



# **STRATEGIC INVESTMENT BOARD LIMITED**

Company Registration No. NI 45710

**ANNUAL REVIEW AND FINANCIAL STATEMENTS 2007/2008**

**Year Ended 31 March 2008**

# STRATEGIC INVESTMENT BOARD LIMITED

## ANNUAL REVIEW AND FINANCIAL STATEMENTS 2007/2008 For the year ended 31 March 2008

| <b>CONTENTS</b>                    | <b>PAGE</b> |
|------------------------------------|-------------|
| Officers and Professional Advisers | 1           |
| Directors' report                  | 2           |
| Statement of Corporate Governance  | 11          |
| Remuneration Report                | 15          |
| Statement on internal control      | 19          |
| Independent auditors' report       | 22          |
| Income and expenditure account     | 25          |
| Balance sheet                      | 26          |
| Cash flow statement                | 27          |
| Notes to the financial statements  | 28          |

---

# **STRATEGIC INVESTMENT BOARD LIMITED**

## **ANNUAL REVIEW AND FINANCIAL STATEMENTS 2007/2008 For the year ended 31 March 2008**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Watson A - Chairman

Dobbin D

Stewart J

Gavaghan D – Chief Executive

Hannam B – Chief Operating Officer

#### **SECRETARY**

Hamilton G (appointed 7<sup>th</sup> November 2007)

#### **AUDITORS**

Moore Stephens

Registered Auditors

4th Floor, Donegall House,

7 Donegall Square North,

Belfast

BT1 5GB

#### **REGISTERED OFFICE**

Clare House

303 Airport Road West

Belfast

BT3 9ED

#### **PRINCIPAL BANKERS**

Northern Bank

8/9 Donegall Square North

Belfast

BT1 5GJ

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

The directors are pleased to present their annual review and the financial statements for the year to 31 March 2008.

#### **PRINCIPAL ACTIVITIES**

Strategic Investment Board Limited (SIB) was established under the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003. The company was incorporated on 7 March 2003 and its full designated powers took effect from 1 April 2003.

SIB is a company limited by guarantee, owned by the Office of the First Minister and deputy First Minister (OFMDFM), financed £7.3million (2006/7: £ 8.5 million) from the departmental expenditure limit with a board reporting directly to the First Minister and the deputy First Minister.

SIB's role is to inform and implement ministers' policy for public infrastructure in Northern Ireland. It does this by producing the Investment Strategy for Northern Ireland (ISNI); by supporting departments in the delivery of infrastructure projects and by promoting reform in infrastructure processes and structures.

SIB acts as a bridge between the public, private and third sectors. It develops the market, promotes competitive tension and builds mutual understanding.

The principal activities of the company are to provide advice to the Northern Ireland Executive in relation to the formulation and implementation of its programme of major investment projects and to provide advice and assistance (including research, consultancy, advisory and other services) to bodies in relation to the implementation of their investment projects.

SIB's key responsibilities are threefold.

- First, it is responsible for producing the Investment Strategy for Northern Ireland; a ten-year plan for the delivery of public infrastructure that covers all areas of government including education, health and transport.
- Second, SIB helps the public sector deliver large infrastructure projects and programmes of investment. Working alongside the relevant government department(s), SIB seeks to accelerate delivery timetables whilst at the same

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

time achieving better value for the taxpayer. In practice, this means the deployment of staff with extensive experience in the funding and implementation of major investment projects into key project management and advisory roles.

- Third, the SIB seeks to foster and promote reform both in the delivery of major infrastructure and as a prerequisite for such investment. It helps build delivery capability by encouraging the development of specialist skills and the use of innovative approaches not usually found in the public sector.

### **REVIEW OF RESULTS**

As set out on page 25, the company has reported a net surplus for the year of £23,241 (2006/7: £ (11,759)).

