

STRATEGIC INVESTMENT BOARD LIMITED

Company Registration No. NI 45710

Annual Review and Financial Statements 2017-2018

Year Ended 31st March 2018

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1 Officers and Professional Advisers

1.1 Directors

| | | |
|----------------------------|------------------------|------------------------|
| Mr. Gerry McGinn | Chairman | (since September 2013) |
| | Non-Executive Director | |
| Mr. Duncan McCausland | Non-Executive Director | (since September 2013) |
| Ms. Marie-Thérèse McGivern | Non-Executive Director | (since September 2013) |
| Mr. Daniel McSorley | Non-Executive Director | (since November 2015) |
| Mrs. Kathryn Thomson | Non-Executive Director | (since September 2015) |
| Mr. Brett Hannam | Chief Executive | (since June 2012) |

1.2 Secretary

Gregor Hamilton

1.3 Auditors

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

1.4 Registered Office

Lighthouse Building

Gasworks Business Park

1 Cromac Avenue

Belfast

BT7 2JB

1.5 Principal Bankers

Danske Bank

8-9 Donegall Square North

Belfast

BT1 5GJ

2 Performance Report for the Year Ended 31st March 2018

2.1 Overview

During 2017-18 Strategic Investment Board Ltd continued to provide advice to departments, councils and other organisations in relation to the articulation and delivery of their major investment programmes and projects.

The business model of Strategic Investment Board Ltd is to employ staff with skills, knowledge and experience not usually found within the public sector and deploy them in roles where they will make a significant positive contribution to the achievement of the business objectives of partner organisations.

2.1.1 Chief Executive's Perspective on Performance

In 2017-18 Strategic Investment Board Ltd assisted its partners in the planning of infrastructure, the delivery of programmes and projects, the management of assets and the promotion of reform.

2.1.2 Performance and Activities

During 2017-18, Strategic Investment Board Ltd:

- Provided Directors or Managers for the following programmes and projects:
 - i. Strule Education Campus;
 - ii. NI Fire & Rescue Service (NIFRS) Training College at Desertcreat;
 - iii. Education Authority Implementation programme;
 - iv. Casement Park;
 - v. Urban Villages programme;
 - vi. Social Investment Fund capital and revenue projects;
 - vii. Department of Finance Reform of Property Management project;
 - viii. Arc21 Waste Management procurement;
 - ix. Southern Regional College Campus programme
 - x. Northern Regional College Campus programme
 - xi. HMS Caroline project;
 - xii. Ebrington capital projects;
 - xiii. North Coast Sports Village;
 - xiv. Government Shared Data Centre;
 - xv. Public Sector Shared Network project;
 - xvi. South Lake Leisure Centre;
 - xvii. United Youth programme; and the

xviii. The Tackling Paramilitarism programme.

- completed the draft Investment Strategy;
- delivered over 330 person years of employment through the Buy Social initiative;
- obtained £20m through capital realisations;
- managed £145m of loans of Financial Transactions Capital;
- assisted departments to develop and implement asset management plans; and
- managed the Investment Strategy Northern Ireland Delivery Tracking System and project pipeline.

Specifically, Strategic Investment Board Ltd:

- supported The Executive Office by:
 - i. completing the draft Investment Strategy;
 - ii. providing the acting Chief Executive for the MLK Development Corporation;
 - iii. staffing the Urban Villages delivery unit;
 - iv. providing project managers to the Social Investment Fund capital and revenue programmes;
 - v. providing a director and project managers to deliver capital projects at Ebrington; and
 - vi. reviewing existing PPP/PFI contracts.
- supported the Department of Finance by:
 - i. operating the Asset Management Unit;
 - ii. providing a transformation director, office transfer manager and project managers for the Reform of Property Management programme;
 - iii. providing a project manager for the Government Data Centre project and the Public Sector Shared Network project;
 - iv. establishing the Energy Management programme;
 - v. establishing the Consolidation of Depots and Warehouses project;
 - vi. assisting with the procurement of the Investment Fund and
 - vii. operating the 'Buy Social' unit to promote the delivery of social value in public sector procurement.
- supported the Department of Education by:

- i. providing a construction manager and leading the communications function for the Strule Educational Campus programme;
 - ii. providing a strategic advisor, human resources advisor and IT projects manager to the Education Authority; and
 - iii. providing data analytical support to the department's schools and transport planning.
- supported the Department for Infrastructure by:
 - i. advising on the regeneration element of the Weavers Cross project;
 - ii. advising on the upgrade of street lighting;
 - iii. advising Translink on income improvement and the optimisation of its internal property management function;
 - iv. assisting NIW with negotiations and the development of a business case for the acquisition of development rights for a £7m solar project; and
 - v. advising NI Water on the acquisition of Project Alpha.
 - supported the Department of Health by:
 - i. providing a project manager for the NIFRS College at Desertcreat;
 - ii. advising on a programme of revenue funded investment in primary health care facilities (including the preparation of business cases; the conduct of bidder negotiations and the provision of legal advice);
 - iii. advising on the reform of GP Out of Hours services; and
 - iv. advising on the development of the 111 and National Pan-endemic Flu service.
 - assisted the Department of Justice by:
 - i. providing a director for the Tackling Paramilitarism programme;
 - ii. providing legal advice to the Causeway 2 project; and
 - iii. providing property advice to the Courts Service.
 - supported the Department for Communities by:
 - i. providing GAA with a project manager for Casement Park;
 - ii. providing an embedded team to advise the Engaged Communities group on infrastructure planning and delivery;
 - iii. providing project management support to urban development in Portrush;

- iv. providing support for the procurement of the Department for Communities Strategic Planning Framework,
- v. developing a site acquisition strategy in Belfast City Centre; and
- vi. carrying out a due diligence review for the Queen's Parade scheme in Bangor.
- supported the Department of Agriculture, Environment & Rural Affairs by:
 - i. providing a project manager for the arc21 residual waste management infrastructure project;
 - ii. providing strategic advice on waste management;
 - iii. advising on the Mobuoy Road SBRI Project; and
 - iv. leading the Circular Economy task and finish group.
- supported the Department for the Economy by:
 - i. providing a director for the RHI Task Force;
 - ii. providing a project manager for the HMS Caroline project;
 - iii. providing a project manager for the United Youth project;
 - iv. providing a Chief Digital Officer to INI and TNI;
 - v. establishing and staffing the Digital Catapult NI;
 - vi. providing project managers for the Southern and Northern regional Colleges capital investment programmes;
 - vii. supporting work to promote the economic development of Kilkeel; and
 - viii. managing the Department's Financial Transaction Capital loan portfolio.
- supported Belfast City Council by providing a project manager for the Connswater Greenway and Lagan Bridge Projects.
- supported Derry City and Strabane District Council through:
 - i. the provision of a property advisor;
 - ii. management of the Community Centres Capital programme; and
 - iii. the development of Foyle Street regeneration proposals.
- supported Armagh, Banbridge and Craigavon Council by providing a project director for the South Lake Leisure Centre.
- supported Newry, Mourne and Down District Council with the procurement of a development partner for the Newry Civic Centre project and the provision of a project manager.
- supported Causeway Coast and Glens Council through the provision of a Capital Projects Director and a project manager.

- supported Mid and east Antrim Council through:
 - i. the provision of a project manager;
 - ii. the provision of a property advisor; and
 - iii. the establishment of the Carrickfergus Regeneration Partnership Board.
- supported other councils by providing strategic, communications and other advice.
- provided 1,633 days of support on 97 assignments to departments and councils through the deployment of Associate Strategic Advisers; and
- supported departments and other organisations through the provision of recruitment and communications advice.
- completed a programme of research in partnership with the Economic Policy Centre, Ulster University.

2.1.3 The Key Issues and Risks

This section examines the major risks arising from the environment in which Strategic Investment Board Ltd operates and sets out Strategic Investment Board Ltd's response.

Demand for Strategic Investment Board Ltd support has continued to increase during the reporting period. This has mainly been the result of additional requests for support from councils and through continuing growth in the work of the Strategic Support Unit. The Buy Social Unit has also grown in response to increased advisory work. There is a risk that Strategic Investment Board Ltd may not be able to recruit staff with the skills, knowledge and experience required to address these increased requirements. The organisation is also vulnerable to current staff being attracted by offers from a resurgent private sector. Strategic Investment Board Ltd's pay policy does not allow the organisation to promote staff or vary pay in response to changing market conditions. The success of the programmes and projects supported by Strategic Investment Board Ltd would be endangered by the precipitate departure of key staff. Demand from the private sector for the same high-quality personnel sought by Strategic Investment Board Ltd means that the market rate it must pay to recruit such staff is likely to increase. Strategic Investment Board Ltd will continue to manage these risks by focusing its work where it will have the greatest positive impact on the most important projects.

Reductions in Strategic Investment Board Ltd's core funding continue to limit its ability to provide services to partners that are free at the point of use. Strategic Investment Board Ltd will, therefore, continue to seek co-funding from partners where this is required to help achieve their objectives. It will continue to seek to recoup the full costs of providing project management support to partner organisations.

The Asset Management Unit's (AMU) recent experience has been that asset values are difficult to determine confidently in the current economic and political context. Prices have been highly variable as a result of Brexit, political uncertainty, limits on the availability of debt and the high yields required by liquid investors. Strategic Investment Board Ltd will continue to work to develop the value of the government's surplus assets in order to increase their attractiveness. It will also continue to seek socially valuable alternative uses for assets that are surplus but cannot be sold in current conditions.

Strategic Investment Board Ltd staff can only operate effectively as part of appropriately staffed and resourced teams established by those partners. There is a risk that reductions in the size of the public sector may disrupt such teams and adversely impact on delivery.

There is a risk that procedures may be put in place by the Northern Ireland Civil Service to satisfy the requirements of the Northern Ireland Civil Service Commissioners that could delay the appointment of Strategic Investment Board Ltd staff to roles embedded in departments.

The ability of Strategic Investment Board Ltd to discharge its statutory and other functions requires the development and maintenance of effective working relationships with its partners. There is a risk that such stakeholder relationships may break down, adversely impacting on the organisation's efficacy.

There is a risk that the absence of a functioning Executive with Ministers in post may adversely impact on the progress of projects supported by Strategic Investment Board. This risk may arise because critical 'Stop/Go' decisions may not be taken at the appropriate time; it

may not be possible to commit funds to projects when they are required; officials may not be able to prioritise competing projects, initiate new projects or develop project proposals and there may be a lack of developed policy in key areas.

There is a risk that Strategic Investment Board may not be compliant with the General Data Protection Regulations. This risk may arise from a failure to document and implement appropriate policies and procedures that protect its information or from failures by 3rd parties who process data on Strategic Investment Board's behalf.

There is a risk that SIB's policies and procedures may not be sufficient to protect it from fraud. The Board will continue to monitor these risks and will take the action necessary to mitigate them.

2.1.4 The Going Concern Basis

The Financial Statements have been prepared on the assumption that Strategic Investment Board Limited is a going concern basis and will continue in operation for the foreseeable future.

2.1.5 Performance Summary

In 2017-18 Strategic Investment Board Limited has:

- drafted the Investment Strategy;
- delivered strategic infrastructure planning models in key sectors, which help its partners to plan and deliver more economically and operationally sustainable infrastructure to meet contemporary and future needs across the region;
- helped Departments deliver larger and better project procurements (in terms of faster delivery, lower risk and best value) than would otherwise have been possible;
- met the targets set it for the use of Financial Transaction Capital (including supporting the procurement of the Investment Fund);
- met the targets set it for the generation of additional capital;
- helped Departments develop and implement asset management plans;
- provided detailed information to its stakeholders on progress with the implementation of the Investment Strategy; and
- developed as an organisation so that it met the requirements of its stakeholders: local representatives, the Departments, its shareholder (The Executive Office), the private and third sectors, its staff and the public.

2.2 Performance Analysis

2.2.1 How Performance is Measured

The diverse nature of Strategic Investment Board Ltd's business is reflected in its use of a range of performance measures and indicators. These include:

- performance against specific objectives set out in the annual business plan;
- performance against cost, schedule and quality targets set out in specific programme and project plans;
- targets for the raising of additional capital and other asset management activities set out in the Asset Management Unit (AMU) Operational Plan; and
- performance against internal administrative targets.

Strategic Investment Board Ltd obtains written feedback on the performance of its staff from its partners at least annually. A performance report is completed at the conclusion of each assignment undertaken by the Strategic Support Unit and Council Support Unit.

2.2.2 Analysis and Explanation

At the 31st March 2018:

- of Strategic Investment Board Ltd's 20 business plan targets, 16 were successfully completed, and 4 were not completed. This latter group related to arc21, Casement Park, the Strule Education Campus and 3PD Community Care.
- all Asset Management targets were achieved.
- all Buy Social targets were achieved.
- all internal administrative targets were achieved.
- the Strategic Support Unit carried out 97 assignments. Feedback from departments and councils indicated that 100% would employ the relevant adviser again and 100% agreed that the output of the assignments had been of a high quality.

2.2.3 Long-term Expenditure Trends

Strategic Investment Board Ltd is funded by its sponsor Department, the Executive Office. The Executive Office intends to continue to fund the organisation for the foreseeable future and has provided a budget for 2018-19. The organisation has the staff resources required to achieve its current business objectives. However Strategic Investment Board Ltd recognises the financial pressures and uncertainties which exist in future years. Strategic Investment Board Ltd will endeavour to meet this challenge through increased use of co-funding and changes in operational processes and procedures that deliver increased efficiencies.

2.2.4 Sustainability Report

Strategic Investment Board Limited is committed to the Executive's Sustainable Development Strategy. Policies and practices have been introduced within Strategic Investment Board Limited to encourage efficiency in the use of resources. These include the 100% use of recycled paper, the use of multifunction printing/ copying/ scanning devices which are set to

duplex printing by default and the use of efficient heaters to provide hot water for refreshments.

