

**Technology Strategy Board**  
Driving Innovation

**Annual Report and Accounts  
2012-13**

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# **Technology Strategy Board**

## Annual Report and Accounts 2012-2013

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This *Annual report and accounts* covers the financial year 2012-13, ending 31 March 2013.

### **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.

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

It is my pleasure to introduce the Technology Strategy Board's Annual Report and Accounts for 2012-13.

The Technology Strategy Board is now well established as the UK's innovation agency. Our role is to work with UK business to drive and support innovation which can accelerate economic growth. This has been another important year for the organisation. I continue to be impressed by the level of ingenuity, ambition and calibre of businesses - large and small - each crafting its own inspiring story.

We have seen one major programme, the Catapults, move from concept to reality. This is a thriving network of seven centres putting in place plans and resources to help businesses to connect, innovate and grow. I am delighted to report that the most established of these, the high value manufacturing Catapult, has exceeded its targets with early project wins for business and additional funding identified for two of the facilities.

We have continued to develop our tools for supporting smaller businesses in commercialising their innovative ideas. We have introduced a new Innovation Vouchers scheme, increased support for Smart grants, developed coaching for growth with partners in GrowthAccelerator and taken SMEs on overseas missions to meet partners, investors and customers.

An important part of our role is to consider how, through innovation, the UK can find new opportunities and compete in future markets. This year we published strategies in manufacturing, energy generation and supply, and enabling technologies. Next year we will publish strategies in other priority areas.

As the UK's innovation agency, we still face some key challenges around our somewhat limited public profile. We still need to have a much bolder, clearer, connected and more consistent story. I am committed to ensuring that our stakeholders in the business world and in Government departments can easily understand the true potential and powerful role of the Technology Strategy Board.

I have moved the Governing Board to have closer and more regular oversight of the financial management of our programmes and taken a more structured approach to risk management, to ensure that we understand factors that could affect our ability to deliver on our objectives.

Our work requires specialist people who can deliver complex programmes with ambitious goals. To do this, we recognise the need to attract, retain and develop brilliant colleagues. We have instituted a regular talent review to ensure that we secure and retain the right capabilities as we mature.

Our focus on creating the perfect blend of the right strategies, connections and people will enable the Technology Strategy Board to become the organisation that carves out the future of innovation for the UK.

**Phil Smith**  
**Chairman**

## FOREWORD FROM OUR CHIEF EXECUTIVE

During 2012-13 we marked our fifth birthday, and from my perspective it has been another exciting year as we continue to pursue our goal of accelerating UK economic growth through innovation.

One of the highest-profile areas of our work has been establishing the new Catapult centres, a network designed to transform the UK's innovation capability. After announcing the seven areas of focus and setting up the high value manufacturing Catapult in 2011, we have been working quickly, with stakeholders and partners in business and research, to establish the remaining centres. I have been struck by the enthusiasm and engagement of industry in the Catapults, and delighted that we have secured people of the highest calibre to lead them. By the end of 2013 all seven will be open for business.

It has been a year in which our work with smaller businesses gained an even greater emphasis, with the continuing growth of the SBRI programme, the re-launch of the Smart scheme in the spring, and the addition of innovation vouchers to our portfolio in the autumn. We also announced three new Launchpad competitions designed to support innovative projects by companies in technology 'clusters' - such as around Glasgow for digital creative industries, and Daresbury for materials and manufacturing.

We were also pleased to be able to simplify our funding allocation rules to make it more attractive for smaller companies to work with research base partners on collaborative projects.

The business review section of this report outlines progress with our many other investments and programmes, from the well-established Knowledge Transfer Partnerships, to the continued growth of our \_connect open innovation network, and our part in a new £2.9m Enterprise Research Centre at the Universities of Warwick and Aston.

As the projects we have co-funded mature, we can increasingly sense the growing impact of our work. After surveying industry about the work of our low carbon vehicles innovation platform, we reported in 2012 that these projects were estimated to have potential to increase UK 'Gross Value Added' by £8.2bn over the next 10-15 years and safeguard more than 500,000 UK jobs.

To deliver our work requires a high-performing, dedicated team, and this year we have further increased our resource, capability and effectiveness. One area of challenge is in forecasting accurately the cost profiles of the programmes we fund, and further work will be done on this in the coming year.

The year closed on a high point in March with Innovate UK 2013, our innovation showcase and forum, held this year jointly with UKTI and the biggest yet. The event saw around 4,000 people converge in London for two days of ideas, networking, inspiration and business, helping to sow the seeds for the innovative commercial products and services of the coming months and years.



**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 is the UK's innovation agency. Its goal is to accelerate economic growth by stimulating and supporting business-led innovation - bringing together business, research and the public sector, supporting and accelerating the development of innovative products and services to meet market needs, tackle major societal challenges and help build the future economy.

## Delivering innovation

The businesses whose projects we support range from pre-start-up and early-stage micro companies to larger corporates and multi-nationals. Since business is both the source of innovation and the means of its delivery, our role is to help companies take their ideas on the difficult journey to market by providing them with a powerful array of programmes and tools.

Funding for research, development and demonstration projects extends from proof-of-concept grants and feasibility studies through to large multi-partner collaborative research and development projects. Other resources include the new network of Catapult centres, which are a major boost to the UK's ability to transform ideas into new products and services in specific fields.

We also offer knowledge-sharing opportunities for academia and business, facilitate networking to boost open innovation, and provide the route for UK businesses to access European support for innovation and technology.

## Our strategy

In 2011 we launched a 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 more than £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 2012-13, the second year covered by the strategy, we continued to make excellent progress in achieving our ambitious goals. We always try to be responsive to changes in technology, policy or economic circumstances and to take advantage of new opportunities as they arise, so we may change our plans and develop new ones if appropriate.

In July 2012 we published our Delivery Plan for the 2012-13 financial year, setting out how we intended to achieve our strategic aims, the reasons behind these decisions and how funding would be invested.

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

The road from initial idea to market-ready products and services is rarely straightforward. Our role is to offer the best possible support at appropriate points in that journey, building understanding of the innovation process and the support needed by different types of business, sectors and stages of development.

### **Catapult centres**

A Catapult is a technology and innovation centre where the very best of the UK's businesses, scientists and engineers can work side by side on research and development - transforming ideas into new products and services to generate economic growth.

Catapults add an important new dimension to complement our existing research and development programmes, helping businesses to adopt, develop and exploit innovative products and technologies. They offer concentrated expertise in areas such as manufacturing processes, test facilities, type approval and accreditation or supply chain development. Many provide access to cutting-edge equipment and specialist facilities to develop and test ideas in reality. And all use the power of people and organisations working closely together to unlock opportunity, reduce innovation risk and speed new products and services towards commercial reality.

The Catapults programme represents over £1bn of private and public sector investment over the next few years and will transform the UK's innovation capability for the long term.

We are establishing seven Catapults, each focusing on an area which we have already identified as strategically important in global terms and where there is genuine potential for the UK to gain competitive advantage.

The high value manufacturing Catapult, which incorporates seven existing centres, has enjoyed a huge response from industry since it opened nearly 18 months ago. More than 100 industrial partners have begun to use its new facilities to accelerate their innovation projects and the Catapult has had over 1,000 engagements with small and medium sized companies.

The cell therapy Catapult is also open for business, located within Guy's Hospital in London. The satellite applications Catapult is based at the Harwell Science Campus in Oxfordshire and from April 2013 also incorporates the International Space Innovation Centre. The offshore renewable energy Catapult is established in Glasgow while the other three centres - connected digital economy, future cities and transport systems – are in start-up phase.

### **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 seeking to deliver stronger growth. We are dedicated to supporting innovation by SMEs, with around 50% - 60% of the companies we work with falling into this category.

This year, we were able to improve the appeal of our collaborative research and development competitions to SMEs. Smaller companies had sometimes been reluctant to involve the research

base in projects because funding allocation rules meant this could reduce the support they received for their part of the project. We changed the allocation rules so that businesses can now bring research organisations into projects without impacting on the amount of funding they receive themselves.

**Innovation Vouchers.** In September we launched a new Innovation Voucher Scheme enabling SMEs to access up to £5k worth of advice and expertise from universities, research organisations or other private sector knowledge suppliers. Initially available to businesses in the agri-food and built environment industries, the scheme enables companies to gain new knowledge to help their businesses innovate, develop and grow. In addition, a number of vouchers valued up to £8k for businesses working in the space sector were also made available. In December we opened the second round of the scheme, covering the space, energy, water and waste and open data sectors.

To date, we have awarded 405 vouchers with a total value of £2.12m.

**Smart.** Our Smart scheme (previously called Grant for Research and Development) offers funding to SMEs to engage in the strategically important areas of science, engineering and technology, from which successful new products, processes and services could emerge. In order to enhance the success rate for companies applying to the scheme, we doubled the budget for Smart to £40m for the 2012-13 financial year. Among a number of improvements to the assessor process, we have trained more than 180 assessors to provide clear feedback so that businesses, even if unsuccessful in their application for funding, can emerge from the process with a mini business plan. In addition, projects which have been given the go-ahead can now begin within 20 working days of receiving the decision. We issued 368 grants during the year.

**Missions.** Missions, which we run with UK Trade & Investment and other partners, are a proven way to help early-stage businesses accelerate their growth potential overseas. In the autumn, we supported the Future Health Mission in Boston, an entrepreneur-led trade mission for 20 of the UK's most promising early stage and high growth-potential healthcare technology businesses. In February, the UK's best digital, wireless and mobile software technology companies took part in Web Mission 2013 in India, with the aim of making a bigger impact in the growing Indian market.

Following the Web Mission, in March we agreed to undertake a joint programme with the Indian government to support innovative UK and Indian companies working together on the commercialisation of research in a range of key areas including energy and healthcare. We have committed up to £5m to the programme, which is the first international partnership we have signed outside of the EU.

**Enterprise Research Centre.** To be able to support ambitious companies more effectively and to influence government policy towards SMEs, we need to gain a better understanding of the factors affecting business growth. In January, in collaboration with BIS, the British Bankers Association and the Economic and Social Research Council (ESRC) we launched a new £2.9m Enterprise Research Centre, based at the universities of Warwick and Aston. The centre will aim to establish those factors affecting business investment, performance and growth. We will provide annual funding of £70k to the centre for three years.

**Knowledge Transfer Partnerships (KTP).** We announced three targeted KTP competitions during 2012-13, with total investment of up to £2.7m. They are in the areas of offshore renewable energy, power electronics and retail and are intended to stimulate and support innovation in the supply chain by embedding innovation and transferring knowledge from academia to industry.

The projects involve partnerships between businesses and universities, driven by bright young graduates.

Funding is being made available for these thematic KTPs by the Technology Strategy Board and partners such as the Natural Environment Research Council (NERC), ESRC, the Welsh Government and the Engineering and Physical Sciences Research Council (EPSRC).

## **Investment in SME clusters**

Launchpads provide funding for business innovation that supports the development and strengthening of clusters of high-tech companies in specific theme areas and geographical locations.

Following the success of our £1.25m investment to support innovation in companies around London's media and technology hub, Tech City, we announced in November a further £6m investment in three new Launchpad competitions focusing on high-tech sectors where Britain already has the competitive advantage and a world class research base.

