Technology Strategy Board

Driving Innovation

Annual Report and Accounts 2009-2010

HC 1909

£14.75

Technology Strategy Board

Annual Report and Accounts 2009-2010

Presented to Parliament pursuant to schedul
Science and Technology Act 1965

Ordered by the House of Commons to be printed 27 March 2012

HC 1909 London: The Stationery Office £14.75

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This publication is available for download at www.official-documents.gov.uk and from our website at www.innovateuk.org

ISBN: 9780102976397

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2484597 03/12 19952 19585

Printed on paper containing 75% recycled fibre content minimum.

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This *Annual report and accounts* covers the financial year 2009-10. For more information about our activities during 2009-10 see our *Highlights of the year* at www.innovateuk.org

About the Technology Strategy Board
The Technology Strategy Board is a non-departmental public body, established in its current form in 2007, whose purpose is to promote, accelerate and invest in technology-enabled innovation in the UK. This is expressed in the organisation's vision:

'...for the UK to be a global leader in innovation and a magnet for innovative businesses, who can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life.'
Funded by and reporting to the Department for Business, Innovation and Skills (BIS) - we aim to drive innovation by investing in promising commercial ideas, enabling businesses with pre-commercial innovation to gain government contracts, and bringing business, research and others together in the spirit of open innovation so that we can harness innovative ideas and use them to transform the UK economy. Bringing together the right individuals, academics, businesses and organisations to work together and innovate openly could have as much impact as the provision of investment.

Our investment strategy during this period focused on three areas:

Challenge-led innovation – driving innovation that can respond to societal and economic challenges – such as reducing carbon emissions, managing a growing ageing population and increasing agricultural productivity whilst decreasing environmental impact.
Our application areas and innovation platforms came under the challenge-led theme:

Application areas
Environmental sustainability, energy generation and supply, healthcare, transport, creative industries, high-value services and built environment.

Innovation platforms
Intelligent transport systems and services, network security, low carbon vehicles, assisted living, low impact buildings, detection and identification of infectious agents and sustainable agriculture and food.

Technology-inspired innovation – driving innovation inspired by the existing and emerging technologies where the UK leads or could lead globally.

Technology areas
High value manufacturing; advanced materials; nanotechnology; bioscience; electronics, photonics and electrical systems; and information and communication technology.

The innovation climate – creating the right environment and culture for innovation to thrive. We can make innovation happen by getting different types of businesses to work together for mutual benefit, introducing researchers to manufacturers for example, or small businesses to larger players with the critical mass to take their ideas forward.

Our Knowledge Transfer Networks and Knowledge Transfer Partnerships come under this area.

Note that in May 2011 we published a new corporate strategy for 2011-15, *Concept to Commercialisation* which builds on our original corporate strategy *Connect and Catalyse.* Both documents are available at www.innovateuk.org

INTRODUCTION FROM OUR CHIEF EXECUTIVE

This *Annual report and accounts* covers the Technology Strategy Board's second full financial year as a public body, from April 2009 to March 2010.

This was a year when UK business faced great challenges from the slowing of the economy, changing markets and the difficult credit environment. As in previous recessions, the recovery will come from a further shift towards knowledge-based sectors, so new growth will be all about businesses, large and small, choosing to innovate.

Our focus during this year was on maintaining our strategic direction as we intensified our work to raise the pace of UK innovation; identifying new priorities and additional ways to help business innovate in difficult economic circumstances; and delivering effectively while improving the efficiency of our operations.

In 2009-10 we developed our priority areas of energy, healthcare, the low carbon and digital economies and increased our investments in those areas. We increased our focus on finding innovative responses to big societal challenges and launched two new innovation platforms - one working with the Department for Environment, Food and Rural Affairs (Defra), the Biotechnology and Biological Sciences Research Council (BBSRC) and the Scottish Government to focus on the challenge of developing more efficient and sustainable farming and food industries - and the other with the Department of Health on the detection and identification of infectious diseases.

We also built deep partnerships across other areas of the public sector, resulting in greater impact of many programmes, for example, enabling rapid expansion of the SBRI scheme so that small businesses can supply novel solutions to government needs.

We continued to develop new formats for programmes to help drive business innovation, from fast-track and feasibility study competitions, to shorter, more flexible Knowledge Transfer Partnerships. And we pursued our aim of promoting a climate of innovation in the UK, for example, by optimising our Knowledge Transfer Networks, by building new collaboration tools to serve these networks, and through major events such as Innovate '09.

Over the year we were pleased to see that business participation in our innovation programmes increased. The 'Retrofit for the future' and the 'Low carbon vehicle demonstrator' programmes were particularly well-received.

I believe that the work we are doing, with the help of our partners and the resilience and entrepreneurialism of UK business, will be a vital contribution to UK competitiveness in the recovery to come.

Iain G Gray - Chief Executive

BUSINESS REVIEW OF THE YEAR

The year was challenging, yet extremely exciting, providing us with the opportunity to lead the UK's innovation-led recovery. Innovation really came to the fore, against the backdrop of recession and the sometimes indistinct signs of recovery. Innovation is playing a vital role in economic recovery and our role in driving technology-enabled innovation to the marketplace will be instrumental in transforming the UK economy.

2009-10 brought the opportunity to put this thinking into action and ramp up our programmes – at a time when it could not have been more important.

We understand that with limited resources, we need to focus our activities on where we can make the most difference and provide the biggest boost to the economy. During 2009-10 we continued to invest according to our three strategic themes:

- £189m in challenge-led innovation
- £44m in technology-inspired innovation
- £37m in the innovation climate.

At 31 March 2010 we had invested £141m in collaborative R&D projects. However, the recession brought with it the need to act directly and quickly in certain priority areas – those with strong potential in the near-term to make a contribution to UK economic recovery. We chose these priorities in 2008-09. They are areas where the UK has a competitive advantage and could play a major role in current and future global markets:

- the low carbon economy – including vehicles and buildings
- energy generation and supply, together with carbon abatement
- the development of the digital economy in the UK
- the life sciences
- high value manufacturing.

In 2009 the Government awarded us additional funding through the Strategic Investment Fund (SIF). This was in turn boosted by SIF money from other government agencies which we used to provide further support to our priority areas as follows:

- £36.2m low carbon
- £9.9m digital
- £11.7m healthcare
- £5.8m advanced materials (high value manufacturing)
- £4.3m energy.

Sector innovation strategies

By the end of the year we had completed strategies for all of our technology and application areas, plus emerging technologies and industries (see www.innovateuk.org/publications). Each strategy, developed in collaboration with business, academia and other interested parties, sets out how we aim to drive technology-enabled innovation in specific sectors and industries. Having developed our thinking across the technology and application areas, we were able to share this with the Government and other strategic partners. With this expertise we provided the Government with contributions to at least 16 policy statements and reports, reflecting our fundamental role in helping to shape the UK economy through innovation. We are becoming established at the heart of UK innovation, which can only increase our ability to achieve our aims.

In the digital arena, we set out a strategy for our own innovation programmes and brought together a project team which cuts across all the disciplines involved: including the creative industries, cyber security, ICT, electronics, photonics and electrical systems. As part of the programme, we also announced a UK Digital Testbed on which businesses from all disciplines can test out their new business models and innovations on real users.

Innovation in action

The year was all about putting our new thinking and strategies into action so that we could reach the UK's most innovative companies with the support they needed to turn ideas into profit. We introduced new ways of working both internally and externally to meet the needs of businesses.

On a practical level this meant introducing different tools to drive innovation in the UK, ranging from new types of R&D competitions and optimising the Knowledge Transfer Networks to align with our strategy, through to experimenting with different types of support such as sponsoring the 'Clean and Cool' trade mission to the US.

With the economic situation at the forefront of our thinking, we also made significant moves towards becoming a more efficient organisation. We brought the competitions operations in-house and redeveloped the Knowledge Transfer Network IT platform so that it is not only more efficient but offers members the ability to collaborate far more easily.

Scaling up our work

As a maturing organisation, we were able to continue to roll out programmes on a nationwide scale and with growing influence. In particular, our work to promote innovation for a low carbon economy has been taken up very widely. Our close working relationship with the regional development agencies translated into tangible results. Our ultra-low carbon vehicle demonstrator competition, launched in 2009, received more high quality entries than expected and now has more than 340 'green' cars on the road for user testing and infrastructure trials - thanks to additional funding from regional development agencies, and the commitment of car companies, local authorities, utilities and university partners.

This 'joined-up' approach and the new pace of innovation, which we created in the sector, impressed global car companies such as Nissan and Ford, and played a significant role in plans to base European production for low carbon cars in the UK – such as the decision announced in March 2010 to build the Nissan Leaf in the North-East. In this way the Technology Strategy Board has played a key role in bringing new life to the UK car industry, to the point where it is on the verge of becoming the favoured European location for 'green' car production, in terms of having the workforce with the right skills, innovative component manufacturers and the right R&D backing from Government.

Developing partnerships

Our work in the low carbon vehicles area is just one example of where our close strategic partnerships with government departments, research councils, regional development agencies and devolved administrations has started to bear fruit.

With these partners we have worked closely to identify common areas of work, with the regional development agencies (RDAs) and research councils aligning significant levels of their funding with our programmes, particularly contributing to competition investment. The strength of these partnerships meant that this aligned funding exceeded the targets set for 2008-2011 with £459m from the regional development agencies against a £180m target and £165m against £120m from the research councils. In this way we are ensuring that our programmes can gain critical mass and therefore be more effective for business.

Diversifying our competitions

In formulating our strategies and shaping our thinking on different technologies and markets, it became clear in 2009-10 that we would need to build on the existing collaborative R&D competition model we inherited. The economic environment demanded a more flexible, yet more clearly defined, approach so that we could spur on the broadest range of innovative businesses. In each area where we plan a competition for funding, we now work to find the best tool to use so that we will get the most innovative and workable projects to fund, whether they come from micro, small, medium-sized, large or multinational UK companies.

This might be a different type of competition. For example, we rolled out competitions for feasibility study funding and fast-track projects in technology-inspired or challenge-led areas where our insight into the area told us we needed to offer more than the mainstream collaborative R&D model. Introducing these different types of competition has given us more scope to work with business in different ways.

Feasibility studies

In the case of the feasibility studies, single companies have the opportunity to explore an idea. This is less risky to companies dealing with ongoing economic pressures, particularly small and medium-sized enterprises (SMEs). For them, the opportunity to innovate might make the difference between survival and demise but it might be too much of a leap of faith to sacrifice billable hours to take the chance. In this way we can support innovation which would undoubtedly otherwise fall by the wayside.

With the digital and technology-inspired feasibility studies competitions run in 2009-10, we also tried out a new way of supporting collaborative activity by holding ‘Collaboration nation’ events where the project companies had the chance to pitch their innovations to a mixed audience of peers, potential funders and researchers.

Composites Grand Challenge

We also run interactive workshops so that we can bring together industry players, researchers and quite disparate communities to get to the heart of the problem or challenge that we need to solve.

