

# **ITI Scotland Limited**

**(A company limited by Guarantee and not having a share capital)**

## **Directors' Report and Financial Statements**

For the year ended 31 March 2012

Registered No: SC251900

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ITI Scotland Limited  
(A company limited by guarantee and not having a share capital)

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Registered No: SC 251900

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ITI Scotland Limited  
(A company limited by guarantee and not having a share capital)

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Registered No: SC 251900

## **Directors & Advisors**

### **Directors**

P. Lewis (Chairman)  
N. Francis  
E. Mitchell

### **Secretary**

J. McRoberts

### **Independent Auditor**

KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ

### **Bankers**

Bank of Scotland  
123 St. Vincent St.  
Glasgow  
G2 5EA

### **Solicitors**

Scottish Enterprise (Legal Division)  
Atrium Court  
50 Waterloo Street  
Glasgow  
G2 6HQ

### **Registered Office**

Atrium Court  
50 Waterloo Street.  
Glasgow  
G2 6HQ

Registered No: SC 251900

## Directors' Report

The directors present their report and financial statements of the company, Registration Number SC251900, for the year ended 31 March 2012.

### Results

The profit for the year, after taxation, amounted to £nil (profit for the year ended 31 March 2011: £nil).

### Principal activity

ITI Scotland Limited is a company limited by guarantee and does not have share capital. The liability of each member is limited to the sum of £1.

At 31 March 2012 the company had one member.

Until 31 March 2010 the company's principal activity was the identification of global market opportunities within and across the areas of Energy, Life Sciences and Communications and Digital Media that would fit well with the existing Scottish research and commercial capability. This was achieved by commissioning pre-competitive research programmes with the aim of delivering economic benefit to Scotland. These programmes were designed to deliver new platform technologies upon which companies could develop their own products and services and new spin out companies could be launched.

No new operational commitments were entered into after that date and the company's principal activity during this year was to work towards delivering programmes already commissioned, licensing assets already created and monetisation of unlicensed assets.

### Directors and their interests

The directors who served during the year, and changes during the year, were as follows:

P. Lewis  
N. Francis  
E. Mitchell

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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## **Directors' Report (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

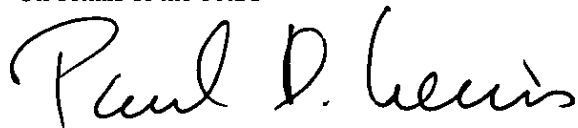
### **Auditor**

KPMG LLP have indicated willingness to remain in office and a resolution to re-appoint KPMG LLP as auditor will be put to the Annual General Meeting.

### **Other Matters**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



P. Lewis  
Director

22 June 2012

Registered No: SC 251900

## **Independent auditor's report to the members of ITI Scotland Limited (continued)**

We have audited the financial statements of ITI Scotland Limited for the year ended 31 March 2012 set out on pages 7 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Registered No: SC 251900

## **Independent auditor's report** **to the members of ITI Scotland Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or the financial statements are not in
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**DJ Watt (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

191 West George Street

Glasgow

G2 2LJ

Date *27 June 2012*

## Profit and loss account

for the year ended 31 March 2012

		2012	2011
	Note	£	£
<b>Turnover</b>	1	232,252	157,750
Other operating income		4,970,266	9,141,745
		<u>5,202,518</u>	<u>9,299,495</u>
Programme expenses		(5,152,408)	(9,197,871)
Administrative expenses		(55,839)	(105,353)
		<u>(5,208,247)</u>	<u>(9,303,224)</u>
Operating loss	2	(5,729)	(3,729)
Other interest receivable		5,729	3,729
		<u>-</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		-	-
Tax on profit on ordinary activities	3	-	-
		<u>-</u>	<u>-</u>
<b>Profit on ordinary activities after taxation</b>		<u>-</u>	<u>-</u>

All recognised gains and losses are included in the profit and loss account.

The results above have been derived wholly from continuing activities.



ITI Scotland Limited  
(A company limited by guarantee and not having a share capital)

Registered No: SC 251900

## Balance Sheet

at 31 March 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	4	32,807	88,921
<b>Current assets</b>			
Investments	5	-	-
Debtors	6	708,564	1,541,371
Cash at bank and in hand		13,023	757,884
		721,587	2,299,255
<b>Creditors:</b> amounts falling due within one year	7	(743,790)	(2,321,458)
<b>Net current liabilities</b>		(22,203)	(22,203)
<b>Total assets less current liabilities</b>		10,604	66,718
<b>Accruals and deferred income</b>			
Deferred grants	8	(32,807)	(88,921)
Net Liabilities		(22,203)	(22,203)
<b>Capital and reserves</b>			
Profit and loss account	9	(22,203)	(22,203)

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting for Smaller Entities (effective April 2008).

The financial statements on pages 7 to 13 were approved by the board of directors on 22 June 2012 and were signed on its behalf by:

  
P. Lewis  
Director

22 June 2012

## Notes to the financial statements

at 31 March 2012

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards.

The validity of this assumption is dependent on the company continuing to receive financial support from its ultimate parent company, Scottish Enterprise, which has indicated its willingness to continue to support the company.

#### *Turnover*

Turnover represents the amount invoiced to third parties in respect of services provided and licence income, excluding value added tax.

Licence income is generated from licensing Intellectual Property (IP). It is credited to the profit and loss account on an accruals basis based on royalty periods completed in the financial year. Down payments under licences are credited to the profit and loss account on signature of the relevant agreement.

#### *Cashflow and related party disclosures*

The company is a wholly owned subsidiary of Scottish Enterprise, which prepares consolidated financial statements that are publicly available, consequently the company is exempt under the terms of FRS 1 (revised) from publishing a cashflow statement. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Scottish Enterprise Group.