Up to £2m is being invested in materials and manufacturing innovation among a cluster of companies around Daresbury and Runcorn Heath in Cheshire, while the £1m space and satellite technology Launchpad is building on a growing space community at Harwell in Oxfordshire. In January, in partnership with Creative Clyde, we also created the first of a series of Launchpads in digital and creative clusters across the UK, by announcing a £900k investment in the Digital & Creative Clyde Launchpad in Glasgow.

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

The effective exchange of knowledge helps to drive innovation in a number of ways, so establishing, encouraging and nurturing networking becomes an important part of our work.

Our online virtual networking platform, \_connect, provides a powerful innovation and collaboration opportunity. Home to 15 Knowledge Transfer Networks, which allow us to work directly with disparate communities of businesses and researchers to develop new programmes, \_connect also hosts a wide range of special interest and networking groups. We continued to grow \_connect during the year and, by year end, it had more than 66,000 active users and had received 1.3m unique visitors.

## **Connecting the innovation landscape**

We recognise that the disconnected nature of the innovation landscape poses difficulties for businesses trying to find support. Therefore, we are broadening our role nationally and internationally to build and strengthen relationships with other organisations and means of support in the UK, thereby creating a more effective innovation environment for business.

Improving connections to other forms of support such as finance, coaching and mentoring, is an important part of helping SMEs along the path to commercialisation. To help businesses succeed, we made better connections with the financial investment community, increased investor engagement at our events, developed a searchable database of funded companies and linked to other schemes providing support.

One example where we work closely with other organisations is GrowthAccelerator, which aims to provide small businesses across England with the know-how and ability to achieve rapid and sustainable growth. Many of the businesses we engage with are exactly those that GrowthAccelerator is aiming to attract. We therefore cross-refer potential clients and ensure a good fit between our respective offerings and activities.

We also work in partnership with the research councils to provide support at each stage of the innovation process, which leads not only to better research-business relationships but also a higher class of research and greater economic growth. Our work in this area was recognised by the Research Councils UK 2012 Impact report, which highlighted our business connections as being crucial to successful innovation and improved research.

## **EU and International**

EU and international activities are playing an increasingly important part in our work. Over the last five years we have steadily built up a range of EU activities including the support we provide to business to seek EU funding; supporting projects in our priority areas; and helping UK SMEs to collaborate with other SMEs across Europe through the Eurostars programme.

This year we reviewed the support available to help companies access EU R&D and innovation funding and worked directly with the European Commission and through BIS to influence the structure and delivery of Horizon 2020, the EU framework programme for research and innovation.

In total, we invested over £8m in European programmes, with support for more than 60 companies covering over 40 projects. Of these companies, over 50 were SMEs. For EUREKA Eurostars, an EU-wide programme specifically designed for SMEs undertaking R&D, the UK budget in 2012-13 was £3.9m, a 30% increase from the previous year.

## **Innovate UK**

Innovate UK 2013, which took place in March in London, brought together around 4,000 people from UK and international businesses, government and academia. Bringing together two established events – our Innovate and UK Trade & Investment's TechWorld – Innovate UK 2013 aimed to accelerate UK economic growth by stimulating business-led innovation and opening up international trade opportunities. During the three-day event, businesses were able to share knowledge, discover opportunities, obtain information, showcase innovation and find collaborative partners.

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

### **Procurement**

We work with government to identify areas where policy, procurement, standards and the use of regulation can stimulate business innovation and develop our innovation platforms.

The Small Business Research Initiative (SBRI) programme provides businesses with public sector procurement contracts to research and develop new products and services to address public sector challenges. SBRI enables the public sector to engage with industry during the early stages of development, supporting projects through the stages of feasibility and prototyping. During the year the scheme passed the 100<sup>th</sup> competition milestone.

As an example, during 2012-13 we ran two SBRI competitions on behalf of The Department of Health to help develop innovative solutions to improve the experiences for people with mental health illnesses and for people at the end of their lives. The total amount of funding available was £5m. We ran 12 SBRI competitions during the year.

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

We aim to act as an effective delivery partner to other public sector organisations, helping them to maximise the impact of their support for innovation.

We use our core expertise to deliver programmes jointly with, and on behalf of, a range of government organisations such as the Department of Transport's Office for Low Emission Vehicles (OLEV). We also have in place a service level agreement with the UK Space Agency (UKSA) as its delivery partner for telecoms, navigation and integrated projects funded through the European Space Agency, running activities such as the *Space for growth* collaborative research and development competition.

## Innovation platforms

Our Innovation Platforms bring together industry, academia and government to focus on a specific challenge such as vehicle emissions or disease diagnosis. An Innovation Platform is a long-term commitment to a programme of support using many of our different tools and mechanisms as appropriate.

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 and stratified medicine.

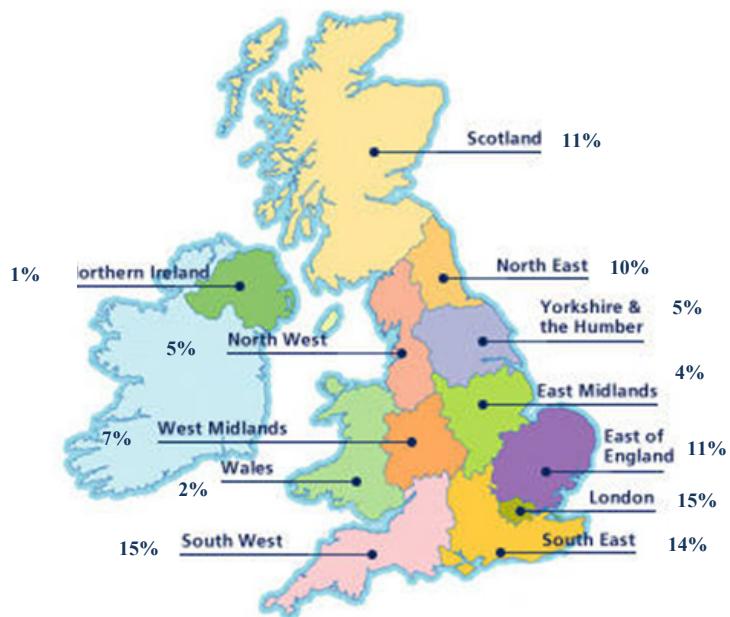
During the year we continued to drive forward programmes under our innovation platforms.

## 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 competences and enabling technologies.

Working in consultation with business, academia, government and our networks, during the year we published revised strategies in high value manufacturing, energy and the enabling technologies.

**As at 31 March 2013, the geographical split of grants committed in the 2012-13 financial year was as follows:**



\*Scotland includes Future Cities Demonstrator award of £24m.

## Demonstrator projects

Large-scale demonstrators enable the testing of new products and services in the real world. They can help to overcome barriers, bringing partners together to test and validate what can be achieved, moving new products closer to industrial-scale application.

In June, cities across the UK were invited to show how they could integrate their transport, energy, health, communications and other city infrastructure to improve the local economy and quality of life of their citizens. In January 2013, after feasibility studies by 30 cities and urban communities, we announced Glasgow as the winning city, to receive £24m to implement their proposal. The results of the Glasgow future city demonstrator will be made available to interested parties, enabling the development of integrated urban solutions that can be sold to cities across the world.

We also took an important step forward with *dallas*. Launched in May 2012, *dallas* (delivering assisted living lifestyles at scale) is a £37m demonstrator programme that aims to transform the lives of up to 200,000 older people by 2015. Four groups of partners – working through nationwide networks, but also in Liverpool and across Scotland – are exploring ways of using innovative products, systems and services to promote well-being in their communities and provide high-quality health and care. *dallas* has been developed by the Technology Strategy Board and is jointly funded by the National Institute for Health Research and the Scottish Government.

## Collaborative R&D

Collaborative research and development (R&D) encourages businesses and researchers to work together on innovative projects, from which successful new products, processes and services can emerge, contributing to both business and economic growth.

During 2012-13 we ran 26 competitions for collaborative R&D funding, mostly focusing on specific thematic areas.

This included supporting over 40 major business-led collaborative R&D projects in a broad range of growth-creating technology areas including advanced materials, biosciences, electronics, photonics and electrical systems, information and communications technology and nanoscale technologies. Over 120 UK businesses and institutions and 20 universities shared the funding and will take part in the R&D process.

## Feasibility studies

Our funding for feasibility studies enables businesses to test an innovative idea on its ability to be developed and eventually taken to market.

Among the larger investments in feasibility studies was our annual Technology Inspired competition, announced in February 2013, which committed £2m to stimulate innovation across the four enabling technology areas – advanced materials; biosciences; electronics, sensors and photonics; and information and communication technology (ICT). This helps to ensure that small and micro businesses in the UK are well equipped to respond to market opportunities across a range of economic sectors.

Those successful in gaining funding for Technology Inspired projects take part in Collaboration Nation events which enable companies to showcase the results of their projects to their peers and others, with a view to finding new collaboration partners as well as new sources of funding. We also ran Collaboration Nation events for other feasibility study competitions.

There were 25 feasibility competitions encouraging innovation to tackle societal issues and other challenges, with support from co-funders in government and the research community.

## Sustainability

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

Sustainability innovation is driven through a cluster of Technology Strategy Board programmes – low impact buildings, sustainable agriculture and food, resource efficiency and 'future cities'. Other sustainability-related programmes, such as low carbon vehicles and offshore renewables, are managed in separate strategy areas. We try to incorporate sustainability principles into everything we do.

As part of our commitment to the effective use of resources, we provided investment for projects looking at safeguarding the future of water supplies. A number of SMEs were given grants for feasibility studies and seven major collaborative R&D projects were awarded over £2.5m to deliver innovation in this area.

In order to enable businesses to bring sustainability into their everyday activities, in March, together with Forum for the Future, we launched 'Horizons', a new free digital tool designed to help businesses identify sustainability issues, risks and opportunities and integrate them into strategy, commercial decisions and innovation.

## Challenge-led areas

We have identified five potential markets where innovation is led by societal challenge; energy, healthcare, built environment, food and transport. It is always difficult to predict the future of markets and what products and services will be required, but since these are driven by societal need, they are almost certain to grow and will require innovative solutions.

## Energy

Developing an energy supply that is secure, affordable and sustainable presents great challenges. However, it also creates huge opportunities for UK business and economic growth. Our strategy, which we revised during the year, focuses on three overarching objectives where we believe UK business can really make a difference and generate wealth:

- developing affordable and secure sources of energy supply which also reduce greenhouse gas emissions
- integrating future demand and energy supply into a flexible, secure and resilient energy system
- reducing greenhouse gas emissions at point of use

To achieve these goals, we have committed up to £35m annually to our energy programme over the next three years.

In conjunction with the Nuclear Decommissioning Authority (NDA), Engineering and Physical Sciences Research Council (EPSRC) and the Department of Energy and Climate Change (DECC), in July we launched a competition focused on the development of a sustainable civil nuclear supply chain. The competition was aimed at technologies for use in the assessment, construction, commissioning, operation, maintenance, waste management and decommissioning of nuclear plant in a safe, economic and sustainable manner. A further £1m was made available for KTPs to solve specific challenges surrounding nuclear new build, decommissioning and waste.

We also ran a competition to stimulate innovation in the UK offshore wind and marine energy supply chains. Covering feasibility studies, development and demonstration projects and KTPs, investment from the Technology Strategy Board, DECC and the Natural Environment Research Council (NERC) totals up to £11.2m. The competition supported projects exploring technologies that minimise costs to the UK consumer and ensure the UK economy gains more benefit from increased supply to future projects.