The company has continued to work effectively in partnership with Civil Service departments and its other customers. The successes achieved through these partnerships, include:

- publication of the second Investment Strategy for Northern Ireland;
- publication of the Capital Realisation Taskforce report;
- reaching Financial Close on the Belfast Strategic Partnership programme;
- reaching Financial Close on Roads Package 2;
- moving forward with Workplace 2010 to BAFO stage;
- the launch of new Schools Procurement contracts;
- supporting DHSSPS achieve four tenders for Enniskillen acute hospital;
- the launch of the Omagh Hospital project following Ministerial approval;
- support to the launch of the European Centre for Connected Health project;
- assisting with the completion of the Social Housing Delivery Strategy;
- the provision of support to the successful Connswater Community Greenway;
- the provision of support for NIO projects including the new prison project; the Desertcreat Training College and the Forensic Science Laboratory;
- the revision of SOPCNI;
- the development of delivery & monitoring arrangements for ISNI2; and

## DIRECTORS' REPORT

### For the year ended 31 March 2008

- the success of the third All Island Infrastructure Investment Conference, held in Dublin, at which the junior ministers spoke.

The approximate values of a selection of the major projects supported by SIB this year are set out in the table below:

| <b>Programme/Project</b>                            | <b>Approximate Value</b> |
|---|--------------------------|
| Workplace 2010                                      | £1.5 billion*            |
| Social Housing Programme                            | £1.8 billion*            |
| Waste Management                                    | £402 million             |
| Emergency Services Investment Programme             | £270 million             |
| Primary and Community Care Infrastructure Programme | £130 million             |
| Enniskillen Acute Hospital                          | £230 million             |
| Omagh Local Hospital Complex                        | £190 million             |
| Belfast Strategic Partnership                       | £350 million             |
| Schools Modernisation Programme                     | £450 million             |

\*: whole life costs.

The company supports regeneration programmes with the following approximate values:

| <b>Programme/Project</b>            | <b>Approximate Value</b> |
|-------------------------------------|--------------------------|
| Downshire Site Regeneration Project | £100 million             |
| Maze/Long Kesh Regeneration         | £200 million             |
| Omagh Military Sites Regeneration   | £130 million             |

The publication of the ISNI in January 2008 was the culmination of an unprecedented programme of work by SIB, DFP and the Departments. The consultation process that followed demonstrated that there is a widespread recognition of the benefits of

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

this approach to infrastructure planning, including, in particular, the way in which it facilitates ministerial prioritisation.

In the autumn of 2007, SIB was tasked by the First Minister, deputy First Minister and the Minister of Finance and Personnel to support the Capital Realisation Taskforce under the leadership of Mr. Ed Vernon. The Taskforce reported to the Executive through the three Ministers in January 2008. The report identified the key objective of ensuring that publicly owned assets are fully utilised either in supporting the delivery of services or released, (subject to business need, market demand and the ability of the public sector to re-invest the resources realised). The report identified opportunities to release more than £900m over a ten year period for additional investment through the careful disposal of surplus assets. It recommended the production of an Asset Management strategy and the creation of a new organisation within SIB to manage its implementation. Recruitment to these specialist posts has begun.

In March 2008, SIB completed its work on the third version of the Standardisation of PFI Contracts, Northern Ireland (SoPCNI). This updated earlier guidance to take into account new legislation and developments in the PFI/PPP market.

SIB has an active engagement in the community, working with organisations that include: Business in the Community (BITC); The Prince's Trust and its "Get into Construction" programme for young disadvantaged people; the East Belfast Partnership Board; the Connswater Community Greenway project; the Newtownards Road 2012 project; the Castlereagh Enterprise Council; the Future Together Initiative and the West Belfast Partnership Board.

### **FUTURE DEVELOPMENTS**

SIB's strategic priorities are derived from the targets set by the Executive in the Programme for Government and from consideration of the issues the company was established to address. The over-arching issue for SIB is how it can help government deliver "modern, efficient infrastructure" that is "an essential requirement for economic and social development".

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

The priority issues SIB addresses are:

- the statutory requirement for SIB to advise the Executive in relation to the formulation and implementation of its programme of major investment projects;
- the need to accelerate the delivery of major, sustainable infrastructure projects;
- the need to obtain value for money for infrastructure investment;
- the need to make best use of existing assets and dispose of those that are surplus to requirements;
- the need to improve the infrastructure delivery capabilities of government Departments in Northern Ireland; and
- the need to further develop the company to ensure it continues to be capable of achieving its objectives.