In October 2017, Strategic Investment Board Limited moved from Carleton House to the Lighthouse Building. The move resulted in the company occupying 33% less space than previously. This has been made possible through the aggressive use of 'hot-desking'. The company has also, in order to reduce its carbon footprint, pursued a policy of enabling staff to work from home and to use video-conferencing as an alternative to travelling by air.

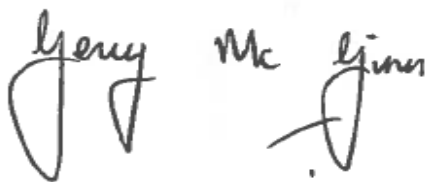
Strategic Investment Board Limited promotes economic, social and environmental sustainability in all its projects. Over the past year it has, for example, promoted the efficient use of energy through its work on the Energy Management programme; encouraged the wider use of 'Buy Social' in construction and service contracts and supported sustainable economic growth through its work on the Investment Strategy.

2.2.5 Equality

Strategic Investment Board Limited pays due regard to the need to promote equality of opportunity and good relations. In particular, where consultation processes are conducted they include organisations representing groups in the nine Section 75 categories and views on the equality implications of the issues under consultation are invited and taken into account. Monitoring procedures include arrangements for assessing the equality impacts of policies and the implementation of best practice in procurement incorporate those elements identified as capable of better promoting equality of opportunity.

2.2.6 Organisational Structure

Strategic Investment Board Limited has a flat organisational structure that enables employees to operate with considerable levels of personal autonomy. Staff, with the exception of individuals embedded within the structures of host organisations, are organised into small teams. The CEO is supported by a leadership group that comprises team leaders and other senior staff.



Gerry McGinn
Chairman



Brett Hannam
Chief Executive

Date: 11th June 2018

3 Accountability Report for the Year Ended 31st March 2018

3.1 Corporate Governance Report

3.1.1 Directors' Report

3.1.1.1 Future Developments

Strategic Investment Board Ltd derives its strategic priorities from the outcomes identified in the draft Programme for Government. These are:

- we prosper through a strong, competitive regionally balanced economy;
- we live and work sustainably – protecting the environment;
- we have a more equal society;
- we enjoy long, healthy, active lives;
- we are an innovative, creative society where people can fulfil their potential;
- we have more people working in better jobs; and
- we have a safe community where we respect the law and each other.

The over-arching priority for Strategic Investment Board Ltd is to help government deliver “enhanced economic infrastructure”. Subject to any new priorities or targets in the final Programme for Government, the priority issues Strategic Investment Board Ltd will address:

- the statutory requirement for Strategic Investment Board Ltd to advise departments and other bodies in relation to the formulation and implementation of major investment projects;
- the need to deliver those projects to the required quality, on time and within budget;
- the need to obtain value for money for infrastructure investment (including the delivery of social value through sustainable procurements and use of assets);
- the need to make best use of existing assets and dispose of those that are surplus to requirements;
- the need to engage with the private sector more closely in order to optimise the use of private funding in support of public investment, (while recognising that private funds do not have general applicability at all times or across all types of infrastructure);
- the need to deliver the best possible return through the use of Financial Transactions Capital (FTC) and the Investment Fund;
- the need to support strategic infrastructure planning;
- the need to improve the infrastructure delivery capabilities of government departments and local councils;
- the need for continual improvement in the processes and procedures for the commissioning and procurement of major capital investment;
- the need to develop Strategic Investment Board Ltd’s capacity and capabilities to ensure it continues to meet the needs of its partners; and

- the need to be flexible and informed to support departments in the delivery of new major investment policies and programmes.

Further information can be found in Strategic Investment Board Ltd's Corporate and Business Plan 2018-21 at www.sibni.org

During 2017, The Executive Office commissioned a review of Strategic Investment Board Limited. The results of this review are, at the time of writing, being considered by The Executive Office. It is expected that the recommendations of this review will be implemented during 2018-19.

3.1.1.2 Share Capital

The company is limited by guarantee and has no share capital.

3.1.1.3 Fixed Assets

Details of the movement of fixed assets have been summarised in note 9 to the accounts. Property Plant and has been written down to Nil in year (2016-17: £807). The company does not believe that there is any material difference between the market and book value of its fixed assets as at 31 March 2018.

3.1.1.4 Financial Assets

In 2017-18 Strategic Investment Board Ltd processed the following loans:

- £8,000,000 to Queen's University, Belfast (QUB) (2016-17: £9,381,000).
- £40,000,000 to GFS Corporate Directorate II Limited, the vehicle holding the NI Investment Fund.

The funding for these loans, made using Financial Transactions Capital, was provided to Strategic Investment Board Ltd by the Department of Finance through The Executive Office. The Executive agreed that the loan should be channelled through Strategic Investment Board Ltd. The loans will be repaid by QUB the NI Investment Fund and the receipts returned to Department of Finance (formerly Department of Finance and Personnel) through The Executive Office (formerly Office of the First Minister and deputy First Minister).

3.1.1.5 Data Protection and Freedom of Information

Strategic Investment Board Ltd is required to report on personal data related incidents. Within its Government framework, Strategic Investment Board Ltd has an explicit control system to meet its responsibility under Data Protection and Freedom of Information. The control system has been established to ensure that appropriate handling of personal data and information used for operational and reporting purposes through the development of appropriate strategy and policy. In the 2017-18 year Strategic Investment Board Ltd received eight (2016-17: five) Freedom of Information (FOI) requests, and responded to all of them within the 20 day deadline. Strategic Investment Board Ltd will continue to monitor and assess its information risks in order to identify and address any weakness and ensure continuous improvement of its systems.

There were no incidents of personal data loss recorded within the period under review.

3.1.1.6 Reporting of Complaints

Strategic Investment Board Ltd is required to disclose its approach to complaints handling. Strategic Investment Board Ltd has a complaints policy for dealing with complaints from the public or other third parties (the procedure for internal complaints is detailed separately in the Strategic Investment Board Ltd Staff Handbook). The complaints policy is published on the Strategic Investment Board Ltd Website. All complaints are referred to the Chief Executive as soon as they are received. Strategic Investment Board Ltd's pledge on response times are:

- Strategic Investment Board Ltd will acknowledge receipt of a complaint within 2 working days.
- Normally Strategic Investment Board Ltd will issue a full response within 10 working days.
- If there is a delay in responding we must keep the complainant informed of our progress.

In 2017-18 Strategic Investment Board Ltd received no complaints (2016-17: two complaints).

3.1.1.7 Payments to Suppliers

Strategic Investment Board Ltd is committed to the prompt payment of bills for goods and services received, in accordance with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended. Strategic Investment Board Ltd follows DAO 12/08 "Supporting Businesses Prompt Payment of Invoices" which introduced a prompt payment target of ten days, with effect from December 2008. In the year ended 31 March 2018, Strategic Investment Board Ltd has paid 99% of its suppliers within 10 days (2016-17: 99%). In the year ended 31 March 2018, 99% of suppliers were paid within 30 days (2016-17: 99%).

3.1.1.8 Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period. In preparing those 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 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.

The directors confirm that they have received assurance that the financial statements have been prepared in line with the requirements above.

The directors confirm that so far as they are aware, there is no relevant audit information of which the auditor is unaware, and the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for keeping proper accounting records that 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.

The Accounting Officer for The Executive Office has designated the Chief Executive as the Accounting Officer for Strategic Investment Board Ltd. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of public finances and for the keeping of proper records, are set out in the Accounting Officer Memorandum, in compliance with Chapter 3 of Managing Public Money Northern Ireland and Financial Reporting Manual (FRM).

3.1.1.9 Charitable Donations

The company made no charitable donations during the period.

3.1.1.10 Corporate Governance

The company's Statement of Corporate Governance is set out on page 17.

3.1.1.11 Statement of Disclosure of Information to Auditors

The directors confirm that, for all directors in office at the date of this report:

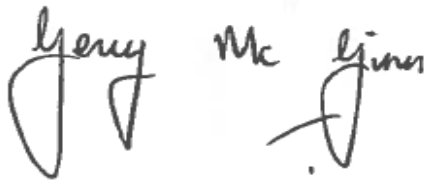
- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. For this purpose, "relevant audit information" comprises the information needed by the company's auditors in connection with preparing their report; and
- each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he or she ought to have taken in his duty 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.

3.1.1.12 Auditors

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013, the Comptroller and Auditor General for Northern Ireland has statutory responsibility for the audit of the Strategic Investment Board Limited under the Audit and Accountability (NI) Order 2003.

3.1.1.13 National Fraud Initiative

The Comptroller and Auditor General for Northern Ireland has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. The Northern Ireland Audit Office (NIAO) commissioned a National Fraud Initiative (NFI) Data Matching Exercise in October 2016. Several matches were identified from this exercise and were investigated during the reporting period, however no issues of concern were raised.

Handwritten signature of Gerry McGinn in black ink.

Gerry McGinn
Chairman

Handwritten signature of Brett Hannam in black ink.

Brett Hannam
Chief Executive

Date: 11th June 2018

3.1.2 Statement of Accounting Officer's Responsibilities

Under the terms of the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003 the Executive Office (with approval from Department of Finance,) has directed Strategic Investment Board Ltd 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 Strategic Investment Board Ltd and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Department of Finance, 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Executive Office has appointed the Chief Executive as the Accounting Officer of Strategic Investment Board Ltd. 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 Strategic Investment Board Ltd's assets, are set out in *Managing Public Money Northern Ireland* published by Department of Finance.

As Accounting Officer I can confirm that there is no relevant audit information of which the auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

As Accounting Officer I can confirm that the annual review and financial statements as a whole are fair, balanced and understandable and that I take personal responsibility for the annual review and financial statements and the judgments required for determining that they are fair, balanced and understandable.

3.1.3 Governance Statement

The Strategic Investment Board Ltd is a company limited by guarantee, owned by the Executive Office (TEO) and functioning as one of that Department's Arm's Length Bodies (ALBs). It is financed from TEO's departmental expenditure limit (DEL). Its board reports directly to the First Minister and the deputy First Minister.

This statement is given in respect of Strategic Investment Board Ltd's Resource Account for 2017-18. The Governance Statement comprises two broad elements. Firstly, it describes Strategic Investment Board Ltd's governance framework; identifying responsibilities and explaining the functions of its constituent elements. Secondly, it reports my assessment as Accounting Officer of the effectiveness of the framework during the reporting period. The report identifies any significant governance issues and concludes with a review of Strategic Investment Board Ltd's conformance with the Code of Conduct.

3.1.4 The Purpose of the Governance Framework

The purpose of the Governance Statement to report publicly on the extent to which Strategic Investment Board Ltd complies with its code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year. The process of preparing the governance statement itself adds value to the effectiveness of the corporate governance and internal control framework.

3.1.5 The Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which Strategic Investment Board Ltd is directed and controlled. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve Strategic Investment Board Ltd's aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework described below has been in place in Strategic Investment Board Ltd for the year ended 31 March 2018. It comprises:

- the Board;
- the Accounting Officer;
- the Audit Committee;
- the Internal Audit function; and
- the External Audit function.

These organisational structures, together with an overview of their responsibilities and performance in year, are set out in the relevant sections below.

The framework also includes a number of additional elements that contribute to the effective governance of the organisation. These comprise:

- The Investment Committee
- The Management Statement and Financial Memorandum;

- Executive Office (TEO) Oversight Arrangements;
- The Corporate and Business Plans;
- The Performance Management Framework;
- The Risk Management Framework;
- Financial Policies and Procedures;
- Operational Partnership Agreements;
- Customer Feedback and Performance Reports;
- Whistleblowing Arrangements; and
- The Fraud Prevention Strategy and Response Plan.

These elements, together with an assessment of their effectiveness in year, are described in the relevant sections below.

3.1.6 The Accounting Officer

As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of Strategic Investment Board Ltd's aims and objectives. I also have responsibility for the propriety and regularity of the public finances allocated to Strategic Investment Board Ltd and for safeguarding public funds and assets in accordance with the responsibilities assigned to me in the Corporate Governance Code and Managing Public Money Northern Ireland.

In my role as Accounting Officer, I function with the support of the Strategic Investment Board Ltd's Board ('the Board'). This includes highlighting to the Board specific business risks and, where appropriate, the measures that can be employed to manage these risks.

As Accounting Officer I am aware of the responsibilities within my role and remain fit to carry out the Accounting Officer role.

3.1.7 The Board

The Board is chaired by a non-executive Director. It supports the delivery of effective Corporate Governance and operates within best practice guidelines set out in 'Corporate Governance Code of Good Practice (NI) 2013'. The Board takes an objective long-term view of the business of the organisation, leading its strategic planning process and assisting me in meeting my corporate governance responsibilities.

The Terms of Reference of the Board make clear its responsibility to establish and oversee the organisation's Corporate Governance arrangements.

Notwithstanding this, all tiers of management have commensurate responsibilities for ensuring that good governance practices are followed within the organisation.

Under the general guidance and direction of the Executive Office Ministers, the key aspects of the Board's role include:

- setting the strategic direction for the organisation, including its vision, values and strategic objectives; overseeing the implementation its corporate and business plans, monitoring performance against objectives and supervising its budget;
- leading and overseeing the process of change and encouraging innovation, to enhance the organisation's capability to deliver;
- overseeing the strategic management of staff, finance, information and physical resources, including setting training and health and safety priorities;
- establishing and overseeing the implementation of Strategic Investment Board Ltd's corporate governance arrangements, including risk management; and
- overseeing and monitoring the organisation's progress against all of its equality of opportunity and good relations obligations.