In partnership with Scottish Enterprise and Highlands and Islands Enterprise, in August we took a critical step in developing the wave and tidal energy industry when we announced investment of more than £6.5m for seven major projects to show that marine energy can be generated at scale and with lower energy production costs.

During the year we also ran competitions focusing on power distribution and demand management, hydrogen and fuel cell technologies, oil and gas, biomass and biogas and energy sector supply chains.

## Built environment

In the UK, buildings are responsible for some of the largest environmental impacts. Legislation to reduce carbon emissions by 80% by 2050 (compared to a 1990 baseline) will require a revolution in the design, construction, operation and refurbishment of all buildings. This provides great opportunities for the UK construction industry, both at home and in the global market.

During the year our four-year Building Performance Evaluation programme added a further 23 building developments to those already undergoing environmental impact assessments. The programme provides full funding for the evaluation of the energy and sustainability performance of both domestic and non-domestic new buildings and developments. In total, the programme is providing full funding of £8m for over 100 building performance evaluation studies.

In April, we launched a competition to provide funding for collaborative R&D projects with the aim of delivering low-impact buildings more cost-effectively, in volume, at speed and with very low levels of defects. Following the conclusion of the competition, we awarded grants totalling £3.78m to eight major R&D projects which will enable construction companies, developers and architects to explore and test the viability of new integrated ways of working that will improve build consistency, cost-effectiveness, speed and sustainability.

In order to stimulate significant cuts in CO<sub>2</sub> emissions from existing homes, in March 2013 we launched a competition with the aim of allowing consortia to radically improve their retrofit products in order to bring about greater take-up in the market. We intend to invest up to £4.5m in collaborative R&D projects.

## Food

As the global population increases, food security is becoming a serious concern, resulting in the need to deliver greater quantities of more nutritious food from the available land without long-term environmental damage. Our programme seeks to increase the productivity of crops and animals and, at the same time, decrease the environmental impact of the industry.

In December, following a competition run in partnership with the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government, the Biotechnology and Biological Sciences Research Council (BBSRC) and the EPSRC, more than £11m was awarded to projects in the area of food processing and manufacturing development. The aims of some of the projects include:

- increased efficiency and reduction of waste in beef supply
- increased bread manufacturing efficiency and sustainability
- introduction of more energy efficient air distribution systems for cooling food factories

We continued to contribute to the Global Food Security programme, a multi-partner programme that brings together the food security-related research interests of research councils, government departments and executive agencies to meet the challenge of supplying enough safe, nutritious and affordable food in a sustainable way for a growing global population.

## Transport

The UK has a strong transport industry, especially in the aerospace, road, rail and marine sectors as well as newer capabilities in intelligent transport systems. Our specific objectives are to help UK industry profit from developments that improve transport effectiveness and efficiency and that support manufacturers in developing and delivering new vehicle technologies.

A major area of focus for us is cutting carbon emissions from road transport and accelerating the commercialisation of low carbon vehicles. In July 2012, we took a major step towards achieving these goals, when 17 major R&D and validation projects were awarded a total of £27m from the Technology Strategy Board and the Office for Low Emission Vehicles (OLEV). The aim of the projects is to strengthen UK capability by encouraging a reduction of costs in the supply base and a faster adoption of new technologies on UK roads. We are managing the competition through our Low Carbon Vehicles Innovation Platform.

In order to encourage road haulage operators in the UK buy and use low carbon commercial vehicles, in August we announced that 13 demonstrator trials would receive government funding of over £11m. The trials will reduce CO<sub>2</sub> emissions from freight and will include funding for publicly accessible gas refuelling stations which will encourage investment in low carbon trucks as well as other vehicles. We are managing the programme in partnership with the Department for Transport and OLEV.

In July we committed to invest up to £20m in collaborative R&D that builds business-winning capability and intellectual leadership in support of the aims of the UK centre for aerodynamics. The competition will enhance capability to support innovation in aerospace technology, encourage commercialisation of new ideas and help to spin-off technologies with wider application in other areas.

Together with the Defence, Science and Technology Laboratory (DSTL) and Scottish Enterprise, we are investing up to £8m in collaborative R&D and fast-track projects to deliver viable solutions for more efficient marine vessels. The competition aims to develop solutions covering many aspects of efficiency in existing and future ships, boats, submarines and their associated equipment and systems.

Following the outcome of the 'Accelerating Innovation in Rail' competition, a total of £5m was awarded to 19 major business-led R&D projects with the aim of accelerating business innovation and growth in the UK's rail industry. The competition was run in conjunction with BIS and the Rail Safety and Standards Board (RSSB), the rail industry body for research and development, who provided 50% of the funding.

## Health

Healthcare providers in the UK are under greater pressure than ever before to 'do more with less' while facing greater challenges from a population enjoying growing life expectancy.

We are therefore an increasingly important partner for the NHS because innovation can improve disease prevention and health management, aid earlier and better diagnosis, and provide therapies more closely tailored to patients' needs.

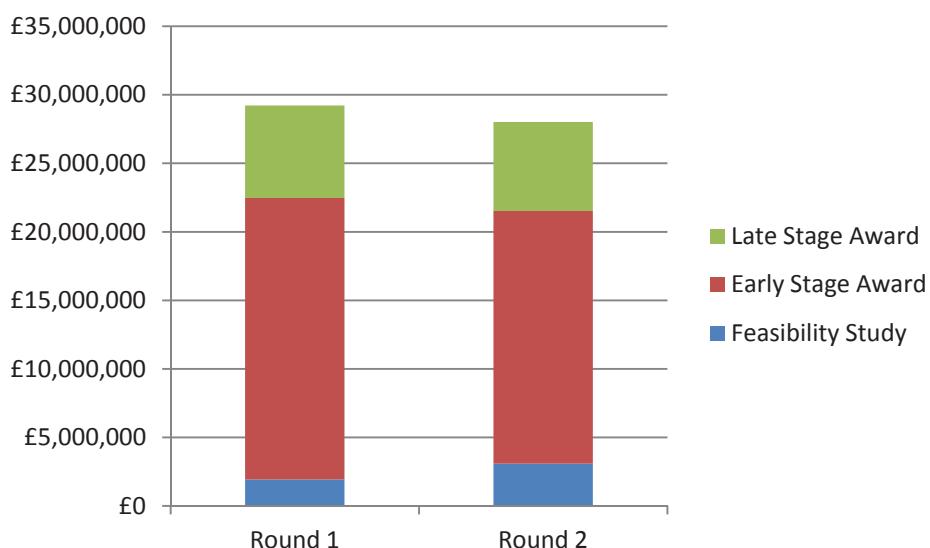
The UK also has a pharmaceuticals and biosciences sector with a global reputation and well-placed to meet these and other healthcare challenges.

Our healthcare programmes concentrate on:

- independent living
- detection and identification of infectious diseases (DIIA)
- stratified medicine
- regenerative medicine

In April 2012 we launched the £180m Biomedical Catalyst, a programme jointly funded by the Medical Research Council (MRC). Part of the UK's *Strategy for Life Sciences*, the Catalyst supports projects that demonstrate the potential to provide significant positive healthcare and economic impact. During the year awards totalling £96m were made to a wide range of projects. These included a digital healthcare system to provide early diagnosis of dementia, a universal flu vaccine, a novel drug for treating multiple sclerosis and targeted therapy for the treatment of prostate cancer.

**As at 31 March 2013 breakdown of committed spend for the Biomedical Catalyst was as follows:**



In partnership with the Department of Health, Ministry of Defence, Home Office, EPSRC and MRC, £8m was awarded to 12 projects aiming to improve the future diagnosis, detection and management of sepsis. The projects form part of our DIIA Innovation Platform.

Together with four of the Research Councils, we published a £75m *Strategy for Regenerative Medicine*. The strategy included a £25m investment into a new cross-Council UK Regenerative Medicine Platform, which will work in close partnership with the cell therapy Catapult to address the technical and scientific challenges associated with translating promising scientific discoveries in this area towards clinical impact. The strategy was developed jointly with the MRC, EPSRC, BBSRC, and the Economic and Social Research Council (ESRC).

## **Competences**

Underpinning the challenge-led areas and markets and linking them to the technologies we support are the competences.

### **High value manufacturing**

Our high value manufacturing programme aims to grow the contribution of manufacturing to UK GDP by investing in innovation that will maintain or improve its competitiveness and help to drive commercialisation of new technologies.

In October we launched the *Inspiring new design freedoms in additive manufacturing* competition, which made up to £7m of funding available for collaborative R&D projects in the 3D printing sector. The competition was run in partnership with the EPSRC, the Arts and Humanities Research Council (AHRC) and ESRC.

In August we announced investment of up to £2.75m to encourage the development and commercialisation of innovative processes that will generate high-value chemical products through industrial biotechnology and renewable feedstocks. The competition was open to Norwegian companies as Innovation Norway provided funding to Norwegian businesses that joined UK-led projects.

During the year, in conjunction with the EPSRC, we invested over £6.5m in a number of R&D projects that could help to stimulate the UK's manufacturing sector, by creating high value through novel processes, advanced product manufacture and/or resource efficiency improvements, as well as the potential to revolutionise sustainable manufacturing for the process industry.

### **Digital services**

We aim to help businesses work together in new ways to create value from digital information, content and services. In order to stay ahead of the changes sweeping across the digital economy, rapid and continuous innovation is needed.

In May, we published plans to establish an Open Data Institute (ODI) and it opened for business in December, supporting businesses that want to use data in imaginative ways for everyone's benefit. The first of its kind in the world, the ODI will become the 'go to' venue for those seeking to create new products, entrepreneurial opportunities and economic growth from open data. Within a month of opening, one company working in the ODI's head office in London had already used open data to identify millions of pounds of potential savings that could be realised by changing prescribing practices in the NHS. We are investing £10m over five years to support the ODI.

In 2012 we ran a £1.8m competition for feasibility studies to address the converging nature of the digital landscape. Delivered in three parts, the funding was made available for projects focusing on convergence in hyper-local media models, content origination tools and analytical feedback and metric tools. During the year we also committed up to £4 million to stimulate the development of an open application and services ecosystem in the Internet of Things.

### **Space applications**

The UK has a world class space capability, with advanced manufacturing capabilities, world-leading satellite operators and one of the world's largest satellite broadcasters, as well as a global services sector delivering systems integration and software to support new space applications.

In April £6m was granted to co-fund research to develop commercial products and services using space technology and data from space-based systems. Part of the National Space Technology Programme, run by the Technology Strategy Board and the UK Space Agency, the funding will

support four major R&D consortium projects including a project to begin the development of the Next Generation Telecommunications satellite platform.

## **Enabling technologies**

The four enabling technologies – advanced materials; biosciences; electronics, sensors and photonics; and ICT – have a key role to play in helping business to develop high-value products and services to meet market needs across all economic sectors and to generate significant growth in the UK.

Enabling technologies are the key to flexibility when addressing market needs. In addition, electronics, sensors and photonics and ICT are often vital in enabling innovation in markets that rely on the ability to sense, transmit and harness data. A single market or challenge may often require a combination of technologies.

### **Advanced materials**

Businesses in the UK that produce, process, fabricate and recycle materials form a critical element of the high value manufacturing supply chain. Our focus in the area of advanced materials aims to stimulate innovation that drives the development and exploitation of new high-value products, processes and services based on advanced materials technologies.