SIB 's medium-term objectives, derived from the strategic objectives, are:

- to embed and develop the Investment Strategy;
- to deliver supported projects/ programmes in accordance with the Investment Delivery Plans and the principles of economic, social and environmental sustainability; seeking effective ways to accelerate the timetable and achieve value for money;
- to foster and promote reform both in the delivery of major public sector infrastructure and as a pre-requisite for such investment;
- to develop the organisation and the individuals within the organisation; and
- to work with relevant bodies and departments to ensure that infrastructure plans are aligned and, where appropriate, that these are also aligned with those in the Republic of Ireland, in accordance with North/South agreements.

The outcomes of achieving these objectives will be that, over the period covered by SIB's corporate plan (i.e. 31 March 2011):

- the Investment Strategy process will continue to deliver a comprehensive overview of future infrastructure investment. The strategy reflects the Executive's investment priorities and supports medium-term planning by the supply sector. The process for developing the strategy is documented, repeatable and understood by stakeholders. Ministers, public servants and



## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

other stakeholders have the information necessary to manage the investment programme effectively;

- SIB has helped Departments deliver larger and better project procurements (in terms of faster delivery, lower risk and best value) than would otherwise have been possible;
- where it is involved, SIB has worked to ensure that sustainable development principles guide capital investment decisions on all major publicly funded buildings and infrastructure projects;
- SIB has helped Departments make the most economically advantageous disposals of surplus assets;
- SIB has developed the market for public sector infrastructure in ways that improve competition and foster the development of the local economy;
- SIB has helped Departments develop their infrastructure programme and project delivery capability so that more projects and programmes can be delivered; and
- SIB is an organisation that meets the requirements of its stakeholders: Ministers, local representatives, the Departments, its shareholder (OFMDFM), private sector bidders, its staff and the public.

### **SHARE CAPITAL**

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

### **FIXED ASSETS**

Details of the movement of fixed assets have been summarised in note 10 to the accounts. 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 2008.

### **EMPLOYEE POLICY**

SIB 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 and advancement on the basis of their ability, qualification and aptitude for the work;

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

- gives equality of opportunity when considering applications from disabled persons, in compliance with all existing legislation in 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.

### **PAYMENTS TO SUPPLIERS**

SIB 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. Unless otherwise stated in the contracts payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later.

### **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 complied with the above requirements in preparing the financial statements.

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

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

(Northern Ireland) Order 1986. 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 OFMDFM has designated the Chief Executive as the Accounting Officer for SIB. 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 Non-Departmental Public Bodies' Accounting Officer Memorandum, "The Responsibilities of an Accounting Officer", issued by DFP.

### **RELATED PARTIES**

Details of the company's related parties are set out in note 8 to the financial statements and in the Remuneration Report.

### **CHARITABLE DONATIONS**

The company made no charitable donations during the period.

### **CORPORATE GOVERNANCE**

The company's Statement of Corporate Governance is set out on pages 11 to 14.

### **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 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.

### **AUDITORS**

The Department of Finance and Personnel is currently bringing an Order before the Assembly which will give the Comptroller and Auditor General the statutory

## **DIRECTORS' REPORT**

### **For the year ended 31 March 2008**

responsibility for the audit of the Strategic Investment Board Limited under the Audit and Accountability (NI) Order 2003. SIB's contract with Moore Stephens, who were its external auditors for the past three years ceased with the audit for the year ended 31<sup>st</sup> March 2008.

**Anthony Watson**  
**Chairman**

**David Gavaghan**  
**Chief Executive**

Date: 18<sup>th</sup> June 2008

## **STATEMENT OF CORPORATE GOVERNANCE**

### **For the year ended 31 March 2008**

Strategic Investment Board Limited is committed to the highest standards of corporate governance. The company values good corporate governance both in the areas of accountability and risk management and also as a positive contribution to the development of the business.

