisation is free to use such equipment without reference to the Technology Strategy Board.

#### **e. Grant-in-Aid**

Grant-in-aid (GIA) is regarded as a contribution from a controlling entity thereby giving rise to a financial interest in the organisation. Hence it is accounted for as financing. GIA is credited to the Income and expenditure reserve in the statement of financial position. As a result, the Income and expenditure account shows net expenditure for the year rather than a surplus or deficit, and is consequently named 'statement of net expenditure'.

#### **f. Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated using the closing rate, which is the rate of exchange ruling at the year-end date. Transactions in foreign currencies are recorded at the actual rate ruling at the time of the transaction. Gains and losses arising from movements in foreign exchange rates are taken to the statement of net expenditure.

#### **g. Value added tax**

The Technology Strategy Board does not reclaim input VAT and therefore accounts for its transactions gross of VAT. Accordingly all purchases are shown inclusive of VAT.

#### **h. Technology grants**

Technology grant expenditure is recognised in the period, in which eligible activity creates an entitlement in line with the terms and conditions of the grant. Accrued grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates (refer to note 1n below) and are included in the accruals in the Statement of Financial Position.

**i. Pension costs**

Employees of the Technology Strategy Board are entitled to be members of the Research Councils' pension schemes. The schemes are multi-employer unfunded defined benefit schemes and the Technology Strategy Board is unable to identify its share of underlying liabilities. Therefore the amount charged in the statement of net expenditure represents the contributions payable to the schemes in respect of current employees in the accounting period. Contributions are set on a year-by-year basis in accordance with the requirements of the scheme administrators.

**j. Contingent liabilities**

The disclosure of contingent liabilities in the notes to the accounts is prepared in accordance with IAS37: *Provisions, Contingent Liabilities and Contingent Assets*. No disclosure is made for those contingencies, where crystallisation is considered to be remote or the amounts involved are immaterial.

**k. Operating leases**

Operating lease rental charges are included in the category Information Technology & Communications Charges within the expenditure heading Other Operating Costs which is shown in Note 4, and charged in the period they relate to in accordance with IAS17.

**l. Change in Accounting Policy – Co-funding Income**

Under 2011-12 FReM treatment of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the Technology Strategy Board has revised its accounting treatment for income. Only grant in aid and any other grants from the parent department are now recognised as financing, so funding from other bodies is now recognised as income on an accruals basis; previously co-funding income has been recognised on a cash basis. Prior year figures have been restated, see Note 2 for details.

Where public and private sector bodies have agreed to fund or co-fund some of the Technology Strategy's research expenditure, such income is recognised when the Technology Strategy Board is entitled to the income. Income is deferred where there are conditions in the co-funding agreement that have not been met as at the year end.

As a result of this additional co-funding income, the net expenditure has decreased by £39.2m in 2011-12 (2010-11: £36.5m).

**m. IFRS 8 – Operating segments**

The disclosure of the various operating segments allows for greater transparency with regard to financial reporting and has been presented in line with the financial investment strategy and the presentation of financial performance in the monthly management accounts. The operating segments have been restated in the current reporting period to align to the internal reporting of management accounts.

**n. Other Operating Income**

Other operating income is recognised on an accrual basis and mainly represents income received from management of the Knowledge Transfer Partnership (KTP) programme, and ticket sales from the Innovate event.

**o. Accounting estimates and key accounting judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the Notes to the Accounts.

In accordance with IAS 8, changes to accounting estimates are recognised:

- a) in the period in which the estimate is changed, if the change affects only that period; or
- b) in the period of the change and future periods, if the change affects both.

The only estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the technology grant accrual policy.

**Technology Grant Accrual**

Following the development and implementation of the \_connect grant claim system the method by which the Technology Strategy Board calculates its technology grant accrual has changed.

For each project participant, where the combination of the period end date of the latest grant claim processed, and the participant's project end date, indicates that an unclaimed amount exists at the balance sheet date, an accrual value is calculated and included in the accounts.