One example of this is the Composites Grand Challenge. With support from the BIS Strategic Investment Fund we backed feasibility studies, inviting the best to develop and test their concepts at an interactive workshop, before awarding £5m to the winning proposal. Part of the objective was to encourage business collaboration, aiming to create a new force for innovation in a rather fragmented sector. The winning proposal came from a consortium formed through this process – the National Composites Centre – led by GKN Aerospace and involving 23 companies and organisations from a range of sectors including marine, automotive and aerospace.

How we use competitions to select business-led R&D projects for funding

All our competitions are open to businesses from across the UK. Consortia, which may include companies, researchers and academics, submit a proposal for a project, in line with the specific scope of a competition. Each proposal is independently assessed, and if successful, we fund a proportion of the cost of the project. All applicants to our competitions need to demonstrate a clear commercial exploitation plan to get their innovation to market if the project is successful.

Our portfolio of competition types in 2009-10 involved:

Two-stage collaborative R&D – open to business-led consortia, for projects of 2-5 years duration with total costs of £100k-£5m; mainly up to 50% matched funding in the applied research area.

Feasibility studies – typically 6–18 month projects, involving consortia or single companies with total project costs in the region of £25k-200k; mainly up to 75% public sector funding in the industry-orientated basic research area.

Fast-track – for near-to-market products, typically 12-month projects with total costs in the region of £50k-150k; mainly up to 25% public sector funding in the experimental development area.

SBRI – development contracts between a government agency and a single company; contract awards can range from £15k-£1m.

Interactive workshops, or sandpits – a diverse group of participants from a range of disciplines and backgrounds get together for up to five days, away from their everyday worlds, to immerse themselves in creative problem-solving. 'In principle' funding is usually awarded for consortium research projects worthy of investment on the last day of workshop.

We develop each topic for competition from our strategies and by consulting industry, academia and other players in the particular area.

Note: these criteria and funding levels are indicative only. We are constantly reviewing them in the context of what is required for a particular technology or industry area.

Expanding our innovation platforms

During the year we continued to develop our innovation platforms and pushed forward our implementation plans alongside those already established. In particular, the Low Carbon Vehicles Innovation Platform programme went into full swing with several key competitions being launched in the year and the innovation model seeing rewards, such as the already mentioned international investment in UK car industry expertise.

We also ran the first competitions for the newest innovation platforms, with 'Fighting infection through detection' within the Detection and Identification of Infectious Agents Innovation Platform and 'New approaches to crop protection' within the Sustainable Food and Agriculture Innovation Platform.

We continued to investigate the need and opportunity for innovation platforms in water, stratified medicine and technology-enabled learning.

What are innovation platforms?

Our innovation platforms exemplify how we work to promote challenge-led innovation.

The approach is to take a specific societal challenge on which the government is focused and to work with researchers and business to develop new products and services to meet the future market needs created by the challenge.

These platforms engage UK businesses in addressing some of the most pressing societal issues, aiming to tackle the problems while developing proven solutions that UK businesses can sell not only here but overseas, contributing to UK prosperity. We run open competitions to find commercial innovations to meet such challenges.

Ramping up SBRI

In 2009-10 we concentrated on rolling out the SBRI (Small Business Research Initiative) programme as widely as possible. The programme helps companies respond to the needs of government departments or public sector bodies by developing innovative products and services to meet their requirements. SBRI offers small companies, in particular, the opportunity to work with government departments and develop innovative solutions to challenges.

We initiated 25 competitions with the involvement of 13 government agencies, including: the Ministry of Defence, the Home Office, the Department of Energy and Climate Change, the Department of Communities and Local Government, the Homes and Communities Agency, Defra, the Design Council, the Highways Agency, East of England Strategic Heath Authority and the East of England RDA. During the year 425 contracts were issued to the value of £27m. Sixty-six per cent of these contracts were with SMEs.

Of particular note was the *Retrofit for the Future* demonstrator competition, which attracted nationwide attention and a high level of good quality applications. We supplemented our original budget for the competition with additional Strategic Investment Fund money we received, enabling us to fund more of the proposals. Eighty-seven projects were awarded a total of £12.8m to build 'demonstrator' houses that showcase energy-efficient technologies that can be retrofitted to social housing.

What is SBRI?

SBRI is a programme championed by the Technology Strategy Board, on behalf of the Government, to support the next generation of products and services required by the public sector. Public sector organisations buy research and development services, helping to bring new technologies to market and leading to the possibility of commercial procurement in the public sector. Developments are 100% funded and targeted at specific operational or policy needs in the public sector organisation, increasing the chance of market exploitation. Suppliers for each project are selected by an open competition process and will retain the intellectual property generated from the project.

Key features

- A fully funded development contract between the company and the government department - – it is not a government grant
- It generally has a two-phased development that starts with initial feasibility and then more detailed product development
- It is a fast-track, simplified process that allows government departments to engage with businesses they would not normally work with
- It is particularly suitable for small, medium-sized and early stage businesses and gives vital funding for the critical stage of product development
- The government department (or public sector body) acts as the lead customer and is instrumental in helping the business develop its product or technology
- It should result in a commercial product or service.

The intellectual property is retained by the company, with certain rights of use held by the department.

Space

The Technology Strategy Board was responsible for innovation in satellite telecommunications and satellite navigation in the UK and managed the UK subscriptions to European Space Agency (ESA) programmes in these areas. During the year, the formation of the UK Space Agency (UKSA) was announced and from April 2011, all UK ESA subscriptions are now held by this new executive agency. We work as a delivery partner to the UKSA to provide the technical management of the ESA Advanced Research into Telecommunication Systems (ARTES) programme which aims to develop the next generation satellite communications systems and the ESA activity on the Galileo programme which is developing Europe's answer to the American Global Positioning System.

Extending and optimising our outreach work

Our third strategic area focused on the innovation climate. Great ideas do not often come to individuals in an isolated spark of genius. To innovate, we need to approach a problem from different angles and perspectives – by involving businesses from different sectors, including researchers and academics, and bringing them together to find solutions to the challenges we face. It's about creating a climate in which both individuals are inspired and where innovation can thrive and accelerate.

During the year we reorganised and optimised the Knowledge Transfer Networks so that they fit better with industrial/research priorities and our corporate strategy as reflected by our technology and application areas and innovation platforms. By the end of the financial year there were 16 networks:

- Aerospace and Defence
- Biosciences
- Chemistry Innovation
- Creative Industries
- Digital Systems
- Digital Communications
- Electronics, Sensors and Photonics
- Energy Generation and Supply
- Environmental Sustainability
- Financial Services
- Healthtech and Medicines
- Industrial Mathematics
- Materials
- Modern Built Environment
- Nanotechnology
- Transport.

By the end of the 2010-11 financial year, the two digital networks merged and the optimisation process was completed. During 2009-10 we increased membership of the Knowledge Transfer Networks from 43,000 to more than 50,000. We also developed and launched a new online space for the networks to help members to collaborate easily within their network and with members in other networks. A so-called 'network of networks', the **_connect** space at www.innovateuk.org/connect offers social networking functions and direct collaboration tools to members. We expect **_connect** to become **the place for online innovation collaboration** over the next few years and all existing members have been migrated over to it.

In 2009 our annual innovation showcase and conference, Innovate '09, was more successful than ever before. We were able to extend the reach of the event, with not only 1,200 delegates attending in person, but around 700 more accessing the live online broadcast via our website. We also participated in a Scottish event immediately afterwards, Innovate Scotland, in partnership with Highlands and Islands Enterprise.

New ways to support innovation

During the year we experimented with new ways to reach innovative businesses and provide them with the support they need to get their new products and services closer to the market.

In February 2010 we co-sponsored the 'Clean and Cool' trade mission to San Francisco, reflecting one of our key priorities for the year – the low carbon economy. With our partners we held an open competition to take 19 cleantech companies on the mission. They were introduced to potential partners and venture capitalists with the opportunity to build transatlantic relationships and networks. It will take some time to see how successful the mission has been but two companies, Modcell and PassivSystems, immediately entered into a joint venture to work on zero carbon schools in the UK.

Classic and shorter Knowledge Transfer Partnerships

Business interest in the Knowledge Transfer Partnerships programme remained buoyant during 2009-10 despite the impact of the depressed economic climate on business confidence generally. At the year end, there were 1,102 'classic' (one to three years) projects in the portfolio, an 8% rise year-on-year.

The new, shorter (10 to 40 week) Knowledge Transfer Partnerships were launched nationally in July 2009 and 199 individual projects were approved during the year. Seventy-five per cent of businesses taking part in the Knowledge Transfer Partnerships are SMEs.

During 2009-10 a full independent review of the programme was carried out on behalf of the Technology Strategy Board and other 19 funding organisations, by Regeneris Consulting. The report, and our response to its recommendations, were published in June 2010. It identified Knowledge Transfer Partnerships as an effective and successful programme with a wide range of identifiable beneficial results. For example, between 2001-02 and 2007-08 it estimated that the programme generated £4.2-4.6bn of new sales for the businesses involved, £1.6-1.8bn of Gross Value Added (GVA) and 5,530-6,090 jobs (in addition to the associates themselves).

International work

The Technology Strategy Board has been working with a range of organisations, including UK Trade & Investment, the Science & Innovation Network, and Research Councils UK in developing its approach to European and international activities. We are keen to ensure the Knowledge Transfer Networks increase their European and international activities and created an international fund to support such projects.

The European focus in 2009-10 was to support UK business, particularly SMEs, in participating in EU 7th Framework Programme (FP7) funding programmes. In the EU FP7 thematic competitions, the Technology Strategy Board supported industry through dedicated National Contact Points, an email and telephone support service and website information. In addition, we organised seminars and events aimed at specific competitions for projects. This has offered industry access to the expertise and information required to support bids for funding from the EU FP7.

The Technology Strategy Board also worked with similar organisations from Sweden, Finland, the Netherlands, Austria and Ireland in a project funded by the European Commission, as part of the PRO-INNO initiative, looking at the provision of better support for SMEs.

Organisational development

Having insourced the business support service and operations supporting our competitions, we achieved significant internal efficiencies in 2009-10. We also reduced the timescale for the competition administration process from 26 weeks to 6-19 weeks, depending on competition type. This drive for efficiency gathered pace through the year as we integrated the Knowledge Transfer Networks on to the **_connect** IT system, providing enhanced functionality and adding the FP7 website to the platform. We will be building on the economies of scale and improved value of money we achieved during 2009-10 in the years to come.

The Technology Strategy Board team grew gradually during the year to around 120 staff, in line with its increasing role and programmes and to further ensure more efficient use of resources. In recruiting team members, we place a strong emphasis on people with significant business experience. Indeed our team of technologists spend much of its time meeting companies across the country, making over 1,400 visits to businesses in 2009-10.

The future

Despite the economic situation, business participation in our programmes increased. We constantly encourage businesses to keep on innovating – it is the key to economic recovery – and this will continue to be our mantra.

We are looking to further our partnerships with other government agencies to make the most of taxpayers' money in the pursuit of pinpointing the best innovation investments in the most promising areas.

We aim to expand the SBRI roll-out, working with more government agencies and public sector organisations and spreading the message about the opportunities presented by SBRI as broadly as possible.

