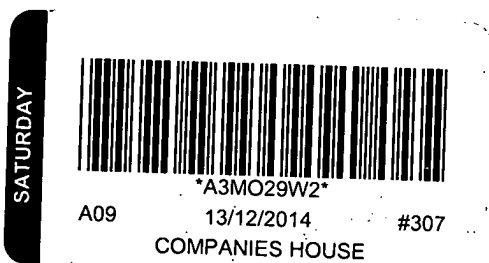


STFC INNOVATIONS LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014



**CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2014**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Statement of Cash Flows	9
Notes to the Financial Statements	10
Income Statement Summaries	23

COMPANY INFORMATION
For The Year Ended 31 March 2014

DIRECTORS:

T Bestwick
A Taylor
P B Kaziewicz
M A R Affonso
W Whitehorn

SECRETARY:

Aldwych Secretaries Limited

REGISTERED OFFICE:

Rutherford Appleton Laboratory
Harwell Science and Innovation Campus
Didcot
OX11 0QX

REGISTERED NUMBER:

04361684 (England and Wales)

SENIOR STATUTORY AUDITOR: Sue Staunton MA FCA CF

AUDITORS:

James Cowper LLP
Chartered Accountants & Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

BANKERS:

Lloyds TSB
5 High Street
Swindon
Wiltshire
SN1 3EN

SOLICITORS:

Manches LLP
9400 Garsington Road
Oxford Business Park
Oxford
OX4 2HN

**REPORT OF THE DIRECTORS
For The Year Ended 31 March 2014**

The directors present their report with the financial statements of the company for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

STFC Innovations Ltd carries out activities in the field of commercialisation for the Science and Technology Facilities Council (STFC) as follows:

- investing in a portfolio of start-up companies based on STFC intellectual property;
- commercially exploiting STFC's intellectual property through licence agreements and sales of products and services;
- operating business incubators.

STFC Innovations Ltd is wholly-owned by STFC, and is integrated with the operations and mission of STFC. Staff working for STFC Innovations Ltd are either employed directly by the company, or are employees of STFC assigned to work with the company.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2013 to the date of this report.

T Bestwick
A Taylor
P B Kaziewicz
M A R Affonso
W Whitehorn

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

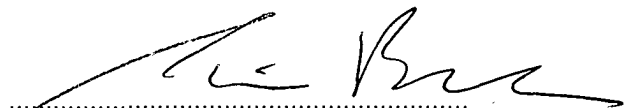
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
For The Year Ended 31 March 2014**

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

BY ORDER OF THE BOARD:

A handwritten signature in black ink, appearing to read 'T Bestwick', written over a dotted line.

T Bestwick - Director

Date: 15th May 2014

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
STFC INNOVATIONS LIMITED**

We have audited the financial statements of STFC Innovations Limited for the year ended 31 March 2014 on pages five to twenty two. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 FRC's website at 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.



Sue Staunton MA FCA CF (Senior Statutory Auditor)
for and on behalf of James Cowper LLP
Chartered Accountants & Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

Date: 23 May 2014.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Year Ended 31 March 2014

	Notes	2014 £	2013 £
CONTINUING OPERATIONS			
Revenue		657,113	572,089
Other operating income		92,988	123,182
Administrative expenses		<u>(1,259,086)</u>	<u>(1,575,371)</u>
OPERATING LOSS		(508,985)	(880,100)
Finance income	3	<u>3,143</u>	<u>22,952</u>
LOSS BEFORE INCOME TAX	4	(505,842)	(857,148)
Income tax	5	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		(505,842)	(857,148)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(505,842)</u>	<u>(857,148)</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 March 2014

	Notes	2014 £	2013 £
ASSETS			
NON-CURRENT ASSETS			
Investments	6	404,808	404,808
Loans and other financial assets	7	<u>238,000</u>	<u>238,000</u>
		<u>642,808</u>	<u>642,808</u>
CURRENT ASSETS			
Trade and other receivables	8	476,205	204,378
Cash and cash equivalents	9	<u>459,041</u>	<u>146,244</u>
		<u>935,246</u>	<u>350,622</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	<u>266,943</u>	<u>249,706</u>
NET CURRENT ASSETS		<u>668,303</u>	<u>100,916</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	<u>9,342,751</u>	<u>8,269,522</u>
NET LIABILITIES		<u>(8,031,640)</u>	<u>(7,525,798)</u>
SHAREHOLDERS' EQUITY			
Called up share capital	11	1	1
Revaluation reserve	12	1	1
Retained earnings	12	<u>(8,031,642)</u>	<u>(7,525,800)</u>
TOTAL EQUITY		<u>(8,031,640)</u>	<u>(7,525,798)</u>