In order to stimulate innovation that will help to improve the resource efficiency of UK companies, in September we committed to provide up to £1.25m of funding to contribute towards a resource-efficient, low-carbon economy. The *New Designs for a Circular Economy* competition, which was run in conjunction with our resource efficiency programme, offered grant funding for feasibility studies into the redesign of products, components and systems to retain material within the economy over several cycles of use.

### **Biosciences**

Biosciences play an important part in the development of products and services that are an integral part of our lives, providing opportunities for replacing unsustainable production methods, reducing our reliance on fossil fuels, increasing public health and the development of new products and services in areas as diverse as healthcare and medicine, agriculture, energy, food and personal care.

In partnership with Defra, BBSRC and the Scottish Government, we are investing up to £8.75m in helping businesses develop innovative measurement technologies for efficient agri-food systems, such as phenotyping. It mainly involves collaborative R&D projects, with up to £500k of the total funding available for relevant feasibility studies.

### **Electronics, sensors and photonics**

Electronics, sensors and photonics underpin activity in healthcare, energy, transport, environmental sustainability, built environment and consumer goods. The UK has a strong base in the uses of electricity and light and we envisage excellent opportunities for huge growth in this area.

During the year we launched a competition to fund innovation in photonics-based healthcare. Seeking to encourage the formation of new business-led partnerships between academia, industry and health providers, we committed £3.7m of funding for collaborative R&D projects and feasibility studies.

We also made £1m available for projects using low-power energy harvesting technologies for autonomous sensing. This initiative, which funded feasibility studies, will help companies explore the

opportunities created by energy harvesting to extend the life of batteries in devices or to eliminate the need for batteries altogether.

### **Information and Communication Technology (ICT)**

The specific aim of our ICT programme is to help UK industry profit from developments in software technology and software-intensive systems.

We recognise that there is a need to mitigate the risk factors associated with the widespread adoption of cloud computing. In December we awarded £5m to 13 business-led R&D projects which will aim to demonstrate how new or improved value chains and networks can be created and where value can be increased by offering innovative information, content and services in the cloud. During the year we also committed up to £1.25m for feasibility studies to reduce the mounting energy burden of computing and communication devices and systems.

### **Development**

Throughout the year we continued to work on programme development to identify and evaluate potential innovation areas for the UK where we do not currently support major programmes.

In May 2012 we announced an initiative to encourage businesses to explore new industrial applications for synthetic biology. Jointly funded by BBSRC, EPSRC and ESRC, the programme provided up to £6.5m for feasibility studies with a view to demonstrate the use of synthetic biology in a commercial setting and highlight the opportunities for UK industry created by technological advancements in synthetic biology.

To build communities in emerging areas, during the year we established Special Interest Groups in the areas of synthetic biology, energy efficient computing and energy harvesting.

### **Continuously improving our capability**

The very nature of our organisation means that we must constantly seek to adapt and change, in order to continue to succeed. To achieve this, we ensure that continuous improvement is embedded in our business practice.

During the year we undertook a number of improvement projects looking at the competition processes, feedback to business, internal and external communications and the management information system. In addition, we have brought the administration of most of our grants onto one system, including embedding the KTP application and grant payment process. In February 2013 the Technology Strategy Board purchased a share of the UK Shared Business Services.

An important part of our work is evaluating the impact of our programmes so we can use the findings to help steer future investments. During the year we carried out a number of evaluations including how KTPs create value for business and the impact of the innovation and knowledge centres co-funded with the Research Councils.

We will continue to develop our resources and business processes to ensure that we remain effective and deliver value for money.

# CORPORATE ACTIVITIES

## Human Resources Management

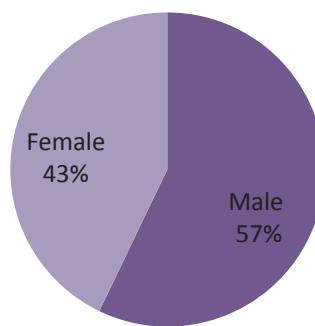
The following were the main objectives for human resources management in 2012-13:

- 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
- Develop and implement an effective Talent Management process
- Continue effective staff consultation and engagement, using feedback from the Employee Survey
- Embed the Technology Strategy Board values
- Manage rewards in line with the public sector restrictions whilst also attracting and retaining the required skills and expertise
- Manage appropriate arrangements for short-term specialist requirements and source long term staff where the roles transition into core staff
- Develop capability – ensuring that the Technology Strategy Board management and staff have the appropriate skills/experience to deliver high performance and the business objectives
- Recruit a new Director to lead the Catapult programme
- Support the establishment of the Catapult network and individual organisations
- Support the Executive Management Team to develop and implement actions resulting from the staff survey results
- Introduce field-working to support the organisation, including its external engagement and ability to recruit from the national pool of specialists and talent

## 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 2013 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, intranet and a pocket guide to The Technology Strategy Board. Consultation with employees takes place through meetings with line management, 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 the 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. Representatives from the Committee undertake quarterly safety audits and reports are made to the Executive Management Team and Staff Consultative Council. The Technology Strategy Board continues to monitor health and safety risks, to train staff and take appropriate action.

## **Sickness and absence**

The calculation of the Technology Strategy Board sickness/absence rates is as follows, with figures for 2011-12 shown in brackets.

<b>2012-13 (Prior Year 2011-12)</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	0.46% (0.40%)	1.77 (1.5)
Excluding 2 staff (2 staff in 2011-12) on long-term sick leave	0.18% (0.20%)	0.71 (0.8)

## **Reporting of personal data incidents**

Records are kept of personal data incidents. Nil members of staff had a laptop stolen (2011-12: nil); six smart phones were lost/stolen (2011-12: five) and four memory sticks were lost/stolen (2011-12: nil). However, there was a low risk of loss of personal data as all smart phones and memory sticks 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 2012-13.

## **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 levels of personal data. The audited Security Risk Management Overview (SRMO) 2012/13 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 the 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 2012-13, the Technology Strategy Board paid 67.5% (2011-12: 63%) of its undisputed invoices within the 30 day period.

In November 2008, a prompt payment target of 10 days was introduced for the public sector. In 2012-13, the Technology Strategy Board paid 10.8% (2011-12: 10%) 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 and 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 increased to £397.7m (2011-12: £299.9m).

## **Technology grants expenditure and accruals**

There was an increase of £72m in technology grants expenditure to £374m. A breakdown of grant expenditure by grant stream has been provided in Note 5.

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 1g and 1m.

## **Operating costs**

Average staff numbers in 2012-13, including interims and agency temps, increased by 36 to 196 in order to build up resource levels to deliver the ramping up of new and existing programmes and to improve the efficiency and effectiveness of operations. This resulted in staff costs increasing by £1.4m, or 10.7%, to £14.8m. Programme support contract costs increased by £2.2m, or 13.3%, to £18.4m. This increase occurred in a period of significantly increased activity.

Other operating costs increased by £5.4m, or 51.8%, to £15.9m, primarily due to increased activity in programme communication and events, recruitment and general administration.

## **Pension liabilities**

The accounting treatment of pension liabilities and details of the funding arrangements are set out in the Notes to the accounts at 1h Pension costs and 2e 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 £358m (2011-12: £353m).

## **Current liquidity**

Cash held at 31 March 2013 was £20.8m (31 March 2012: £27k), a payment file of £19.8m was processed on the 3 April 2013 and assets less liabilities were £132.7m (31 March 2012: £114.3m).

## **Financing**

Grant-in-Aid financing received during the year from BIS increased by £59.2m to £379.2m.

Co-funding for the year decreased by £14.8m to £24.4m. This represents a decrease in co-funded programme expenditure.

Other income of £1.6m was received from the recharging of Knowledge Transfer Partnership management fees to the other co-funders, ticket sales and rental income (2011-12: £1.4m).

## Allocation and outturn

In the 2012-13 financial year, the budget increased by £69.3m to £440.9m (2011-12: £371.6m). The budget included £57m allocated for Catapult centres, £43m for Smart and £7m for activities transferred from the Regional Development Agencies.

Overall, the Technology Strategy Board recorded £43.1m 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>£000</b>	<b>Resource</b> <b>£000</b>	<b>Capital</b> <b>£000</b>	<b>Total</b> <b>£000</b>
Total expenditure for the year <sup>2</sup>	1,905	395,759	-	397,664
Treatment of capital grants	-	(46,438)	46,438	-
Expenditure on non-current assets <sup>3</sup>	-	-	109	109
FY12-13 Outturn	1,905	349,321	46,547	397,773
 FY12-13 Budget Allocation	 1,785	 392,111	 46,957	 440,853
 Variances	 (120)	 42,790	 410	 43,080
 <i>of which:</i>				
Underspend	(120)	42,790	410	43,080
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>3</sup> Taken from the statement of cash flows

## Underspend

The Technology Strategy Board had an under-spend of £43.1m during the 2012-13 financial year.

The underspend was caused by two key issues:-

1. The receipt of £30m budget for the Biomedical Catalyst programme. This programme was only launched in April 2013 and so was at too early a stage to make significant expenditure in the 2012-13 financial year, consequently only £1.6m was actually spent in the year.
2. Much of our work to stimulate innovation is delivered through research and development activities and projects undertaken by businesses with our financial support. A key variable is when these costs are paid for and claimed by businesses. The Technology Strategy Board has a fixed annual budget and therefore commits funds to support projects up to our budgeted amount, without overspending that budget. The variability of this spend rate, driven by the inherent variability of research and development work, leads to underspends arising - which cannot be easily offset within the current fiscal year due to the competitive tendering processes that are used to award grant contracts.

## **Going concern**

The total expenditure of £397.7m has been transferred to reserves. Total government funds at 31 March 2013 amounted to a deficit of £132.7m (31 March 2012: deficit of £114.3m). 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  
09 July 2013

# **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 against annual stretch objectives, and approved by the Technology Strategy Board's Remuneration Committee. These assessment outcomes are used to calculate the individual contractual performance-related pay in line with the agreed target scale 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. In 2012-13 membership of the Technology Strategy Board's Remuneration Committee consisted of:

Phil Smith – (Chairman)  
David Grant – (Governing Board member)  
Lord Jonathan Kestenbaum - (Governing Board member)  
Hazel Moore (Governing Board member)

The performance rewards paid to the Chief Executive and five Executive Directors are based on achievement of individual and corporate objectives, agreed at the beginning of the performance cycle. The performance bonus for the Chief Executive is up to 40% of base salary up to October 2012 and up to 20% of base salary from November 2012. For Executive Directors, the performance bonus is up to 20% of base salary, however the Director of Innovation's performance reward is a fixed amount based on his performance.

## **Contractual policy**

The Chief Executive is contracted for the period 31 October 2012 to 30 October 2014. The Director of Innovation is engaged through an employment contract from the 1 July 2012 to the 30 June 2014. The Director of Innovation is also engaged through an employment contract to July 2014, all other Executive Directors are permanent employees of the Technology Strategy Board. The Chief Executive is subject to a notice period of three 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.