The policy of the company has been to manage the company's affairs in accordance with the HM Treasury's "Corporate Governance in Central Government Departments – A Code of Good Practice" issued in July 2005, so far as the Board considers appropriate and relevant to the nature and scale of the company's operations.

This statement describes how, during the period 2007/8, SIB has applied and supported the relevant provisions of the Code.

The Chief Executive is the Accounting Officer of SIB, responsible and accountable for the management of SIB's funds and assets. SIB has a formal agreement with OFMDFM, known as the Management Statement, which defines their working arrangements. Part 2 of the Statement comprises a financial memorandum specifying the terms by which SIB receives and spends its funds.

The company recognises the importance of a constructive relationship between the Board (both executive and non-executive directors) and OFMDFM. It values regular dialogue with the shareholder. A representative of OFMDFM is invited to attend each Board meeting. During the year, OFMDFM met informally with the non-executive directors, without the executive directors being present, and also met regularly with the executive directors. An operational and financial report is sent to the OFMDFM each quarter, in accordance with the Management Statement and Financial Memorandum.

The company is formally accountable to OFMDFM, an accountability that is reinforced through the requirement for non-executive directors to stand for re-election every three years.

## STATEMENT OF CORPORATE GOVERNANCE

For the year ended 31 March 2008

### BOARD OF DIRECTORS

The directors of the company during the year and at the date of this report are detailed below:

| <b>Name</b>     | <b>Date Appointed</b>   | <b>Date Resigned</b> |
|-----------------|---|----------------------|
| Dobbin D        | 01 October 2005   |                      |
| Gavaghan D N    | 21 July 2004 (Reappointed for a further 3 years, from 21 July 2007)   |                      |
| Hannam B        | 11 January 2006   |                      |
| Stewart J A G H | 01 April 2003 (Reappointed for a further 3 years, from 01 April 2006) |                      |
| Watson A        | 01 April 2003 (Reappointed for a further 3 years, from 01 April 2006) |                      |

The company's corporate governance policy requires a majority of the Board to be composed of non-executive directors, with a non executive Chairman. Throughout 2007/8, the Chairman of the Board was Anthony Watson. He ensures that all directors receive sufficient, accurate and timely information on the financial, business and corporate issues prior to meetings.

Details of directors' remuneration and the process for its determination are contained below in the Remuneration Report.

The Board focuses on the broad business strategy and key policy decisions affecting the company. The Board has responsibility for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds. The Board also monitors the performance of the business against its strategy and targets, delegating more detailed consideration and actions arising from its monitoring to the executive management team. The Board receives regular management performance reports and operates a system of Board review of business performance against key business targets and objectives to enable it to discharge its duties.

The Board meets ten times each year. In 2007/8 it met formally ten times and had an informal board away-day to discuss the company's long term business strategy and vision.

## STATEMENT OF CORPORATE GOVERNANCE

### For the year ended 31 March 2008

To achieve the most effective discharge of its functions, the Board has delegated certain powers and duties to the following Board Committees;

- the Audit Committee assists the Board in monitoring the company's accounting policies, internal controls and corporate governance arrangements.
- the Remuneration Committee determines the company's remuneration policy and also the employment conditions and remuneration packages of the executive directors and senior staff.

Meetings of the Audit Committee and Remuneration Committee are held on the same day as meetings of the Board whenever possible. In the year ended 31 March 2008, the Audit Committee held three meetings and the Remuneration Committee three meetings.