The financial statements were approved by the Board of Directors on 11th May 2014 and were signed on its behalf by:


T Bestwick - Director

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 March 2014

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 April 2012	1	(6,668,652)	1	(6,668,650)
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(857,148)</u>	<u>-</u>	<u>(857,148)</u>
Balance at 31 March 2013	<u>1</u>	<u>(7,525,800)</u>	<u>1</u>	<u>(7,525,798)</u>
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(505,842)</u>	<u>-</u>	<u>(505,842)</u>
Balance at 31 March 2014	<u><u>1</u></u>	<u><u>(8,031,642)</u></u>	<u><u>1</u></u>	<u><u>(8,031,640)</u></u>

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
For The Year Ended 31 March 2014

		2014 £	2013 £
Cash flows from operating activities			
Cash generated from operations	1	<u>309,654</u>	<u>105,855</u>
Net cash from operating activities		<u>309,654</u>	<u>105,855</u>
 Cash flows from investing activities			
Interest received		<u>3,143</u>	<u>22,952</u>
Net cash from investing activities		<u>3,143</u>	<u>22,952</u>
 Increase in cash and cash equivalents		<u>312,797</u>	<u>128,807</u>
Cash and cash equivalents at beginning of year	2	<u>146,244</u>	<u>17,437</u>
Cash and cash equivalents at end of year	2	<u>459,041</u>	<u>146,244</u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
For The Year Ended 31 March 2014

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2014 £	2013 £
Loss before income tax	(505,842)	(857,148)
Finance income	<u>(3,143)</u>	<u>(22,952)</u>
	(508,985)	(880,100)
Increase in trade and other receivables	(135,605)	(55,126)
Increase in trade and other payables	<u>954,244</u>	<u>1,041,081</u>
Cash generated from operations	<u>309,654</u>	<u>105,855</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Year ended 31 March 2014

	31.3.14 £	1.4.13 £
Cash and cash equivalents	<u>459,041</u>	<u>146,244</u>

Year ended 31 March 2013

	31.3.13 £	1.4.12 £
Cash and cash equivalents	<u>146,244</u>	<u>17,437</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2014

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Preparation of consolidated financial statements

The company has taken advantage of the exemption not to prepare consolidated accounts available under Section 400 of the Companies Act 2006 as it is included in the consolidated accounts of the STFC, copies of which can be obtained from the address in note 13.

Revenue

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be reliably estimated.

Revenue represents amounts receivable by the company in respect of services rendered during the year in accordance with the underlying contract or licence, stated net of value added tax.

Amounts receivable under milestone agreements are recognised in accordance with the terms of the underlying agreement and are typically recognised upon the completion of the significant acts within the agreements. Revenue is specifically only recognised when the terms of any milestone are reasonably expected to be met and the relevant act has been completed as the company has no contractual rights to the revenue until this point.

Licence fee revenue is recognised up-front as a sale of the company if the company has discharged all of its on-going obligations.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

1. ACCOUNTING POLICIES - continued

Financial instruments

The company uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial assets and liabilities are recognised on the Statement of Financial Position when the company has become a party to the contractual provisions of the instrument.

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, trade payables and borrowings.

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing loans and overdrafts are recorded at the fair value received less any transaction costs. Subsequent to initial recognition such instruments are measured at amortised cost, using the effective interest method.

Financial assets

Convertible loan stock, trade receivables, loans and other receivables that have fixed or determinable payments are classified as loans and receivables and are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each reporting date by considering the recoverable amount of the asset in comparison to its carrying value and any impairment recognised in the Statement of Comprehensive Income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the profit or loss in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities such as trade payables and loans are classified as payables and are measured initially at fair value less transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, except for short term payables when the recognition of interest would be immaterial.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of Comprehensive Income.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

1. ACCOUNTING POLICIES - continued

Investments

Unlisted investments are stated in accordance with the British Venture Capital Association guidelines for valuation of unlisted investments at amounts considered by the directors to be a fair assessment of their value.

Unlisted investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to overriding requirements of prudence. All investments are valued according to one of the following bases:

- Cost (less any provision required)
- Third party valuation
- Earnings multiple
- Net assets

Investments are normally valued at cost until the availability of the first set of audited accounts post completion of the investment. Provisions against cost however, will be made as soon as appropriate in the light of adverse circumstances - for example, where an investment performs significantly below expectations.