## Audited information

### Details of 2012-13 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	2012-13			2011-12		
	£'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	230 - 235	45 - 50	-	210 - 215	45 - 50	-
Graham Hutchins Executive Director	110 - 115	20 - 25	-	110 - 115	15 - 20	-
Dr Allyson Reed **** Executive Director	260 - 265	15 - 20	-	115 - 120	15 - 20	-
David Way Executive Director	85 - 90	15 - 20	-	90 - 95	10 - 15	-
Mark Glover Executive Director	110 - 115	20 - 25	-	110 - 115	15 - 20	-
Dr David Bott Executive Director	165 - 170	10 - 15	-	10 - 15 (165 - 170 full year equivalent)	0 - 5 (10 - 15 full year equivalent)	-
Simon Edmonds** Executive Director	30 - 35 (135 - 140)	5 - 10 (25 - 30)	-	-	-	-
Highest Earner's Total Remuneration (£'000)	275 - 285			255 - 265		
Median Total Remuneration***	52,338			34,917		
Ratio	5.11			7.45		

\* Allowances include car and mortgage differential as part of a relocation agreement.

\*\* Simon Edmonds was formally appointed as an Executive Director on 1 January 2013. Salary and allowance disclosures for 2012-13 only cover the time he was an Executive Director with the full year equivalent shown in brackets.

\*\*\* Increase in Median Total Remuneration due to increase in permanent headcount of technology specialists.

\*\*\*\* Dr Allyson Reed left the Technology Strategy Board on 31 March 2013 following the announcement of a planned restructuring of the organisation's Communications function. Dr Reed chose not to work her notice period and has received a payment of compensation for loss of office of £85,000-£90,000.

	2012-13 £'000	2011-12 £'000
<b>The aggregate of salary costs, bonus and benefits in kind for senior employees:</b>	1,032	780

#### 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. 2011-12 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

<b>Chief Executive and Executive Directors</b>	<b>Total of accrued pension at age 60 as at 31 March 2013 and related lump sum</b>	<b>Real increase / (decrease) of pension and related lump sum at age 60*</b>	<b>Cash Equivalent Transfer Value (CETV) at 1 April 2012</b>	<b>CETV at 31 March 2013</b>	<b>Real increase / (decrease) in CETV*</b>
£'000					
Iain Gray Chief Executive	25 - 30	2.5 - 5	303	387	45
Graham Hutchins Executive Director	10 - 15	0 - 2.5	127	156	17
Dr Allyson Reed Executive Director	15 - 20	0 - 2.5	210	252	20
David Way Executive Director	50 - 55	0 - 2.5	102	105	19
Mark Glover Executive Director	7.5 - 10	2.5 - 5	85	116	18
Dr David Bott Executive Director	0 - 5	2.5 - 5	N/A	58	48
Simon Edmonds Executive Director	0 - 5	2.5 - 5	N/A	8	3

\* 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.

## **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 2012 represents the value at their start date and the CETV at 31 March 2013 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 pa (2011-12: £9,180 pa). The emoluments of the present Chairman, Phil Smith, were £15,720 however this payment goes towards a charitable donation. 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:

	2012-13 £000	2011-12 £000
<b>Governing Board members' annual honoraria</b>		
Dr John Brown	0 - 5	5 - 10
Eur Ing Nick Buckland OBE	0 - 5	0 - 5
Michael Carr	5 - 10	5 - 10
Dr Stewart Davies	5 - 10	5 - 10
Dr Joseph Feczkó	-	0 - 5
Anne Glover CBE	0 - 5	5 - 10
Dr David Grant CBE	5 - 10	5 - 10
Lord Jonathan Kestenbaum	5 - 10	5 - 10
Andrew Milligan*	5 - 10	-
Sara Murray	5 - 10	5 - 10
Colin Paynter*	5 - 10	5 - 10
Ian Shott CBE	5 - 10	5 - 10
Professor, Sir Christopher Snowden	5 - 10	5 - 10
Dr Robert Sorrell	5 - 10	5 - 10
Hazel Moore	0 - 5	-
Douglas Richard	0 - 5	-
Phillip Smith*	15 - 20	5 - 10

\* Payments made to charitable organisations through payroll just giving.

Expenses paid to the Governing Board members in relation to T&S reimbursements for the year 2012-13 were £17,975.

The services of John Brown were retained from July 2012 to assist the Audit Committee; an honorarium of £3,600 was paid for his services. Eur Ing Nick Buckland OBE left the Governing Board in June 2011 but was retained for an Audit Committee role: an honorarium of £1,336 was paid for his services.



.....  
Iain G Gray  
Accounting Officer  
09 July 2013

# **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 net resource outturn, application of resources, changes in taxpayers' equity 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 Department of Business, Innovation and Skills (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* published by the HM Treasury.

# GOVERNANCE STATEMENT

## Chief Executive & Accounting Officer

### 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control and governance that supports the achievement of the Board's policies and objectives whilst safeguarding the public funds for which I am responsible in accordance with the principles and responsibilities set out in "Managing Public Money."

I have been Chief Executive and Accounting Officer for the Technology Strategy Board (TSB), as designated by the Accounting Officer of its sponsoring department, the Department for Business, Innovation and Skills (BIS), throughout the period covered by 2012-13 financial statements.

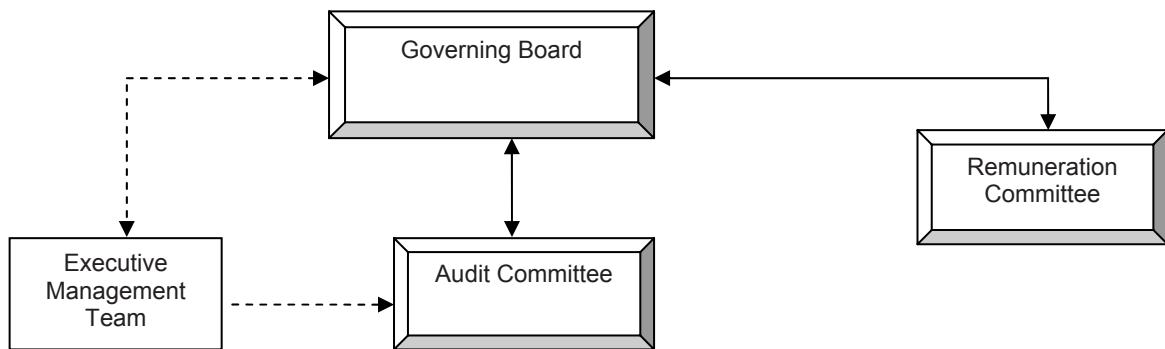
### 2. The Purpose of the Governance Statement

The Governance statement, for which I take personal responsibility, gives a clear understanding of the dynamics of TSB and its control structure. It records the stewardship of the organisation and provides a sense of the organisation's performance and of how successfully it has coped with the challenges it faces. The statement explains how TSB has met the principles of good governance and reviews the effectiveness of those arrangements.

### 3. Governance Framework

TSB is an independent non-departmental public body of BIS, established by Royal Charter. TSB's working relationship and lines of accountability with its sponsor department BIS are defined in the Management Statement and Financial Memorandum, which are subject to periodic review.

In my role as TSB's Accounting Officer I am supported by the Governance framework which includes the Governing Board, its Committees and Executive Directors.



### 4. Governing Board

Members of the Governing Board are appointed by the Secretary of State for Business, Innovation and Skills 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.

Members have corporate responsibility for the actions of the Technology Strategy Board. The Governing Board meets at regular intervals throughout the year and exercises full and effective control of the activities of TSB. It 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. It brings an external perspective to ensure that the organisation is challenged on its economic impact and it monitors in-year progress against the Delivery Plan. The Governing Board delegates responsibility to me as Chief Executive, and TSB staff to the maximum extent possible. A formal process of delegation exists within the organisation which sets out responsibilities and financial limits.

Taking account of the broader political context, the Governing Board provides support and advice on the 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 the adoption of new products and mechanisms and periodically reviews the quality and effectiveness of products and programmes.

The Governing Board met six times in 2012-13. The table below shows Governing Board membership and attendance in 2012-13.

Name	Role	Period of Office	Possible Number of Meetings	Number of Meetings Attended	Attendance Rate (%)
Phil Smith	Chair	All Year	6	5	83
Iain Gray	Chief Executive	All Year	6	6	100
Dr John Brown	Member	Until May 2012	1	1	100
Mike Carr	Member	All Year	6	6	100
Dr Stewart Davies	Member	All Year	6	5	83
Anne Glover CBE	Member	Until May 2012	1	1	100
Dr David Grant CBE	Member	All Year	6	5	83
Lord Kestenbaum	Member	All Year	6	4	67
Andrew Milligan	Member	All Year	6	5	83
Sara Murray OBE	Member	All Year	6	4	67
Colin Paynter	Member	All Year	6	6	100
Ian Shott CBE	Member	All Year	6	6	100
Professor, Sir Christopher Snowden	Member	All Year	6	4	67
Dr Robert Sorrell	Member	All Year	6	6	100
Douglas Richard	Member	From October 2012	4	3	75
Hazel Moore	Member	From October 2012	4	4	100

Appointments are made in accordance with the Code of Commissioner for Public Appointments. Governing Board members are required to declare their personal interests. Details of members' declared interests are available on the Governing Board section of the Technology Strategy Board's website. Members of the Governing Board are individually assessed by the Chair for contribution and effectiveness when the Secretary of State is considering their reappointment. New members receive a formal introduction to the TSB, which involves meeting with the Executive Directors, introductory meetings with other Governing Board members and the Board Secretary along with information on the TSB's current Strategy and Delivery Plan, as well as previous Board papers, Management Statement (including royal charter) and Financial Memorandum.

During 2012-13 the Governing Board's activities have focused on:

- Approving and monitoring the annual delivery plan
- Overseeing the financial situation
- Agreeing a new Board Operating Framework
- Approving new risk management policies
- Agreeing plans to establish the new Catapult Centres
- Reviewing its own working practices and governance arrangements

In line with good governance the Governing Board has undertaken a self-assessment exercise this year. The results of this exercise fed into the development of the new Board Operating Framework.

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

## 5. Audit Committee

The Audit Committee comprises three members of the Governing Board and one independent member. It met five times in the 2012-13 financial year to review internal and external audit matters, the TSB's financial position and its risk strategy.

The Terms of Reference of the Audit Committee include monitoring of the application of internal controls and risk management, oversight of the TSB's corporate governance arrangements and review of the financial statements. The Audit Committee receives and considers reports from both internal and external auditors.

In the 2012-13 financial year the Audit Committee members were:

Name		Meetings Attended (max 5)
Andrew Milligan	Chair of Committee	4
Dr John Brown	Board Member	5
Mike Carr	Board Member	3
Eur Ing Nick Buckland OBE	Independent Member	5
Dr Stewart Davies*	Board Member	2
Dr Robert Sorrell*	Board Member	2

\* Dr Stewart Davies and Dr Robert Sorrell only joined the Audit Committee from November 2012 and the maximum number of attendances possible for them in 2012-13 was therefore two.

The Audit Committee has undertaken an appraisal of its performance using guidance provided by the National Audit Office. The results were considered at its meeting in March 2013 and confirmed that the Committee was operating in accordance with best practice.

During 2012-13 the Committee's activities have focused on:

- improving standards of financial management and financial reporting following a review by external consultants
- monitoring developments in risk management
- reviewing outcomes from a corporate governance review carried out by Internal Audit

## **6. Remuneration Committee**

The Remuneration Committee met three times in 2012-13 and advises on executive salaries and other benefits. Members of the Remuneration Committee in 2012-13 were Mr P Smith, Mr D Grant, Lord Kestenbaum and Ms H Moore. They each attended all the meetings of the Committee. Ms Moore only joined the Committee in November 2012. Mr J Dodds from the Department of Business, Innovation and Skills has been appointed to a non-voting role on the Committee from 2013-14.