The Board is required to act in accordance with the responsibilities assigned to it in the *Corporate Governance Code of Good Practice (NI)* and *Managing Public Money Northern Ireland*.

The Board operates as a collegiate forum under the leadership of the Chair. It ensures that the appropriate strategic planning processes are in place and that there is effective operational management of their implementation. The Board operates in an advisory and consultative capacity, offering guidance when sought. Day-to-day operational matters are my responsibility and that of senior staff. The Board does not direct me on how such business should be run, unless in exceptional circumstances, of which none occurred during this reporting period.

Each Non-Executive Board Member participates in the high-level corporate decision-making process as a member of the Board; contributes to the operation of corporate governance arrangements within the organisation and supports me in my roles of Chief Executive and Accounting Officer.

As Chief Executive, I am responsible for organising the agenda for monthly Board meetings and ensuring the Chair and Board members are provided with timely information to support full discussion at each meeting.

The Board receives monthly written reports from me; the Head of the Asset Management Unit and Chief Investment Officer. It also receives a monthly financial and budget monitoring report and a pack of relevant media reporting.

I provide quarterly reports on the status of supported projects; delivery of business plan objectives; expenditure against plan; resource inputs by project; requests made under the Freedom of Information Act; press reporting of Strategic Investment Board Ltd; usage of the Strategic Investment Board Ltd web sites; Assembly Questions relevant to Strategic Investment Board Ltd; absence management; recruitment; communications; legal work and requests for Strategic Investment Board Ltd support. Strategic Advisers and Project Managers provide the Board with quarterly reports on the progress of their work.

The Board maintains a Register of Interests that is published on the Strategic Investment Board Ltd web site. This lists, for each Director, all commercial and other relevant interests. A similar register is maintained by all Strategic Investment Board Ltd staff. The published versions of the registers are updated every six months but Directors and staff are required to report any significant changes as they occur.

Each Board and committee meeting begins with those present declaring any conflicts of interest that may arise from agenda items. The Terms of Reference for the Board set out how such conflicts should be managed should they arise. These terms require a Director with a conflict of interest to withdraw from any discussion of the relevant matter and to abstain from any associated vote.

In 2017-18 Board members declared possible conflicts of interest relating to particular projects and their involvement in organisations with which Strategic Investment Board Ltd works. These were recorded in the minutes of the meetings. On no occasion was a Director required, on account of such interests, to withdraw from any meeting.

In 2017-18, the Board comprised the following members:

| | | |
|----------------------------|------------------------------------|------------------------|
| Mr Gerry McGinn | Chairman Non-Executive Director | (since September 2013) |
| Mr Duncan McCausland | Non-Executive Director | (since September 2013) |
| Ms. Kathryn Thomson | Non-Executive Director | (since September 2015) |
| Ms. Marie-Thérèse McGivern | Non-Executive Director | (since September 2013) |
| Mr Danny McSorley | Non-Executive Director | (since November 2015) |
| Mr. Brett Hannam | Chief Executive | (since June 2012) |

The Board held 11 meetings, incorporating an away day, in 2017-18. Attendance was as follows:

| | Maximum Attendance | Actual Attendance |
|----------------------------|--------------------|-------------------|
| Mr Gerry McGinn | 11 | 11 |
| Mr Duncan McCausland | 11 | 10 |
| Ms. Kathryn Thomson | 11 | 11 |
| Ms. Marie-Thérèse McGivern | 11 | 8 |
| Mr. Danny McSorley | 11 | 10 |
| Mr. Brett Hannam | 11 | 11 |

In November 2017 the Board held its annual away day at the University of Ulster York Street Campus in Belfast.

In 2017-18 the Strategic Investment Board Ltd Board considered the following standing agenda items:

- Minutes of the Previous Meeting;
- Chairman's and Directors' business;
- Chief Executive's report, which included reports on significant developments in projects supported by Strategic Investment Board Ltd; governance and staffing issues;
- Head of AMU's report, which included reports on the development and implementation of the Asset Management Strategy and the achievement of targets for capital release;
- Chief Investment Officer's report, which included reports on the development of Strategic Planning Models and the Investment Strategy;
- Finance Report; and
- Media Report.

The Board took quarterly reports on projects, corporate performance; resource utilisation, requests for Strategic Investment Board Ltd support and other related matters.

The Board heard individual reports on, and then discussed, the following programmes and projects:

- The Report and Accounts for 2016-17;
- The Education Authority Strategic Infrastructure Planning Model.
- The work of the Council Support Unit;
- The work of the Strategic Support Unit;
- The 2017 Statement of Benefits and Achievements;
- The work of the RHI Taskforce;
- Business Assumptions, Demand Analysis & Organisational Response;
- The SIB Research Programme at Ulster University;
- The work of the Buy Social Unit; and
- The Energy Management programme.

In addition the Board considered the following matters:

- The Risk Appetite Statement and Risk Register;
- The draft TEO review of Strategic Investment Board Ltd;
- The Strategic Investment Board Ltd Staff Survey Action Plan;
- Internal and External Communications;
- Board Skills;
- The validation of the SIB Benefits and Achievements Assessment;

- The draft Letter of Expectation; and
- The draft Corporate and Business Plans.

3.2 Board Committees

The Board operates the following committees:

- The Audit Committee, which provides assurance to the Board, (and indirectly the shareholder – TEO), that the company’s financial and other control systems are operating effectively;
- The Strategy & Communications Committee, which supports the development of long-term plans and policies and which scrutinises the organisation’s strategic communications and engagement work; and
- The Remuneration Committee, which approves senior appointments and salaries and scrutinises recruitment.

All appointments to committees are confirmed in writing by the Chairman. Members are provided with the terms of reference of the committee, details of the committee’s membership; an account of the members’ responsibilities and a copy of the ‘Nolan Principles’.

3.2.1.1 The Audit Committee

The Audit Committee’s terms of reference set out its purpose as being to support me as Accounting Officer in monitoring risk, control and governance systems (including financial reporting). Additionally the Committee will advise the Board and the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control. The Audit Committee does not have executive powers.

The Audit Committee and its Chair are appointed by the Board from amongst its non-executive members and a quorum comprises not less than two non-executive members. The Audit Committee Chair is a non-executive member of the Board other than its Chair.

In addition to its members, the following normally attend meetings of the Committee:

- The Accounting Officer;
- The Internal Auditor;
- The External Auditor;
- A representative of the Executive Office;
- The Finance Manager (Secretary to the Committee); and
- The Compliance Manager.

The committee last reviewed its own effectiveness in March 2018 and in summary, Members concluded that the Audit Committee was effective in its support to the Board and the Accounting Officer in the discharge of their duties. They also concluded that good practice is usually applied.

The Committee Chairman reports after each meeting to the Board on any significant issues that have arisen. The Committee Chair, on behalf of the committee, reports in writing once a year to the Accounting Officer and the Board on the findings and conclusions of the committee for the past year.

The membership of the Strategic Investment Board Ltd Audit Committee in 2017-18 comprised:

Mr. Duncan McCausland (Chair from December 2016)
Ms. Marie-Thérèse McGivern
Ms. Kathryn Thomson

The Audit Committee met five times in 2017-18. All meetings were quorate. The committee took four reports from its internal auditors. The results were as follows:

- Business Continuity and Emergency Planning (Satisfactory)
- Staff recruitment, Induction training, Grievance and Discipline management (Satisfactory)
- Payroll (Satisfactory)
- Review of Prior Year Recommendations (Satisfactory)

All recommendations from the internal audit reports were accepted and all recommendations from prior years were addressed or in the process of being implemented. The internal auditor's overall assurance rating for 2017-18 was 'satisfactory'.

The committee reviewed risk and the risk register at its meetings. It made recommendations regarding risk ownership.

The committee met the internal and external auditors in the absence of the executive. No matters were raised with the executive as a result of these meetings.

The committee submitted a formal written report on its work to the Strategic Investment Board Ltd Board in May 2017. The Chair reported orally to the Strategic Investment Board Ltd Board after each of the committee's meetings.

The Chair attended a meeting of TEO Audit Committee Chairs and reported on it to the Strategic Investment Board Ltd Audit Committee.

The committee noted DAO letters issued during the reporting period. It also considered a number of other relevant reports and papers.

3.2.1.2 Sources of Independent Assurance

Independent Assurance is received from the following sources:

- Internal Audit; and
- The Northern Ireland Audit Office.

Strategic Investment Board Ltd's internal audit services are provided by Moore Stephens, a representative of which attended all Strategic Investment Board Ltd Audit Committee meetings.

I am independently advised by the Head of Internal Audit who operates in accordance with Public Sector Internal Audit Standards (PSIAS).

Strategic Investment Board Ltd is also subject to independent scrutiny from the Northern Ireland Audit Office. A representative from the Northern Ireland Audit Office attends all Strategic Investment Board Ltd Audit Committee meetings.

3.2.1.3 Other Board Committees

The Remuneration Committee met three times during the reporting period. In addition, it considered out of committee, by written procedure, proposals for senior appointments. All such appointments were formally ratified at the following meeting. The committee agreed a cost of living pay increase of 1% for 2015-16 that has been implemented.

3.2.1.4 Board Effectiveness

The evidence presented in the preceding sections provides me with assurance that the Board operates effectively.

3.2.1.5 The Investment Committee

The Investment Committee is an internal executive management committee. Its purpose is to appraise expenditure proposals, ensuring that the principles of regularity, propriety, probity and value-for-money are achieved and that the proposed investment of resources is consistent with Strategic Investment Board Ltd's overall aims and objectives.

The committee consists of the Chief Executive, the Legal Director, Compliance Manager and Finance Manager. A Principal Officer from TEO and the HR Manager attend as observers. The Investment Committee met 8 times during the reporting period. It approved sixty seven business cases with a total value of £7,089k. Of these, fifty-five (£6,735k) were cases for the employment of staff and twelve (£354k) were for external support or direct contributions to departmental projects.

Strategic Investment Board Ltd awarded contracts directly on four occasions during the reporting period. None of these required the approval of the TEO Accounting Officer as they were all within Strategic Investment Board Ltd's Accounting Officer delegation. All instances were reported to Strategic Investment Board Ltd's Audit Committee.

3.2.1.6 The Management Statement and Financial Memorandum (MSFM)

The MSFM is a key control document. The management statement sets out the broad framework within which the Strategic Investment Board Ltd will operate, in particular it defines:

- the Strategic Investment Board Ltd's overall aim, objectives and targets in support of TEO's wider strategic aims;
- the rules and guidelines relevant to the exercise of the Strategic Investment Board Ltd's functions, duties and powers;
- the conditions under which any public funds are paid to the Strategic Investment Board Ltd; and
- how the Strategic Investment Board Ltd is to be held to account for its performance.

The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the Strategic Investment Board Ltd is required to observe, including delegated financial authorities.

3.2.1.7 The Executive Office Oversight Arrangements

Within TEO, the Strategic Investment and Regeneration branch (SIR) is the sponsoring branch for Strategic Investment Board Ltd. SIR, in consultation as necessary with TEO's Accounting Officer, is the primary source of advice to Ministers on the discharge of their responsibilities in respect of Strategic Investment Board Ltd, and the primary point of contact for Strategic Investment Board Ltd in dealing with the Department. SIR carries out its duties under a senior officer who has as one of her primary responsibilities the duty of overseeing the activities of Strategic Investment Board Ltd.

During the reporting period I have submitted Quarterly Assurance Statements to TEO as requested by the department. These have been considered by the Strategic Investment Board Ltd Audit Committee.

I have attended, with senior staff, Quarterly Accountability Meetings with the TEO Accounting Officer or his representative and senior staff from the Department.

3.2.1.8 The Corporate and Business Plan

The purpose of the Corporate Plan is to document the medium term objectives of the Strategic Investment Board Ltd and describe the corporate strategy it will follow to achieve them. The annual Business Plan develops the Corporate Plan by defining in detail Strategic Investment Board Ltd's targets for the year ahead, the resources it will use and the activities it will undertake. The Corporate and Business Plan can be found at www.sibni.org

3.2.1.9 The Performance Management Framework

Strategic Investment Board Ltd operates within a performance management framework that is consistent with the government's FABRIC¹ approach. The Strategic Investment Board Ltd Performance Management Framework ensures the framework is:

- *Focused on the core aims and objectives of the organisation;*
- *that it is Appropriate, in that it delivers to stakeholders the information they need;*
- *Balanced* because it covers all the organisation's significant areas of work; considers both financial and non-financial data and provides indicators of future as well as past performance;
- *Robust*, as it can survive changes in personnel and structure of the organisation;
- *Integrated*, in that the results of the system are monitored and used as part of the business planning and management process; there is consistent performance information at all levels of the organisation and performance measures for individuals and teams are consistent with measures for the organisation; and
- *Cost Effective*, because the resources put into collecting performance information proportionate to the benefit of the organisation.

¹ *Choosing the Right FABRIC - A Framework for Performance Information*, HM Treasury et al, March 2001.

I have monitored Strategic Investment Board Ltd's performance against the targets set out in its business plan and have reported quarterly on these to the Board and to TEO. I have satisfied myself as to the quality of data reported to the Board through personal inspection, by reports provided to me from electronic data sources and by assurances provided by senior staff. I have sought feedback from customers on the performance of Strategic Investment Board Ltd staff and have incorporated such feedback into performance appraisals. I have provided customers with the opportunity to comment on the services provided by Strategic Investment Board Ltd and have taken such feedback into account in my business planning and my management of day-to-day operations.

3.2.1.10 Operational Partnership Agreements (OPAs)

OPAs are important control mechanisms that define the relationship between Strategic Investment Board Ltd and its individual customers. The precise terms of the OPA vary between customers, but will always contain a clear definition of the work Strategic Investment Board Ltd will carry out for the customer.