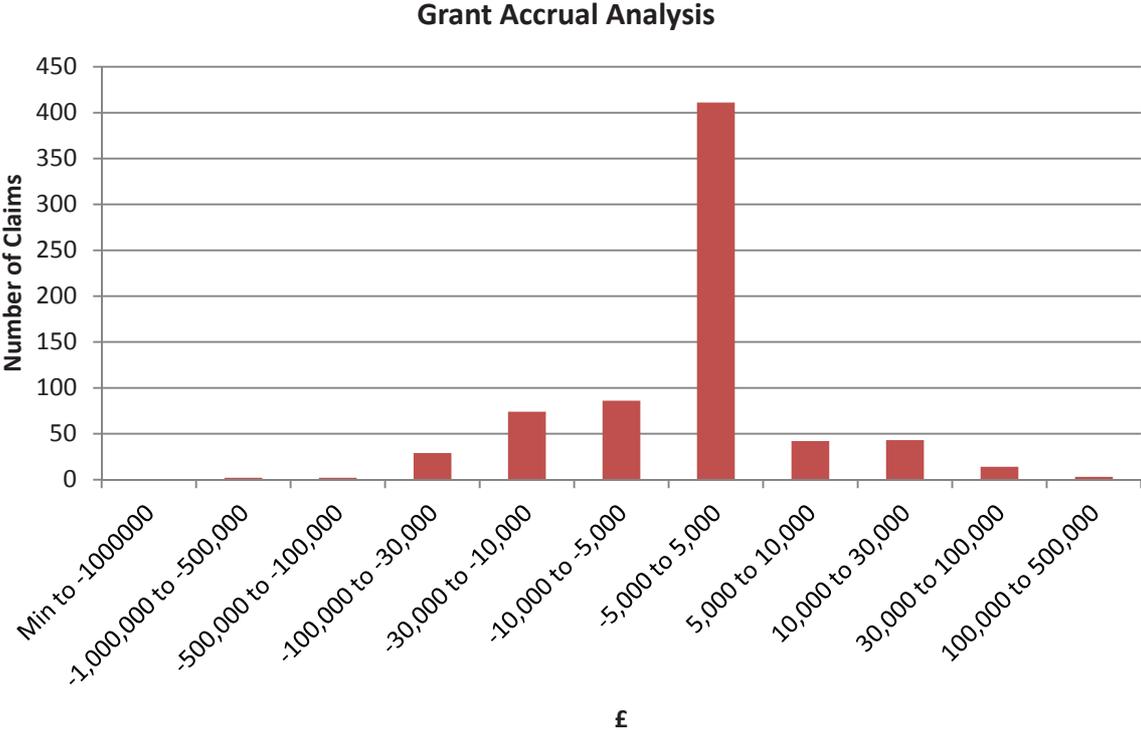
The new accrual methodology is calculated based on the participants forecast submitted with their latest claim. The Technology Strategy Board considers this to be the best information available, however, the forecasts submitted are analysed further and the accrual is risk adjusted by a cumulative multiplier that attempts to adjust the accrual figure based on the participants forecast accuracy. The technology grant accrual at the end of March 2012 was £72.2m.

The major sources of uncertainty in the estimate relate to the profiling of incurring and defraying the project costs that create the entitlement to the grant and the amount of the grant not utilised at the end of the project. The projects funded by the Technology Strategy Board are typically collaborations between private businesses and academia; this aspect introduces a degree of interdependency between project partners that may impact on the timing of individual work-packages. In addition, projects are typically two to five years long, which permits a degree of flexibility for grant recipients in the scheduling of their project activity. The projects seek to develop new technology-based products and services for future markets and as such are inherently uncertain in terms of their success and, related to this, the project duration and activity costs ultimately incurred.

The projects are accrued for on an estimated basis; the combined estimates of all the amounts owed to the projects make up a portfolio of liabilities for which the Technology Strategy Board is responsible.

As at 30<sup>th</sup> April 2012, the remaining grant accrual that has yet to unwind, amounted to £40,100,000. Within this amount there is an element of uncertainty as to the exact amount which will be claimed.

Based on a sample of 707 claims which were received at the 31st May 2012, we can give an indication of the likely claim profile and therefore substantiate the accrual. From the chart below it can be seen that the majority of claims submitted (410) were within +/- £5,000 of the amounts originally accrued



**2. RESTATEMENT OF CHANGES TO FINANCIAL STATEMENTS ARISING FROM THE SPACE MACHINERY OF GOVERNMENT TRANSFER AND ADOPTION OF NEW CO-FUNDING ACCOUNTING POLICY**

**a. Reconciliation of statement of net expenditure for the year ended 31 March 2011**

<b>Expenditure</b>	<b>Reported 2010-11 £000</b>	<b>MOG Space £000</b>	<b>Policy Change Co- Funding £000</b>	<b>Restated 2010-11 £000</b>
<b>Expenditure</b>				
Staff costs	10,540	-	-	10,540
Programme support contracts	15,208	(128)	-	15,080
Other operating costs	6,441	-	-	6,441
Technology grants	314,199	(700)	-	313,499
International collaboration	50,678	(50,678)	-	0
Depreciation & amortisation	492	-	-	492
<b>Total Operating Expenditure</b>	<b>397,558</b>	<b>(51,506)</b>	<b>0</b>	<b>346,052</b>
Operating income	(1,283)	-	-	(1,283)
Co-funding income		-	(36,385)	(36,385)
EU income			(160)	(160)
<b>Total Expenditure</b>	<b>396,275</b>	<b>(51,506)</b>	<b>(36,545)</b>	<b>308,224</b>
Net gain on acquisition of land and buildings	-		-	0
<b>Net Expenditure for the year</b>	<b>396,275</b>	<b>(51,506)</b>	<b>(36,545)</b>	<b>308,224</b>