We have refreshed our corporate strategy, building on the principles of *Connect & Catalyse,* which we believe are just as relevant now as they were in 2008. The strategic update, *Concept to Commercialisation,* was published in May 2011.

We recognise that the funding environment presents a major challenge to us in trying to deliver more effectively year on year. In common with other non-departmental public bodies sponsored by BIS, the 2010 spending review imposed a 16% reduction in our core budget between financial year 2010-11 and 2014-15.

However, this has been more than offset by additional budget allocated for:

- the Grant for R&D programme that was inherited from the regional development agencies which we relaunched in April 2011
- the recently launched technology and innovation centres, which will be a network of six to eight elite specialist facilities that offer innovative businesses access to high-tech equipment and expert staff that they do not have in-house.

These two new programmes enable us to offer businesses more breadth and depth in how we support them in developing their innovations and getting them closer to the marketplace.

The UK has the ideas, the entrepreneurs, and the expertise and talent. As we go forward we will continue to champion innovation as **the** way for businesses to achieve growth in the future.

We are dedicated to turning this into wealth and prosperity for businesses and a better quality of life for our people.

Iain G Gray
Chief Executive

Further information about the Technology Strategy Board's activities in 2009-10 can be found in the *Highlights of the Year*, available at www.innovateuk.org.

CORPORATE ACTIVITIES

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 began operations on 1 July 2007, when it took over certain activities previously carried out by the Secretary of State for Trade and Industry relating to energy and technology innovation. The Technology Strategy Board is an executive non-departmental public body (NDPB) and its primary source of funds is the Request for Resources Grant-in-Aid allocated by its sponsoring body, the Department for Business, Innovation and Skills (BIS).

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

Purpose

The Technology Strategy Board's purpose, expressed in its vision, is to promote, accelerate and invest in technology-enabled innovation so that the UK can become a global leader in innovation and a magnet for innovative businesses, who can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life.

Programme objectives

To achieve its aims, the Technology Strategy Board has executive responsibility for delivering programmes of government financial support to encourage business investment in, and the use of, technology across all sectors of the UK economy. These programmes include continuing support for collaborative research and development for business investment, and the use of technology, in both manufacturing and service industries. The aim is:

- to achieve increased innovation in sectors where the UK economy is strong
- to develop new sectors, through the creation and growth of research and development, of intensive small and medium-sized enterprises
- to support the use of technology in areas important to the future of existing and emerging sectors in the UK.

The Technology Strategy Board also supports Knowledge Transfer Networks. These are national over-arching networks that aim to improve the UK’s innovation performance by increasing the breadth and depth of knowledge transfer of technology into UK businesses.

In its advisory role, the Technology Strategy Board alerts the Government to areas where barriers exist to the exploitation of new technologies.

The Technology Strategy Board works closely with government departments and agencies, with the devolved administrations, the regional development agencies and the research councils. It collaborates with these bodies and businesses on technological developments and innovations of importance to the UK and to government procurement.

Corporate governance

Audit Committee

The Audit Committee, comprising three members of the Governing Board, meets at least four times a year to review internal and external audit matters and the Technology Strategy Board's accounts. Its terms of reference include the monitoring of the application of internal controls and overseeing the Technology Strategy Board's response to the corporate governance initiative and risk management. The Audit Committee receives and considers reports from both internal and external auditors. Minutes of the Audit Committee are forwarded to all members of the Governing Board. During 2009-10, the Committee undertook a formalised meeting structure and maintained and improved its knowledge through continuing education.

Chief Executive

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

Executive Board

The following persons were executive directors during the year 2009-10 and up to the date of approval of these accounts unless otherwise indicated:

Dr David Bott	Director of Innovation Programmes
Graham Hutchins	Director of Operations & Services
Dr Allyson Reed	Director of Strategy & Communications
David Way	Director of Knowledge Exchange & Special Projects

Governing Board members

The following persons were members of the Technology Strategy Board's Governing Board during the year 2009-10 and up to the date of approval of these accounts unless otherwise indicated:

Chair

Dr Graham Spittle CBE	(to 30 November 2011)
Phil Smith	(from 1 December 2011)

Chief Executive

Iain G Gray

Members – whole year

Dr Graeme Armstrong	(to 20 June 2010)
Dr John Brown CBE FRSE	
Eur Ing Nick Buckland OBE	(to 30 June 2011)
Dr Joseph Feczko	(to 30 June 2011)
Anne Glover CBE	
Dr David Grant CBE	
Jonathan Kestenbaum	
Dr Jeremy Watson	(to 20 June 2010)
Andrew Milligan	

Members - in next financial year

Ian Shott CBE	(from 1 August 2011)
Michael Carr	(from 1 August 2011)
Dr Robert Sorrell	(from 1 August 2011)
Colin Paynter	(from 1 August 2011)

Members – part year

Prof Julia King CBE FREng	(to 20 June 2009)
Dr Peter Ringrose	(to 20 June 2009)
Prof Christopher Snowden FRS	(from 21 June 2009)
Dr Stewart Davies	(from 21 June 2009)
Sara Murray	(from 21 June 2009)

Governing Board members are appointed by the Secretary of State of our sponsor department (the Department for Business, Innovation and Skills during the period covered by this report) and are drawn from business, the public sector and research communities by reason of their knowledge and experience of the exploitation of science, technology and new ideas by business. Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Details of Governing Board members' interests are available by application to the Board Secretary.

Auditors

The accounts of the Technology Strategy Board are audited by the Comptroller and Auditor General under the terms of paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. A fee of £165,000 is due for this service. There was no other auditor remuneration for non-audit work.

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

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

Human resources management

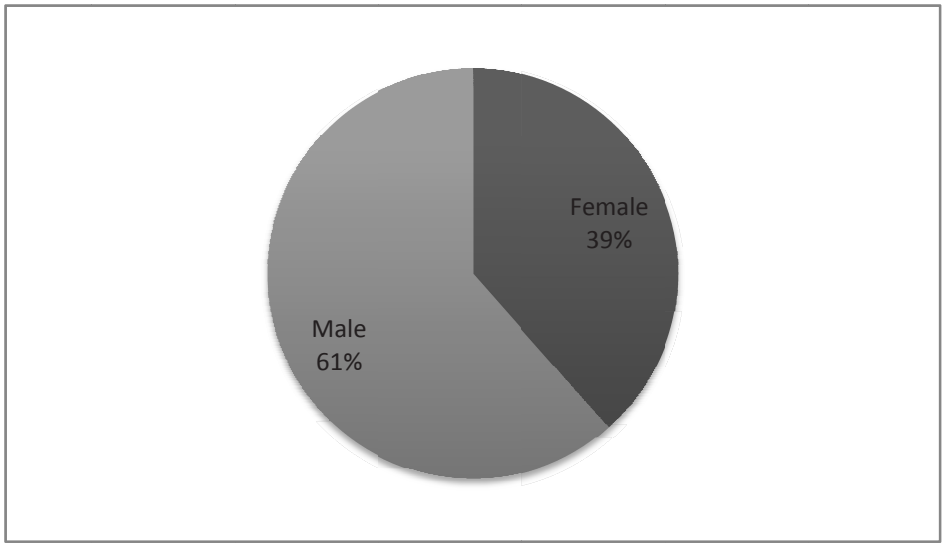
The following were the main objectives for human resources management in 2009-10:

- develop and resource a comprehensive workforce plan for the Technology Strategy Board to deliver the right number of people with the right skills, experiences, and competencies in the right jobs at the right time, at an optimum cost
- continue and develop effective staff consultation arrangements
- implement a reward strategy that must both encourage and support differing contractual arrangements for technology skills and at the same time the longer term retention of staff
- performance management - develop and implement a set of processes for establishing a shared understanding of what is to be achieved in the organisation which supports the management and development of colleagues in a way that increases the probability of personal and organisational goals being achieved in the short and longer term
- develop capability – ensuring that the Technology Strategy Board management and staff have appropriate skills/experience to deliver high performance and the business objectives.

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 2010 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 Manual, office notices, e-mail and the intranet. Consultation with employees takes place through meetings with senior staff, the Staff Consultative Council, through bilateral, directorate, sectional meetings, and through working groups set up to look at specific organisational issues, and where appropriate through all-staff meetings.

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

All staff receive a briefing on, and personal copies of, the Technology Strategy Board's corporate strategy *Connect and Catalyse* and the associated 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.

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 was undertaken by Health and Safety Representatives in November 2008 and April 2009 and continues to be current. The Technology Strategy Board continues to monitor health and safety risks and take appropriate action.

Sickness and absence

Calculation of the Technology Strategy Board sickness/absence rates is as follows, 2008-09 is shown in brackets. It should be noted that the year reported included a number of reported cases of swine flu.

2009-10 **(Prior Year 2008-09)**	**Absence Rate as a % of total working days**		**Average working days lost to sickness (per member of staff)**	
All staff	0.63%	(0.97 %)	1.6	(3.0)
Excluding 3 staff on long-term sick leave	0.25%	(0.22 %)	0.6	(0.6)

Reporting of personal data incidents

Records are kept of personal data incidents. Three members of staff had a laptop stolen; however, in all cases there was low risk of loss of personal data as the laptop was encrypted. Nine smartphones were lost, however, again there was a low risk of loss of personal data as all smartphones 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 2009-10.

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 undertaken steps to ensure that it complies with the standard laid down by the Data Handling Review. A review of the data held was undertaken, along with a risk assessment. In relation to personal data it was identified that the Technology Strategy Board did not carry a great risk as it does not hold much personal data. An ongoing project has:

- encrypted all laptops and mobile phones. New laptops and mobile phones are encrypted prior to delivery
- included the requirements identified in the Data Handling Review as fundamental requirements within the scope of the systems development project that commenced in 2008-09
- completed the development of an Information Assurance policy in July 2009, communicated it to all staff
- completed training in line with Cabinet Office guidelines using National School of Government Protecting Information on-line training, to ensure that all staff are fully aware of their responsibilities under the Information Assurance policy

The Technology Strategy Board has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.

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 Note 5 as Administrative Support Contracts. The system development referred to in the review of the year's activities, when complete, will affect the requirement for some of these contracts. Some of the contracts have already started to downsize as the Technology Strategy Board engages directly with our clients to fulfil our objectives.

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 Technology Strategy Board's 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 2009-10, the Technology Strategy Board paid 97% (2008-09: 97%) of its undisputed invoices within the 30 day period. As at 31 March 2010 the creditor days outstanding amounted to three days of annualised purchases..

In November 2008, a new prompt payment target of 10 days was introduced for the public sector. In 2009-10, the Technology Strategy Board paid 74% (part of 2008-09: 55%) of its invoices within the 10 day period.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Our Governing Board has recognised the importance of taking sustainability into account at all levels in promoting our innovation agenda. We have published a sustainability statement and policy that sets out the Technology Strategy Board's position, in that we have adopted the 'triple bottom line' approach to this agenda that focuses on people, planet and profit.

In pursuit of this, we have continued to refocus our programme of investments in business innovation towards recognising the importance of markets created by the need to move to a more sustainable social model.