Gains and losses on realisation of fixed asset investments are dealt with through the realised capital reserve. Fixed asset investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend. The difference between the market value of fixed asset investments over cost to the Company is shown as an unrealised gain or loss.

The Company has taken advantage of the exemption available under IFRS 10 not to apply the equity method of accounting in relation to the investments in note 6.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

1. ACCOUNTING POLICIES - continued

Going concern

The Company has net liabilities of £8,031,640 (2013 - £7,525,798) and made a loss of £505,842 (2012 - £857,148) in the year. The directors consider it appropriate to prepare the accounts on a going concern basis as the parent company, the STFC, has pledged to support the company until at least 31 March 2015 and beyond subject to adequate funding being available in future Spending Reviews.

Trade and other receivables

Trade and other receivables are stated at cost after deducting provisions for impairment of receivables.

Cash and cash equivalents

Cash and cash equivalents include cash at the bank and in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Recent Accounting Developments

At the date of authorisation of these financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial period ending 31 March 2014, but either have no significant impact or are not currently relevant:

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS12 - Disclosure of Interest in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 19 - Employee Benefits
- IAS 27 - Separate Financial Statements (2011)
- IAS 28 - Investments in Associates and Joint Ventures (2011)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- Government Loans - Amendments to IFRS 1
- Annual Improvements 2009-2011 Cycle
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial period ending 31 March 2014 and have not been adopted early:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (Effective date 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (Effective date 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (Effective date 1 January 2014)
- IFRIC 21 Levies (Effective date 1 January 2014)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

Critical Accounting Judgements

The Company's principal accounting policies are set out above. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

1. ACCOUNTING POLICIES - continued

Areas which management believes to require the most critical accounting judgements are:

(a) Impairment of investments

The Company records all investments at cost. Impairment charges are made if in the management's assessment there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the investments.

(b) Impairment of receivables

At the balance sheet date the directors evaluate the collectability of trade receivables and record the provisions for impairment of receivables based on experience including for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from estimated levels of recovery, which could impact on operating results positively or negatively.

Deferred tax

Deferred taxation is provided on all temporary differences between the carrying amounts of assets and liabilities in the accounting and tax balance sheets except where IAS 12 'Income Taxes' specifies that it should not. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates or laws enacted or substantively enacted at the balance sheet date.

STFC Innovations Limited does not recognise the deferred tax asset because it is unrealistic that the Company will make a sufficient profit in the future to utilise the losses available.

2. EMPLOYEES AND DIRECTORS

	2014	2013
	£	£
Wages and salaries	262,360	447,451
Social security costs	27,323	47,815
Other pension costs	64,116	73,616
	<u>353,799</u>	<u>568,882</u>

The average monthly number of employees during the year was as follows:

	2014	2013
Administrative staff	<u>4</u>	<u>9</u>

	2014	2013
	£	£
Directors' remuneration	86,680	89,938
Directors' pension contributions to money purchase schemes	<u>28,887</u>	<u>7,604</u>

3. NET FINANCE INCOME

	2014	2013
	£	£
Finance income:		
Interest received	<u>3,143</u>	<u>22,952</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

4. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2014	2013
	£	£
Auditors' remuneration	5,650	5,150
Auditors' remuneration for non audit work	7,610	3,250
Foreign exchange differences	<u>5,447</u>	<u>(9,061)</u>

5. INCOME TAX**Analysis of tax expense**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 March 2014 nor for the year ended 31 March 2013.

6. INVESTMENTS

	Shares in group undertakin £
COST	
At 1 April 2013 and 31 March 2014	<u>404,808</u>
NET BOOK VALUE	
At 31 March 2014	<u>404,808</u>
	Shares in group undertaking £
COST	
At 1 April 2012 and 31 March 2013	<u>404,808</u>
NET BOOK VALUE	
At 31 March 2013	<u>404,808</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

6. INVESTMENTS - continued

At 31 March 2014 the company held interests in the following undertakings:

	Class of share held	Proportion 31 March 2014 %	Date of financial information	Aggregate of capital and reserves £	Profit/(Loss) for the year £
Oxsensis Limited	Ordinary	3.1	31/12/13	(646,013)	104,182
L3 Technology Limited	Ordinary	0.3	31/12/12	197,248	(361,222)
Microvisk Limited	Ordinary	0.8	31/03/13	2,169,156	(2,814,743)
Dsoft Limited	Ordinary	24.0	31/03/13	8,434	36,644
Cobalt Light Systems Limited	Ordinary	20.2	30/06/13	1,744,039	5,942
Quantum Detectors Limited	Ordinary	90	31/03/13	112,201	52,543
The Electrospinning Company Limited	Ordinary	24.6	30/06/13	198,250	(76,755)
Scitech Precision Limited	Ordinary	100	31/03/13	155,424	9,060
Teratech Components Limited	Ordinary	49.9	30/11/12	166,222	6,930
Cella Energy Limited	Ordinary	9.0	31/12/13	527,627	(1,519,177)
KEIT Limited	Ordinary	49.9	31/12/13	498,086	(102,552)