## **7. Executive Management Team**

The Executive Management Team includes the Chief Executive and Directors. It is responsible for the operational delivery of the Board's strategy. It meets twice a month to ensure a corporate approach to business delivery and to review performance. It is responsible for managing TSB operations and finances in line with the strategy, objectives and plans approved by the Governing Board.

There is a process of formal delegation of responsibilities from the Chief Executive to the Directors. Each year the Directors provide to the Chief Executive formal statements on the level of internal control and governance exercised within their Directorates. The 2012-13 declarations confirmed that satisfactory arrangements existed across the organisation.

## **8. Audit**

Internal Audit is provided by the Research Councils' Audit and Assurance Services Group. Their work programme is risk based and aligned with the Board's own risk management and assurance framework. Key audits in 2012-13 have included:

- Review of Management Accounting
- Physical Security and Biosecurity Management
- Data Migration in relation to the Knowledge Transfer Partnership Programme
- IC Tomorrow – Programme and Financial Management

In all these areas Internal Audit provided a substantial level of assurance. Internal Audit has also provided an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Its opinion for 2012-13 was that it could provide a substantial level of assurance.

In 2012-13 Internal Audit carried out an additional review of Corporate Governance and Delegation arrangements. The purpose of the audit was to provide a high level independent assessment of arrangements to achieve Cabinet Office Principles of Good Governance in Executive NDPBs. The audit concluded that TSB was largely compliant. The report was fully considered by the Audit Committee and actions have been taken to implement the recommendations.

External Audit is provided by the National Audit Office which provides an audit report on the financial statements of the Technology Strategy Board. In completing the 2011-12 audit the National Audit Office reported to the Board on the need for improved processes for grant accruals and revenue recognition. During 2012-13 the Technology Strategy Board has improved its processes to address these issues.

## **9. Risk and Internal Control Framework**

Risk management remains central to the work of the Technology Strategy Board. The Executive Management Team has identified the key internal and external risks facing the TSB and the achievement of its objectives. They review the progress in managing these risks regularly. The internal control process ensures that all risk procedures and activities are reviewed by management and staff delegated to do so. Delegated members of staff are aware of their responsibility to embed risk management in their activities.

Risks are evaluated in terms of impact and probability and actions have been identified to mitigate risks. The Board has determined its risk appetite according to the nature of the risk. It has a high tolerance for risk associated with research and development work, but a much lower tolerance for operational risks. At each meeting the Board reviews the top corporate risks. These are set out in the table below along with the actions being taken to mitigate the risks:

<b>Top Corporate Risks</b>	<b>TSB Response</b>
TSB budget may decrease as it is perceived to require lower levels of funding as TSB assumes, or is led to believe, that projects will spend more than they actually do resulting in an underspend in specific periods.	Detailed analysis of project finances coupled with the implementation of a control system to manage spend effectively.
The lack of a clear and effective communications strategy and inconsistent delivery results in poor influence over key decision makers in business and government threatening levels of engagement, funding and support causing TSB to fail in delivering its mission.	The recruitment of a Director of Communications and the professionalisation of the communications function within TSB, delivering support for key messages effectively and efficiently. Develop more effective working relationship with BIS.
Government requests delivery of additional projects over and above those set out in the Delivery Plan for which TSB has insufficient experience or resource to deliver. The additional projects divert resource from current key objectives leading to reputational damage among key stakeholders.	Identify any future Government initiatives causing this. These will require either a Stakeholder Plan or a Resource Plan.

The Board recognises the continuing opportunities to improve its risk management process. Recent and current activities include:

- Embedding risk management in the operational activities of the Technology Strategy Board
- Further development of the risk register
- Closer scrutiny of risks by the Audit Committee

There have been no significant Information Technology breaches or losses of data in 2012-13.

## **10. Value for Money**

In the current economic climate the Technology Strategy Board fully recognises its responsibilities to exercise tight financial control and achieve value for money in all its activities. To achieve these aims in 2012-13 it has:

- Continued to implement the action plan from its project on managing the risk of financial loss
- Reviewed its controls over procurement and travel expenses
- Used shared services facilities for ICT, procurement and building services and considered the scope for use of shared services in other areas
- Published on its public website details of grant funded projects and expenditure items over £25,000

The Director of Finance has personally signed off monthly data sets of accounts payable transactions.

## **11. Tax Assurance**

The Technology Strategy Board has implemented the recommendations of HM Treasury's Review of the tax arrangements of public sector appointees. I confirm that the Chief Executive, Executive Directors and senior officials with significant financial responsibility are on the organisation's payroll. At January 2012 the Technology Strategy Board had a number of other staff engagements off-payroll. By March 2013 these staff had accepted contracts of employment, provided reasonable assurance about their tax affairs or left the organisation. There is one exceptional case which has been discussed with BIS and will be resolved by the end of June 2013. In the future, the Technology Strategy Board will not agree any new off-payroll contractual arrangements.

## **12. 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 structure, 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 TSB's plans, strategic direction, performance reports and corporate governance issues;
- Director's 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 TSB internal controls framework. The Directors have assured me that a satisfactory level of internal control existed in 2012-13;
- Regular reports by the Research Council's Audit and Assurance Service including the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the TSB's systems of internal control; he has provided substantial assurance;
- The review of corporate governance arrangements undertaken by Internal Audit in 2012-13 which concluded that the TSB was largely compliant with good practice;
- The National Audit Office's report on the financial statements;
- The Audit Committee which meets at least four 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 the Audit Committee meetings are circulated to the Governing Board;

- Self assessments of effectiveness by both the Governing Board and the Audit Committee;
- Directors' and Senior Managers' meetings which oversee the implementation of the TSB'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 effectiveness of the system of 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 Board's overall governance and internal control structures are appropriate for the level of risk it faces. We will continue to strengthen our arrangements in 2013-14 by:

- better management of financial forecasting
- further embedding risk management in the organisation
- updating our governance policies and procedures
- continuing to seek efficiencies and value for money in our activities



Iain Gray  
Accounting Officer  
09 July 2013

# **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 2013 under the Science and Technology Act 1965. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 the Technology Strategy Board's and Chief Executive's Responsibilities, the Technology Strategy Board and the Accounting Officer are 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.

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

## **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2013 and of the 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 directions made under the Science and Technology Act 1965; and
  - the information given in Management Commentary 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 returns adequate for my audit have not been received from branches not visited by my staff; or
  - the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and 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**      **Date**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# STATEMENT OF COMPREHENSIVE NET EXPENDITURE

## for the year ended 31 March 2013

Expenditure		2012-13	2011-12
		<u>£000</u>	<u>£000</u>
Staff costs	2	14,770	13,345
Programme support contracts	3	18,390	16,239
Other operating costs	4	15,894	10,450
Technology grants	5	374,228	301,824
Depreciation & amortisation	9,10	1,905	1,662
<b>Total Operating Expenditure</b>		<hr/> 425,187	<hr/> 343,520
Operating income	7	(1,587)	(1,357)
Co-funding income	8	(22,182)	(37,268)
EU co-funding	8	(2,188)	(1,920)
<b>Net Operating Expenditure</b>		<hr/> 399,230	<hr/> 302,975
Net gain on investment property	11	(1,566)	(3,120)
<b>Total Comprehensive Net Expenditure for the Year</b>		<hr/> 397,664	<hr/> 299,855
		<hr/> <hr/>	<hr/> <hr/>

All activities are continuing.

The notes on pages 43 to 64 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2013

	Notes	31 March 2013 <u>£000</u>	31 March 2012 <u>£000</u>
<b>Assets</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	9	206	307
Intangible assets	10	4,145	5,841
Investment properties	11	4,500	2,934
<b>Total non-current assets</b>		<u>8,851</u>	<u>9,082</u>
<b>Current assets:</b>			
Trade and other receivables	12	8,176	13,395
Cash and cash equivalents	13	20,794	27
<b>Total current assets</b>		<u>28,970</u>	<u>13,422</u>
<b>Total assets</b>		<u>37,821</u>	<u>22,504</u>
<b>Current liabilities</b>			
Trade and other payables	14	(62,230)	(57,748)
Bad debt provision	14	(95)	
Accruals	14	(108,172)	(79,013)
<b>Total current liabilities</b>		<u>(170,497)</u>	<u>(136,761)</u>
<b>Non-current assets less net current liabilities</b>		<u>(132,676)</u>	<u>(114,257)</u>
<b>Assets less liabilities</b>		<u>(132,676)</u>	<u>(114,257)</u>
<b>Taxpayers' equity</b>			
Government funds		<u>132,676</u>	<u>114,257</u>
		<u>132,676</u>	<u>114,257</u>



Iain G Gray  
Accounting Officer  
09 July 2013

The notes on pages 43 to 64 form part of these accounts.

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2013

	Notes	2012-13 £000	2012-13 £000	2011-12 £000	2011-12 £000
<b>Cash flows from operating activities</b>					
Total expenditure for the year		(399,851)		(301,775)	
EU income		2,188		1,920	
Adjusted for:					
Depreciation & amortisation	9,10	1,905		1,662	
Other non cash movements				(14)	
Gain on investment property		(1,566)		(3,120)	
Decrease / (Increase) in receivables	12	5,219		(7,271)	
(Decrease) / Increase in payables	14	<u>33,736</u>		<u>(44,160)</u>	
<b>Net cash outflows from operating activities</b>			(358,369)		(352,758)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	10	(98)		-	
Purchase of property, plant and equipment	9	<u>(11)</u>		<u>(7)</u>	
<b>Net cash outflows from investing activities</b>			(109)		(7)
<b>Cash flows from financing activities</b>					
Grant-in-aid received		<u>379,245</u>		<u>320,000</u>	
<b>Net cash inflows from financing activities</b>			379,245		320,000
Net (decrease) / increase in cash and cash equivalents			20,767		(32,765)
Cash and cash equivalents at 1 April			<u>27</u>		<u>32,792</u>
Cash and cash equivalents at 31 March			20,794		27

The notes on pages 43 to 64 form part of these accounts.

# **STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

## **for the year ended 31 March 2013**

Notes	<b>Government Funds</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2011</b>	<b>(134,403)</b>	<b>(134,403)</b>
Retained deficit	(302,975)	(302,975)
Gain on acquisition	3,120	3,120
<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>
Retained deficit	(399,230)	(399,230)
Gain on investment property	1,566	1,566
<b>Total recognised income and expense for 2012-13</b>	<b>(397,664)</b>	<b>(397,664)</b>
Grant-in-aid	379,245	379,245
<b>Balance at 31 March 2013</b>	<b>(132,676)</b>	<b>(132,676)</b>

The notes on pages 43 to 64 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 2012-13 *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 2012-13 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 Government Funds 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.

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

#### Adoption of Standards and Changes in Policy 2012-13

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2013, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

#### 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. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2013-14 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. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2013-14 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 2013-14 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 2013-14 financial statements.

IFRS 13 Value Measurement applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The Technology Strategy Board has adopted this standard as appropriate for the 2013-14 financial statements.

**b. 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.

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.

### 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 2012-13.

### Investment properties

Investment properties are measured using the fair value model as per IFRS 13. 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.