The following table details the number of Board and Committee meetings held during the year ended 31 March 2008 and the attendance record of each director.

|                   | <b>Board</b> | <b>Audit<br/>Committee</b> | <b>Remuneration<br/>Committee</b> |
|-------------------|--------------|----------------------------|-----------------------------------|
| <i>D Dobbin</i>   | 9/10         | 3/3                        | 3/3                               |
| <i>D Gavaghan</i> | 10/10        | n/a                        | n/a                               |
| <i>B Hannam</i>   | 10/10        | n/a                        | n/a                               |
| <i>J Stewart</i>  | 6/10         | 2/3                        | 2/3                               |
| <i>A Watson</i>   | 10/10        | 3/3                        | 3/3                               |

## **STATEMENT OF CORPORATE GOVERNANCE**

**For the year ended 31 March 2008**

### **The Audit Committee**

The Audit Committee comprises the non-executive board members of the company. The Audit Committee is chaired by David Dobbin. Other members are James Stewart and Anthony Watson. The Chief Executive, Chief Operating Officer, external auditors, internal auditors and representatives from the Northern Ireland Audit Office and the shareholder are invited to attend all meetings. During the year, the committee met with the external auditors and internal auditors without the executive directors being present.

The Audit Committee assists the Board in reviewing the effectiveness of the company's internal control systems and also reviews the Annual Report and Financial Statements, before their submission to the Board, to ensure that they present a fair assessment of the company's financial position and results. The Audit Committee focuses on reviewing any changes in accounting policy, major areas of judgement and estimates and compliance with accounting principles and regulatory requirements.

The Audit Committee has formal terms of reference approved by the Board. These are available for inspection from the Company Secretary. These have been prepared in accordance with the revised Audit Committee Handbook as published by HM Treasury.

The Committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external and internal auditors; and to approve the remuneration and terms of engagement of both the external and internal auditors.

### **Remuneration Committee**

Details relating to the Remuneration Committee are included in the Remuneration Report on pages 15 to 18.



## **REMUNERATION REPORT**

**For the year ended 31 March 2008**

### **Remuneration Committee**

The Remuneration Committee consists of non-executive board members of the company. The Remuneration Committee is chaired by Anthony Watson, Chairman of the Board. Other members are James Stewart and David Dobbin. The Chief Executive attends as an observer and the Chief Operating Officer provides a secretariat function.

The Committee's role is to review and approve the pay award and the level of any bonus for all staff and consider other matters relating to pay and performance. Pay and bonus awards are made within the parameters set by the Office of First and deputy First Minister.

### **Service Contracts**

Remuneration of senior members is set out in their contracts and subject to annual revalorisation. Such revalorisation requires the approval of the Minister of Finance. The notice period for all senior members of SIB does not exceed six months.

The arrangements for early termination of senior members are made in accordance with the employment contract of the relevant individual. During the year no early termination payments were paid to these members.

Each member of permanent staff participates in a discretionary bonus scheme. The bonus is linked to the individual's and corporate performance. Bonus payments are non-consolidated and non-pensionable.

Non-executive directors have fixed-term appointments not exceeding three years. These appointments are renewable. Remuneration and appointments are set by OFMDFM after consulting the Chairman.

## REMUNERATION REPORT

### For the year ended 31 March 2008

#### Directors Emoluments

The following directors received emoluments directly from the company during the year.

|   | Year ended 31 March 2008<br>£s |               |                |                   |                | 31 March<br>2007 |
|---|--------------------------------|---------------|----------------|-------------------|----------------|------------------|
|   | Salary                         | Bonus         | Sub<br>Total   | Employer's<br>NIC | Total          | Total            |
| Gavaghan D                                  | 159,924                        | 62,430        | 222,354        | 27,847            | 250,201        | 247,624          |
| Hannam B                                    | 98,848                         | 29,654        | 128,502        | 15,835            | 144,337        | 138,719          |
| Dobbin D                                    | 11,000                         | -             | 11,000         | 739               | 11,739         | 11,567           |
| Watson A                                    | 16,000                         | -             | 16,000         | 1,379             | 17,379         | 17,403           |
| Sparks G                                    | -                              | -             | -              | -                 | -              | 2,750            |
| Stewart J                                   | 11,000                         | -             | 11,000         | -                 | 11,000         | 11,000           |
| Total                                       | <u>296,772</u>                 | <u>92,084</u> | <u>388,856</u> | <u>45,800</u>     | <u>434,656</u> | <u>429,063</u>   |
| <b>Pension</b>                              |                                |               |                |                   |                |                  |
| Gavaghan D                                  |                                |               |                |                   | 15,608         | 15,213           |
| Hannam B                                    |                                |               |                |                   | 9,885          | 9,458            |
| Total                                       |                                |               |                |                   | <u>25,493</u>  | <u>24,671</u>    |
| <b>Contributions to risk benefit scheme</b> |                                |               |                |                   |                |                  |
| Gavaghan D                                  |                                |               |                |                   | 4,841          | 9,349            |
| Hannam B                                    |                                |               |                |                   | 3,394          | 2,729            |
| Total                                       |                                |               |                |                   | <u>8,235</u>   | <u>12,078</u>    |