The aggregate of capital and reserves and profit / (loss) for the year are taken from the last available annual financial statements for that company. Although some of the last available financial statements do not coincide with or end before STFC Innovations Limited's financial year end, in the opinion of the directors this does not have a material impact on the financial statements as these investments are held at nil cost.

All companies are incorporated in England.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

6. INVESTMENTS - continued

At 31 March 2013 the company held interests in the following undertakings:

	Class of share held	Proportion 31 March 2013 %	Date of financial information	Aggregate of capital and reserves £	Profit/(Loss) for the year £
Oxsensis Limited	Ordinary	3.3	31/12/12	(750,564)	(1,254,148)
L3 Technology Limited	Ordinary	0.3	31/12/11	233,177	(569,517)
Microvisk Limited	Ordinary	1.8	31/03/12	4,196,689	(3,920,608)
Dsoft Limited	Ordinary	24.0	31/05/12	7,790	33,917
Petra Limited	Ordinary	15.1	31/05/12	15,820	(978,902)
Cobalt Light Systems Limited	Ordinary	20.2	30/06/12	1,738,097	(672,371)
Quantum Detectors Limited	Ordinary	90	31/03/12	59,748	22,102
Constellation Technologies Limited	Ordinary	26.4	31/03/12	23,966	2,066
Cryox Limited	Ordinary	90	30/06/12	(56)	-
The Electrospinning Company Limited	Ordinary	24.6	30/06/12	226,586	(100,129)
Scitech Precision Limited	Ordinary	100	31/03/12	146,364	100,852
Teratech Components Limited	Ordinary	49.9	30/11/11	159,255	159,218
Cella Energy Limited	Ordinary	11.0	31/12/12	1,165,265	(747,224)

The aggregate of capital and reserves and profit / (loss) for the year are taken from the last available annual financial statements for that company. Although some of the last available financial statements do not coincide with or end before STFC Innovations Limited's financial year end, in the opinion of the directors this does not have a material impact on the financial statements as these investments are held at nil cost.

All companies are incorporated in England.

7. LOANS AND OTHER FINANCIAL ASSETS

	2014 £	2013 £
Secured convertible loan stock	<u>238,000</u>	<u>238,000</u>

Secured convertible loan stock relates to loan stock held in Oxsensis Limited. Interest is payable on the loan at 10% per annum until the redemption date of April 2017. The loan stock is convertible under the option of the holder or if other qualifying conditions are met.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

8. TRADE AND OTHER RECEIVABLES

	2014 £	2013 £
Current:		
Trade receivables	216,402	151,622
Amounts owed by group undertakings	136,222	-
Other receivables	<u>123,581</u>	<u>52,756</u>
	<u>476,205</u>	<u>204,378</u>

9. CASH AND CASH EQUIVALENTS

	2014 £	2013 £
Bank accounts	<u>459,041</u>	<u>146,244</u>

10. TRADE AND OTHER PAYABLES

	2014 £	2013 £
Current:		
Trade payables	63,683	12,451
Other payables	<u>203,260</u>	<u>237,255</u>
	<u>266,943</u>	<u>249,706</u>
Non-current:		
Amounts owed to group undertakings	<u>9,342,751</u>	<u>8,269,522</u>
Aggregate amounts	<u>9,609,694</u>	<u>8,519,228</u>

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2014 £	2013 £
1	Ordinary share	£1	<u>1</u>	<u>1</u>

12. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2013	(7,525,800)	1	(7,525,799)
Deficit for the year	<u>(505,842)</u>		<u>(505,842)</u>
At 31 March 2014	<u>(8,031,642)</u>	<u>1</u>	<u>(8,031,641)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

12. RESERVES - continued

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2012	(6,668,652)	1	(6,668,651)
Deficit for the year	<u>(857,148)</u>	<u> </u>	<u>(857,148)</u>
At 31 March 2013	<u><u>(7,525,800)</u></u>	<u><u>1</u></u>	<u><u>(7,525,799)</u></u>

13. ULTIMATE PARENT COMPANY

The directors regard the STFC, a non-departmental public body incorporated by Royal Charter in England and Wales, as the Company's ultimate parent by way of its 100% shareholding. The accounts of this company are available from the STFC, Polaris House, North Star Avenue, Swindon, SN2 1SZ.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

14. RELATED PARTY DISCLOSURES

During the year the Company made net invoiced purchases of £33,393 (2012: £103,594) from the STFC, the parent company. The Company made sales of £Nil to the STFC (2013: £22,176). The Company also recharged £92,988 (2013: £123,182) of costs to STFC.