Highlights in the last year include the Low carbon vehicles demonstrator programme; the Low impact buildings Retrofit for the future programme; further investment in wind and marine energy and the launch of the Sustainable Food and Agriculture Innovation Platform. These programmes are all focused on reducing the waste produced from our activities, or ensuring that we maximise the output of the activities we undertake.

We have started an ongoing discussion on how the Knowledge Transfer Networks can be used to communicate best practice and get the message out to innovative businesses that sustainable innovation can increase business competitiveness.

We have introduced new methodology in assessing grant applications in our collaborative R&D competitions to ensure that sustainability considerations are central to the assessment and outcome.

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

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

Figures for the joint Swindon-based research councils show that approximately 70% of waste is recycled. Furthermore, we have set an aspiration to meet the '10:10' target of a 10% reduction in 2010.

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
- establish a placement with a pilot undertaken during the year.

FINANCIAL HIGHLIGHTS

Net expenditure for the year

In total, net expenditure for the year increased by £25.7m, or 8%, to £341.8m (2008-09: £316.1m).

Technology grants expenditure and accruals

The increased funding contributed to a £37.7m increase in technology grants expenditure to £237.2m (2008-09: £199.5m) Note 7. A breakdown of grant expenditure by segment has been provided in Note 9.

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 in Note 1i.

Operating costs

Average staff numbers in 2009-10, including interims and agency temps, increased by 32 to 116 in order to build up resource levels to deliver the ramping up of new and existing programmes and to improve the efficiency of operations. This resulted in staff costs increasing by £2.6m, or 35%, to £10.0m. Administrative support contract costs, however, decreased by £0.8m, or 4%, to £20.8m. This decrease occurred in a period of significantly increased activity and was achieved through contract renegotiation with third party programme support providers and through the in-sourcing of core activities. The Technology Strategy Board will benefit from larger annualised savings in 2010-11 and onwards.

Other operating costs increased by £3.6m, or 72%, to £8.6m, primarily due to increased intervention management costs, programme communications and event-related costs, which are all integral to the effective delivery of the Technology Strategy Board's programmes and strategic objectives. During this period the number of competitions launched more than doubled from 23 to 54.

Pension liabilities

The accounting treatment of pension liabilities and details of the funding arrangements are set out in notes to the accounts 1j Pension Costs and 4e 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 later 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 £289.6m (2008-09: £317.5m). In addition to this, £5.4m was spent in 2009-10 on developing a new IT platform comprising a grant and competition management system as well as acting as a collaboration platform for KTNs, other industry groups and Technology Strategy Board technologists.

Liquidity

Cash held at 31 March 2010 was £8.1m (31 March 2009: £14.3m) and assets less liabilities were £103.6m (31 March 2009: £50.8m).

Financing

Grant-in-Aid financing received during the year from BIS increased by £34.4m to £256.4m.

Co-funding financing from other government bodies also increased by £0.6m to £32.6m for the year. This represents an increase in a variety of cross-collaborative grants, which are managed and administered by the Technology Strategy Board. In 2009-10 this form of funding was received from 30 different government bodies, including devolved agencies, government departments, research councils and regional development agencies. Notable examples include near to market low carbon vehicles with £8.1m co-funding received from the Department for Transport and the ESA programme with £13m co-funding income received from the London Development Agency, the South East England Development Agency, the East of England Development Agency and Defra.

Other income of £1.4m was received from the recharging of Knowledge Transfer Partnership management fees to the other government partners (2008-09: £1.2m).

Allocation and outturn

In the 2009-10 year, being the second year of the three-year Comprehensive Spending Review 2007 allocation, the budget increased by £135.0m to £329.3m. In addition to an anticipated £61.2m increase in the budget allocation, £25.0m (the first of two equal tranches) was allocated to the Technology Strategy Board as part of the Strategic Investment Fund initiative to accelerate technological innovation and £48.8m was transferred to accommodate responsibility for space funding.

Overall, the Technology Strategy Board recorded a non-usable £1.5m capital underspend and a non-usable £13.2m resource underspend against the budget allocation. The non-cash underspend of £3m is primarily due to the notional cost of capital credit. The following table gives a comparison of outturn against allocation:

	Non-cash[1] £000	Resource £000	Capital £000	Total £000
Total expenditure for the year[2]	(2,998)	341,665	-	338,667
Financing from other bodies[3]	-	(32,551)	-	(32,551)
Treatment of capital grants	-	(10,685)	10,685	-
Expenditure on non-current assets[4]	-	-	5,525	5,525
FY09-10 Outturn	(2,998)	298,429	16,210	311,641
FY09-10 Budget Allocation	-	311,579	17,717	329,296
Variances	2,998	13,150	1,507	17,655
of which:				
Non-usable underspend	2,998	13,150	1,507	17,655
In year (over-)/underspend	-	-	-	-

[1] 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 notional cost of capital credit and the depreciation and amortisation expense.
[2] Taken from the statement of net expenditure
[3] Taken from the statement of changes in taxpayers' equity
[4] Taken from the statement of cash flows

Going concern

The net expenditure of £341.8m has been transferred to reserves. Total government funds at 31 March 2010 amounted to a deficit of £103.6m (31 March 2009: adjusted deficit of £50.8m). 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 (formerly the Department for Innovation, Universities and Skills, DIUS). 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 2010-11, 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 the previous funding allocations arising from the Government's spending review settlement figures which covered up to 2010-11. The Technology Strategy Board's financial commitments on grants beyond that period can be met well within the 2010 spending review budget allocations 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 in June 2007. Administration budget cuts for the new spending review period are anticipated to be accommodated through the realisation of efficiency gains arising from the in-sourcing of operational activities and from system improvements. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Risk

The statement on internal control 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. The most significant factors underlying the performance and position of the Technology Strategy Board during the period under review are identified in the statement on internal control.

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Iain G Gray
Accounting Officer
21 February 2012

REMUNERATION REPORT

Unaudited Information

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 Directors is assessed annually by the Chief Executive through the performance management process and approved by the Technology Strategy Board's Remuneration Committee. In the light of these assessments, performance-related pay is made in accordance with provisions of the Pay Remit approved by BIS. The remuneration of the Technology Strategy Board's Non-Executive Directors and Chairman is reviewed annually by BIS. Membership of the Technology Strategy Board's Remuneration Committee consisted of:

Graham Spittle	Chairman
Peter Ringrose	Non-Executive Director(up to July 2009)
David Grant	Non-Executive Director
Jonathan Kestenbaum	Non-Executive Director (from September 2009) -
Iain G Gray	Chief Executive

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

Contractual policy

The Chief Executive is contracted for the period 31 October 2007 to 30 October 2012. The Director of Innovation Programmes is contracted for the period 1 July 2007 to 30 June 2012. All other Directors are permanent employees of the Technology Strategy Board. The Chief Executive is subject to a notice period of 12 months; all Directors are subject to a notice period of six months.

Non-Executive Directors and the Chairman are not employees of the Technology Strategy Board and received a letter of appointment from BIS. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also be removed from office by the Secretary of State on grounds of incapacity, misbehaviour or a failure to observe the terms and conditions of appointment. The Chairman was re-appointed for a three-year period from 1 December 2008.

Details of 2009-10 remuneration for the Technology Strategy Board Chief Executive and Directors

Remuneration of senior employees

The combined code on corporate governance 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 Combined Code principles. The following disclosures are considered appropriate for the Technology Strategy Board:

Audited Information	**Chief Executive**	**Director of Operations & Services**	**Director of Strategy & Communications**	**Director of Knowledge Exchange & Special Projects**	**Director of Innovation Programmes**
	Iain G Gray	Graham Hutchins	Dr Allyson Reed	David Way	Dr David Bott
	£000	£000	£000	£000	£000
Salary and allowances in 2008-09 (restated)	245 - 250[1]	125 - 130	130 - 135	105 – 110	See below[2]
Salary and allowances in 2009-10	255 - 260	130 - 135	130 - 135	105 – 110	See below[2]
Benefits in kind (cash equivalent)	-	-	-	-	-
Real increase of pension and related lump sum at age 60	2.5 - 5	0 – 2.5	2.5 - 5	7.5 – 10	-
Total of accrued pension at age 60 and related lump sum	10 - 15 no lump sum	5 – 10 no lump sum	5 – 10 no lump sum	45 - 50 no lump sum	- no lump sum
Cash Equivalent Transfer Value (CETV) at 31 March 2010	156	89	124	1 004	-
CETV at 1 April 2009	85	58	78	894	-
Real increase in CETV 2009-10	54	21	32	102	-

[1] Iain G Gray's total salary and allowances has been restated to reflect the actual bonus paid relating to FY08-09 rather than the accrued bonus that was previously shown in last year's annual report and accounts.

[2] David Bott is contracted for his services as a Director. The accounts include charges of £238,660 for his services (2008-09: £231,072).

	2009-10 £'000	2008-09 £'000
The aggregate of salary costs, bonus and benefits in kind for senior employees:	635	606

Unaudited Information

Salary and allowances, including bonus

Salary and allowances, including bonus, covers both pensionable and non-pensionable amounts and includes: gross salaries; performance pay or bonuses; overtime; allowances and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties. It does not include the charges for David Bott's services as a Director. These are included in the charges for agency and interim staff (Note 4b).

No ex-gratia payments were made during 2009-10.

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.

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.

Audited information

Remuneration of Governing Board members

The standard honorarium paid to Governing Board members amounted to £9,180 (2008-09: £9,180 pa). The emoluments of the Chairman, Dr Graham Spittle, were £15,720 (2008-09: £15,642 pa). 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:

	2009-10 £000
Governing Board members' annual honoraria	
Dr Graeme Armstrong	5 - 10
Dr John Brown FRSE	5 - 10
Eur Ing Nick Buckland OBE	5 - 10
Dr Stewart Davies (from 21 June 2009)	5 - 10
Dr Joseph Feczko	5 - 10
Anne Glover CBE	5 - 10
Dr David Grant CBE	5 - 10
Jonathan Kestenbaum	5 - 10
Prof Julia King CBE FREng (to 20 June 2009)	0 - 5
Andrew Milligan	-
Sara Murray (from 21 June 2009)	5 - 10
Dr Peter Ringrose (to 20 June 2009)	0 - 5
Prof Christopher Snowden FRS (from 21 June 2009)	5 – 10
Dr Graham Spittle	15 – 20
Dr Jeremy Watson	5 – 10

Andrew Milligan has elected to forego his honorarium.

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Iain G Gray
Accounting Officer
21 February 2012

STATEMENT OF RESPONSIBILITIES
of the Technology Strategy Board and of its Chief Executive with respect to the financial statements

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

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

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

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

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Technology Strategy Board's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

As Accounting Officer, I take ultimate responsibility for the implementation and maintenance of the risk management process. I am advised and supported by the Governing Board, Audit Committee and Executive Board, who have discussed the internal controls. The Governing Board comprises external independent members and the Chief Executive. Senior members of the Executive Board are also in attendance.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Technology Strategy Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in development in the Technology Strategy Board since inception in July 2007 and continues to be enhanced up to the date of approval of the *Annual Report and Accounts*, and accords with Treasury guidance.

