

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 2013

Registered No: SC251900

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

Registered No: SC 251900

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

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 2013.

Results

The profit for the year, after taxation, amounted to £nil (profit for the year ended 31 March 2012: £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 2013 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.

Registered No: SC 251900

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.

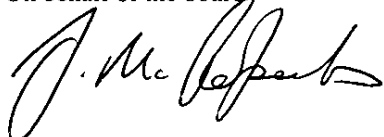
Auditor

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



J. McRoberts

Company Secretary

6 June 2013

Registered No: SC 251900

Independent auditor's report to the members of ITI Scotland Limited

We have audited the financial statements of ITI Scotland Limited for the year ended 31 March 2013 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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.

ITI Scotland Limited
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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.



David Watt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

191 West George Street

Glasgow

G2 2LJ

Date 6 Jun 2013

Profit and loss account

for the year ended 31 March 2013

| | | 2013 | 2012 |
|--|------|--------------------|--------------------|
| | Note | £ | £ |
| Turnover | 1 | 186,483 | 232,252 |
| Other operating income | | 2,095,152 | 4,970,266 |
| | | <u>2,281,635</u> | <u>5,202,518</u> |
| Programme expenses | | (2,239,094) | (5,152,408) |
| Administrative expenses | | (42,804) | (55,839) |
| | | <u>(2,281,898)</u> | <u>(5,208,247)</u> |
| Operating loss | 2 | (263) | (5,729) |
| Other interest receivable | | 263 | 5,729 |
| Profit on ordinary activities before taxation | | <u>-</u> | <u>-</u> |
| Tax on profit on ordinary activities | 3 | - | - |
| Profit on ordinary activities after taxation | | <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.

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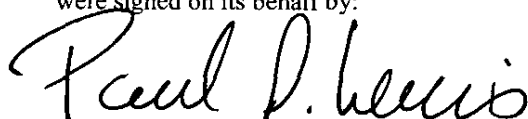
Balance Sheet

at 31 March 2013

| | Note | 2013 £ | 2012 £ |
|---|------|-----------|-----------|
| Fixed assets | | | |
| Tangible assets | 4 | - | 32,807 |
| Current assets | | | |
| Debtors | 5 | 516,288 | 708,564 |
| Cash at bank and in hand | | 10,286 | 13,023 |
| | | 526,574 | 721,587 |
| Creditors: amounts falling due within one year | 6 | (548,777) | (743,790) |
| Net current liabilities | | (22,203) | (22,203) |
| Total assets less current liabilities | | (22,203) | 10,604 |
| Accruals and deferred income | | | |
| Deferred grants | 7 | - | (32,807) |
| Net Liabilities | | (22,203) | (22,203) |
| Capital and reserves | | | |
| Profit and loss account | 8 | (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 6 June 2013 and were signed on its behalf by:



P. Lewis
Director

6 June 2013

Notes to the financial statements

at 31 March 2013

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 2013

1. Accounting policies (continued)

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.

2. Operating loss

Operating loss is stated after charging/ (crediting):

| | 2013 | 2012 |
|--|-------------------|-------------------|
| | £ | £ |
| Depreciation of owned fixed assets | 32,807 | 56,114 |
| Gain on sale of fixed assets | - | - |
| Auditor's remuneration – audit of these financial statements | 8,750 | 8,750 |
| Research and development expenditure | 2,239,094 | 5,152,408 |
| Release of deferred capital grants | (32,807) | (56,114) |
| | <u> </u> | <u> </u> |

During the year, no director received any emoluments (2012: £nil).

Notes to the financial statements

at 31 March 2013

3. Tax on profit on ordinary activities

| | 2013 | 2012 |
|--|-------|-------|
| | £ | £ |
| UK corporation tax | | |
| Adjustments in respect of previous periods | - | - |
| | <hr/> | <hr/> |
| Total current tax | - | - |
| | <hr/> | <hr/> |

4. Tangible assets

| | <i>IT equipment</i> | <i>Total</i> |
|---------------------------------|-------------------------|--------------|
| | £ | £ |
| Cost: | | |
| At 1 April 2012 & 31 March 2013 | 653,787 | 653,787 |
| | <hr/> | <hr/> |
| Depreciation: | | |
| At 1 April 2012 | 620,980 | 620,980 |
| Charge for year | 32,807 | 32,807 |
| | <hr/> | <hr/> |
| At 31 March 2013 | 653,787 | 653,787 |
| | <hr/> | <hr/> |
| Net book value: | | |
| At 31 March 2013 | - | - |
| | <hr/> | <hr/> |
| Net book value: | | |
| At 1 April 2012 | 32,807 | 32,807 |
| | <hr/> | <hr/> |

Notes to the financial statements

at 31 March 2013

5. Debtors

| | 2013 | 2012 |
|----------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 188,763 | 145,338 |
| VAT | 42,847 | 142,282 |
| Accrued income | 284,678 | 420,944 |
| | <u>516,288</u> | <u>708,564</u> |

6. Creditors: amounts falling due within one year

| | 2013 | 2012 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 15,828 | 42,415 |
| Accrued charges | 395,401 | 354,207 |
| Amounts owed to Scottish Enterprise | 137,548 | 347,168 |
| | <u>548,777</u> | <u>743,790</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.

7. Deferred capital grants

| | 2013 | 2012 |
|------------------------|----------|---------------|
| | £ | £ |
| Balance as at 1 April | 32,807 | 88,921 |
| Utilised in period | (32,807) | (56,114) |
| Balance as at 31 March | <u>-</u> | <u>32,807</u> |

8. Movement in reserves

| | 2013 | 2012 |
|------------------------|-----------------|-----------------|
| | £ | £ |
| 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> |

Notes to the financial statements

at 31 March 2013

9. 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 2013 the Company had one member (2012: 1 member), Scottish Enterprise.

10. 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.