b. Reconciliation of statement of financial position as at 31 March 2011

	Reported 31 March 2011 <u>£000</u>	MOG Space <u>£000</u>	Policy Change Co- Funding <u>£000</u>	Restated 31 March 2011 <u>£000</u>
<b>Assets</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	386	-	-	386
Intangible assets	7,417	-	-	7,417
Investment properties	-	-	-	-
<b>Total non-current assets</b>	<b>7,803</b>	<b>-</b>	<b>-</b>	<b>7,803</b>
<b>Current assets:</b>				
Trade and other receivables	10,755	(10,009)	5,378	6,124
Cash and cash equivalents	32,792	-	-	32,792
<b>Total current assets</b>	<b>43,547</b>	<b>(10,009)</b>	<b>5,378</b>	<b>38,916</b>
<b>Total assets</b>	<b>51,350</b>	<b>(10,009)</b>	<b>5,378</b>	<b>46,719</b>
<b>Current liabilities</b>				
Trade and other payables	(19,197)			(19,197)
Accruals	(162,124)	200		(161,925)
<b>Total current liabilities</b>	<b>(181,321)</b>	<b>200</b>	<b>-</b>	<b>(181,122)</b>
<b>Non-current assets less net current liabilities</b>	<b>(129,971)</b>	<b>(9,809)</b>	<b>5,378</b>	<b>(134,403)</b>
<b>Assets less liabilities</b>	<b>(129,971)</b>	<b>(9,809)</b>	<b>5,378</b>	<b>(134,403)</b>
<b>Taxpayers' equity</b>				
Government funds	129,971	9,809	(5,378)	134,403
	129,971	9,809	(5,378)	134,403

c. Reconciliation of statement of financial position as at 31 March 2010

	Reported 31 March 2010 <u>£000</u>	MOG Space <u>£000</u>	Policy Change Co- Funding <u>£000</u>	Restated 31 March 2010 <u>£000</u>
<b>Assets</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	461	-	-	461
Intangible assets	5,923	-	-	5,923
Investment properties	-	-	-	-
<b>Total non-current assets</b>	<b>6,384</b>	<b>-</b>	<b>-</b>	<b>6,384</b>
<b>Current assets:</b>				
Trade and other receivables	10,357	(8,815)	3,363	4,905
Cash and cash equivalents	8,129	-	-	8,129
<b>Total current assets</b>	<b>18,486</b>	<b>(8,815)</b>	<b>3,363</b>	<b>13,034</b>
<b>Total assets</b>	<b>24,870</b>	<b>(8,815)</b>	<b>3,363</b>	<b>19,418</b>
<b>Current liabilities</b>				
Trade and other payables	(27,925)	-	-	(27,925)
Accruals	(100,572)	161	-	(100,411)
<b>Total current liabilities</b>	<b>(128,497)</b>	<b>161</b>	<b>-</b>	<b>(128,336)</b>
<b>Non-current assets less net current liabilities</b>	<b>(103,627)</b>	<b>(8,654)</b>	<b>3,363</b>	<b>(108,918)</b>
<b>Assets less liabilities</b>	<b>(103,627)</b>	<b>(8,654)</b>	<b>3,363</b>	<b>(108,918)</b>
<b>Taxpayers' equity</b>				
Government funds	103,627	8,654	(3,363)	108,918
	<b>103,627</b>	<b>8,654</b>	<b>(3,363)</b>	<b>108,918</b>

d. Reconciliation of statement of cash flows for the year ended 31 March 2011

Statement of Cash Flows as at 31 March 2011

	Reported £'000	MOG SPACE £'000	Co- Funding £'000	Restated £'000
<b>Cash flows from operating activities</b>				
Total expenditure for the year	(396,275)	51,506	36,385	(308,384)
EU Income			160	160
Adjusted for:				
Depreciation & amortisation	492	-	-	492
Decrease / (Increase) in receivables	(398)	1,194	(2,015)	(1219)
(Decrease) / Increase in payables	52,824	(38)		52,786
<b>Net cash outflows from operating activities</b>	<b>(343,357)</b>	<b>52,662</b>	<b>34,530</b>	<b>(256,165)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	(1,902)			(1,902)
Purchase of property, plant and equipment	(9)			(9)
<b>Net cash outflows from investing activities</b>	<b>(1,911)</b>	<b>-</b>	<b>-</b>	<b>(1,911)</b>
<b>Cash flows from financing activities</b>				
Funding from the EU	163	-	(163)	-
Funding from UK partners	37,768	(3,400)	(34,368)	-
Grant-in-aid received	332,000	(49,261)	-	282,739
<b>Net cash inflows from financing activities</b>	<b>369,931</b>	<b>(52,661)</b>	<b>(34,531)</b>	<b>282,739</b>
Net (decrease) / increase in cash and cash equivalents	24,663	-	-	24,663
Cash and cash equivalents at 1 April	8,129	-	-	8,129
Cash and cash equivalents at 31 March	32,792	-	-	32,792

### 3. STAFF COSTS

#### a. Remuneration of senior employees

Remuneration of senior employees can be found in the Remuneration report.