3.2.1.11 Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with me as Accounting Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

3.2.1.12 Risk Management

Strategic Investment Board Ltd's 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.

Relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of Strategic Investment Board Ltd's aims and objectives, and where necessary, are brought to the attention of TEO.

The system of internal control is based on an on-going process designed to:

- determine and document the organisation's risk appetite;
- identify and prioritise the risks to the achievement of Strategic Investment Board Ltd's aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage such risks efficiently, effectively and economically.

I drafted the 2017-18 Corporate Risk Register and it was subject to revision through regular scrutiny by the Audit Committee and Board. Board members had the opportunity to identify

and consider any emerging external risks/threats that could affect the Strategic Investment Board Ltd's capacity to deliver its Business Plan commitments.

The key risks to Strategic Investment Board Ltd that were managed during the reporting period were:

| Risk | Residual Impact 31 March 2018 | Residual Likelihood 31 March 2018 |
|---|--|--|
| 1 Strategic Investment Board Ltd may not be able to recruit or retain the staff needed to achieve its business objectives. | HIGH | MEDIUM |
| 2 Key stakeholder relationships may break down. | HIGH | MEDIUM |
| 3 Strategic Investment Board Ltd's financial and other controls may not be sufficient to prevent or identify fraud. | HIGH | LOW |
| 4 Strategic Investment Board Ltd's information may not be protected or managed adequately. | MEDIUM | LOW |
| 5 Strategic Investment Board Ltd's performance may be adversely affected by its staff appointments being made subject to CSC approval. | HIGH | LOW |
| 6 Projects supported by SIB may be adversely affected by the absence of a strategic decision-making authority. | HIGH | HIGH |
| 7 SIB may not be compliant with GDPR. | MEDIUM | LOW |

A number of other risks were removed during the reporting period.

Strategic Investment Board Ltd has identified the following vulnerabilities ‘on the horizon’ that may occasion additional risk in the coming reporting period:

| Vulnerability | Significance |
|--|---|
| The improving economic outlook may lead to construction cost inflation. | The costs of major projects may be underestimated or become unaffordable. |
| The improving economic outlook may make it more difficult to recruit and retain staff. | Strategic Investment Board Ltd depends on key individuals, the loss of whom would seriously impact on its ability to achieve its business objectives. The market salaries of staff may increase; thus increasing the costs of the organisation. The impacts of the limitations of current pay policy may become more acute. |
| The current political situation may make it more difficult to initiate, develop and deliver projects successfully. | Key projects may stall; which will increase delay and costs. |
| Brexit may, in the short term, monopolise the attention of partner organisations. | The work of Programme and Project teams may be adversely affected. |

During this reporting period, management provided the audit and risk committee with a report setting out the sources of risk assurance. In my opinion there have been no material changes that required this report to be re-considered.

No ‘Ministerial Directions’ have been issued to Strategic Investment Board Ltd.

There have been no major lapses of protective or information security.

3.2.1.13 Fraud and Counter-Fraud

Strategic Investment Board Ltd’s Policy and Procedures on Fraud, (Including the Strategic Investment Board Ltd Whistle-blowing Policy and Guidance on Conflicts of Interest) sets out the responsibilities of staff with regard to fraud prevention, what staff should do if they suspect fraud and the action that will be taken by management in such circumstances (the Strategic Investment Board Ltd Fraud Response Plan).

One instance of suspected fraud which amounted to £63.75 was identified during the reporting period. The fraud was in relation to a premium rate SMS text scam. After investigation by the Department of Finance’s Group Fraud Investigation Service (GFIS) Strategic Investment Board Ltd received a refund of £100 in December 2017. (2016-17: one instance of suspected fraud which amounted to £103.50 was identified during the reporting period a full refund was received in full in March 2017).

3.2.1.14 Whistleblowing

The Strategic Investment Board Ltd Whistle-blowing Policy provides staff with a procedure for reporting concerns about unlawful conduct, fraud, dangers to the public or the environment, or other malpractice. The aim of this policy is to reassure them that they can feel confident in exposing wrongdoing without any risk to themselves.

There have been no instances of whistle-blowing during the reporting period.

3.2.1.15 Significant Governance Issues

Except as noted below, no governance matters arising in prior years are still considered to represent internal governance issues for 2017-18. There were no significant issues arising during 2017-18 in respect of Corporate Governance.

During the year, Strategic Investment Board Ltd was notified that the operation of its Additional Responsibility Allowance scheme had been subject to review by the Department of Finance. This review was not complete by the end of the reporting period although the Department of Finance indicated that certain payments made prior to 2015-16 may potentially be considered irregular.

3.2.1.16 Financial Transactions Capital loans

Strategic Investment Board Ltd is the channel through which loans of Financial Transactions Capital (FTC) are made from the Department for the Economy to the universities and from the Department of Finance to the NI Investment Fund. Strategic Investment Board Ltd performs this function because the Departments do not currently have the vires to make such loans.

3.2.1.17 Conformance with Code of Conduct

Strategic Investment Board Ltd, like other public bodies, has a duty to conduct affairs in a responsible and transparent way, and to take into account the standards in public life set out by the Nolan Committee and *“Corporate Governance Code of Good Practice NI”*.

Except where noted below, and throughout the year ended 31 March 2018, Strategic Investment Board Ltd has complied with all relevant Code provisions.

Following the principle of ‘Comply or Report’, the following paragraph describes where Strategic Investment Board Ltd has substituted alternative governance measures for provisions in the *Code of Good Practice*:

- Strategic Investment Board Ltd does not have a Board Operating Framework (Para 2.8 of the Code). Instead, it has Board Terms of Reference and a Board Code of Conduct, which fulfil the same purpose.

3.2.1.18 Certification

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 governance is informed by the work of the Internal Auditors and senior staff within the organisation, who have responsibility for the development and maintenance of the internal control framework. I also consider the comments made by the NIAO in its 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 Strategic Investment Board Ltd Board and by the Audit Committee.

Strategic Investment Board Ltd has a rigorous system of accountability on which I rely, as Accounting Officer, to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI.

Having considered the operation of its governance framework, I am content that Strategic Investment Board Ltd has operated a sound system of internal governance during the period 2017-18.

A handwritten signature in black ink, appearing to read 'Brett Hannam', with a large, stylized initial 'B'.

Brett Hannam
Chief Executive

Date: 11th June 2018

3.2.2 Remuneration and Staff Report

3.2.2.1 Remuneration Policy

The Remuneration Committee consists of non-executive board members of the company. The Remuneration Committee is currently chaired by Gerry McGinn. Duncan McCausland is also a member. The Chief Executive and Finance Manager attend as observers and the HR Manager provides a secretariat function.

The committee considers and, if satisfied, approves all appointments to posts with a salary greater than £50,000 pa. The Chief Executive was delegated the authority to approve appointments below this threshold, commencing March 2012.

The Committee also considers other matters relating to pay and performance. Pay awards are made within the parameters set by the Department of Finance.

Remuneration of all staff is set out in their contracts and may be subject to annual review under NICS pay remit guidelines. Such review requires the approval of the Minister of Finance. The committee agreed a cost of living pay increase of 1% for 2015-16. The pay remit for 2016-17 is currently under consideration by TEO and the pay remit for 2017-18 will follow in due course.

The notice period for Strategic Investment Board Ltd staff ranges from one to three months.

3.2.2.2 Directors' Emoluments (Audited)

| | Salary | Benefits in kind | Pension benefits | 2017-18 Total | Salary | Benefits in kind | Pension benefits | 2016-17 Total |
|---|-----------|-------------------|---------------------|---------------|---|-------------------|---------------------|---------------|
| | (£'000) | (to nearest £100) | (to nearest £1,000) | (£'000) | (£'000) | (to nearest £100) | (to nearest £1,000) | (£'000) |
| Hannam B <i>Chief Executive</i> | 140 - 145 | - | 15 | 155 - 160 | 140 - 145 | - | 14 | 155-160 |
| McGinn G <i>Chairman</i> <i>Non-Executive Director</i> | 15 - 20 | - | - | 15 - 20 | 15 - 20 | - | - | 15 - 20 |
| Hewitt F <i>Non-Executive Director</i> <i>(until 30 November 2016)</i> | - | - | - | - | 5 - 10 <i>(10 - 15 full year equivalent)</i> | - | - | 5 - 10 |
| Thompson C <i>Non-Executive Director</i> <i>(until 30 November 2016)</i> | - | - | - | - | 5 - 10 <i>(10 - 15 full year equivalent)</i> | - | - | 5 - 10 |
| McCausland D <i>Non-Executive Director</i> | 10 - 15 | - | - | 10 - 15 | 10 - 15 | - | - | 10 - 15 |
| McGivern MT <i>Non-Executive Director</i> | 10 - 15 | - | - | 10 - 15 | 10 - 15 | - | - | 10 - 15 |
| Thomson K <i>Non-Executive Director</i> | 10 - 15 | - | - | 10 - 15 | 10 - 15 | - | - | 10 - 15 |
| McSorley D <i>Non-Executive Director</i> | 10 - 15 | - | - | 10 - 15 | 10 - 15 | - | - | 10 - 15 |

Directors' emoluments consisted of basic salary only. There were no bonus payments, benefits in kind or non-cash benefits provided to any director during the year or in the previous year. Mr Hannam was appointed as Chief Executive on 1st June 2012. In 2017-18 Mr Hannam's base salary was £143,745 for the reporting period.

Total remuneration including pension payments are disclosed in the remuneration table. Strategic Investment Board Ltd Directors do not receive pension benefits. The Chief Executive however is a member of a defined contribution pension scheme operated by Strategic Investment Board Ltd for all staff. The employer makes a contribution of 10% of basic salary to the company's pension scheme. The employee does not have to contribute to this scheme. Contributions on behalf of the Chief Executive were £14,659. Strategic Investment Board Ltd also contributes to a centrally-provided risk benefit scheme (that provides cover for death in service and retirement due to ill health). A total contribution of £11,360 was made on behalf of the Chief Executive.

Expenses reimbursed to/incurred in respect of non-executive directors were as follows:

| | 2017-18 | 2016-17 |
|------------|----------------|----------------|
| | £ | £ |
| F Hewitt | - | 72 |
| D McSorley | 595 | 216 |
| C Thompson | - | 289 |
| | <u>595</u> | <u>577</u> |

3.2.2.3 Compensation for Loss of Office and Early Retirement

Non-Executive Directors have fixed-term public appointments not exceeding three years. These appointments are renewable. Individual appointments are made, and remuneration levels set, by the Executive Office Ministers. There has been no compensation for loss of office or early retirement for Directors in 2017-18 (2016-17: Nil). The arrangements for early termination of staff members would be made in accordance with the employment contract of the relevant individual. Strategic Investment Board Ltd's liabilities in the event of termination do not, at present, exceed those set out in statute. During the year no early termination payments were paid to staff members.

3.2.2.4 Fair Pay Disclosure (Audited)

| | 2017-18 | 2016-17 |
|--|----------------|----------------|
| Band of highest paid staff member total remuneration | £140k-£145k | £140k-£145k |
| Median total remuneration | £72,631 | £70,000 |
| Ratio | 1.96 | 2.03 |

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Strategic Investment Board Ltd in the financial year 2017-18 was £140k-£145k (2016-17: £140k-£145k). This was 1.96 times (2016-

17: 2.03) the median remuneration of the workforce, which was £72,631, an increase of £2,631 on prior year (2016-17: £70,000).

Remuneration (FTE) ranged from the band of £15k-£20k to £140k-£145k (2016-17: £15k-£20k to £140k-£145k). Total remuneration includes salary and benefits-in-kind but does not include severance pay. There were no severance payments made in 2017-18 (2016-17: Nil). It does not include employer pension contributions. There were no bonus payments or off-payroll engagements in 2017-18.

3.2.2.5 Payments to Past Directors

There have been no payments made to past directors in year (2016-17: Nil).

3.2.2.6 Staff Report: Staff Numbers (Audited)

The average number of employees (full time equivalents), excluding Non-Executive Directors, in the company is made up as follows:

| | 2017-18 | 2016-17 |
|--------------------------------------|----------------|----------------|
| Staff | 26 | 35 |
| Staff recharged to other departments | 69 | 56 |
| Seconded staff* | 4 | 7 |
| Total | <u>99</u> | <u>98</u> |
| Permanent | 34 | 35 |
| Temporary contracts | 65 | 63 |

**Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.*

3.2.2.7 Staff Report: Analysis of Staff Costs (Audited)

| The costs incurred in respect of these employees were: | 2017-18 | 2016-17 |
|--|------------------|------------------|
| | £ | £ |
| Wages and salaries (increased by employee benefits) | 3,024,873 | 3,221,236 |
| Wages and salaries recharged to other departments | 3,768,430 | 3,232,683 |
| Social security costs | 809,564 | 778,625 |
| Health Insurance | 346,526 | 355,233 |
| Other pension costs | 668,937 | 643,502 |
| Total staff cost | <u>8,618,330</u> | <u>8,231,279</u> |
| Seconded staff * | <u>374,055</u> | <u>589,781</u> |
| Total employment cost | <u>8,992,385</u> | <u>8,821,060</u> |

**Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.*

Fees paid to third party organisations for services of seconded staff include management charges, employment costs, social security costs, pension costs and VAT. There are no equal pay claims and therefore no provision is required for equal pay claims in Strategic Investment Board Limited accounts.

3.2.2.8 Staff Report: Staff Composition (Gender Analysis)

| | 2017-18 | | | 2016-17 | | |
|---------------|---------|--------|-------|---------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| Board Members | 3 | 2 | 5 | 3 | 2 | 5 |
| Staff | 77 | 59 | 136 | 66 | 59 | 125 |
| | 80 | 61 | 141 | 69 | 61 | 130 |

The above table is based on total numbers employed, whereas the table stating the average number employed does not include Non-Executive Board Members and is based on full time equivalent (FTE).