#### *Other operating income*

Other operating income represents revenue grant funding receivable from Scottish Enterprise and European funding.

European funding is credited to the Profit and Loss account on the basis of amounts receivable in respect of expenditure incurred to 31 March each year on approved projects.

#### *Research and development*

Research and development expenditure is written off in the year in which it is incurred.

#### *Programme expenditure*

The company invests significant sums in research programmes in conjunction with universities and other research providers. Each programme is entered into in the expectation of creating new platform technologies which will result in the creation of new Intellectual Assets which are capable of commercial exploitation.

## Notes to the financial statements

at 31 March 2012

### 1. Accounting policies (continued)

#### *Investments*

Investments are stated in the balance sheet at the lower of cost and net realisable value. In accordance with group policy repayable grants are not capitalised. Where investments have been funded by loans from Scottish Enterprise, provisions to reduce the value of the investment to below cost are charged to the Income and Expenditure Account in the year the reduction arises.

Where investments have been funded by Scottish Enterprise, other than by way of a repayable loan, the accounting treatment is to capitalise the investment in the balance sheet and set up a provision to reflect the liability to repay the capital proceeds to Scottish Enterprise. All income generated from these investments is repayable to Scottish Enterprise. Any reduction in the value of the investment is matched through a corresponding reduction in the provision.

Interest income is recognised on an accrued basis. Income from unlisted investments is credited to the Income and Expenditure Account when it becomes due.

#### *Fixed assets*

All fixed assets are recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

IT equipment                      -              over 3 years

#### *Deferred Capital Grants*

Funding received for capital expenditure is credited to deferred capital grants and is released to the profit and loss account in line with the estimated useful life of the assets.

#### *Taxation*

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

## Notes to the financial statements

at 31 March 2012

### 2. Operating loss

Operating loss is stated after charging/ (crediting):

	2012 £	2011 £
Depreciation of owned fixed assets	56,114	80,912
Gain on sale of fixed assets	-	(43,098)
Auditor's remuneration - audit	8,750	9,863
- tax	-	7,715
Research and development expenditure	5,152,408	9,197,871
Release of deferred capital grants	(56,114)	(99,458)
	<u>          </u>	<u>          </u>

During the year, no director received any emoluments (2011: £nil).

### 3. Tax on profit on ordinary activities

	2012 £	2011 £
<b>UK corporation tax</b>		
Adjustments in respect of previous periods	-	-
	<u>          </u>	<u>          </u>
Total current tax	-	-
	<u>          </u>	<u>          </u>

### 4. Tangible assets

	IT equipment £	Total £
Cost:		
At 1 April 2011 & 31 March 2012	653,787	653,787
	<u>          </u>	<u>          </u>
Depreciation:		
At 1 April 2011	564,866	564,866
Charge for year	56,114	56,114
	<u>          </u>	<u>          </u>
At 31 March 2012	620,980	620,980
	<u>          </u>	<u>          </u>
Net book value:		
At 31 March 2012	32,807	32,807
	<u>          </u>	<u>          </u>
Net book value:		
At 1 April 2011	88,921	88,921
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 31 March 2012

### 5. Investments

	Ordinary Shares £	Convertible Loans £	Total £
Cost:			
At 1 April 2011	2,000	358,000	360,000
Write-offs	(2,000)	(358,000)	(360,000)
At 31 March 2012	-	-	-
Depreciation:			
At 1 April 2011	2,000	358,000	360,000
Provisions set against write-offs	(2,000)	(358,000)	(360,000)
At 31 March 2012	-	-	-
Net book value:			
At 31 March 2012	-	-	-
Net book value:			
At 1 April 2011	-	-	-

ITI Scotland entered into a back to back asset sale and purchase arrangement with a research provider, whereby ITI Scotland sold certain assets to the research provider in consideration of a convertible loan note of £358,000. ITI Scotland also purchased £2,000 of ordinary shares in the same research provider.

The provider went into administration and ITI Scotland requested permission from the Scottish Government to write-off this balance as it was not going to be recovered.

### 6. Debtors

	2012 £	2011 £
Trade debtors	145,338	66,510
VAT	142,282	467,627
Accrued income	420,944	1,007,234
	<u>708,564</u>	<u>1,541,371</u>

## Notes to the financial statements

at 31 March 2012

### 7. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	42,415	1,283,810
Other creditors	354,207	682,753
Amounts owed to Scottish Enterprise	347,168	354,895
	<u>743,790</u>	<u>2,321,458</u>

All sums due under the funding contract dated 17 July 2003 between ITI Scotland Limited and Scottish Enterprise are secured by a floating charge over all the assets of the company in favour of Scottish Enterprise.

### 8. Deferred capital grants

	2012 £	2011 £
Balance as at 1 April	88,921	188,379
Utilised in period	(56,114)	(99,458)
Balance as at 31 March	<u>32,807</u>	<u>88,921</u>

### 9. Movement in reserves

	2012 £	2011 £
Balance as at 1 April	(22,203)	(22,203)
Profit for the year	-	-
Balance as at 31 March	<u>(22,203)</u>	<u>(22,203)</u>

### 10. Share Capital

The company does not have a share capital and is limited by guarantee. The liability of members is limited to £1 each. At 31 March 2012 the company had one member (2011: 1 member), Scottish Enterprise.

### 11. Ultimate Parent Undertaking

ITI Scotland Limited is owned by Scottish Enterprise. Copies of the Scottish Enterprise financial statements can be obtained from Atrium Court, 50 Waterloo Street, Glasgow, G2 6HQ.