Capacity to handle risk

The Technology Strategy Board continues to undergo a good deal of development both in terms of organisational identity and in the policies and procedures that it is putting in place. Policies and internal controls have continued to be reviewed, developed and embedded.

The Executive Board continues to take a lead in embedding risk management in the organisation. The Executive Board has identified the key internal and external risks facing the Technology Strategy Board and the completion of its objectives, and reviews progress in managing these risks each month. The internal control process ensures that all risk procedures and activities are reviewed by the management and staff delegated to do so. Delegated members of staff are aware of their responsibility to embed risk management in their activities.

Risk management training of the Executive Board and key personnel has been carried out. Where the need for more formal training has been identified, a selection of training courses in risk management techniques is available. We have ensured that the requisite skills exist in the Technology Strategy Board by getting a member of staff Risk Management Practitioner qualified. External experts have been involved in the development of the risk management process and they remain available for further consultation if required.

As part of the policy of allocating risk management to senior management, delegation letters have been issued to the Technology Strategy Board Directors and others setting out their responsibilities and giving policy guidance. These detail the individual's accountability and reiterate their corporate governance as well as their primary personal responsibilities.

The risk and control framework

The risk management framework operates as part of the business planning process through the initial identification of risks that threaten achievement of the Technology Strategy Board's objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk to which the Technology Strategy Board is exposed, which is monitored over time. Ownership for each risk is assigned to a named individual.

A risk register provides the basis for continual review of risk priorities. The Executive Board agreed appropriate action on any changes necessary following the introduction of the risk policy. The Executive Board meets monthly and reviews the risk register, agrees appropriate action on any changes necessary, and ensures that recommendations have been implemented.

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

- demand for engagement with business, other funding and public bodies, may have exceeded our available resources and we would have been unable to achieve our goals of driving forward UK industry, whilst solving societal problems
- the changing political landscape, driven by a general election in May 2010, may have impacted on the activities of the Technology Strategy Board and the amount of budget allocated to it from the next spending review
- the inability to implement our new IT systems on time, or the failure of our new IT systems once implemented.

The Executive Board reviews such risks through its monthly meetings and reports on progress to the Governing Board through the Chief Executive's report.

A major mechanism for managing risk is the review process covering the Technology Strategy Board's core business of awarding grants. The application procedure is contained in public guidance, amplified at briefing events. The Technology Strategy Board contracts independent assessors to review applications. They meet, reach consensus and produce a ranked, ordered list of applications to be funded. A funding panel consisting of the Technology Strategy Board, the research councils and any other funding agencies meets to agree which projects are funded but does not change the ranked, ordered list. The funding panel is co-chaired by the Director of Innovation Programmes and the Director of Operations & Services, who have delegated authority for formal approval of grant offers.

The Technology Strategy Board continues to mitigate the risks associated with new systems and procedures by wherever possible using research councils' existing systems and processes through service level agreements.

During 2009-10 the Technology Strategy Board undertook the development of its own IT systems for business critical activities, the aim being to allow us to get closer to our clients, whilst at the same reducing outsourced costs. This programme itself brought with it a number of risks which were mitigated successfully.

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

Part of the control framework is provided via the research councils' Internal Audit Service (RCIAS), which provides internal audit services to the research councils. The activities of the RCIAS in respect of the Technology Strategy Board are reviewed by the Audit Committee and the scope of the internal audit plan for the coming year is agreed. With this overarching view of audit activities, the Audit Committee co-ordinates the evaluation and review of the evidence supporting the Chief Executive's assurance statement on internal control. In the year to 31 March 2010, RCIAS carried out an agreed programme of assurance work, for which the Technology Strategy Board received a positive reasonable assurance rating for 2009-10 from the Head of Internal Audit.

In 2009-10, steps have been taken to deal with significant internal control issues:

- we have continued work on a finance manual, updating policy and procedures to best practice
- the strategic business planning processes have been reviewed and improved, utilising the development of high level impact metrics to assist in decision making
- the development of the Technology Strategy Board's IT systems was completed in December 2010
- information assurance: a review by the Director of Operations & Services concluded that the Technology Strategy Board has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvement of its systems. A fuller assessment of the information risk is contained in the statement on the Management of information risk in the Management commentary of this report
- risk management procedures have improved with the development of a more detailed risk register, regular review, and a further internal audit review has been undertaken
- during 2009-10, the Technology Strategy Board started to embed risk management into control systems. This commenced with the review of directorate risk registers (sub-sets of the Technology Strategy Board's corporate risk register)
- whilst the review of sub-sets of the corporate risk register has been a step forward it is felt that a more disciplined approach is required, which is more inclusive of all members of the team. We have also identified the need for the risk management process to be transparent and auditable
- The Technology Strategy Board has completed the development of an objectives cascade system, in which risks can be linked to the objectives. This allows for objectives to be cascaded from the delivery plan down to each individual employee. The employee can then identify key risks associated with each objective and these can be reviewed and reported on to inform the corporate risk register. This went live in June 2010.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Technology Strategy Board, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Governing Board, the Audit Committee and the Executive Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

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

- the Governing Board which meets bi-monthly in order to consider the Technology Strategy Board's plans, strategic direction, performance reports and corporate governance issues
- Directors' Annual Statements on Internal Control (DASIC). The DASIC exercise provides the main evidence informing the nature of my own assurance on internal controls as these assurances come from senior executives responsible for the development and maintenance of the Technology Strategy Board internal controls framework
- regular reports by the research councils' Internal Audit Service including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Technology Strategy Board's systems of internal control
- the Audit Committee which meets at least 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 Audit Committee meetings are circulated to the Governing Board
- Directors' and senior managers' meetings which occur on a monthly basis to oversee the implementation of the Technology Strategy Board's plans
- 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.

Internal control issues

In completing my review I accept the need to recognise the following issues, as well as the stage of development of the related controls:

- the development of our policies and procedures will continue as we develop, grow and undertake new activities (this should be monitored on a quarterly basis)
- improvement in the Executive Board's awareness of the organisation's financial performance
- the budgetary reductions across the public sector may put at risk previously agreed funding of projects, from other government departments (this should be monitored quarterly)
- review of the controls around the project monitoring framework, as well as monitoring liaison officers' and monitoring officers' contracts in the first half of 2011-12
- the development of the grant management system to provide more up-to-date project information and enhanced controls.

The Technology Strategy Board provides grants to fund research and development activities in UK companies. The advanced nature of the projects we fund leads to projects that are inherently changeable in their activity, the costs they incur, and consequently the rate at which we provide grant over the life of a project.
We have tried to mitigate the changeable nature of the grant by accounting for grant costs through the use of spend profiles, however these have proven to be insufficiently robust at a detailed level to allow us to produce accounts on a sufficiently timely basis.

We also recognise that we have been through a period of change in the last two years while developing our IT systems, and then bringing projects up to date on the data we hold and ensuring that the status of projects are accurate.
The above issues have led to the extended time taken to ensure that the grant accruals we show in our accounts are reasonably accurate.

To address the above issues we are contacting project participants to request that they submit claims in a more timely manner, and that they submit accurate forecasts. We are asking our Monitoring Officers to review the forecasts as well as the claims and check they are reasonable. By completing these tasks we will be able to move to using the project participants' forecasts of their costs, and subsequently grants, as the basis for accruing in the future.

……..

Iain G Gray
Accounting Officer
21 February 2012

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

THE CERTIFICATE 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 2010 under the Science and Technology Act 1965. These comprise the Statement of net expenditure, the Statement of financial position, the Statement of cash flows, the Statement of changes in taxpayers' equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Responsibilities of the Technology Strategy Board and of its Chief Executive, 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 have 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Technology Strategy Board's affairs as at 31 March 2010 and of its 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 the Management commentary within the Corporate Activities and Financial Highlights sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

My report explaining the reasons for the delay in the production and audit of these financial statements is on pages 35 to 36.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
20 March 2012

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

Background

1. The Science and Technology Act 1965, which applies to the Technology Strategy Board (TSB), requires that Accounts for the financial year ended 31 March should be submitted to the Comptroller and Auditor General on or before the 30 November each year.

2. Final Accounts for 2009-10, signed by the Accounting Officer, were therefore due to be submitted no later than 30 November 2010. Although initial draft accounts were presented for my audit in May 2010, these contained material inaccuracies in the grant accruals balance. The Board undertook further work to improve the accuracy of the accruals balance and the accounts were signed by the Accounting Officer in February 2012.

3. My Report explains the reason for this delay. My opinion on the TSB's Annual Report and Accounts is not qualified in this respect.

Difficulties in producing a sufficiently accurate grant accruals balance

4. Under the applicable financial reporting standards, the TSB's Accounts are required to record liabilities due to third parties in the Statement of Financial Position at each financial year end. The TSB pay a number of types of grants to a wide variety of parties, with total expenditure in 2009-10 of £237m. Due to the significant delay between eligible expenditure being incurred and a grant claim being received, processed and paid, a large amount of grant expenditure is accrued at the year-end (£92m at 31 March 2010).

5. The Accounting Officer is required to produce a reasonable estimate of the liabilities due for grant expenditure not yet paid if the financial statements are to present a true and fair view. The TSB are liable for a proportion of grant recipients' eligible expenditure as it is incurred and paid by the grant recipient. Therefore, the estimated part of the grant accrual is difficult to forecast at the reporting date.

6. My staff sought to audit the reported accruals balance several times in the period since 31 March 2010. However our work identified a significant level of error in the grant accrual presented for audit. This was due to errors in the calculation of the estimated part of the accrual as well as incomplete and inaccurate management information used for this calculation. I was unable to obtain sufficient appropriate evidence over the reported balance until now.

7. TSB have completed additional work through the period to improve the information supporting the estimated part of the accrual. In addition, with the passage of time, as amounts are paid after the year end, the estimated part of the accrual has reduced and the accrual has become more certain. The necessary adjustments have been made and the amount accrued at 31 March 2010 is materially accurate.

Action Taken

8. The TSB are in the process of identifying where progress can reasonably be made to accelerate the grant claim process without compromising the assurances required over the validity of the claim and, therefore, increase the accuracy of the grant accrual calculation.