3.2.2.9 Staff Report: Sickness Absence Data

| | Working Days lost 2017-18 | Working Days lost 2016-17 | Variance |
|-----------------------------|---|---|---------------|
| Including long-term absence | 358 | 276 | 82.0 |
| Excluding long term absence | 96 | 102 | -6.0 |
| | Average days lost per FTE member of staff 2017-18 | Average days lost per FTE member of staff 2016-17 | Variance |
| Including long-term absence | 3.6 | 2.6 | 1.0 |
| Excluding long term absence | 1.0 | 1.0 | -0.1 |
| | Absence rate 2017-18 % | Absence rate 2016-17 % | Variance % |
| Including long-term absence | 1.39 | 0.99 | 0.40 |
| Excluding long term absence | 0.37 | 0.36 | 0.01 |

3.2.2.10 Staff Report: Staff Policies

Strategic Investment Board Ltd is committed to the development of its staff and to policies that enable them to contribute to the performance and long-term effectiveness of the organisation.

In particular, the company:

- follows the Northern Ireland Civil Service policy that all eligible persons shall have equal opportunity for employment on the basis of their ability, qualification and aptitude for the work;
- gives equality of opportunity when considering applications from disabled persons, in compliance with all existing legislation with regard to disabled employees;
- recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance; and
- regularly provides employees, through meetings and notices, with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them.

Strategic Investment Board Ltd's policies are contained in Strategic Investment Board Ltd's staff handbook which is accessible to all members of staff.

3.2.2.11 Staff Report: Consultancy

As outlined in the financial statements Strategic Investment Board incurred £27,705 consultancy spend. This was categorised by the consultancy definitions set out in Department of Finance guidance.

3.2.2.12 Staff Report: Off Payroll Engagements

There were no off-payroll engagements during the year (2016-17: Nil).

3.2.2.13 Staff Report: Exit Packages

No exit packages were made in 2017-18 (2016-17: Nil).

3.3 Accountability and Audit Report

The accountability and audit report brings together the key assembly accountability documents within the annual report and accounts.

3.3.1 Regularity of Expenditure

In the 2017-18 financial year, Strategic Investment Board Ltd spent 99.9% (2016-17: 99.9%) of its budget allocation from the Executive Office.

The average cash held in the bank throughout the year was £992,733 (2016-17: £853,796).

3.3.2 Fees and Charges (Audited)

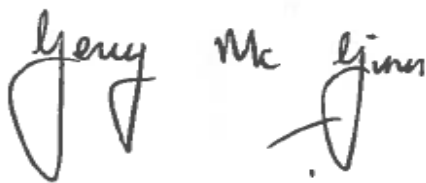
As referred to in Notes 2 and 6 of the financial statements; in the 2017-18 financial year, Strategic Investment Board Ltd has generated fees and charges of £3,999,965 (2016-17: £3,464,637). Fees and charges have been generated as a result of recovering the full cost of undertaking fee paid work.

3.3.3 Remote Contingent Liabilities (Audited)

There were no contingent liabilities at 31 March 2018, (2016-17: the Strategic Investment Board Ltd estimated £550,000 by way of contingent liability in respect of ongoing claims, claims threatened against Strategic Investment Board Ltd or, insofar as Strategic Investment Board Ltd was aware, claims that were pending against Strategic Investment Board Ltd). Claims in this context included demands, actions, complaints and proceeding, whether arising under contract, statute, at common law or in equity or under any treaties including the Treaty on the Functioning of the European Union, the laws of the European Union or otherwise.

3.3.4 Losses and Special Payments (Audited)

There were no losses or special payments in 2017-18 (2016-17: Nil).



Gerry McGinn
Chairman



Brett Hannam
Chief Executive

Date: 11th June 2018

3.3.5 Certificate and Report of the Comptroller and Auditor General for Northern Ireland

Opinion on financial statements

I certify that I have audited the financial statements of the Strategic Investment Board Limited for the year ended 31st March 2018 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. The financial statements comprise: the Statement of Financial Position, Statement of Comprehensive Net Expenditure, Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Accountability Report that are described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of Strategic Investment Board Ltd 's affairs as at 31st March 2018 and of its nil balance for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Strategic Investment Board Ltd in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The directors and Accounting Officer are responsible for the other information included in the Annual Review. The other information comprises the information included in the Annual Review other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance the Government Financial Reporting Manual; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the directors and Accounting Officer for the financial statements

As explained more fully in the Statement of Director's Responsibilities and the Statement of Accounting Officer's Responsibilities, the directors' 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Companies (Public Sector Audit) Order (Northern Ireland) 2013.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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 and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

Date 12th June 2018

4 Financial Statements for the Year Ended 31st March 2018

4.1 Statement of Financial Position as at 31st March 2018

| | Note | 2018 £ | (as restated) 2017 £ | (as restated) 2016 £ |
|--|------|--------------------|----------------------------|----------------------------|
| Non-current assets | | | | |
| Property, Plant and Equipment | 9a | - | 807 | 2,743 |
| Intangible Assets | 9b | 23,195 | 26,439 | 41,455 |
| Financial Assets (Investments) | 10 | 110,511,971 | 68,668,682 | 61,286,294 |
| Current assets | | | | |
| Trade and other receivables | 11 | 1,313,512 | 1,816,315 | 1,148,986 |
| Financial Assets (Investments) | 10 | 6,500,000 | 961,000 | 580,000 |
| Cash and cash equivalents | 12 | 659,784 | 49,079 | 899,735 |
| Total current assets | | 8,473,296 | 2,826,394 | 2,628,721 |
| Total Assets | | 119,008,463 | 71,522,322 | 63,959,213 |
| Current liabilities | | | | |
| Trade and other payables | 13 | (1,996,492) | (1,892,640) | (2,092,919) |
| Total assets less net current liabilities | | 117,011,971 | 69,629,682 | 61,866,294 |
| Non-current liabilities | | | | |
| Provision for Liabilities | 19 | (117,011,971) | (69,629,682) | (61,866,294) |
| Assets less liabilities | | - | - | - |
| Reserves | | | | |
| General reserve (Income and Expenditure account) | 21 | - | - | - |
| Total | | - | - | - |

In the view of the Board an exemption from the audit requirements of Part 16 of the Companies Act 2006 is available under section 482 of that Act, since the company meets the Department of Finance's definition of a non-profit-making company and is subject to a public sector audit under the Companies (Public Sector Audit) (Northern Ireland) Order 2013, being an order issued under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003. The Board therefore claims this exemption.

The accounts are subject to audit by the Comptroller and Auditor General for Northern Ireland by virtue of an order under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003 (S.I. 2003/418N.I.5).

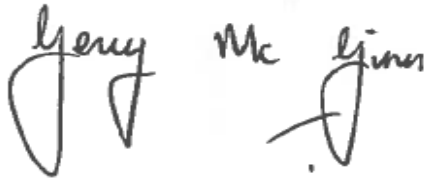
Statement of Financial Position continued

The members have not required Strategic Investment Board Limited (Company Registration No. NI 45710) to obtain an audit of its accounts for the year ended 31st March 2018, in accordance with section 476 of the Companies' Act 2006. However Strategic Investment Board Limited is subject to audit by the Comptroller and Auditor General for Northern Ireland under the Companies (Public Sector Audit) Order (Northern Ireland) 2013.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

The Financial Statements on pages 40-43 were approved on 11th June 2018 by the Strategic Investment Board Limited Board of Directors.

Signed on behalf of the Board of Directors by:



Gerry McGinn
Chairman



Brett Hannam
Chief Executive

Date: 11th June 2018

Notes 1 to 25, on pages 44-68, form part of these financial statements.

4.2 Statement of Comprehensive Net Expenditure for the Year Ended 31st March 2018

| | | (as restated) | (as restated) |
|---|-----------|-------------------|-------------------|
| | | 2016-17 | 2015-16 |
| | 2017-18 | 2016-17 | 2015-16 |
| Note | £ | £ | £ |
| OPERATING INCOME - Grant in aid | 2 | 6,999,314 | 7,562,611 |
| - Income from activities | 2 | 3,999,965 | 3,181,652 |
| | | <u>10,999,279</u> | <u>10,744,263</u> |
| OPERATING EXPENDITURE | | | |
| Staff costs (including employee benefits) | 4 | 8,992,385 | 8,117,350 |
| Enabling expenditure | 6 | 956,875 | 1,860,599 |
| Other operating charges | 5 | 1,027,242 | 747,541 |
| Depreciation - Property, Plant & Equipment | 9a | 807 | 4,366 |
| Amortisation - Intangible Assets | 9b | 21,969 | 14,407 |
| TOTAL EXPENDITURE | | <u>10,999,278</u> | <u>10,744,263</u> |
| Finance cost: unwinding of impairment on Provision | 19 | (2,576,298) | - |
| Finance income: unwinding of impairment on Financial Assets | 10 | 2,576,298 | - |
| Finance income: interest receivable on loan | 10 | 103,354 | - |
| Finance expense: interest repayable on loan | | (103,354) | - |
| NET SURPLUS (Non Operating) FOR THE YEAR | | <u>-</u> | <u>-</u> |

Notes 1 to 25, on pages 44-68, form part of these financial statements.

4.3 Statement of Cash Flows for the Year Ended 31st March 2018

| | 2017-18 | 2016-17 | 2015-16 |
|---|---------------------|--------------------|---------------------|
| Note | £ | £ | £ |
| Cash flows from operating activities | 18 | | |
| Deficit for the year | - | - | - |
| Depreciation - Property, Plant and Equipment | 807 | 1,936 | 4,366 |
| Depreciation - Intangible Assets | 21,969 | 19,696 | 14,407 |
| Loss on disposal | - | - | - |
| Increase / (Decrease) in trade and other payables | 103,852 | (200,279) | 86,185 |
| (Increase)/ Decrease in trade and other receivables | 502,803 | (667,329) | 745,075 |
| Net cash flow from operating activities | 629,431 | (845,976) | 850,033 |
| Cash flows from investing activities | | | |
| Purchase of Property, Plant and Equipment | - | - | - |
| Purchase of Intangible Assets | (18,726) | (4,680) | (14,700) |
| Financial Asset Investment (FTC) | (48,000,000) | (9,381,000) | (14,500,000) |
| Repayment of FTC loan receipt to the Executive Office | (961,000) | (580,000) | (180,000) |
| Net cash flow from investing activities | (48,979,726) | (9,965,680) | (14,694,700) |
| Cash flows from financing activities | | | |
| Funding received in respect of FTC loans | 48,000,000 | 9,381,000 | 14,500,000 |
| Receipt of FTC loan repayment | 961,000 | 580,000 | 180,000 |
| Increase/ (Decrease) in cash and cash equivalents | 610,705 | (850,656) | 835,333 |
| Cash and cash equivalents at the beginning of the period | 49,079 | 899,735 | 64,402 |
| Cash and cash equivalents at end of the period | 659,784 | 49,079 | 899,735 |

Notes 1 to 25, on pages 44-68, form part of these financial statements.

4.4 Notes to the Accounts

1. Accounting Policies

General

These financial statements have been prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006, without limiting the information given. In addition the accounts comply with the accounting and disclosure requirements contained in the Government Financial Report Manual (FReM) which applies International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context with the exception of the treatment of Grant-in-Aid.

FReM requires Non-Departmental Public Bodies to regard Grant in Aid received as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence accounted for as financing, i.e. by crediting them to the income and expenditure reserve.

The disclosure requirements in relation to this are set out in Note 23 to these accounts. The particular accounting policies adopted are described below.

Convention

These financial statements have been prepared in accordance with the historical cost convention.

Income

Income represents grants receivable to enable Strategic Investment Board Limited to discharge its duties, powers and function under the Strategic Investment and Regeneration of Sites (Northern Ireland) 2003 Order.

Other operating income

Other operating income relates to the recovery of project related costs from other Government entities.

Fixed assets and depreciation

- a) The cost of fixed assets comprises purchase price and any installation charges. The current capitalisation threshold is £1,000.
- b) Depreciation is calculated to write off the cost of assets, less estimated residual value over their useful lives. The method adopted and rate used is -33.33% straight line.

Intangible Assets

Expenditure on intangible assets which includes information technology, software licences, websites and the associated costs of implementation is capitalised where the cost is £1,000 or more. Intangible assets are amortised over the shorter of the term of the license and the useful economic life.

Employee Benefits and Pensions

Under the requirements of IAS 19: 'Employee Benefits,' staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave at the year end. This cost has been calculated using the untaken leave per staff member and applying this to their annual salary to calculate the leave balance as at 31st March 2018.

Seconded staff members remain members of their respective pension schemes.

The company makes pension contributions at a rate of 10% to approved schemes as chosen by the employees. The cost of contributions for providing pensions for employees is charged to the statement of comprehensive net expenditure account as they are earned, in accordance with IAS 19 'Employee Benefits'.

Value Added Tax

Strategic Investment Board Ltd is VAT registered in relation to its vatable activity. VAT is accounted for in accordance with Statement of Standard Accounting Practice (SSAP) 5, in that amounts are shown net of VAT except where irrecoverable VAT is charged to the income and expenditure and included under the heading relevant to the type of expenditure. The FReM retains the SSAP 5 guidance in relation to VAT.

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the financial statement date, this is in accordance with IAS 12 'Income taxes'.

Operating Segments

Strategic Investment Board Ltd has identified only one operating segment under IFRS 8 and has prepared the accounts accordingly.