#### b. Staff costs

	2011-12 £000	2010-11 £000
Permanent staff		
- Salaries and wages	5,903	4,883
- Social Security costs	585	486
- Superannuation costs	1,210	1,084
	7,698	6,453
Agency and interim staff	5,532	3,984
Board members' fees	115	103
<b>Total Staff Costs</b>	<b>13,345</b>	<b>10,540</b>

Agency and interim staff costs is stated after capitalising £nil costs in 2011-12 (2010-11: £1,832,000) in intangible non-current asset additions.

#### c. Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows.

	2011-12 Number	2010-11 Number
Permanent staff	113	93
Agency and interim staff	47	42
	<b>160</b>	<b>135</b>

In 2011-12, nil staff on average were deployed on the development of the new website and IT platform (2010-11: 2.0 staff).

#### d. Remuneration of Governing Board and Committee members

Remuneration of Governing Board members details can be found in the Remuneration report.

**e. Pension arrangements**

The BBSRC has responsibility for the research councils' pension schemes (RCPS) and the Chief Executive of the BBSRC is the Accounting Officer for the pension schemes. Employees of the Technology Strategy Board are eligible to either join the RCPS or open a partnership pension account which is a stakeholder pension with an employer contribution. The RCPS is funded on a pay-as-you-go basis principally through employer and employee contributions and annual Grant-in-Aid.

The pension schemes provide retirement and related benefits on final emoluments by analogy to the Principal Civil Service Pension Scheme (PCSPS). The RCPS are administered by the research councils' Joint Superannuation Services, a unit within BBSRC. Separate RCPS Accounts are published and contain the further disclosure of information required under the relevant accounting standards.

As the RCPS are unfunded multi-employer defined benefit schemes, the Technology Strategy Board is unable to identify its share of the underlying assets and liabilities. Details can be found in the accounts of the Research Councils pension schemes at [www.bbsrc.ac.uk](http://www.bbsrc.ac.uk).

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary's Department (GAD). The last full actuarial valuation was carried out by GAD as at 31 March 2006. Following consideration of the valuation report the employer's contribution rate was set at 26.0%. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the scheme. The next full scheme valuation by GAD is on hold pending advice from H M Treasury.

For 2011-12, employer's contributions of £1.2m (2010-11: £1.1m) were paid to the RCPS at 26% (2010-11: 26%) of pensionable pay.

**f. Compensation schemes and exit packages**

During 2011-12 there was one exit package agreed.

The total net redundancy cost was £63,260 incurred by the Technology Strategy Board.

**4. PROGRAMME SUPPORT CONTRACTS**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>Restated £000</b>
Third party programme support	11,132	11,475
Monitoring officer and assessment fees and expenses	5,107	3,605
	<u>16,239</u>	<u>15,080</u>

The charges for programme support contracts are for the management and delivery of the Technology Strategy Board's programmes and include the IT platform costs. The 2011-12 figure includes, £4.6m IT platform costs and £3.9m KTP support costs. The monitoring officer fees are incurred on the monitoring of projects and the authorisation of claims within the collaborative research and development programme. The figures for 2010-11 have been restated to take account of the MoG transfer of Space activities. Details of the MoG transfers are covered in Note 1b.

## 5. OTHER OPERATING COSTS

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Travel and Subsistence	1,080	899
Utilities	(1)	28
Rent, Rates and Maintenance	660	339
Communications and Events	2,546	2,173
Intervention Management	4,175	1,241
General Administration	912	773
Recruitment	217	273
Employee Relocation Costs	35	32
Office Equipment	126	54
Information Technology and Communications Charges	572	480
Auditors' Remuneration	129	140
Exchange Rate (Gains)/Losses	(1)	9
	<b>10,450</b>	<b>6,441</b>

The amount charged in the year for operating leases was £619,018 (2010-11: £679,000). £329,199(2010-11: £459,000) of this charge was included within information technology and communications charges and relates entirely to equipment, with the remaining £289,819 (2010-11: £220,000) included within rent, rates and maintenance.

Auditors' remuneration includes £129,000 (2010-11: £140,000) for the statutory audit fee.