Directors' emoluments consisted of basic salary, employer's national insurance, bonus and any relocation expenses. There were no non-cash benefits provided to any director during the year.

#### Pensions

SIB operates a defined contribution pension scheme for all permanent staff. The employer makes a contribution of 10% of basic salary to the company's pension scheme or a registered pension scheme of the employee's choice. The employee does not have to contribute to this scheme. SIB also contributes to a centrally-provided risk benefit scheme (that provides cover for death in service and retirement due to ill health).

## REMUNERATION REPORT

For the year ended 31 March 2008

### Fees to Third Parties

The amounts paid, excluding expenses, to third parties in respect of directors of the company are shown in the table below:

| Name      | 2008   | 2007   | Third Party               |
|-----------|--------|--------|---------------------------|
|           | £      | £      |                           |
| Stewart J | 28,289 | 30,982 | Partnerships UK Plc (PUK) |

Payments to PUK in respect of James Stewart included fees (including VAT) for time on extended support and advice to SIB and fulfilment of the duties of a director of SIB. It should be stressed that Mr Stewart does not directly benefit from the payments to PUK.

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

|           | Year ended<br>31 March<br>2008 | Year ended<br>31 March<br>2007 |
|-----------|--------------------------------|--------------------------------|
|           | £                              | £                              |
| G Sparks  | -                              | 124*                           |
| J Stewart | 3,013                          | 3,404                          |
| D Dobbin  | 187                            | -                              |
| A Watson  | 5,443                          | 6,042                          |
|           | <u>8,643</u>                   | <u>9,570</u>                   |

\* 3 months

### Transactions Involving Directors and Related Parties:

Mr J Stewart is a director of PUK. SIB has obtained extensive advice and support from PUK. During the year, payments to PUK for the services of James Stewart (as detailed previously) and for supplying support to SIB projects, amounted to a total of £146,448 partly covered in Note 7 with the remainder in staff costs (period ended 31 March 2007: £677,943). The amount due to PUK at year end was £59,172 (at 31 March 2007: £200,640).

On the 1<sup>st</sup> July 2006 Mr G Sparks resigned as a Director of SIB. At this date he was a partner in Farrell Grant Sparks. In the period to 30<sup>th</sup> June 2006, SIB made no other payments to Farrell Grant Sparks other than director fees as detailed above. On the

## **REMUNERATION REPORT**

### **For the year ended 31 March 2008**

31<sup>st</sup> August 2006, Farrell Grant Sparks announced that it had merged with McClure Watters. During the 07/08 year, payments to FGS McClure Watters for supplying support to SIB projects amounted to £174,096 (period ended 31 March 2007: £284,084) (see note 7). FGS McClure Watters also supported SIB in its operations in the prior year; this amounted to £55,434 – no such support was provided in the current year. The amount due to FGS McClure Watters at year end was £10,763 (at 31 March 2007: £84,206).

**Anthony Watson**

**Chairman**

Date: 18th June 2008

**David Gavaghan**

**Chief Executive**

## **STATEMENT ON INTERNAL CONTROL**

**For the year ended 31 March 2008**

### **SCOPE OF RESPONSIBILITY**

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the overall policies, aims and objectives of SIB, whilst safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in accordance with Government Accounting (NI) and the Financial Frameworks established between SIB and its sponsoring Department, the Office of the First Minister and deputy First Minister.

### **THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal control has been in place in SIB for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

A detailed financial policies and procedures manual has been maintained throughout the year.