Loans and receivables

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

At each year-end, the future discounted cash flows are re-estimated, resulting in a change in carrying amount of the asset. The required adjustment is recognised in Net Expenditure.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivables has been incurred, Strategic Investment Board Limited measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Provisions

Provisions are recognised when the Strategic Investment Board Ltd has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Strategic Investment Board Ltd's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Changes in Accounting Policy and Disclosure

SIB is aware of the IASB Disclosure Initiative to improve presentation and disclosure in financial reporting. The IASB has completed the first stage with the publication of Disclosure Initiative (Amendments to IAS 1) which introduces five, narrow-focus improvements to the disclosure requirements in IAS 1 Presentation of Financial Statements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation. Further projects under the initiative will consider amendments to IAS 7 Statement of Cash Flows and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Strategic Investment Board Ltd considers that these changes have no impact on its operations.

Accounting standards, interpretations and amendments to published standards not yet effective

Strategic Investment Board Ltd has reviewed the revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FRoM) 2017-18.

New standards, interpretations and amendments to existing standards have been drafted but not yet issued and will come into effect in accounting periods beginning on or after 1 April 2018. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The International Accounting Standards Board (IASB) have issued new and amended standards (IFRS 10, IFRS 11, IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014. Accounting boundary IFRS' are currently adapted in the FRoM so that

the Westminster departmental accounting boundary is based on the UK Office for National Statistics (ONS) control criteria, as designated by Treasury. A similar review in Northern Ireland, which will bring Northern Ireland departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirement under IFRS 12. Strategic Investment Board Ltd applies IFRS in full and the consolidation boundary may change as a result of the new Standards.

Critical accounting judgments and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Income

| | 2017-18 | 2016-17 |
|---------------------------------|------------------|------------------|
| | £ | £ |
| This comprises: | | |
| Grant in Aid receivable (TEO) | <u>6,999,314</u> | <u>8,238,585</u> |
| Total revenue grants receivable | <u>6,999,314</u> | <u>8,238,585</u> |

Strategic Investment Board Ltd recovers a proportion of the costs incurred in respect of work performed on behalf of other Government Departments. The actual cost recovery was calculated as follows:

| | 2017-18 | 2016-17 |
|----------------|--------------------|--------------------|
| | £ | £ |
| Trading Income | 3,999,965 | 3,464,637 |
| Expenditure | <u>(3,999,965)</u> | <u>(3,464,637)</u> |
| | <u>-</u> | <u>-</u> |

FTC loan funds of £48,000,000 were received from the Executive Office in 2017-18 (2016-17: £9,381,000), and immediately transferred to GFS Corporate Directorate II Limited, the vehicle holding the NI Investment Fund and Queen's University, Belfast, as part of a loan agreements under the direction of Department of Finance and the Department for the Economy.

3. Net Deficit from Operations

| | 2017-18 | 2016-17 |
|---|----------------|----------------|
| | £ | £ |
| The net deficit from operations is stated after charging: | | |
| Property rent & costs | 176,132 | 205,334 |
| Depreciation - Property, Plant & Equipment | 807 | 1,936 |
| Amortisation - Intangible Assets | 21,969 | 19,696 |
| Loss on disposal of fixed assets | - | - |
| Auditors' remuneration - Internal audit services | 6,336 | 7,968 |
| Auditors' remuneration - External audit services | <u>12,500</u> | <u>17,419</u> |

4. Employees and Staff costs

The average number of employees (full time equivalents), excluding Non Executive Directors, in the company is made up as follows:

| | 2017-18 | 2016-17 |
|--------------------------------------|----------------|----------------|
| Staff | 26 | 35 |
| Staff recharged to other departments | 69 | 56 |
| Seconded staff* | <u>4</u> | <u>7</u> |
| Total | <u>99</u> | <u>98</u> |
| Permanent | 34 | 35 |
| Temporary contracts | 65 | 63 |

* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

Staff per salary scales are detailed in the table below.

| | | 2017-18 | 2016-17 |
|---|------------------|--------------------|--------------------|
| | Pay Scale | No of Staff | No of Staff |
| Administrators | £15k - £30k | 10 | 12 |
| Assistant Advisors/ Administration Managers | £30k - £60k | 31 | 33 |
| Strategic & Project Managers | £60k - £125k | 56 | 51 |
| Senior Management | £125k - £150k | <u>2</u> | <u>2</u> |
| | | <u>99</u> | <u>98</u> |

Employees (Cost)

| The costs incurred in respect of these employees were: | 2017-18 | 2016-17 |
|--|----------------------|----------------------|
| | £ | £ |
| Wages and salaries (increased by employee benefits) | 3,024,873 | 3,221,236 |
| Wages and salaries recharged to other departments | 3,768,430 | 3,232,683 |
| Social security costs | 809,564 | 778,625 |
| Health Insurance | 346,526 | 355,233 |
| Other pension costs | <u>668,937</u> | <u>643,502</u> |
| Total staff cost | 8,618,330 | 8,231,279 |
| Seconded staff * | <u>374,055</u> | <u>589,781</u> |
| Total employment cost | <u>8,992,385</u> | <u>8,821,060</u> |

* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

Fees paid to third party organisations for services of seconded staff include management charges, employment costs, social security costs, pension costs and VAT.

5. Other Operating Charges

| | | 2017-18 | 2016-17 |
|---------------------------------------|-------|------------------|----------------|
| | | £ | £ |
| Office Accommodation | (i) | 176,132 | 205,334 |
| Telephones and postage | | 40,444 | 47,369 |
| Computer consumables | | 8,058 | 7,304 |
| Stationery | | 10,038 | 9,599 |
| Recruitment costs | (ii) | 50,317 | 85,131 |
| Travel, accommodation and subsistence | | 105,659 | 126,112 |
| IT Costs | | 191,227 | 170,483 |
| Training & Conferences | (iii) | 62,784 | 50,988 |
| Hospitality | | 3,594 | 5,160 |
| Misc Operational Costs | | 47,929 | 35,467 |
| Communication | | 22,821 | 12,837 |
| Fees | (iv) | 244,545 | 57,542 |
| Director Costs | | 63,694 | 79,538 |
| | | <u>1,027,242</u> | <u>892,863</u> |

- i. Office Accommodation costs have decreased in 2017-18 due to the move to the Lighthouse Building from FinTru House (formerly Carleton House).
- ii. Recruitment costs are significantly lower in 2017-18 due to the increased use of on line advertising job portals and subsequent decrease in the use of traditional advertising in main stream printed press.
- iii. 211 days were spent on training and development activities, an average of 2.13 per full time equivalent employee (2016-17: 195 days, 1.99 per full time equivalent employee).
- iv. Fees include costs associated with legal counsel.

6. Sources and Application of Funds

| SOURCE OF FUNDS | Note | 2017-18 £ | 2016-17 £ |
|---|-------------|----------------------------|----------------------------|
| The Executive Office Grant in Aid including ring-fenced funding | 2 | 6,999,314 | 8,238,585 |
| DoF Department of Finance | | 964,863 | 658,544 |
| Department for Communities | | 579,235 | 638,487 |
| Education Authority | | 334,997 | 431,341 |
| Dept for the Economy | | 302,012 | 154,470 |
| Department of Justice | | 199,673 | 24,140 |
| Derry City & Strabane DC | | 166,984 | 103,672 |
| Dept Education (DE) | | 146,997 | 289,375 |
| M&EABC | | 142,870 | - |
| Tourism NI | | 110,055 | 32,274 |
| Causeway Coast & Glens | | 109,560 | 75,942 |
| Northern Regional College | | 108,394 | 72,951 |
| Belfast City Council | | 107,733 | 134,520 |
| ABC Borough Council | | 97,328 | - |
| Southern Regional College | | 94,534 | 96,714 |
| Dept. of Employment & Learning | | 81,165 | - |
| Forest Service | | 60,850 | 118,148 |
| Maze Long Kesh DC | | 57,537 | 105,313 |
| Invest NI | | 45,819 | 87,375 |
| Charity Commission NI | | 35,796 | - |
| NMDDC | | 32,889 | 38,192 |
| Ards, North Down Council | | 28,275 | 28,077 |
| NI Courts & Tribunal Service | | 24,925 | - |
| DAERA | | 24,379 | 53,911 |
| Lisburn & Castlereagh CC | | 23,395 | - |
| National Museums NI | | 22,854 | 21,082 |
| NI Screen | | 20,906 | - |
| NI Fire & rescue Service | | 20,000 | - |
| Land & Property Services | | 18,068 | 2,500 |
| NICO | | 12,155 | - |
| Armagh Planetarium | | 8,905 | - |
| Canada Life | | 8,820 | 8,587 |
| South Eastern Health & SCTrust | | 6,448 | - |
| PSNI | | 5,154 | 69,579 |
| Connswater Community Greenway | | 4,815 | - |
| University Of Ulster | | 4,159 | 24,000 |
| North West Regional College | | 4,159 | - |
| South West College | | 2,392 | 4,976 |
| Dept for Infrastructure | | 1,784 | 38,550 |
| Armagh City & District Council | | - | 73,295 |
| Northern Ireland Environment Agency | | - | 42,000 |
| Department of Health | | - | 15,000 |
| Fermanagh & Omagh District Council | | - | 10,000 |
| Belfast Metropolitan College | | - | 5,575 |
| The Executive Office | | - | 4,587 |
| Other | | (5,288) | 1,460 |
| BelTel LLP | | (15,631) | - |
| | | <u>10,999,279</u> | <u>11,703,222</u> |

| | 2017-18 | 2016-17 |
|---|--------------------------|--------------------------|
| APPLICATION OF FUNDS | £ | £ |
| Staff Costs (see note 4) | 8,992,385 | 8,821,060 |
| Other operating charges (see note 5) | 1,027,242 | 892,863 |
| Other | | |
| <i>Enabling Expenditure by project</i> | | |
| Urban Villages programme | 60,602 | 1,190,299 |
| Asset Management Unit | 783,417 | 367,925 |
| Data Analytics Research & Exploitation (QUB) | - | 220,000 |
| Programme for Government mobilisation | - | 50,400 |
| Digital Catapult | 45,634 | 44,035 |
| Primary Care Programme | 27,705 | 33,342 |
| Buy Social (Toolkit Development) | 16,552 | 19,237 |
| Causeway Coasts and Glens Borough Council | - | 18,000 |
| Kilkeel Harbour project | 3,980 | 11,406 |
| Investment Strategy Northern Ireland 2 | 10,845 | 8,716 |
| Energywise (formerly HEaT) | - | 3,128 |
| Circular Economy | - | 2,322 |
| Northern Ireland Community Safety College (Desertcreat) | - | 312 |
| Other | 4,900 | 285 |
| Strule Shared Education Campus (formerly Lisanelly) | 3,240 | - |
| Craigavon House | - | (1,740) |
| Total Enabling | <u>956,875</u> | <u>1,967,667</u> |
| Total Expenditure (excl Depreciation) | <u>10,976,502</u> | <u>11,681,590</u> |

Enabling Expenditure

This expenditure on enabling costs is principally undertaken in respect of Strategic Investment Board Ltd supported projects, and includes VAT and in some cases subcontractor costs.

The table below lists all suppliers in excess of £100,000 unless separately disclosed for comparative purposes:

| | No. of Projects | 2017-18 £ | No. of Projects | 2016-17 £ |
|----------------------------------|--------------------|----------------|--------------------|------------------|
| Belfast City Council | | 315,596 | | - |
| Hamilton Architects | | 143,294 | | - |
| WYG | | 136,222 | | - |
| ASM | | 113,015 | | - |
| AECOM | 3 | 46,013 | 3 | 135,063 |
| KPMG | 1 | 27,705 | 1 | 33,342 |
| Queen's University Belfast | 1 | 5,059 | 1 | 220,000 |
| Total Suppliers Over 100k | | <u>786,904</u> | | <u>388,405</u> |
| Suppliers Under £100k | | <u>169,971</u> | | <u>1,579,262</u> |
| Total Enabling Spend | | <u>956,875</u> | | <u>1,967,667</u> |

The expenditure in relation to Government bodies listed above comprises recharges from those bodies in relation to projects supported by Strategic Investment Board Ltd.

Of the project spend detailed in note six above, a total of £27,705 was declared as consultancy costs. This was categorised by the consultancy definitions set out in Department of Finance guidance.

Use of Consultancy

| | 2017-18 £ | 2016-17 £ |
|--------------|---------------|----------------|
| Financial | - | 900 |
| Strategic | 27,705 | 88,742 |
| Technical | - | 21,144 |
| Total | <u>27,705</u> | <u>110,786</u> |

7. Related Party Transactions

The Executive Office is regarded as a related party. During the year Strategic Investment Board Ltd received grant in aid for normal activities and for the FTC loan arrangement. The Executive Office is also a shareholder in Maze Long Kesh Development Corporation to whom Strategic Investment Board Ltd provided staff during the year.

Transactions Involving Directors and Related Parties to Strategic Investment Board Limited

Due to the nature of Strategic Investment Board Ltd's operations and the composition of its Board, it is inevitable that there will be relationships or transactions with companies and organisations in which Board members may have a beneficial or non beneficial interest or with which they have a relationship. A beneficial interest is when the Board member is either, directly or through a family connection, a material shareholder or receives remuneration (including expenses) from the entity.