## c. **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 the 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.

**d. 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, additional payments from the controlling entity are treated the same. Hence it is accounted for as financing on a cash basis. GIA is credited to the Government Funds 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'.

**e. 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 comprehensive net expenditure.

**f. 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.

**g. 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.

**h. 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.

**i. 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.

**j. 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. Operating lease rental income is included in Operating Income which is shown in Note 7.

**k. Co-funding income**

The Technology Strategy Board only recognises grant-in-aid and any other grants from the parent department as financing. Therefore funding from other bodies is recognised as income on an accruals basis.

Where public and private sector bodies have agreed to fund or co-fund some of the Technology Strategy Board'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.

**I. 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.

**m. 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**

The accounts include a grants accrual for each project where it has been determined that there is an unclaimed amount due to participants.

The accrual is based on participants' forecast of expenditure submitted with their latest claim, adjusted for the participants' historical forecasting accuracy. For a number of large projects, KTNs, the MNT centre and Catapults, the Technology Strategy Board contacts the participants directly to obtain further information and assurances on claims due at the year end date. For those grants that are based on procurements, the Technology Strategy Board confirms the accruals based on purchase orders raised for the period. The technology grant accrual at the end of March 2013 was £96.2m (2011-12: £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

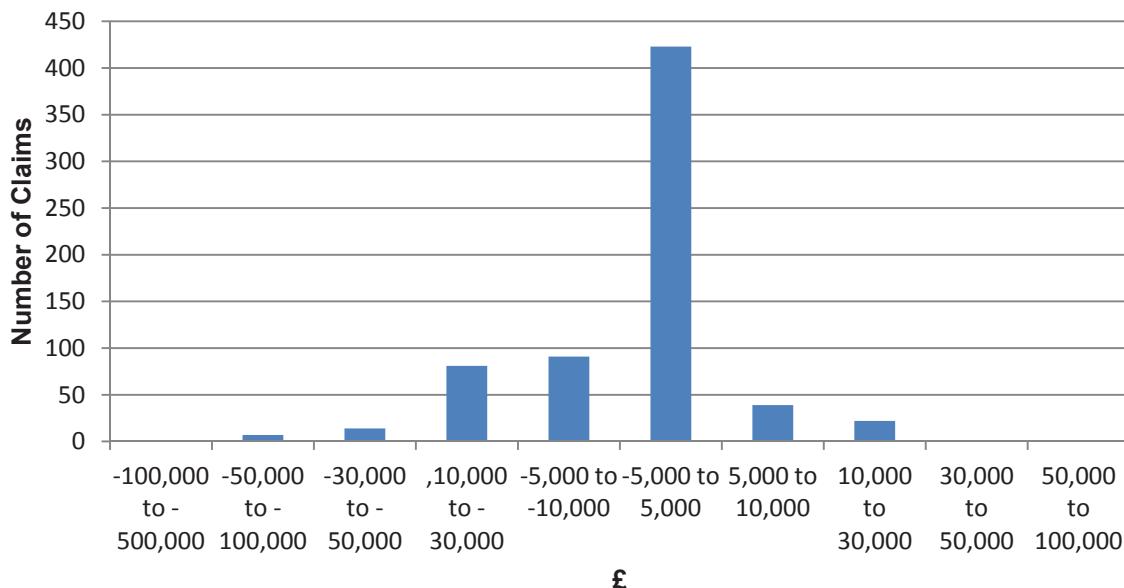
and as such are inherently uncertain in terms of their success and, related to this, the project duration and activity costs ultimately incurred.

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 April 2013, the remaining grant accrual that has yet to unwind, amounted to £71.9m. Within this amount there is an element of uncertainty as to the exact amount which will be claimed.

Of the grant accrual, the participant risk adjusted share of this accrual, on a sample of 679 claims which were received at 30 April 2013, 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 (423) were within +/- £5,000 of the amounts originally accrued.

### Grant Accrual Analysis



## **2. STAFF COSTS**

### **a. Remuneration of senior employees**

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

### **b. Staff costs**

	<b>2012-13</b> <b>£000</b>	<b>2011-12</b> <b>£000</b>
Permanent staff		
- Salaries and wages	9,678	5,903
- Social Security costs	1,011	585
- Superannuation costs	1,572	1,210
	<hr/>	<hr/>
	12,261	7,698
Agency and interim staff	2,380	5,532
Board members' fees	129	115
	<hr/>	<hr/>
	<hr/>	<hr/>
	14,770	13,345

### **c. Average number of persons employed**

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

	<b>2012-13</b> <b>Number</b>	<b>2011-12</b> <b>Number</b>
Permanent staff	164	113
Agency and interim staff	32	47
	<hr/>	<hr/>
	<b>196</b>	<b>160</b>

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

Remuneration of Governing Board member's 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).

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 2012-13, employer's contributions of £1.6m (2011-12: £1.2m) were paid to the RCPS at 26% (2011-12: 26%) of pensionable pay.

**f. Compensation schemes and exit packages**

During 2012-13 there were two exit packages agreed (2011-12: one).

The total net redundancy cost incurred by the Technology Strategy Board was £163k.

<b>Exit Packages Cost Band</b>	<b>Number of Voluntary Redundancies Agreed</b>
<£10,000	1 (0)
£10,000 to £25,000	0 (0)
£25,000 to £50,000	0 (0)
£50,000 to £100,000	0 (1)
£100,000 to £150,000	0 (0)
£150,000 to £175,000	1 (0)
	<hr/>
	<hr/>
	<b>2 (1)</b>

### 3. PROGRAMME SUPPORT CONTRACTS

	2012-13	2011-12
	£000	£000
Third party programme support contracts	3,623	6,507
IT Platform	6,455	4,625
Monitoring officer and assessment fees and expenses	<u>8,312</u>	<u>5,107</u>
	<u><u>18,390</u></u>	<u><u>16,239</u></u>

The charges for third party programme support contracts are for the management and delivery of the Technology Strategy Board's programmes. The 2012-13 figure includes £2.4m (2011-12: £3.9m) for 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.

### 4. OTHER OPERATING COSTS

	2012-13	2011-12
	£000	£000
Travel and Subsistence	1,146	1,080
Utilities, Rent, Rates and Maintenance	764	659
Communications and Events	5,599	2,546
Intervention Management	4,341	4,175
General Administration	2,510	912
Recruitment	945	217
Employee Relocation Costs	3	35
Office Equipment	18	126
Information Technology and Communications Charges	493	572
Auditors' Remuneration	99	129
Exchange Rate (Gains)/Losses	<u>(23)</u>	<u>(1)</u>
	<u><u>15,895</u></u>	<u><u>10,450</u></u>

The amount charged in the year for operating leases was £364,338 (2011-12: £619,018). Of this, £222,875 (2011-12: £329,199) was included within information technology and communications charges and relates entirely to equipment, with the remaining £141,463 (2011-12: £289,819) included within rent, rates and maintenance.

Auditors' remuneration includes £99,000 (2011-12: £129,000) for the statutory audit fee.

## 5. TECHNOLOGY GRANTS

	Gross grant expenditure £'000	2012-13 Co-funding income £'000	Net grant expenditure £'000	Gross grant expenditure £'000	2011-12 Co-funding income £'000	Net grant expenditure £'000
<b><i>Thematic Interventions</i></b>						
Energy	18,049	1,569	19,618	25,702	(5,030)	20,672
Sustainability	1,733	(263)	1,470	2,699	-	2,699
Built Environment	15,032	(123)	14,909	7,153	(234)	6,919
Food Supply	7,504	(4,249)	3,255	4,072	(2,031)	2,041
Transport	23,315	(6,441)	16,874	28,251	(11,623)	16,628
Space	6,868	(2,104)	4,764	3,991	(970)	3,021
Healthcare	19,619	(290)	19,329	15,315	(3,072)	12,243
High Value Manufacturing	7,878	-	7,878	19,708	-	19,708
Digital Services	15,056	125	15,181	15,764	(250)	15,514
Advanced Material	7,166	(306)	6,860	6,710	(984)	5,726
Biosciences	7,959	(635)	7,324	3,958	(95)	3,863
Electronics, Photonics & Electrical Systems	8,040	(1,426)	6,614	9,605	(383)	9,222
Information & Communication						
Technology Development	6,077	(430)	5,647	6,635	(1,514)	5,121
	2,726	-	2,726	1,472	(25)	1,447
<b>Subtotal Thematic</b>	<b>147,022</b>	<b>(14,573)</b>	<b>132,449</b>	<b>151,035</b>	<b>(26,211)</b>	<b>124,824</b>
<b><i>Responsive Interventions</i></b>						
Small Business Research Initiative	3,500	(236)	3,264	3,204	(380)	2,824
European Union Grant for Research & Development	1,882	(2,710)	(828)	2,715	(24)	2,691
Knowledge Transfer Networks	33,700	(718)	32,982	20,277	-	20,277
Knowledge Transfer Partnerships	14,680	(274)	14,406	17,926	(517)	17,409
Catapult Centres	22,028	(4,759)	17,269	26,889	(10,551)	16,338
Micro Nano Technology Centres	86,549	(1,100)	85,449	42,413	-	42,413
Non-core projects	887	-	887	2,009	-	2,009
Vouchers	63,493	-	63,493	35,356	(1,504)	33,852
	487	-	487	-	-	-
<b>Sub-total Responsive</b>	<b>227,206</b>	<b>(9,797)</b>	<b>217,409</b>	<b>150,789</b>	<b>(12,976)</b>	<b>137,813</b>
<b>Total grant expenditure</b>	<b>374,228</b>	<b>(24,370)</b>	<b>349,858</b>	<b>301,824</b>	<b>(39,187)</b>	<b>262,637</b>

### Analysis of Technology Grants Recipients:

Universities and not-for-profit private sector	71,103	87,048
Other private sector	284,413	210,660
Public sector	18,711	4,116
<b>Total</b>	<b>374,228</b>	<b>301,824</b>

## 6. OPERATING SEGMENTS

	2012-13			2011-12		
	Gross expenditure £'000	Co-funding income £'000	Net expenditure £'000	Gross expenditure £'000	Co-funding Income £'000	Net expenditure £'000
<i>Thematic Interventions</i>	147,022	(14,573)	132,449	151,035	(26,211)	124,824
<i>Responsive Interventions</i>	227,206	(9,797)	217,409	150,789	(12,976)	137,813
<b>Total grant expenditure</b>	<b>374,228</b>	<b>(24,370)</b>	<b>349,858</b>	<b>301,824</b>	<b>(39,187)</b>	<b>262,637</b>
Programme Delivery Costs	18,390	-	18,390	16,238	-	16,239
Innovation Climate	5,599	-	5,599	2,545	-	2,545
Intervention Management	4,341	-	4,341	4,175	-	4,175
Payroll related costs	14,770	-	14,770	13,345	-	13,345
Other overheads	7,859	-	7,859	5,392	-	5,392
Other operating income	-	(1,587)	(1,587)	-	(1,357)	(1,357)
Net gain on acquisition	-	(1,566)	(1,566)	-	-	(3,120)
<b>Total Expenditure</b>	<b>425,187</b>	<b>(27,524)</b>	<b>397,664</b>	<b>343,519</b>	<b>(40,544)</b>	<b>299,855</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.

Thematic programmes focus on societal challenges, cross cutting competencies, enabling technologies and emerging technologies. The knowledge transfer represents investment in networks and knowledge exchange, as well as public engagement activities. 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.