## 6. TECHNOLOGY GRANTS

	2011-12			2010-11		
	Gross grant £'000	Co-funding £'000	Net grant £'000	Gross grant £'000	Co-funding £'000	Net grant £'000
<b>Thematic Interventions</b>						
Energy	25,702	(5,030)	20,672	31,186	(3,000)	28,186
Sustainability	2,699	-	2,699	5,889	-	5,889
Built Environment	7,153	(234)	6,919	18,796	(40)	18,756
Food Supply	4,072	(2,031)	2,041	845	(1,831)	(986)
Transport	28,251	(11,623)	16,628	41,766	(13,757)	28,009
Space	3,991	(970)	3,021	750	(500)	250
Healthcare	15,315	(3,072)	12,243	21,635	(3,105)	18,530
High Value Manufacturing	19,708	-	19,708	31,441	-	31,441
Digital Services	15,764	(250)	15,514	18,836	(1,569)	17,267
Advanced Material	6,710	(984)	5,726	15,429	(1,000)	14,429
Biosciences	3,958	(95)	3,863	2,754	(143)	2,611
Electronics, Photonics & Electrical Syste	9,605	(383)	9,222	9,790	(304)	9,486
Information & Communication Technolog	6,635	(1,514)	5,121	6,429	(374)	6,055
Development	1,472	(25)	1,447	729	(48)	681
<b>Subtotal Thematic</b>	<b>151,035</b>	<b>(26,211)</b>	<b>124,824</b>	<b>206,275</b>	<b>(25,671)</b>	<b>180,604</b>
<b>Responsive Interventions</b>						
Small Business Research Initiative	3,204	(380)	2,824	1,825	(1,947)	(122)
European Union	2,715	(24)	2,691	4,065	(146)	3,919
Grant for Research & Development	20,277	-	20,277	-	-	-
Knowledge Transfer Networks	17,926	(517)	17,409	18,135	(755)	17,380
Knowledge Transfer Partnerships	26,889	(10,551)	16,338	30,456	(7,873)	22,583
Catapult Centres	42,413	-	42,413	-	-	-
Micro Nano Technology Centres	2,009	-	2,009	5,465	-	5,465
Non-core projects	35,356	(1,504)	33,852	47,278	(153)	47,125
<b>Sub-total Responsive</b>	<b>150,789</b>	<b>(12,976)</b>	<b>137,813</b>	<b>107,224</b>	<b>(10,874)</b>	<b>96,350</b>
<b>Total grant expenditure</b>	<b>301,824</b>	<b>(39,187)</b>	<b>262,637</b>	<b>313,499</b>	<b>(36,545)</b>	<b>276,954</b>
<b>Analysis of Technology Grants:</b>						
Universities and not-for-profit private sector	87,048			84,488		
Other private sector recipients	210,660			222,929		
Public sector recipients	4,116			6,082		
	<u>301,824</u>			<u>313,499</u>		

Operating Segments	2011-12			2010-11		
	Gross expenditure £'000	Restated income £'000	Restated net expenditure £'000	Gross expenditure £'000	Restated income £'000	Restated net expenditure £'000
<b>Thematic Interventions</b>						
Energy	25,702	(5,030)	20,672	31,186	(3,000)	28,186
Sustainability	2,699	-	2,699	5,889	-	5,889
Built Environment	7,153	(234)	6,919	18,796	(40)	18,756
Food Supply	4,072	(2,031)	2,041	845	(1,831)	(986)
Transport	28,251	(11,623)	16,628	41,766	(13,757)	28,009
Space	3,991	(970)	3,021	750	(500)	250
Healthcare	15,315	(3,072)	12,243	21,635	(3,105)	18,530
High Value Manufacturing	19,708	-	19,708	31,441	-	31,441
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<b>Subtotal Thematic</b>	<b>151,035</b>	<b>(26,211)</b>	<b>124,824</b>	<b>206,275</b>	<b>(25,671)</b>	<b>180,604</b>
<b>Responsive Interventions</b>						
Small Business Research Initiative	3,204	(380)	2,824	1,825	(1,947)	(122)
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Grant for Research & Development	20,277	-	20,277	-	-	-
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<b>Total grant expenditure</b>	<b>301,824</b>	<b>(39,187)</b>	<b>262,637</b>	<b>313,499</b>	<b>(36,545)</b>	<b>276,954</b>
Programme Delivery Costs	16,239	-	16,239	15,209	(129)	15,080
Innovation Climate	2,545	-	2,545	1,635	-	1,635
Intervention Management	4,175	-	4,175	1,241	-	1,241
Payroll related costs	13,345	-	13,345	11,996	-	11,996
Other overheads	5,392	-	5,392	2,601	-	2,601
Other operating income	-	(1,357)	(1,357)	-	(1,283)	(1,283)
Net gain on acquisition	-	-	(3,120)	-	-	-
<b>Total Expenditure</b>	<b>343,520</b>	<b>(40,544)</b>	<b>299,855</b>	<b>346,181</b>	<b>(37,957)</b>	<b>308,224</b>

The Technology Strategy Board's reportable segments are aligned to its internal management accounts and its financial investment strategy, which focuses on those areas of the economy where the UK has strength and which will provide the greatest impact.

The knowledge exchange represents investment in networks and knowledge exchange, as well as public engagement activities. In emerging technologies and industries we seek to identify and evaluate new technologies for potential impact across a wide range of industries. Small Business Research Initiatives provides public sector procurement contracts to business for R&D to develop new products and services. EU programmes aim to assist UK business in accessing EU R&D funding, and in collaborating with EU partners. Space represents investment in international collaboration in the space sector. Innovation and research centre is a collaborative initiative supporting research on innovation and knowledge exchange activities. Other segments is any other spend and comprises the costs of managing the investment programmes and the internal costs of the Technology Strategy Board; these costs are not analysed by operating segment.