The following table lists the related party relationships involving Strategic Investment Board Ltd, and any Board Members interests during the year ended 31st March 2018.

| Board Member | Related Party to Strategic Investment Board Limited | Nature of Relationship with Strategic Investment Board Limited | Board Member's Interest | Financial Reward from Related Party (if any) |
|--------------|---|--|---|--|
| G McGinn | Deloitte | Strategic Investment Board Limited may contract work to Deloitte in relation to projects | A family member works for Deloitte | N/A |
| G McGinn | Baker & McKenzie | Strategic Investment Board Limited may contract work to Baker & McKenzie in relation to projects | A family member works for Baker & McKenzie | N/A |
| B Hannam | Armagh Observatory and Planetarium (AOP) | Strategic Investment Board Limited provides advice to the Department for Communities and AOP | Member is non-executive Director of AOP | None |
| D McCausland | Maze Long Kesh Development Corporation | Strategic Investment Board Limited provides support to the MLK Development Corporation | Member is a Non-executive director of the MLK Development Corporation | Remuneration |
| D McCausland | G4S (NI) | G4S (NI) has a contract for the supply of security services to NICS | Member is an employed associate of G4S(NI) | Remuneration |
| D McCausland | PwC | Strategic Investment Board Limited has awarded contracts to PwC | Member is an employed associate of PwC (but no work undertaken in year) | Remuneration |

| Board Member | Related Party to Strategic Investment Board Limited | Nature of Relationship with Strategic Investment Board Limited | Board Member's Interest | Financial Reward from Related Party (if any) |
|---------------------|--|---|--|---|
| D McCausland | KPMG | Strategic Investment Board Limited has awarded contracts to KPMG | Member is an employed associate of KPMG (but no work undertaken in year) | Remuneration |
| M T McGivern | Titanic Foundation | Strategic Investment Board Ltd has provided support and advice to Titanic Foundation | Member is a Non-executive director of Titanic Foundation | None |
| M T McGivern | Belfast Metropolitan College | Strategic Investment Board Ltd has provided support, funding and advice to Belfast Metropolitan College | Principal and Chief Executive | Remuneration |
| M T McGivern | CBI NI Council | CBI NI have a networking relationship with Strategic Investment Board Limited on general business themes | Council Member | None |
| M T McGivern | PwC | Strategic Investment Board Limited may contract work to PwC in relation to projects | A family member works for PwC | N/A |
| M T McGivern | Bombardier Foundation | Strategic Investment Board provides advice to Arc21 with which Bombardier has commercial links | Member is also a member of Bombardier Foundation | N/A |
| D McSorley | Stadia Safety Technical Group | Strategic Investment Board Ltd employ staff to support DfC on all aspects of delivery of the regional stadia developments | Independent Chair | Remuneration |
| D McSorley | Graham Construction Company | Possibility of Graham Construction being awarded contracts for an Strategic Investment Board Ltd supported projects | Family member is an employee | N/A |

| Board Member | Related Party to Strategic Investment Board Limited | Nature of Relationship with Strategic Investment Board Limited | Board Member's Interest | Financial Reward from Related Party (if any) |
|--------------|---|--|--|--|
| D McSorley | Ulster University | SIB works with Ulster University and provides Financial Transactions Capital | Board member for International Centre for Local and Regional Development (ICLRD), which is a partnership of Maynooth University, Ulster University and the Institute for International Urban Development based in Cambridge Massachussetts | N/A |
| K Thomson | Tourism Ireland | Some Strategic Investment Board Ltd projects work in partnership with Tourism Ireland/ Department for the Economy | Director of Tourism Ireland Ltd | Remuneration |
| K Thomson | National Museums NI (NMNI) | NMNI is funded by the Department for Communities for which Strategic Investment Board may do work Strategic Investment Board Ltd may carry out work in support of NMNI and has used NMNI facilities NMNI has commissioned project work from Strategic Investment Board Ltd | Chief Executive of NMNI. Appointed March 2016 | Remuneration |
| K Thomson | Eirgrid/SONI | Strategic Investment Board manages an energy management programme | Husband is an employee of Eirgrid/SONI | None |

Strategic Investment Board Ltd maintains a register of the interests for the members of the Board of Directors that is published on the Strategic Investment Board Ltd website, www.sibni.org, and is also available upon request to the Company Secretary.

8. Taxation

HM Revenue & Customs has determined that Strategic Investment Board Ltd is a taxable entity but not all of the income will be taxable. In the year ended 31 March 2018, no provision for tax has been made as there has been no assessable income arising (period ended 31 March 2017: Nil).

9. a) Property, Plant and Equipment

| | 2017-18 | 2016-17 |
|----------------------------------|----------------|----------------|
| | £ | £ |
| Cost: | | |
| At 1 April 2017 | 15,408 | 15,408 |
| Additions in year | - | - |
| Disposals | - | - |
| At 31 March 2018 | <u>15,408</u> | <u>15,408</u> |
| Accumulated Depreciation: | | |
| At 1 April 2017 | 14,601 | 12,665 |
| Charge in year | 807 | 1,936 |
| Disposals | - | - |
| At 31 March 2018 | <u>15,408</u> | <u>14,601</u> |
| Net book value: | | |
| At 31 March 2018 | <u>-</u> | <u>807</u> |

9. b) Intangible Assets

| | IT | Software | Websites | Total |
|---|--------------|-----------------|-----------------|---------------|
| | £ | licenses | £ | £ |
| | £ | £ | £ | £ |
| Cost: | | | | |
| At 1 April 2017 | 9,998 | 3,310 | 47,604 | 60,912 |
| Additions in year | - | - | 18,726 | 18,726 |
| Disposals | - | - | - | - |
| At 31 March 2018 | <u>9,998</u> | <u>3,310</u> | <u>66,330</u> | <u>79,638</u> |
| Accumulated Amortisation: | | | | |
| At 1 April 2017 | 6,712 | 2,221 | 25,540 | 34,473 |
| Charge in year | 3,286 | 1,088 | 17,595 | 21,969 |
| Disposals | - | - | - | - |
| At 31 March 2018 | <u>9,998</u> | <u>3,310</u> | <u>43,135</u> | <u>56,442</u> |
| Carrying amount at 31 March 2018 | <u>-</u> | <u>-</u> | <u>23,195</u> | <u>23,195</u> |
| Carrying amount at 31 March 2017 | <u>3,286</u> | <u>1,089</u> | <u>22,064</u> | <u>26,439</u> |

10. Financial Assets

| | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|--|---|---|---|
| | £ | £ | £ |
| | Financial Transaction Capital Loans | Financial Transaction Capital Loans | Financial Transaction Capital Loans |
| As at 1 April 2017 | 69,629,682 | 61,866,294 | 58,688,515 |
| Loans provided in year | 48,000,000 | 9,381,000 | 14,500,000 |
| Loan Interest Receivable in year added to in year loan | 103,354 | - | - |
| Repayment of loan in year* | (961,000) | (580,000) | (180,000) |
| Impairment of loans issued in year | (2,336,363) | (3,326,665) | (11,142,221) |
| Unwinding of impairment in year | 2,576,298 | 2,289,053 | - |
| As at 31 March 2018 | 117,011,971 | 69,629,682 | 61,866,294 |
| Maturity of Financial Assets are as follows: | | | |
| Repayable within 1 year | 6,500,000 | 961,000 | 580,000 |
| Repayable more than 1 year | 110,511,971 | 68,668,682 | 61,286,294 |
| At 31 March 2018 | 117,011,971 | 69,629,682 | 61,866,294 |

Strategic Investment Board Ltd facilitated the transfer of funds between Department of Finance and Department for the Economy via the Executive Office and Queen's University Belfast, and GFS Corporate Directorate II Limited (the vehicle holding the NI Investment Fund) for Financial Transactions Capital loan agreements. The loan to Queen's University Belfast is an interest free loan agreement. The loan to GFS Corporate Directorate II Limited, the vehicle holding the NI Investment Fund is interest bearing at a rate of (London Interbank Offered Rate (LIBOR) plus 4% (4.5%)). Funding for the loans was received from the Executive Office and has been recorded at amortised cost at the following rates:

- i) Queen's University Belfast - nominal rate of 3.7%, and
- ii) GFS Corporate Directorate II Limited effective interest rate of 4.5%.

Financial statements from previous years used a nominal interest rate of 2.2% to discount non-interest bearing loans. The rate of 3.7% was applicable from 1 April 2015 and comparative figures have been adjusted accordingly and restated using the rate of 3.7% from 1 April 2015.

*In October 2017 Strategic Investment Board Ltd received the third loan repayment of £961,000 (December 2015: £580,000) from Queen's University, Belfast. Strategic Investment Board Ltd transferred the repayment to the Executive Office (see note 19).

Financial Instruments

All of the Strategic Investment Board Ltd's financial assets, which comprise Financial Transactions Capital loans, cash and cash equivalents, trade receivables and accrued income are classified as "loans and receivables". All of the Strategic Investment Board Ltd's financial liabilities, which comprise trade payables, accruals and employee benefits are classified as "other financial liabilities" are held at amortised cost.

11. Trade and Other Receivables

| | 2017-18 | 2016-17 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Trade Receivables | 1,174,813 | 1,009,541 |
| Amounts owed by TEO re Grant in Aid | - | 189,407 |
| Prepayments and Accrued Income | 138,699 | 617,367 |
| | <u>1,313,512</u> | <u>1,816,315</u> |

12. Cash and Cash Equivalents

| | 2017-18 | 2016-17 |
|---|----------------|----------------|
| | £ | £ |
| Balance as at 1 April: | 49,079 | 899,735 |
| Net Changes in cash and cash equivalent balances | 610,705 | (850,656) |
| Balance as at 31 March | <u>659,784</u> | <u>49,079</u> |

The above balances comprise balances at commercial banks and cash in hand.

13. Trade and Other Payables

| | 2017-18 | 2016-17 |
|--|------------------|------------------|
| | £ | £ |
| Included in liabilities falling due within one year are: | | |
| Trade Payables | 70 | 277,283 |
| Accruals | 1,328,005 | 1,153,964 |
| Employee benefits (Note 14) | 248,587 | 241,496 |
| Deferred Income (Grant in Aid) | 117,280 | - |
| Value Added Tax | 302,550 | 219,897 |
| | <u>1,996,492</u> | <u>1,892,640</u> |

14. Employee Benefits

Strategic Investment Board Ltd has recognised the cost of providing employee benefits in the period in which the benefit was earned by the employee, rather than when it is paid or payable. Short term benefits are recorded as an expense in the period in which the employee renders the service. For Strategic Investment Board Ltd, this expense relates solely to the cost of any untaken annual leave at the year end. This policy has been adopted in accordance with IAS 19 'Employee benefits' (2017-2018: £248,587; 2016-2017: £241,496).

15. Contingencies and Commitments

Strategic Investment Board Ltd is committed to supporting various projects which are ongoing at year end. Strategic Investment Board Ltd is dependent on funding from Departments to meet its commitments. There were no capital commitments, commitments under leases or other financial commitments at the year-end.

There were no contingent liabilities at 31 March 2018 (2016-17 the Strategic Investment Board Ltd estimated £550,000 by way of contingent liability in respect of ongoing claims, claims threatened against Strategic Investment Board Ltd or, insofar as Strategic Investment Board Ltd was aware, claims that were pending against Strategic Investment Board Ltd). Claims in this context included demands, actions, complaints and proceeding, whether arising under contract, statute, at common law or in equity or under any treaties including the Treaty on the Functioning of the European Union, the laws of the European Union or otherwise.

16. Guarantee

The members of the company undertake to contribute to the assets of the company in the event of the same being wound up while such party is a member, or within one year after such party ceases to be a member, for payment of the debts and liabilities of the company contracted before such party ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of its contributories among themselves, such amount as may be required not exceeding one pound.

17. Deferred Income

| | 2017-18 | 2016-17 |
|--|------------------|----------------|
| | £ | £ |
| At 1 April 2017 | - | (438,178) |
| Capital grant received in year | - | - |
| Deferred Income | (117,280) | - |
| Released to Statement of Comprehensive Net Expenditure | - | 438,178 |
| At 31 March 2018 | (117,280) | - |

18. Notes to the Cash Flow Statement

| | 2017-18 | 2016-17 |
|---|---------------------|--------------------|
| | £ | £ |
| Operating Activities | | |
| Deficit for the year | - | - |
| Depreciation - Property, Plant and Equipment | 807 | 1,936 |
| Depreciation - Intangible Assets | 21,969 | 19,696 |
| Loss on disposal | - | - |
| Increase / (Decrease) in trade and other payables | 103,852 | (200,279) |
| (Increase)/ Decrease in trade and other receivables | 502,803 | (667,329) |
| Net cash inflow/ (outflow) from operating activities | <u>629,431</u> | <u>(845,976)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | - |
| Purchase of Intangible Assets | (18,726) | (4,680) |
| Financial Investment (FTC) | (48,000,000) | (9,381,000) |
| Repayment of FTC loan receipt to the Executive Office | (961,000) | (580,000) |
| Net cash inflow/ (outflow) from Investing activities | <u>(48,979,726)</u> | <u>(9,965,680)</u> |
| Cash flows from financing activities | | |
| Funding received in respect of FTC loans | 48,000,000 | 9,381,000 |
| Receipt of FTC loan repayment | 961,000 | 580,000 |
| Increase (decrease) in cash and cash equivalents | <u>610,705</u> | <u>(850,656)</u> |

(ii) Reconciliation of net cash flow to movement in net funds:

| | 2017-18 | 2016-17 |
|---|----------------|----------------|
| | £ | £ |
| Increase (decrease) in cash and cash equivalents | 610,705 | (850,656) |
| Cash and cash equivalents at the beginning of the | 49,079 | 899,735 |
| | <u>659,784</u> | <u>49,079</u> |

19. Provision for Liabilities

| Financial Transactions Capital (FTC) Loans | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|---|----------------------|----------------------------------|----------------------------------|
| | £ | £ | £ |
| As at 1 April 2017 | 69,629,682 | 61,866,294 | 58,688,515 |
| Loans issued in year | 48,000,000 | 9,381,000 | 14,500,000 |
| Loan interest receivable in year (added to capital) | 103,354 | - | - |
| Impairment of loans issued in year | (2,336,363) | (3,326,665) | (11,142,221) |
| Repayment of loan in year | (961,000) | (580,000) | (180,000) |
| Unwinding of impairment in year | 2,576,298 | 2,289,053 | - |
| Balance at 31 March 2018 | <u>117,011,971</u> | <u>69,629,682</u> | <u>61,866,294</u> |
| Expected timing of cashflows | | | |
| Not later than one year | (6,500,000) | (961,000) | (580,000) |
| Later than one year but not later than five years | (26,100,000) | (26,075,000) | (20,511,000) |
| Later than five years | (84,411,971) | (42,593,682) | (40,775,294) |
| | <u>(117,011,971)</u> | <u>(69,629,682)</u> | <u>(61,866,294)</u> |

Whilst the Strategic Investment Board Ltd does not have a legal obligation to repay FTC loans to the Executive Office, based on its memorandum of understanding, it does have a constructive obligation and therefore provides for this obligation. This provision is discounted at a rate of 3.7% per annum and an effective interest rate of 4.5% on the loan provided to GFS Corporate Directorate II Ltd.