9. The TSB will also need to ensure that sufficient procedures are put in place to confirm the reasonableness of the grant accrual estimate and the validity of the management information it is based on. Whilst some progress has been made, this has not been addressed in time to enable the TSB to present 2010-11 Accounts by the statutory deadline of 30 November 2011. A greater impact on the robustness and timeliness of the presentation of Accounts is expected for the 2011-12 financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
20 March 2012

STATEMENT OF NET EXPENDITURE
for the year ended 31 March 2010

Expenditure	Notes	2009-10 £000	2008-09 £000
Staff costs	4	9,960	7,401
Administrative support contracts	5	20,802	21,622
Other operating costs	6	8,606	4,978
Technology grants	7	237,213	199,538
International Collaboration	8	66,455	83,700
Depreciation & Amortisation	12,13	97	9
Total Operating Expenditure		343,133	317,248
Operating Income	10	(1,371)	(1,162)
Notional Cost of Capital	11	(3,095)	(2,319)
Total Expenditure for the year		338,667	313,767
Reversal of Notional Cost of Capital	11	3,095	2,319
Expenditure for the year after reversal of notional cost of capital		341,762	316,086
Net Expenditure for the year		341,762	316,086

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

STATEMENT OF FINANCIAL POSITION
as at 31 March 2010

		31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Assets	Notes			
Non-current assets:				
Property, plant and equipment	12	461	425	-
Intangible assets	13	5,923	531	-
Total non-current assets		6,384	956	-
Current assets:				
Trade and other receivables	14	10,357	24,136	22,796
Cash and cash equivalents	15	8,129	14,270	11,970
Total current assets		18,486	38,406	34,766
Total assets		24,870	39,362	34,766
Current liabilities				
Trade and other payables	16	(27,925)	(12,232)	(14,423)
Financial liability	16,21	-	(247)	-
Accruals	16	(100,572)	(77,699)	(75,789)
Total current liabilities		(128,497)	(90,178)	(90,212)
Non-current assets less net current liabilities		(103,627)	(50,816)	(55,446)
Assets less liabilities		(103,627)	(50,816)	(55,446)
Taxpayers' equity				
Government funds		103,627	50,816	55,446
		103,627	50,816	55,446

Iain G Gray
Accounting Officer
21 February 2012

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

STATEMENT OF CASH FLOWS
for the year ended 31 March 2010

	Notes	2009-10 £000	2009-10 £000	2008-09 £000	2008-09 £000
Cash flows from operating activities					
Total expenditure for the year		(338,667)		(313,767)	
Adjusted for:					
Depreciation & Amortisation	12, 13	97		9	
Cost of capital	1m, 11	(3,095)		(2,319)	
Decrease / (Increase) in receivables	14	13,779		(1,340)	
(Decrease) / Increase in payables	16	38,319		(34)	
Net cash outflows from operating activities			(289,567)		(317,451)
Cash flows from investing activities					
Purchase of intangible assets	13	(5,407)		(531)	
Purchase of property, plant and equipment	12	(118)		(434)	
Net cash outflows from investing activities			(5,525)		(965)
Cash flows from financing activities					
Funding from the EU		195		5,985	
Funding from UK partners		32,356		25,934	
BIS funding for space programmes		-		66,797	
Grant-in-aid received		256,400		222,000	
Net cash inflows from financing activities			288,951		320,716
Net (decrease) / increase in cash and cash equivalents			(6,141)		2,300
Cash and cash equivalents at 1 April			14,270		11,970
Cash and cash equivalents at 31 March			8,129		14,270

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2010

	Notes	Income and Expenditure Reserve	Total Reserves
		£000	£000
Restatement under IFRS			
Balance at 31 March 2008		(55,364)	(55,364)
Changes in accounting policy	3b	(82)	(82)
Restated balance at 1 April 2008		(55,446)	(55,446)
Changes in Taxpayers Equity 2008-09			
Net expenditure for the year		(316,086)	(316,086)
Funding from the EU		5,985	5,985
Funding from UK partners		25,934	25,934
BIS funding of space programmes		66,797	66,797
Total recognised income and expense for 2008-09		(217,370)	(217,370)
Grant-in-aid		222,000	222,000
Balance at 31 March 2009		(50,816)	(50,816)
Changes in Taxpayers Equity 2009-10			
Net expenditure for the year		(341,762)	(341,762)
Funding from the EU		195	195
Funding from UK partners		32,356	32,356
Total recognised income and expense for 2009-10		(309,211)	(309,211)
Grant-in-aid		256,400	256,400
Balance at 31 March 2010		(103,627)	(103,627)

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

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

a. Basis Of Accounting

These financial statements have been prepared in accordance with the 2009-10 *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. This is the first year that the Technology Strategy Board has reported on an IFRS basis, and the impact on the financial statements of this first time adoption is included in Note 3.

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 2009-10 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

i. Adoption of standards effective in 2009-10

The following revised standards and interpretations have been applied by the Technology Strategy Board from 1 April 2009.

International Finance Reporting Standards (IFRS/IAS)		Effective Date
IFRS 7	Amendments to IAS 39 and IFRS 7: reclassification of financial assets	1 July 2008
IFRS 7	Update to amendments to IAS 39 and IFRS 7: reclassification of financial assets	1 July 2008
IFRS 7	Amendment IFRS 7: improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating Segments*	1 January 2010
IAS 1	Presentation of Financial Statements	1 January 2009

* Amendment 1 January 2010 effective from the accounting period from 1 January 2010 and applied to 2009-10.

ii. IFRS effective in 2009-10 but not relevant

The following amendments were mandatory for accounting periods beginning on or after 1 April 2009 but were not relevant to the operations of the Technology Strategy Board.

International Financial Reporting Standards (IFRS/IAS)		Effective Date
IFRS 1	Amendments to IFRS 1: First-time adoption of IFRS and IAS 27: Consolidated and Separate Financial Statements	1 January 2009
IFRS 2	Share-based Payment (amendment)	1 January 2009
IAS 23	Borrowing Costs	1 January 2009
IAS 32	Financial Instruments: Presentation and IAS 1 Financial Instrument Presentation Amendments - Puttable Financial Instruments and Obligations Arising Liquidation	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective Date
IFRIC 15	Agreements for the construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign operation	1 October 2008

iii. Standards, interpretations and amendments to published standards which are not yet effective

The IASB and IFRIC issued the following standards and interpretations with an effective date after the date of these financial statements. They have not been adopted early by Technology Strategy Board and it is not anticipated that the adoption of these standards and interpretations will have a material impact on the Technology Strategy Board's reported income or net assets in the period of adoption.

Effective for the Technology Strategy Board for the financial year beginning 1 April 2010:

International Financial Reporting Standards (IFRS/IAS)		Effective Date
IAS 39	Amendments to IFRIC 9 and IAS 39: Embedded derivatives	30 June 2009
IFRS 1	Revised version of IFRS 1 with Improved Structure	01 July 2009
IFRS 1	Business Combinations	01 July 2009
IAS 27	Consolidated and Separate Financial Statements	01 July 2009
IAS 29	Amendment to IAS 39 Financial Instruments: Eligible hedged Items	01 July 2009
IAS 24	Related Party Disclosures	01 January 2011

International Financial Reporting Interpretations Committee (IFRIC)		Effective Date
IFRIC 17	Distribution of Non-Cash Assets to Owners	01 July 2009
IFRIC 18	Transfer of Assets from Customers	01 July 2009

Effective for the Technology Strategy Board in future years:

International Financial Reporting Standards (IFRS/IAS)		Effective Date
IFRS 1	Amendment to IFRS 1 – additional exemptions for first-time adopters	01 October 2010
IFRS 2	Amendment to IFRS 2 – group cash-settled share-based payment transactions	01 October 2010

b. Machinery of government (MOG) change – civil space activities

On 1 April 2009 under a MOG change, BIS (at that time DIUS) transferred activities relating to agreed ESA civil space activities and specified UK civil space activities to the Technology Strategy Board. The accounts include the results for the period 1 April 2008 to 31 March 2009 which were previously recorded in the books of the former DIUS, in accordance with directions in the *Financial Reporting Manual* to account for MOG changes using the merger method of accounting. The comparative figures in the statement of net expenditure, statement of financial position and statement of cash flows have been adjusted to reflect the civil space activities previously included in the accounts of the former DIUS for 2007-08 and 2008-09. These adjustments are shown in Note 3 below.

c. Non-current assets, depreciation and amortisation

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

Capital expenditure to date on tangible assets comprises furniture and fittings only; there have been no purchases of land or buildings.

Capital expenditure on intangible assets includes the implementation of a new finance system and the development of a website comprising a grant management system and a collaboration platform for Knowledge Transfer Networks, other industry groups and Technology Strategy Board technologists. Interim consultants' costs that are directly attributable to developing these software applications have been capitalised.

Property, plant and equipment – furniture and fittings

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

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 10 years.

Intangible assets

Intangible assets are accounted for in accordance with IAS38 and are carried at historical cost less accumulated amortisation.

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. Software developments are amortised over five years.

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

d. Ownership of equipment purchased with Technology Strategy Board grants

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

e. Grant-in-Aid

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

f. Development expenditure

Technology Strategy Board's development expenditure is capitalised in the financial statements in accordance with IAS 38.

g. Foreign currencies

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

h. Value added tax

The Technology Strategy Board is partially exempt for VAT purposes. Accordingly expenditure and non-current asset purchases on non-business and partially-recoverable activities are shown inclusive of VAT, where applicable. Residual input tax reclaimable by the application of the partial exemption formula is taken to the statement of net expenditure as a sundry item.

i. Grants

The majority of grants are paid by the Technology Strategy Board on the basis of a claim for reimbursement of approved expenditure in accordance with an agreed percentage of allowable costs.

For each project participant, where the combination of the period end date of the last grant claim processed and the participant's project end date indicates that an unclaimed amount exists at the balance sheet date, such sums are accrued in the accounts. Where claims have not been received post year-end, the calculation of grant accruals is based on an adjusted straight-line spreading of the outstanding grant from the claim end date of the latest processed claim to 31 March 2010 or, if sooner, the participant's project end date. Furthermore, an adjustment is made in order to recognise the different spending profiles of different phases of each project. For the remainder of the projects, accruals have been calculated based on forecasts received from the participants.

j. Pension costs

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

k. Contingent liabilities

The disclosure of contingent liabilities in the notes to the accounts has been 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.

l. 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 6, and charged in the period they relate to in accordance with IAS 17.

m. Notional cost of capital

This notional cost is included in the accounts to reflect an appropriate charge for the use of capital in the business in the year because the financing structure does not contain share capital or interest bearing debt. As required by the FReM, a charge reflecting the cost of capital employed is included in operating costs. The charge is calculated at the real rate set by HM Treasury, 3.5%, on the average of opening and closing assets less liabilities, less balances held with the Government Banking Service. (Balances held with the Government Banking Service attract no charge.) In accordance with the FReM, the notional charge is credited back in the statement of net expenditure.

n. 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.

o. Key judgements

Research and development expenditure is inherently volatile; the adjusted straight-line basis for the estimation of the grant accrual for claims yet to be received will not be completely accurate; however, any variance is not expected to be material as almost all of the grant accrual is now based on claims received post year-end.

2. FIRST TIME ADOPTION OF IFRS

In accordance with IFRS1 First Time Adoption of International Financial Reporting Standards and in accordance with *FReM (Financial Reporting Manual*), the transition effect from moving from Generally Accepted Accounting Policies in the UK (UK GAAP) to International Financial Reporting Standards (IFRS) is set out in Note 3.

The date of transition to IFRS, 1 April 2008, is the beginning of the earliest period for which Technology Strategy Board presents full comparative information under IFRS in its first IFRS financial statements.

As per IAS 1, the first IFRS financial statements include:

- three statements of financial position (statement of financial position at the date of transition to IFRS): as at 1 April 2008, as at 31 March 2009 and as at 31 March 2010
- two statements of net expenditure: one for the year ended 31 March 2009 and one for the year ended 31 March 2010
- two statements of cash flows: one for the year ended 31 March 2009 and one for the year ended 31 March 2010
- two statements of taxpayers' equity: one as at 31 March 2009 and one as at 31 March 2010.