At the end of the year a balance of £9,342,751 (2013: £8,269,522) remains outstanding to the STFC and is included within creditors. There is no fixed date for repayment and the outstanding balance does not incur interest. Due to there being no fixed date for repayment and in the opinion of the directors and the STFC it is unlikely the amounts owed will be repaid within 12 months, the amounts owed to the STFC have been shown as a long term liability.

During the year ended 31 March 2014, the Company made sales to and purchases from the following companies in which it has a financial interest, as disclosed in note 6, or are deemed to be a related party through common directorship.

	Sales	Purchases	Debtor at 31 March 2014	Creditor at 31 March 2014
	£	£	£	£
Oxsensis Limited	15,492	-	-	-
Cobalt Light Systems Limited	59,621	-	-	-
The Electrospinning Company Limited	-	10,923	-	-
Scitech Precision Limited	-	31,725	-	-
Teratech Components Limited	3,949	-	-	-
KEIT Limited	5,872	31,197	-	-
Cella Energy Limited	5,471	-	5,059	-
DSoft Limited	-	1,035	-	-
Quantum Detectors Limited	-	50,000	-	-

During the year ended 31 March 2014, the Company also received £3,143 (2013: £22,952) interest from Oxsensis Limited in relation to loan interest. At the year end £26,095 (2012: £Nil) was outstanding.

During the year ended 31 March 2013, the Company made sales to and purchases from the following companies in which it has a financial interest, as disclosed in note 6, or are deemed to be a related party through common directorship.

	Sales	Purchases	Debtor at 31 March 2013	Creditor at 31 March 2013
	£	£	£	£
Oxsensis Limited	14,141	-	8,277	-
Cobalt Light Systems Limited	67,028	-	41,647	-
The Electrospinning Company Limited	-	19,677	-	-
Scitech Precision Limited	-	31,725	-	-
Teratech Components Limited	-	20,750	-	-
Thruvision Limited	19,472	-	-	-
Microvisk Limited	18,577	-	18,577	-
MDA Space and Robotics Limited	71,265	-	71,265	-
Cella Energy Limited	10,226	-	9,171	-

During the year ended 31 March 2013, the Company also received £22,952 (2012: £Nil) interest from Oxsensis Limited in relation to loan interest. At the year end £22,952 (2012: £Nil) was outstanding.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

15. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**Financial assets**

	2014 £	2013 £
Secured convertible loan stock	238,000	238,000
Cash and cash equivalents	459,041	146,244
Trade receivables	216,402	151,622
Other receivables	123,581	52,756
Amounts owed by group companies	<u>136,222</u>	<u>-</u>
Total	<u>1,173,246</u>	<u>588,622</u>

The average credit period for sales of goods and services is 30 days. No interest is charged on overdue trade receivables. At 31 March 2014 there were no trade receivables (2013: £Nil) past due and all trade receivables are considered by the directors to be recoverable in full.

The Company's policy is to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. At the balance sheet date the directors consider that no provision is required (2013: £Nil) as there is no credit risk.

Financial liabilities

	2013 £	2013 £
Trade payables	63,683	12,451
Amounts owed to group companies	9,342,751	8,269,522
Other payables	<u>203,261</u>	<u>237,255</u>
Total	<u>9,609,695</u>	<u>8,519,228</u>

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 30 days. No interest is charged on trade payables. The Company has policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, other receivables, bank overdraft, amounts owed to group, other payables and cash and cash equivalents. The amounts presented in the Statement of Financial Position are net of any allowances for doubtful receivables. Cash at bank is all held with highly rated banks or deposit takers the suitability of which is constantly reviewed.

Currency risk

The Company does not have any significant exposure to currency fluctuations.

Liquidity risk

The Company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs. Short term flexibility is achieved by the use of the bank overdraft and funding from STFC. The directors prepare cash flow forecasts on a regular basis to identify at an early stage any short term funding difficulties.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2014

Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy financial performance in order to support its business and maximise shareholder value.

The Company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, the Company maintains sufficient capital to support its business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 31 March 2013.