20. Financial Instruments

IFRS 7 'Financial Instruments: Disclosures' requires disclosure that enables evaluation of the significance of financial instruments for Strategic Investment Board Ltd's financial position and performance, the nature and extent of risks arising from financial instruments which Strategic Investment Board Ltd is exposed to during the period and at the reporting date, and how Strategic Investment Board Ltd manages those risks. As a result of the non-trading nature of its activities and the way in which Strategic Investment Board Ltd is financed, Strategic Investment Board Ltd is not exposed to the degree of financial risk faced by business entities. The carrying value of trade and other receivables, bank, trade and other payables (including accruals) as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. No other disclosures are relevant to Strategic Investment Board Limited's activities.

21. Reserves

| | 2017-18 | 2016-17 |
|----------------------------|----------------|----------------|
| | £ | £ |
| As at 1 April 2017 | - | - |
| Net surplus for the year | - | - |
| As at 31 March 2018 | - | - |

Movement to Reserves

There was no movement from the Statement of Comprehensive Net Expenditure to Reserves in 2017-18 (2016-17: Nil).

22. Prior Period Adjustment

From inception, non-interest bearing Financial Transactions Capital loans have been carried in the financial statements at the HM Treasury nominal discount rate of 2.2%. This rate changed to 3.7% from 1 April 2015, this change in rate was not recognised in the financial statements until 2017-18 and the 2015-16 and 2016-17 figures have been restated accordingly. The restatement has resulted in the following adjustments.

| | Original | Adjustment | (as restated) |
|--|-----------------|-------------------|----------------------|
| | £ | £ | £ |
| Statement of Financial Position | | | |
| Financial Assets | | | |
| 31 March 2016 | 70,357,371 | (9,071,077) | 61,286,294 |
| 31 March 2017 | 78,115,127 | (9,446,445) | 68,668,682 |
| Provision for Liabilities | | | |
| 31 March 2016 | (70,937,371) | 9,071,077 | (61,866,294) |
| 31 March 2017 | (79,076,127) | 9,446,445 | (69,629,682) |
| Statement of Comprehensive Net Expenditure for the Year | | | |
| Finance cost: unwinding of impairment on Provision | | | |
| 31 March 2016 | (1,291,147) | 1,291,147 | - |
| 31 March 2017 | (1,560,622) | (728,431) | (2,289,053) |
| Finance income: unwinding of impairment on Financial Assets | | | |
| 31 March 2016 | 1,291,147 | (1,291,147) | - |
| 31 March 2017 | 1,560,622 | 728,431 | 2,289,053 |

23. Additional Disclosures to Comply With FReM

The Government's Financial Reporting Manual (FReM) requires non-Departmental public bodies to regard Grant in Aid received as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence accounted for as financing, i.e. by crediting them to the income and expenditure reserve. The Strategic Investment Board Ltd have instead accounted for Grant In Aid as part of income which is matched to expenditure in the same period as permitted under company Law.

If the Strategic Investment Board Ltd were to comply with FReM, the following would be the effect of this compliance:

Statement of Comprehensive Net Expenditure Prepared Under FReM

| | | (as restated) | (as restated) |
|--|------|--------------------|---------------------|
| | | 2017-18 | 2016-17 |
| | | £ | £ |
| | Note | | 2015-16 |
| | | | £ |
| INCOME | | | |
| Other operating income | 2 | 3,999,965 | 3,181,652 |
| | | <u>3,999,965</u> | <u>3,181,652</u> |
| EXPENDITURE | | | |
| Staff costs | 4 | 8,992,385 | 8,117,350 |
| Enabling expenditure | 6 | 956,875 | 1,860,599 |
| Other operating charges | 5 | 1,027,242 | 747,541 |
| Depreciation - Property, Plant & Equipment | 9a | 807 | 4,366 |
| Amortisation - Intangible Assets | 9b | 21,969 | 14,407 |
| FTC Loan Impairment | 10 | (239,935) | 11,142,221 |
| | | <u>10,759,343</u> | <u>21,886,484</u> |
| TOTAL EXPENDITURE | | | |
| | | <u>10,759,343</u> | <u>21,886,484</u> |
| NET DEFICIT FOR THE YEAR | | (6,759,379) | (18,704,832) |
| AMOUNT TRANSFERRED TO RESERVES | | <u>(6,759,379)</u> | <u>(18,704,832)</u> |

Statement of Cashflows Prepared Under FRM

| | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|--|---------------------|--------------------------|--------------------------|
| | £ | £ | £ |
| Cashflows from Operating Activities | | | |
| Net Deficit after interest and tax | (6,759,379) | (9,276,197) | (18,704,832) |
| Non Cash Transactions (Depreciation - Property, Plant & Equipm | 807 | 1,936 | 4,366 |
| Non Cash Transactions (Amortisation - Intangible Assets) | 21,969 | 19,696 | 14,407 |
| Increase / (Decrease) in trade and other payables | (13,427) | 237,899 | 32,796 |
| (Increase)/ Decrease in trade and other receivables* | 313,396 | (477,922) | 745,074 |
| Net Cash used in Operating Activities | <u>(6,436,634)</u> | <u>(9,494,588)</u> | <u>(17,908,189)</u> |
| Cash flows from Investing Activities | | | |
| Purchase of Property, Plant & Equipment | - | - | - |
| Purchase of Intangible Assets | (18,726) | (4,680) | (14,700) |
| FTC Loan GIA received | (48,000,000) | (9,381,000) | (14,500,000) |
| Impairment Reserve | (239,935) | 1,037,612 | 11,142,221 |
| Repayment of FTC loan receipt to the Executive | (961,000) | (580,000) | (180,000) |
| Net Cash used in Investing Activities | <u>(49,219,661)</u> | <u>(8,928,068)</u> | <u>(3,552,479)</u> |
| Cash flows from Financing Activities | | | |
| Grant in Aid from Parent Department | 7,306,000 | 7,611,000 | 7,616,000 |
| Grant in Aid re FTC | 48,000,000 | 9,381,000 | 14,500,000 |
| Other Grants received | - | - | - |
| Receipt of FTC Loan repayment | 961,000 | 580,000 | 180,000 |
| Net Cash used in Financing Activities | <u>56,267,000</u> | <u>17,572,000</u> | <u>22,296,000</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>610,705</u> | <u>(850,656)</u> | <u>835,332</u> |
| Cash and cash equivalents at beginning of the period | <u>49,079</u> | <u>899,735</u> | <u>64,403</u> |
| Cash and cash equivalents at end of the period | <u>659,784</u> | <u>49,079</u> | <u>899,735</u> |

In October 2017 Strategic Investment Board Ltd received a Financial Transactions Capital loan repayment of £961k from Queen's University, Belfast. Strategic Investment Board Ltd immediately transferred the repayment to the Executive Office.

Statement of Changes in Taxpayers' Equity Note Prepared Under FReM

| | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|---|--------------------|--------------------------|--------------------------|
| | £ | £ | £ |
| Analysis of Income and Expenditure Reserves: | | | |
| Balance at 1 April 2017 | 69,440,275 | 62,304,472 | 59,073,304 |
| Grant in Aid received in year | 55,306,000 | 16,992,000 | 22,116,000 |
| Interest capitalised on FTC Loan | 103,354 | - | - |
| Net operating cost for the year | (6,759,379) | (9,276,197) | (18,704,832) |
| Receipt of FTC Loan repayment | (961,000) | (580,000) | (180,000) |
| Balance at 31 March 2018 | <u>117,129,250</u> | <u>69,440,275</u> | <u>62,304,472</u> |

| | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|---------------------------------|--------------------|--------------------------|--------------------------|
| | £ | £ | £ |
| Summary of Balances: | | | |
| Income & Expenditure reserve | 117,129,250 | 69,440,275 | 62,304,472 |
| Balance at 31 March 2018 | <u>117,129,250</u> | <u>69,440,275</u> | <u>62,304,472</u> |

FReM accounting does not recognise deferred income (note 17). Grant in Aid received over and above expenditure incurred is credited to the Income and Expenditure Reserve. The Income and Expenditure reserve within the Statement of Taxpayers' Equity note is reconciled in the table below:

Movement in Reserves Prepared Under FReM

| | | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|--|-------|--------------------|--------------------------|--------------------------|
| | Note | £ | £ | £ |
| Reserves at 1st April | | 69,440,275 | 62,304,472 | 59,073,304 |
| FTC loans issued in 2017-18 | 10 | 48,103,354 | 9,381,000 | 14,500,000 |
| Impairment of loans issued in year | 10 | (2,336,363) | (3,326,665) | (11,142,221) |
| Unwinding of impairment in year | 10 | 2,576,298 | 2,289,053 | - |
| Receipt of FTC Loan repayment | 10 | (961,000) | (580,000) | (180,000) |
| Movement in Deferred/ Accrued Income in year | 11&17 | 306,686 | (627,585) | 53,389 |
| Reserves at 31st March 2018 | | <u>117,129,250</u> | <u>69,440,275</u> | <u>62,304,472</u> |

24. Statement of Financial Position as at 31st March 2018 Prepared Under Department of Finance Guidance

In 2015-16 Strategic Investment Board Ltd sought and received independent financial advice regarding the correct accounting treatment of the Financial Transactions Capital (FTC) loans in the company set of accounts which resulted in the recognition of a provision. However, in line with Treasury's guidance and the requirements of the Memorandum of Understanding, Department of Finance have confirmed that the Strategic Investment Board Ltd should recognise a financial asset for loans made but should not recognise any liability for the repayment. Under FReM accounting the transaction represents funding from the Consolidated Fund and the Strategic Investment Board Ltd has been advised by the Department of Finance to record all FTC transactions through reserves. The following amended Statement of Financial Position is not part of the primary statements of the Strategic Investment Board Ltd but has been prepared to illustrate the financial position based on the Department of Finance guidance.

| | | 2017-18 | (as restated) 2016-17 | (as restated) 2015-16 |
|--|------|--------------------|--------------------------|--------------------------|
| | Note | £ | £ | £ |
| Non-current assets | | | | |
| Property, Plant and Equipment | 9a | - | 807 | 2,743 |
| Intangible Assets | 9b | 23,195 | 26,439 | 41,455 |
| Financial Assets (Investments) | 10 | 110,511,971 | 68,668,682 | 61,286,294 |
| Current assets | | | | |
| Trade and other receivables | 26 | 1,313,512 | 1,626,908 | 1,148,986 |
| Financial Assets (Investments) | 10 | 6,500,000 | 961,000 | 580,000 |
| Cash and cash equivalents | 12 | 659,784 | 49,079 | 899,735 |
| Total current assets | | 8,473,296 | 2,636,987 | 2,628,721 |
| Total Assets | | 119,008,463 | 71,332,915 | 63,959,213 |
| Current liabilities | | | | |
| Trade and other payables | 25 | (1,879,212) | (1,892,640) | (1,654,741) |
| Non current assets less net current liabilities | | 117,129,250 | 69,440,275 | 62,304,472 |
| Non-current liabilities | | | | |
| Assets less liabilities | | 117,129,250 | 69,440,275 | 62,304,472 |
| Reserves | | | | |
| General reserve (Income and Expenditure account) | 23 | 117,129,250 | 69,440,275 | 62,304,472 |
| Total | | 117,129,250 | 69,440,275 | 62,304,472 |

25. Trade and Other Payables Prepared Under FReM

FReM accounting does not recognise deferred income. Grant in Aid received over and above expenditure incurred is credited to the Income and Expenditure Reserve.

| | 2017-18 | 2016-17 |
|--|------------------|------------------|
| | £ | £ |
| Included in liabilities falling due within one year are: | | |
| Trade Payables | 70 | 277,283 |
| Accruals | 1,328,005 | 1,153,964 |
| Employee benefits (Note 14) | 248,587 | 241,496 |
| Value Added Tax | 302,550 | 219,897 |
| | <u>1,879,212</u> | <u>1,892,640</u> |

26. Trade and Other Receivables Prepared Under FReM

| | 2017-18 | 2016-17 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Trade Receivables | 1,174,813 | 1,009,541 |
| Prepayments and Accrued Income | 138,699 | 617,367 |
| | <u>1,313,512</u> | <u>1,626,908</u> |

4.5 Events after the Reporting Period

The Strategic Investment Board Ltd has considered the impact of the European Union referendum and the United Kingdom's vote to leave. Except so far as referred to in section 2.1.3 'The Keys Issues and Risks' the Strategic Investment Board Ltd does not believe that it will have a material adverse effect on the company or the budget for the foreseeable future.

4.6 Date Authorised for Issue

The Accounting Officer authorised the issue of these financial statements on 12th June 2018.