### **CAPACITY TO HANDLE RISK**

During the last year, I have continued to monitor the key risks which might impact upon SIB's objectives; and I review the control strategies and further developed them, where appropriate, for each of these. A risk register is maintained to identify the significant risks to the business and clearly assigns risk ownership to appropriate staff. The risk assessment process covers financial, operational and compliance controls. The register is reviewed quarterly by the Audit Committee and its findings are reported to the Board.

## **STATEMENT ON INTERNAL CONTROL**

**For the year ended 31 March 2008**

### **THE RISK AND CONTROL FRAMEWORK**

The Board incorporates risk management into all planning and decision making processes; SIB carries out regular reviews of our internal controls.

Periodic reports concerning internal control are received by way of progress reports and the findings of internal audit. Appropriate steps are taken to manage risks in significant areas of responsibility and monitor progress reports on key projects. SIB regularly reviews and updates the risk register and has developed a system of key performance and risk indicators.

Over the past year, SIB has been audited by internal auditors from ASM Horwath, who operate to standards defined in the Government Internal Audit Manual. They submit regular reports which include the Head of Internal Audit's (HIA) independent opinion on the adequacy and effectiveness of SIB's system of internal control together with recommendations for improvement.

### **REVIEW OF EFFECTIVENESS**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness is informed by SIB's internal auditors, professional advisers, the executive managers within SIB, who have responsibility for the development and the maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and plan to address any weaknesses and ensure continuous improvement of the system.

In respect of 2007/8, both Internal Audit and External Audit provided me with information regarding the adequacy and effectiveness on internal controls operating within SIB. In ASM Horwath's Annual Internal Audit Assurance Report, they have stated that in their opinion during the twelve month period ended 31 March 2008, SIB's internal control systems were adequate and operated effectively thereby

## **STATEMENT ON INTERNAL CONTROL**

### **For the year ended 31 March 2008**

providing satisfactory assurance regarding the effective and efficient achievement of SIB's objectives.

My assessment continues to be informed by the positive findings of the follow up work delivered in response to issues highlighted by audit reviews.

Progress on issues raised by internal and external audit continues to be formally monitored through the Audit Committee.

Taking account of the aforementioned matters, I am content that the internal control framework in operation within SIB provides reasonable assurance that objectives will be met.

**David Gavaghan**

**Chief Executive**

Date: 18<sup>th</sup> June 2008

## **STRATEGIC INVESTMENT BOARD LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATEGIC INVESTMENT BOARD LIMITED**

We have audited the financial statements for the year ended 31 March 2008 which comprise the Income and Expenditure account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. These financial statements have been prepared under the historical cost convention.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and Auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for ensuring the regularity of financial transactions. The directors are also responsible for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and directions made by the Department of Finance and Personnel, and whether in all material respects the expenditure and income have been applied to the purposes intended by Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the



## **STRATEGIC INVESTMENT BOARD LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATEGIC INVESTMENT BOARD LIMITED**

information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Accounts and consider whether it is consistent with audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

We review whether the Statement of Internal Control reflects the company's compliance with the Department of Finance and Personnel's guidance "Corporate Governance: Statement on Internal Control". We report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement appears to us to be misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to, nor have we considered whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects the expenditure and income have been applied to the purposes intended by Northern Ireland Assembly and the financial transactions

## **STRATEGIC INVESTMENT BOARD LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATEGIC INVESTMENT BOARD LIMITED**

conform to the authorities which govern them. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2008 and of its surplus for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and directions made by the Department of Finance and Personnel.

In all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities that govern them.