The co-funding amounts represent financing received from EU and other governmental bodies, with whom the Technology Strategy Board works in partnership.

Total assets are not analysed by segment as assets are not allocated to segments in the management accounts.

## 8. OPERATING INCOME

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
KTP management fee recharge	(1,272)	(1,187)
Ticket sales	(85)	(96)
	<b>(1,357)</b>	<b>(1,283)</b>

The KTP management fee recharge represent our partners' share of the costs associated with the management and delivery of the Knowledge Transfer Partnerships (KTP) programme and income from ticket sales to our annual Innovate event.

The financial objective is to ensure that every sponsor, including the Technology Strategy Board, shares the cost of managing and delivering the KTP programme. In 2011-12, the charge was calculated on the basis of the estimated cost to manage and deliver KTPs, calculated at the beginning of the financial year with reference to the active partnerships at the end of the previous year. The full cost of the estimated management and delivery charge was £5,591,500 (2010-11: £6,922,000). The Technology Strategy Board's share of these costs was £4,319,450 (2010-11: £5,735,000). Taking one year with another, the financial objective of sharing the costs of management and delivery on an equitable basis between the sponsors is achieved.

This information is provided for fees and charges purposes.

The revenue from ticket sales represent an affordable charge levied to attendees at the Technology Strategy Board event, Innovate. Innovate is a working event where UK companies learn about innovation opportunities, and find new collaborations, ideas and opportunities, as well as sources of funding and support, to make innovation happen and drive economic growth. The affordable charge is levied to attendees to ensure commitment without being a deterrent with the added advantage of offsetting some of the event's cost. The 2010-11 figure includes £43,000 pertaining to the Innovate event held in 2009.

## 9. CO FUNDING INCOME

	2011-12	2010-11
	£'000	£'000
<b>Income from Central Government Departments</b>		
Advantage west Midlands	-	1,355
Defence, Science & Technology Laboratory	984	1,000
Department of Energy & Climate Change	6,579	4,000
Department of Agriculture, Food & Rural Affairs	2,285	1,440
Department for Communities & Local Government	168	-
Department for Transport	11,623	12,250
Department Of Health	1,738	2,172
Foreign & Commonwealth Office	-	475
Highways Agency	-	200
Home Office	394	144
Invest NI	631	679
Intellectual Property Office	250	1,874
Ministry of Defence	750	-
Science & Technology Facilities Council	295	286
Other Government Departments	35	278
<b>Total Income from Government Departments</b>	<b>25,732</b>	<b>26,153</b>
<b>Income from Other Bodies</b>		
European Community	1,920	160
Other Research Councils	7,298	5,520
Regional Agencies	2,785	2,908
Regional Development Agencies	1,453	1,800
<b>Total Income from Other Bodies</b>	<b>13,456</b>	<b>10,388</b>
<b>Other Co-funding Income</b>		
Other	-	4
<b>Total Other Co-funding Income</b>	<b>-</b>	<b>4</b>
<b>Total Income</b>	<b>39,188</b>	<b>36,545</b>

## 10. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Computers	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2011	552	9	561
Additions	7	0	7
Disposals	0	0	0
<b>Cost at 31 March 2012</b>	<b>559</b>	<b>9</b>	<b>568</b>

### Depreciation

Depreciation at 1 April 2011	173	2	175
Charge for the year	83	3	86
Disposals	0	0	0
<b>Depreciation at 31 March 2012</b>	<b>256</b>	<b>5</b>	<b>261</b>

### Net Book Value:

<b>At 31 March 2012</b>	<b>303</b>	<b>4</b>	<b>307</b>
At 1 April 2011	379	7	386

	Furniture and Fittings	Computers	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2010	552	0	552
Additions	0	9	9
Disposals	0	0	0
<b>Cost at 31 March 2011</b>	<b>552</b>	<b>9</b>	<b>561</b>

### Depreciation

At 1 April 2010	91	0	91
Charge for the year	82	2	84
Disposals	0	0	0
<b>Depreciation at 31 March 2011</b>	<b>173</b>	<b>2</b>	<b>175</b>

### Net Book Value:

<b>At 31 March 2011</b>	<b>379</b>	<b>7</b>	<b>386</b>
At 1 April 2010	461	-	461

## 11. INTANGIBLE NON-CURRENT ASSETS

	Information Technology £000	Software Purchased £000	Total £000
<b>Cost</b>			
At 1 April 2011	7,779	61	7,840
Additions	-	-	0
<b>Cost at 31 March 2012</b>	<b>7,779</b>	<b>61</b>	<b>7,840</b>
<b>Amortisation</b>			
At 1 April 2011	406	17	423
Charge for the year	1,556	20	1,576
<b>Amortisation at 31 March 2012</b>	<b>1,962</b>	<b>37</b>	<b>1,999</b>
<b>Net Book Value:</b>			
<b>As at 31 March 2012</b>	<b>5,817</b>	<b>24</b>	<b>5,841</b>
As at 1 April 2011	7,373	44	7,417
<b>Information Technology £000</b>			
<b>Software Purchased £000</b>			
<b>Total £000</b>			
<b>Cost</b>			
At 1 April 2010	5,938	0	5,938
Additions	1,841	61	1,902
<b>Cost at 31 March 2011</b>	<b>7,779</b>	<b>61</b>	<b>7,840</b>
<b>Amortisation</b>			
At 1 April 2010	15	0	15
Charge for the year	391	17	408
<b>Amortisation at 31 March 2011</b>	<b>406</b>	<b>17</b>	<b>423</b>
<b>Net Book Value:</b>			
		61	7,840
<b>As at 31 March 2011</b>	<b>7,373</b>	<b>44</b>	<b>7,417</b>
As at 1 April 2010	5,923	0	5,923