On transition to IFRS, the financial statements have been affected by the following standards: IAS 7 – Cash Flow Statements, IAS 17 – Operating Leases, IAS 19 – Employee Benefits, IAS 38 – Intangibles, IFRS 7 Financial Instruments: Disclosures and IFRS 8 Operating Segments. The overall effect on the financial statements is shown in Note 3 below.

As at 31 March 2010, there is a £159,000 accrual for unpaid leave in line with IAS19 Employee Benefits. Note that there will be a retrospective application in the amount of £82,000 as at 31 March 2008 and £105,000 as at 31 March 2009 in the 2010 financial statements in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The operating lease does not form part of 1 April 2008 balance, as it came into effect only on 1 November 2008. There will be an adjustment to the 2009 comparatives as a result of the smoothing of rent expense to the end of the lease rather than to the date of the first break option in the amount of £75,000.

A reclassification of non-current assets was required as per IAS 38, as £531,000 represented software development expenditure, which is classified as an intangible asset; previously under UK GAAP this had been disclosed under tangible assets.

A reclassification of £247,000 was also required in the prior year comparatives in order to disclose a financial liability under IAS 39. The financial liability represented a guarantee on the selling price of homes for new employees relocating to the Swindon area; this is detailed in Note 21.

3. RECONCILIATION OF CHANGES TO FINANCIAL STATEMENTS ARISING FROM THE ADOPTION OF IFRS AND THE SPACE MACHINERY OF GOVERNMENT TRANSFER

a. Reconciliation of statement of net expenditure for the year ended 31 March 2009

	2008-09 UK GAAP £000	MOG Space £000	IAS17 £000	IAS19 £000	2008-09 Restated £'000
Expenditure					
Staff costs	7,291	87	-	23	7,401
Administrative support contracts	21,622	-	-	-	21,622
Other operating costs	4,497	406	75	-	4,978
Technology grants	199,538	-	-	-	199,538
International Collaboration	-	83,700	-	-	83,700
Depreciation	9	-	-	-	9
Total operating expenditure	**232,957**	**84,193**	**75**	**23**	**317,248**
Operating income	(1,162)	-	-	-	(1,162)
Notional cost of capital	(3,091)	777	(2)	(3)	(2,319)
Total expenditure for the year	**228,704**	**84,970**	**73**	**20**	**313,767**
Reversal of Notional cost of capital	3,091	(777)	2	3	2,319
Expenditure for the year after reversal of notional cost of capital	**231,795**	**84,193**	**75**	**23**	**316,086**
Net expenditure for the year	**231,795**	**84,193**	**75**	**23**	**316,086**

b. Reconciliation of statement of financial position as at 1 April 2008

	31 March 2008 UK GAAP	MOG Space	IAS 19	31 March 2008 Restated
	£000	£000	£000	£000
Assets				
Current assets:				
Trade and other receivables	522	22,274	-	22,796
Cash and cash equivalents	11,970	-	-	11,970
Total current assets	12,492	22,274	-	34,766
Total assets	12,492	22,274	-	34,766
Liabilities				
Current liabilities				
Trade and other payables	(14,280)	(143)	-	(14,423)
Deferred Income	-	-	-	-
Accruals	(75,213)	(494)	(82)	(75,789)
Total current liabilities	(89,493)	(637)	(82)	(90,212)
Non-current assets less net current liabilities	(77,001)	21,637	(82)	(55,446)
Assets less liabilities	(77,001)	21,637	(82)	(55,446)
Taxpayers' equity				
Government funds	77,001	(21,637)	82	55,446
	77,001	(21,637)	82	55,446

c. Reconciliation of statement of financial position as at 31 March 2009

	31 March 2009 UK GAAP	MOG Space	IAS 17	IAS 19	IAS 39	IAS 38	31 March 2009 Restated
	£000	£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Property, plant and equipment	956	-	-	-	-	(531)	425
Intangible assets	-	-	-	-	-	531	531
Total non-current assets	956	-	-	-	-	-	956
Current assets							
Trade and other receivables	1,062	23,074	-	-	-	-	24,136
Cash and cash equivalents	14,270	-	-	-	-	-	14,270
Total current assets	15,332	23,074	-	-	-	-	38,406
Total assets	16,288	23,074	-	-	-	-	39,362
Liabilities							
Current liabilities							
Trade and other payables	(12,064)	(168)	-	-	-	-	(12,232)
Financial liabilities	-	-	-	-	(247)	-	(247)
Accruals	(77,632)	(134)	(75)	(105)	247	-	(77,699)
Total current liabilities	(89,696)	(302)	(75)	(105)	-	-	(90,178)
Non-current assets less net current liabilities	(73,408)	22,772	(75)	(105)	-	-	(50,816)
Assets less liabilities	(73,408)	22,772	(75)	(105)	-	-	(50,816)
Taxpayers' Equity							
Government funds	73,408	(22,772)	75	105	-	-	50,816
	73,408	(22,772)	75	105	-	-	50,816

d. Reconciliation of statement of cash flows for the year ended 31 March 2009

	2008-09 UK GAAP	MOG Space	IAS17	IAS19	IAS7	2008-09 Restated
	£000	£000	£000	£000	£000	£000
Cash flows from operating activities						
Net expenditure for the year	(231,795)	(84,193)	(75)	(23)	-	(316,086)
Cost of capital	-	(777)	2	3	3,091	2,319
Total expenditure for the year	(231,795)	(84,970)	(73)	(20)	3,091	(313,767)
Adjusted for:						
Depreciation	9	-	-	-	-	9
Cost of capital	-	777	(2)	(3)	(3,091)	(2,319)
Decrease/(Increase) in receivables	(540)	(800)	-	-	-	(1,340)
(Decrease)/Increase in payables	203	(335)	75	23	-	(34)
Net cash flows from operating activities	**(232,123)**	**(85,328)**	**-**	**-**	**-**	**(317,451)**
Cash flows from investing activities						
Purchase of non-current assets	(965)	-	-	-	-	(965)
Net cash flows from investing activities	**(965)**	**-**	**-**	**-**	**-**	**(965)**
Cash flows from financing activities						
Funding from the EU	5,985	-	-	-	-	5,985
Funding from UK partners	7,403	18,531	-	-	-	25,934
BIS funding of expenditure	-	66,797	-	-	-	66,797
Grant-in-aid received	222,000	-	-	-	-	222,000
Net cash flows from financing activities	**235,388**	**85,328**	**-**	**-**	**-**	**320,716**
Net increase in cash and cash equivalents	**2,300**	**-**	**-**	**-**	**-**	**2,300**
Cash and cash equivalents at 1 April 2008	11,970	-	-	-	-	11,970
Cash and cash equivalents at 31 March 2009	14,270	-	-	-	-	14,270

4. STAFF COSTS

a. Remuneration of senior employees

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

b. Staff costs

	2009-10 £000	2008-09 £000
Permanent staff		
- Salaries and wages	4,463	2,678
- Social Security costs	471	264
- Superannuation costs	773	504
	5,707	3,446
Agency and interim staff	4,139	3,848
Board Members' fees	114	107
Total Staff Costs	**9,960**	**7,401**

Agency and interim staff costs is stated after capitalising £1,004,000 costs (2008-09: £27,000) in intangible non-current asset additions.

c. Average number of persons employed

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

	2009-10 Number	2008-09 Number
Permanent staff	**80**	**55**
Agency and interim staff	**36**	**29**
	116	**84**

In 2009-10, six interim staff on average were deployed on the development of the new website and IT platform (2008-09: 0.3 staff).

d. Remuneration of Governing Board and Committee members

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

e. Pension arrangements

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

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

As the RCPS are unfunded multi-employer defined benefit schemes, the Technology Strategy Board is unable to identify its share of the underlying assets and liabilities. Details can be found in the accounts of the research councils' pension schemes at www.bbsrc.ac.uk.

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary's Department (GAD). The actuarial valuation was carried out as at 31 March 2010 by a qualified independent actuary but the final results of this are currently unknown. The draft report is available and the employer's contribution rate has increased from 21.3% to 25.6%, effective from 1 April 2010. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the scheme.

For 2009-10, employer's contributions of £749,000 (2008-09: £503,000) were payable to the RCPS at 21.3% (2008-09: 21.3%) of pensionable pay. Employer's contributions to stakeholder pensions are age-related and are at the rate of 14.5% to 15.5% (2008-09: 13%) of pensionable pay; during the year employer's contributions amounted to £24,000 (2008-09: £1,000).

5. ADMINISTRATIVE SUPPORT CONTRACTS

	2009-10 £000	2008-09 £000
Third party programme support	16,335	18,403
Monitoring officer fees and expenses	4,467	3,219
	20,802	21,622

The charges for programme support contracts are for the management and delivery of the Technology Strategy Board's programmes. The monitoring officer fees are incurred on the assessment of claims and projects within the collaborative research and development programme.

6. OTHER OPERATING COSTS

	2009-10 £000	2008-09 £000
Travel and subsistence	892	573
Utilities	28	104
Rent, rates and maintenance	358	410
Programme communications and events	2,874	1,476
Intervention management	2,696	112
General administration	795	1,031
Recruitment	261	370
Employee relocation costs	153	429
Office E equipment	43	26
Information technology and communications charges	351	350
Auditors' Remuneration	165	98
Exchange rate (gains)/losses	(10)	(1)
	8,606	**4,978**

The amount charged in the year for operating leases was £441,000 (2008-09: £193,000). £262,000 of this charge was included within information technology & communications charges and relates entirely to equipment, with the remaining £179,000 included within rent, rates and maintenance.

Auditors' remuneration includes £165,000 (2008-09: £98,000) for the statutory audit fee.

Exchange rate gains have increased from £1,000 to £10,000 as a result of favourable movements in the euro: sterling exchange rate on balances held in the euro bank account.

7. TECHNOLOGY GRANTS

	2009-10 £000	2008-09 £000
Collaborative Research and Development	126,766	113,814
Micro Nanotechnology	11,258	13,627
Knowledge Transfer Networks	19,304	19,816
Knowledge Transfer Partnerships	18,093	25,841
Energy	19,603	15,840
European Union	938	71
Legacy	138	385
Emerging technologies & industries	775	-
Small Business Research Initiative	110	-
Innovation platforms	40,205	10,144
Innovation research centres	23	-
	237,213	199,538

Analysis of Technology Grants		
Universities and not-for-profit private sector recipients	45,670	38,727
Other private sector recipients	184,274	157,527
Public sector recipients	7,269	3,284
	237,213	199,538

8. INTERNATIONAL COLLABORATION

	2009-10 £000	2008-09 £000
European Space Agency	66,455	83,700

The Technology Strategy Board took over the funding of the British National Space Centre's contributions to ESA from 1 April 2009 under a Machinery of Government change, and the comparative figures are also shown (see explanation at Note 1b). Amounts due and payable for 2009-10 by TSB were £66,455,287.This is significantly less than the amount shown for 2008-09, as ESA's call up for the period was effectively reduced by amounts paid in previous years by the Department, but not used by ESA.