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.

## 7. OPERATING INCOME

	2012-13 £000	2011-12 £000
KTP management fee recharge	(931)	(1,272)
Ticket sales	(135)	(85)
Rental income	(521)	
	<hr/>	<hr/>
	(1,587)	(1,357)

The KTP management fee recharge represents our partners' share of the costs associated with the management and delivery of the KTP programme.

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 2012-13, 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 £4,432,956 (2011-12: £5,591,500). The Technology Strategy Board's share of these costs was £3,501,436 (2011-12: £4,319,450). 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 rental income relates to the Blyth property which is let on two leases. For the period ended 31 March 2013 rental income of £0.521 million was recognised in the statement of consolidated net expenditure (2011-12: £0 million).

## 8. CO FUNDING INCOME

	2012-13 £'000	2011-12 £'000
<b>Income from BIS Group</b>		
Biotechnology & Biological Sciences Research Council	2,005	346
Engineering & Physical Sciences Research Council	1,841	2,583
Economic & Social Research Council	1,569	3,262
UK Space Agency	2,103	0
Other BIS Bodies	1,543	1,402
<b>Total Income from BIS Group</b>	<b>9,061</b>	<b>7,593</b>
<b>Income from Central Government Departments</b>		
Department for Environment, Food & Rural Affairs	3,688	2,285
Department for Transport	6,364	11,623
Department Of Health	1,029	1,738
Other Government Departments	2,032	9,791
<b>Total Income from Central Government Departments</b>	<b>13,113</b>	<b>25,437</b>
<b>Income from Other Bodies</b>		
European Community	2,188	1,920
Other UK	8	4,238
<b>Total Income from Other Bodies</b>	<b>2,196</b>	<b>6,158</b>
<b>Total Income</b>	<b>24,370</b>	<b>39,188</b>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Computers	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2012	559	9	568
Additions	11	0	11
Disposals	0	0	0
<b>Cost at 31 March 2013</b>	<b>570</b>	<b>9</b>	<b>579</b>
 <b>Depreciation</b>			
Depreciation at 1 April 2012	256	5	261
Charge for the year	110	2	112
Disposals	0	0	0
<b>Depreciation at 31 March 2013</b>	<b>367</b>	<b>7</b>	<b>373</b>
 <b>Net Book Value:</b>			
<b>At 31 March 2013</b>	<b>204</b>	<b>2</b>	<b>206</b>
At 1 April 2012	303	4	307
	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>
 <b>Depreciation</b>			
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>
 <b>Net Book Value:</b>			
<b>At 31 March 2012</b>	<b>303</b>	<b>4</b>	<b>307</b>
At 1 April 2011	379	7	386

## 10. INTANGIBLE NON-CURRENT ASSETS

	Information Technology £000	Software Purchased £000	Total £000
<b>Cost</b>			
At 1 April 2012	7,779	61	7,840
Additions	98	-	98
<b>Cost at 31 March 2013</b>	<b>7,877</b>	<b>61</b>	<b>7,938</b>

### Amortisation

At 1 April 2012	1,962	37	1,999
Charge for the year	1,773	21	1,794
Disposals	0	-	0
<b>Amortisation at 31 March 2013</b>	<b>3,735</b>	<b>58</b>	<b>3793</b>

### Net Book Value:

<b>As at 31 March 2013</b>	<b>4,142</b>	<b>3</b>	<b>4,145</b>
As at 1 April 2012	5,817	24	5,841

	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>

### Amortisation

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>

### Net Book Value:

<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

Included in the above carrying cost is £4,142,000 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 May 2013 and there was no need for impairment. Additional expenditure in 2012-13 of £6.9m 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.

## 11. INVESTMENT PROPERTIES

	31 March 2013	31 March 2012
	£000	£000
<b>Carrying value as at 1 April 2012</b>	2934	-
Additions	-	-
Transfers in (out)	-	2,934
Revaluations	1,566	-
Disposals	-	-
<b>Carrying value as at 31 March 2013</b>	<b>4,500</b>	<b>2,934</b>

Investment properties are measured using the fair value model.

The investment properties are valued at £4.5 million (2011-12: £2.934 million) and the cumulative changes in fair value recognised for the period ending 31 March 2013 in the Consolidation SoCNE amounted to a net gain of £1.566 million. The properties were valued on 28 February 2013 by independent valuers DTZ, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (MRICS). This valuation has been adopted at the reporting date on the grounds that there were no material changes in fair value between the valuation date and the reporting date.

The Blyth property income is based on two leases: The main lease relates to the majority of the site for a term of 25 years from 8 April 2011, with the next breakout clause in 3 years and a passing rent of £478k per annum. The lease for Offshore House runs conterminously to the main lease with a passing rent of £43k per annum.

### Future Payments from Operating Lease

#### Land and Buildings

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	521	-
Later than one year and not later than five years	1,042	1,563
Later than five years	-	-
<b>Total</b>	<b>1,563</b>	<b>1,563</b>

## 12. TRADE AND OTHER RECEIVABLES

	31 March 2013 £000	31 March 2012 £000
<b>Amounts falling due within one year</b>		
Trade receivables	5,682	12,892
Other receivables	210	194
VAT recoverable	-	-
Prepayments	123	309
Accrued income	994	
EU Accrued income	1,167	
<b>Total Trade receivables</b>	<b>8,176</b>	<b>13,395</b>

### Analysis of receivables balance:

Bodies external to government	3,245	550
Other Central Government Bodies	4,931	12,845
Local Authorities	-	-
<b>Total</b>	<b>8,176</b>	<b>13,395</b>

## 13. CASH AND CASH EQUIVALENTS

The net funds at 31 March 2013 of £20,793,668 comprise cash held within the Government Banking Service (31 March 2012: £27,405).

Third Party Assets held at 31 March 2013, were £2,327,463 (31 March 2013: £0). This represents cash received from the European Commission and held on behalf of European Partners to be distributed at a future date on completion of agreed claims and milestones.

## 14. TRADE AND OTHER PAYABLES

### (a) Analysis by type

Amounts falling due within one year	31 March	31 March
	2013 £000	2012 £000
Trade payables	60,838	55,735
Other payables	1,050	1,124
Bad debt provision*	95	-
Other taxation and social security	342	889
Grant accruals	96,762	72,042
Other accruals	11,410	6,971
<b>Total</b>	<b>170,497</b>	<b>136,761</b>

### (b) Analysis by source

#### Amounts falling due within one year

Other Central Government Bodies	3,020	2,920
Local Authorities	9,070	-
NHS bodies	183	6
Public corporations and trading funds	-	-
Bodies external to government	158,224	134,035
<b>Total</b>	<b>170,497</b>	<b>136,961</b>

\*The bad debt provision is based on a review of the Technology Strategy Board's doubtful trade payables.

## 15. CONTINGENT LIABILITIES

As at the 31 March 2013 the Technology Strategy Board has a single contingent liability. The liability may arise if the Technology Strategy Board has to provide a grant to Narec (Natural Renewable Energy Centre) in order for them to be able to decommission a weather monitoring platform in the North Sea. This is currently collecting data to support the development of an offshore wind test site. This may take place anytime between 3 and 25 years dependent on the development of the site, at an estimated cost of £2.5m.

## **16. COMMITMENTS**

### **a. Capital expenditure**

The Technology Strategy Board has no capital commitments to disclose.

### **b. Operating lease commitments**

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Not later than one year	182	176	289	289
Later than one year and not later than five years	637	769	-	-
Later than five years	0	51	-	-
Total	<b>819</b>	<b>996</b>	<b>289</b>	<b>289</b>

In connection with a 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.

### **c. Grant commitments**

The Technology Strategy Board had the following commitments at the balance sheet date:

	<b>31 March</b>	
		<b>2013</b>
		<b>£000</b>
Payable within 1 year	271,032	
Payable in 2 to 5 years	530,684	
Payable beyond 5 years	119,710	
Total Commitment	<b>921,426</b>	

## **17. 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: AHRC; BBSRC; EPSRC; ESRC; NERC; MRC; and STFC.

During February 2013 the Technology Strategy Board also purchased a share of the UK Shared Business Services.

In addition, 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 DFT, DECC and the Ministry of Defence.

The Technology Strategy Board also had material transactions with devolved administrations, such as the Scottish Government and the Welsh Assembly Government.

- b. These Accounts provide disclosure of all material financial transactions with those who have been defined as 'Directors'. In the context of the Technology Strategy Board 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, payables and accrued income and grant expense 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.

During the year, the Technology Strategy Board had a number of transactions with the Catapult centres, as a Director was involved in the initial set up stage these full year transactions have also been disclosed.

When the centres were set up, Graham Hutchins, the Finance and Operations Director for the Technology Strategy Board, acted as a Director of the organisation until such time as the Chair, Chief Executive and Governing Board had been established, whereupon he resigned. This was to ensure good governance was adhered to and consequently public funding was appropriately managed. Hence Graham Hutchins is shown as having a related party transaction with some of the Catapult Centres.

- 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.

Directors	Organisation	Transaction Amount £		
		Receivables Balance	Net Expenditure	Payables Balance
Dr David Bott	Oxford Advanced Surfaces Group plc		14,275	
	Royal Society of Arts		277,236	
	Institute of Materials, Mining & Minerals		2,816,439	597,951
	Frost & Sullivan		70,726	
	University of Sheffield		5,255,477	2,954,860
Mike Carr	Ordnance Survey		118,092	99,671
Dr Stewart Davies	Augean Plc		45,466	
	Balfour Beatty Technical Services		70,427	56,243
Anne Glover CBE (to May 2012)	The Royal Society		1,466	
	Institute of Materials, Mining & Minerals		2,816,439	597,951
Dr David Grant CBE	Renishaw Plc		386,877	231,989
	IQE Ltd		185,506	121,644
	Defence Science & Technology Laboratory	(267,676)	2,156,076	
Iain G Gray	University of the West of England		619,300	38,994
	Institute of Directors		4,465	
	Energy Technologies Institute		8,167,000	
	Royal Society of Arts		277,236	
Andrew Milligan	Standard Life		1,233	
Sara Murray	Royal Society of Arts		277,236	
Colin Paynter	Astrium Ltd		1,376,687	851,581
	Surrey Satellite Technology Ltd		4,933,125	3,308,009
(to March 2013)	University of Reading		1,223,197	208,707
	Science & Technology Facilities Council	(13,664)	917,471	689,645
	Institute of Directors		4,465	
	City University		439,345	236,473
	Warwick University		860,534	269,148
	Cambridge University		3,210,324	1,659,850
Ian Shott CBE	Shott Consulting		1,095	
	Institute of Chemical Engineering		6,000	
Phil Smith	Cisco Systems Ltd		743,969	309,611
	Council for Industry and Higher Education		58,519	
Professor, Sir Christopher Snowden	University of Surrey		969,762	437,662
	Diamond Microwave Devices Ltd		124,187	
	The Royal Society		1,466	
Dr Robert Sorrell	BP		216,909	138,628
Graham Hutchins*	Cell Therapy Catapult		6,326,162	6,040,075
	Offshore Renewable Energy Catapult	(130,250)	891,167	220,843
	Satellite Applications Catapult		8,020,802	4,837,275
	Connected Digital Economy Catapult		900,805	324,190

\* Please refer to note 17b.

## **18. 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.

## **19. 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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