Included in the above carrying cost is £5,817,000 for development costs of an internally developed IT platform (\_Connect), comprising a grant management system application and a web portal that facilitates collaboration between Knowledge Transfer Network members, other industry groups and Technology Strategy Board technologists. The Information Technology asset is an intangible asset and it has been capitalised since January 2011. The asset is amortised from this date for a period of five years. The assets were tested in November 2011, and there was no need for impairment. Additional expenditure in 2011-12 of £4.6m was expended on \_Connect, however, this was not deemed to add benefit to TSB, but rather the external users of the system and has therefore, not been capitalised.

## 12. INVESTMENT PROPERTIES

	Investment Properties	Total
	£000	£000
<b>Carrying value as at 1 April 2011</b>	-	-
Additions	-	-
Transfers in (out)	2,934	2,934
Revaluations	-	-
Disposals	-	-
	<hr/>	<hr/>
<b>Carrying value as at 31 March 2012</b>	<b>2,934</b>	<b>2,934</b>
	<hr/>	<hr/>
<b>Net gain (losses) from fair value adjustments</b>	-	-

Investment properties are measured using the fair value model. The investment property represents a transfer in from One North East (ONE) at no consideration. The carrying valuation was carried out by GVA and signed by the company's director, Mike Cuthbertson, it was based on the rental income for the current tenants, up to the exit clause contained within their current contract.

For the period ending 31 March 2012, there was no gain or loss on the investment properties, no rental income due as the property was acquired on 30 March 2012 and there were no direct operating expenses or contractual obligations to purchase, construct or develop, or for repairs, maintenance or enhancements.

## 13. TRADE AND OTHER RECEIVABLES

	31 March 2012	Restated 31 March 2011	Restated 31 March 2010
	£000	£000	£000
<b>Amounts falling due within one year</b>			
Trade receivables	12,892	5,832	2,905
Other receivables	194	41	26
VAT recoverable	-	-	7
Prepayments and accrued income	309	251	1,967
<b>Total Trade receivables</b>	<hr/> <b>13,395</b>	<hr/> <b>6,124</b>	<hr/> <b>4,905</b>

### Analysis of receivables balance:

Bodies external to government	550	672	1,464
Other Central Government Bodies	12,845	5,452	3,441
Local Authorities	-	-	-
<b>Total</b>	<hr/> <b>13,395</b>	<hr/> <b>6,124</b>	<hr/> <b>4,905</b>

#### 14. CASH AND CASH EQUIVALENTS

The net funds at 31 March 2012, £27,405 comprise cash held within the Government Banking Service (31 March 2011: £32,792,000).

#### 15. TRADE AND OTHER PAYABLES

##### (a) Analysis by type

	31 March 2012	Restated 31 March 2011
	£000	£000
Trade payables	55,735	18,906
Other payables	1,124	107
Other taxation and social security	889	184
Grant accruals	72,242	155,463
Other accruals	6,971	6,461
<b>Total</b>	<u>136,961</u>	<u>181,121</u>

##### (b) Analysis by source

##### Amounts falling due within one year

Other Central Government Bodies	2,920	3,791
Local Authorities	-	614
NHS bodies	6	144
Public corporations and trading funds	-	101
Bodies external to government	134,035	176,471
<b>Total</b>	<u>136,961</u>	<u>181,121</u>

The trade payable amounts due has increased due to having better information available, through the use of the new grant expense system which allows Technology Strategy Board to distinguish between accruals and creditors more effectively.

#### 16. CONTINGENT LIABILITIES

The Technology Strategy Board has no material contingent liabilities.

#### 17. COMMITMENTS

##### a. Capital expenditure

	2011-12 £000	2010-11 £000
Authorised but not contracted for	0	0
Contracted but not provided for	0	0

**b. Operating lease commitments**

	Land and Buildings		Other	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	176	169	289	289
Later than one year and not later than five years	769	743	-	-
Later than five years	51	253	-	-
<b>Total</b>	<b>996</b>	<b>1,165</b>	<b>289</b>	<b>289</b>

In connection with the move to new offices, the Technology Strategy Board entered into a lease. After an initial 18-month rent-free period, rental payments commenced in May 2010. The Technology Strategy Board may terminate the lease on 8 June 2017 or 18 June 2022 by giving the landlord at least 12 months' prior written notice.