The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a notice period of 12 months after the end of the current calendar year.

9. OPERATING SEGMENTS

	2009-10			2008-09		
	Expenditure £000	Co-funding £000	TSB funded £000	Expenditure £000	Co-funding £000	TSB funded £000
Technology inspired	119,006	(1,615)	117,391	105,767	-	105,767
Challenge-led						
- Application Areas	41,954	(3,542)	38,412	39,143	-	39,143
- Innovation Platforms	43,665	(14,132)	29,533	12,452	-	12,452
Knowledge exchange	46,895	(8,958)	37,937	56,368	(13,388)	42,980
Emerging technologies & industries	3,419	-	3,419	-	-	-
Small Business Research Initiative	599	-	599	-	-	-
EU programmes	2,269	-	2,269	-	-	-
International collaboration (space)	66,455	(4,304)	62,151	83,700	(18,531)	65,169
Innovation research centres	23	-	23	-	-	-
Other segments	17,477	-	17,477	18,656	-	18,656
Total operating segments	341,762	(32,551)	309,211	316,086	(31,919)	284,167

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

Further information is shown overleaf.

The technology-inspired innovation area represents those key technology areas that are critical to the UK economy's future success. The challenge-led innovation area comprises two categories: application areas, which seek to address major societal challenges or are associated with the challenge of maintaining a world-leading position; and innovation platforms, which target today's major policy, societal or market challenges. The innovation climate represents investment in networks and knowledge exchange, as well as public engagement activities. Space represents investment in international collaboration in the space sector. Other segments is any other spend and comprises the costs of managing the investment programmes and the internal costs of the Technology Strategy Board; these costs are not analysed by operating segment.

The co-funding amounts represent financing received from EU and other UK 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.

10. OPERATING INCOME

	2009-10 £000	2008-09 £000
Management fee recharges	1,371	1,162

These charges represent co-funders' share of the costs associated with the management and delivery of the Knowledge Transfer Partnerships (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 2008-09, 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 £8,431,000 (2008-09: £8,164,000). The Technology Strategy Board's share of these costs was £7,060,000 (2008-09: £7,002,000). Taking one year with another, the financial objective of sharing the costs of management and delivery on an equitable basis between the sponsors is achieved.

This information is provided for fees and charges purposes.

11. NOTIONAL COST OF CAPITAL

	2009-10 £000	2008-09 £000
Notional Cost of Capital	(3,095)	(2,319)

This notional cost is included in the accounts to reflect a cost for the use of capital in the business in the year. The calculation is based on a 3.5% (2008-09: 3.5%) rate of return on average net assets/liabilities employed. The net liabilities were £111,756,000 (2008-09: £65,086,000), excluding the balance held with HM Paymaster General of £8,129,000 (2008-09: £14,270,000). In accordance with the FReM, the notional charge is subsequently reversed in the statement of net expenditure.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings £000	Total £000
Cost		
At 1 April 2009	434	434
Additions	118	118
Cost at 31 March 2010	**552**	**552**
Depreciation		
At 1 April 2009	9	9
Charge for the year	82	82
Depreciation at 31 March 2010	**91**	**91**
Net Book Value:		
At 31 March 2010	**461**	**461**
At 1 April 2009	425	425

As at 1 April 2008, there were no tangible non-current assets. In the period to 31 March 2009, £434,000 of furniture and fittings costs were incurred as a result of the move to new offices.

13. INTANGIBLE NON-CURRENT ASSETS

	Information Technology	Total
	£000	£000
Cost		
At 1 April 2009	531	531
Additions	5,407	5,407
Cost at 31 March 2010	**5,938**	**5,938**
Amortisation		
At 1 April 2009	-	-
Charge for the year	15	15
Amortisation at 31 March 2010	**15**	**15**
Net Book Value:		
As at 31 March 2010	**5,923**	**5,923**
As at 1 April 2009	531	531

As at 1 April 2008, there were no intangible non-current assets.

Included in the above carrying cost is £5,846,000 for development costs of a new IT platform, 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 asset will be amortised over five years from 1 January 2011 when the whole system went live.

14. TRADE AND OTHER RECEIVABLES

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Amounts falling due within one year			
Trade receivables	70	381	275
Other receivables	26	-	-
VAT recoverable	7	6	-
Prepayments and accrued income	10,254	23,749	22,521
Total Trade receivables	10,357	24,136	22,796
Analysis of receivables balance:			
Bodies external to government	10,217	23,841	22,487
Other Central Government Bodies	77	295	309
Local Authorities	63	-	-
Total	10,357	24,136	22,796

15. CASH AND CASH EQUIVALENTS

The net funds at 31 March 2010, £8,129,000, comprise cash held within the Government Banking Service (31 March 2009: £14,270,000 and 1 April 2008: £11,970,000 at the Office of the Paymaster General).

16. TRADE AND OTHER PAYABLES

Trade And Other Payables

(a) Analysis by type

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Amounts falling due within one year			
Trade payables	27,636	11,866	14,035
Other payables	125	258	191
Other taxation and social security	164	108	80
VAT	-	-	117
Financial liabilities	-	247	-
Grant accruals	92,320	73,778	71,230
Other accruals	8,252	3,921	4,559
Total	128,497	90,178	90,212

(b) Analysis by source

Amounts falling due within one year			
Other Central Government Bodies	3,605	5,796	4,154
Local Authorities	221	-	-
NHS Bodies	321	-	-
Public corporations and trading funds	153	4	300
Bodies external to government	124,197	84,378	85,758
Total	128,497	90,178	90,212

17. CONTINGENT LIABILITIES

The Technology Strategy Board has no material contingent liabilities.

18. COMMITMENTS

a. Capital expenditure

	2009-10 £000	2008-09 £000
Authorised but not contracted for	1,062	6,369
Contracted but not provided for	188	367

b. Operating lease commitments

Operating Lease Commitments	Land and Buildings		Other	
	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than one year	150	-	319	-
Later than one year and not later than five years	716	677	289	18
Later than five years	448	637	-	-
Total	1,314	1,314	608	18

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

19. ENERGY TECHNOLOGIES INSTITUTE (ETI) LIMITED LIABILITY PARTNERSHIP

ETI was established on 12 December 2007 as a joint initiative between the Secretary of State for Innovation, Universities & Skills (now BIS) and private sector companies in support of the UK Government's energy and climate change policy goals. These goals include the significant reduction of the UK's and global CO2 emissions by 2050 and beyond, and the maintenance of the reliability of the UK's energy supplies. Specifically, ETI aims to accelerate the research, development, demonstration and eventual commercial deployment of secure, affordable low carbon energy technologies, systems and networks.

The Secretary of State for BIS is a designated member of ETI; however, the Technology Strategy Board and Engineering & Physical Sciences Research Council are responsible for providing the member's contributions on behalf of BIS. In 2009-10 the Technology Strategy Board made payments of £1,851,900 (2008-09: £2,386,657) to ETI, which have been accounted for as a grant expense.

20. 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, viz: the Arts & Humanities Research Council; BBSRC; the Engineering and Physical Sciences Research Council; the Economic and Social Research Council; the Natural Environment Research Council; Medical Research Council; and the Science and Technology Facilities Council. Also, the Technology Strategy Board had material transactions with other government departments and with other central government bodies, viz: Defra; the Department of Health; the Department for Transport and the Ministry of Defence.

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

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

During the year, the Technology Strategy Board did not enter into any transactions with any such Directors. However, it did enter into a number of material transactions with bodies connected with Directors, who had no direct interest in the grant concerned. The information includes transactions with any related party of these Directors. None of the Directors were involved in the recommendation of grants awarded to the body to which they are connected.

Directors	Body	Amount £
Dr Graeme Armstrong	University of the Arts	748,058
Dr David Bott	Oxford Advanced Surfaces Group plc	49,856
	Oxford Biomaterials Ltd	814
Dr John Brown FRSE	BioIndustry Association	508,384
	CXR Biosciences	314,598
	OnyVax Ltd	28,331
	Roslin Cells Ltd	19,580
Eur Ing Nick Buckland	University of Plymouth	582,197
	SWRDA	247,175
Dr Stewart Davies	Serco plc	4,619
Dr Joseph Feczko	Pfizer Ltd	792
Anne Glover CBE	Amadeus Capital Partners Ltd	2,140
	Teraview Ltd	349,129
Dr David Grant CBE	Cardiff University	597,241
Iain G Gray	University of the West of England	671,909
	Energy Technologies Institute	1,851,900
Jonathan Kestenbaum	Design Council	411,760
Dr Allyson Reed	University of Reading	427,394
Prof Christopher Snowden FRS	University of Surrey	260,558
	EPSRC	1,389,925
	RFMD (UK) LTD	396,208
	University of Bristol	357,904
Dr Graham Spittle	Oxford University	1,350,924
	Southampton University	556,684
	Edinburgh University	269,832
	Roslyne Ltd	171
Dr Jeremy Watson	Ove Arup Ltd	392,573
Members - Part Year		
Prof Julia King CBE	Advantage West Midlands	580,787
	Aston University	211,069
	Rolls Royce	11,961,521
Dr Peter Ringrose	BBSRC	167,143

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.

21. 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 IAS 32, IAS 39 and IFRS 7 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.

In 2008-09 the Technology Strategy Board had entered into financial liabilities guaranteeing the effective sale prices of properties owned by certain employees, who have been given re-location assistance. These guaranteed prices were set 10% below market value at the time of valuation and are given to enable an employee to move quickly once an employment contract is agreed. This aspect of its relocation policy has now ceased and as 31 March 2010 there were no guarantees outstanding; accrued income tax liabilities for the taxable benefit to the employees have been included in the accounts.

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 is exposed to foreign currency risk on its grant payments to the ESA; in 2010-11 grant payments totalling €61,786,000 have been made. These payments are made at the prevailing spot rate. BIS has agreed to provide the Technology Strategy Board with additional funding to cover any shortfall in the event that adverse foreign currency movements cannot be managed within its budget allocation.

22. EVENTS AFTER THE REPORTING PERIOD

The UKSA was established on 1 April 2010 to consolidate responsibility for government policy and the key budgets for space. Responsibility for the ESA portion of the Technology Strategy Board's space spend will, therefore, transfer to UKSA on 1 April 2011. No further budget allocation for Space will be received by the Technology Strategy Board after this date (2008-09 £48,800,000, 2009-10 £34,900,000).

In preparation for the abolition of the RDAs on 31 March 2012, as of 1 April 2011 responsibility for two of the RDAs' innovation grant programmes, grants for research and development and grants for collaborative research and development, has been transferred to the Technology Strategy Board. This will involve managing any remaining legacy commitments as well as, in the case of grant for research and development, adding this new delivery mechanism to the Technology Strategy Board's portfolio. Whilst there were no RDA-run KTP schemes, the RDAs were significant co-funders; the RDA co-funding financing for KTPs will therefore cease during FY2011-12.

There were no other post Balance sheet events between the Balance sheet date and 21 February 2012, the date when the Accounting Officer approved the accounts. The financial statements do not reflect events after this date.

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Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
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ISBN 978-0-10-297639-7