**18. RELATED PARTY TRANSACTIONS**

- a. The Technology Strategy Board is an NDPB, sponsored by BIS during the period covered by this *Annual Report and Accounts*. BIS is regarded as a related party.

During the year, the Technology Strategy Board had a number of transactions with BIS and with other entities for which BIS was regarded as the parent Department, such as: the Arts & Humanities Research Council; BBSRC; the Engineering and Physical Sciences Research Council; the Economic and Social Research Council; the Natural Environment Research Council; Medical Research Council; and the Science and Technology Facilities Council. Also, the Technology Strategy Board had material transactions with other government departments and with other central government bodies, such as: Intellectual Property Office, Foreign and Commonwealth Office, Defra; the Department of Health; the Department for Transport, Department of Energy and Climate Change and the Ministry of Defence.

In addition, the Technology Strategy Board had material transactions with devolved administrations, such as: the Scottish Government and the Welsh Assembly Government; and with the regional development agencies, such as: Advantage West Midlands, East Midlands Development Agency, Invest Northern Ireland, ONE North East, South East England Development Agency, South West Regional Development Agency and Yorkshire Forward.

- b. These Accounts provide disclosure of all material financial transactions with those who have been defined as 'Directors'. In the Technology Strategy Board context this has been taken to include members of the Executive Board and all Governing Board members.

During the year, the Technology Strategy Board did not enter into any transactions with any such Directors. However, it did enter into a number of material transactions with bodies connected with Directors, who had no direct interest in the grant concerned. The information includes transactions with any related party of these Directors. The disclosed transactions are receipted co-funding income, grant and administrative expenditure, and year end receivables and payables balances where such analysis is available. None of the Directors were involved in the recommendation of grants awarded to the body to which they are connected.

Directors	Organisation	Transaction Amount £		
		Income & Financing	Expenditure	Payables Balance
Dr David Bott	Oxford Advanced Surfaces Group plc		35,316	
	Royal Society of Arts		2,084	
	Institute of Materials, Mining & Minerals		1,485,300	
	University of Sheffield		2,743,872	20,000
Dr John Brown	CXR Biosciences		67,948	
	Roslin Cells Ltd		95,771	
Mike Carr (Started Aug 2011)	Ordnance Survey		23,081	
Dr Steward Davies	Balfour Beatty Technical Services		18,276	
Anne Glover CBE	The Royal Society		31,103	248
Dr David Grant CBE	Cardiff University		1,614,059	
	IET Services		8,219	
Iain G Gray	University of the West of England		827,041	
	Energy Technologies Institute		11,893,400	
	Royal Society of Arts		2,084	
Andrew Milligan	Heriot-Watt University		574,350	
Sara Murray	Cabinet Office		185	
	Royal Society of Arts		2,084	
Colin Paynter (Started Aug 2011)	Astrium Ltd		107,722	
	Surrey Satellite Technology Ltd		2,169,996	
Dr Allyson Reed	University of Reading		1,414,438	
	3C Research		33,127	
	Cambridge University		2,296,047	22,007
	Oxford University		2,882,522	
Ian Shott CBE (Started Aug 2011)	University of Newcastle		358,657	
Phil Smith (Started Dec 2011)	Cisco Systems Ltd		115,165	57,582
	Council for Industry and Higher Education		51,506	
Professor, Sir Christopher Snowden	University of Surrey		477,789	
	EPSRC	(2,123,329)	2,737,208	
	Diamond Microwave Devices Ltd		277,453	5,000
	Filtronic Broadband Ltd		17,628	
	The Royal Society		31,103	248
	IET Services		8,219	
Dr Robert Sorrell	BP		94,999	
Dr Graham Spittle (Left Nov 2011)	Royal Society of Arts		2,084	
	Oxford University		2,882,522	
	Southampton University		2,863,423	20,010
	Edinburgh University		275,692	
	University of Bristol		1,267,577	
	Roslyne Ltd		1,487	

- c. The Technology Strategy Board operated internal procedures designed to remove any staff or Board member from any decision-making process under which they or any of their close family may have benefited.

## 19. FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of its activities and the way in which it is financed, the Technology Strategy Board is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS32, IAS39 and IFRS7 mainly apply. The Technology Strategy Board has very limited powers to borrow or invest funds, and its financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Technology Strategy Board in undertaking its activities.

### Liquidity and credit risks

The Technology Strategy Board's net revenue resource requirements are financed by resources voted annually by Parliament. In order to meet liabilities falling due in future years, the Technology Strategy Board is dependent on continuing funding from its sponsoring department, BIS, and other government bodies, who have committed to co-fund specific projects and/or programmes.

### Interest rate risk

None of the Technology Strategy Board's financial assets or liabilities is subject to interest; therefore the Technology Strategy Board is not exposed to interest rate risk.

### Foreign currency risk

The Technology Strategy Board has not been exposed to foreign currency risk during the reporting period.

## 20. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue, this is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the balance sheet date and this date.

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