**Moore Stephens  
Chartered Accountants  
and Registered Auditors**

**Belfast**

# STRATEGIC INVESTMENT BOARD LIMITED

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2008

|   |             | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|---|-------------|-------------------------------------|-------------------------------------|
|   | <b>Note</b> |                                     |                                     |
| <b>INCOME - Grant in aid</b>                  | 2           | 7,263,013                           | 8,468,434                           |
| <b>- Other operating income</b>               | 2           | 346,078                             | 739,387                             |
|   |             | <hr/>                               | <hr/>                               |
|   |             | 7,609,091                           | 9,207,821                           |
| <b>EXPENDITURE</b>                            |             |                                     |                                     |
| Staff costs                                   | 4           | 3,275,959                           | 3,202,247                           |
| Enabling expenditure                          | 7           | 3,384,518                           | 5,157,755                           |
| Other operating charges                       | 5           | 919,890                             | 843,689                             |
| Loss on disposal of fixed assets              |             | 478                                 | 11,590                              |
| Notional cost of capital                      | 15          | 5,005                               | 4,299                               |
| <b>TOTAL EXPENDITURE</b>                      |             | <hr/>                               | <hr/>                               |
|   |             | 7,585,850                           | 9,219,580                           |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>     | 3           | 23,241                              | (11,759)                            |
| Release of grant on capital expenditure       | 16          | 14,146                              | 32,723                              |
| Credit in respect of notional cost of capital | 15          | 5,005                               | 4,299                               |
|   |             | <hr/>                               | <hr/>                               |
| <b>AMOUNT TRANSFERRED TO RESERVES</b>         |             | 42,392                              | 25,263                              |
|   |             | <hr/>                               | <hr/>                               |

The net surplus/(deficit) from operations arises wholly from continuing operations.

There are no recognised gains or losses for the current period other than as stated above. Accordingly, no statement of total recognised gains or losses is given.

Notes 1 to 19 form part of these financial statements.

# STRATEGIC INVESTMENT BOARD LIMITED

## BALANCE SHEET As at 31 March 2008

|   |             | 31 March<br>2008<br>£ | 31 March<br>2007<br>£ |
|---|-------------|-----------------------|-----------------------|
|   | <b>Note</b> |                       |                       |
| <b>FIXED ASSETS</b>                             |             |                       |                       |
| Tangible assets                                 | 10          | 16,712                | 17,871                |
|   |             | <hr/>                 | <hr/>                 |
| <b>CURRENT ASSETS</b>                           |             |                       |                       |
| Cash at bank and in hand                        |             | 669,703               | 43,090                |
| Debtors   | 11          | 2,303,322             | 2,265,587             |
| Total current assets                            |             | <hr/> 2,973,025       | <hr/> 2,308,677       |
|   |             |                       |                       |
| Creditors - amounts falling due within one year | 12          | <hr/> 2,826,120       | <hr/> 2,204,164       |
|   |             |                       |                       |
| <b>NET CURRENT ASSETS</b>                       |             | <hr/> 146,905         | <hr/> 104,513         |
|   |             |                       |                       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>    |             | 163,617               | 122,384               |
|   |             |                       |                       |
| Deferred income - unamortised capital grant     | 16          | <hr/> 16,712          | <hr/> 17,871          |
|   |             |                       |                       |
| <b>NET ASSETS</b>                               |             | <hr/> <hr/> 146,905   | <hr/> <hr/> 104,513   |
|   |             |                       |                       |
| <b>REPRESENTED BY:</b>                          |             |                       |                       |
| Income and expenditure account                  | 18          | <hr/> <hr/> 146,905   | <hr/> <hr/> 104,513   |

Approved by the board of directors on 18th June 2008

Signed on behalf of the board of directors by:

**Anthony Watson**  
Chairman

**David Gavaghan**  
Chief Executive

Notes 1 to 19 form part of these financial statements.

# STRATEGIC INVESTMENT BOARD LIMITED

## CASH FLOW STATEMENT

For the year ended 31 March 2008

|  |             | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|--|-------------|-------------------------------------|-------------------------------------|
|  | <b>Note</b> |                                     |                                     |
| <b>Net cash inflow/(outflow) from operating activities</b> | 17          | 625,785                             | (4,859)                             |
| <b>Capital expenditure</b>                                 |             |                                     |                                     |
| Purchase of tangible fixed assets                          |             | (12,159)                            | (6,566)                             |
| Cost of disposal of assets                                 |             | -                                   | (6)                                 |
| <b>Financing</b>   |             |                                     |                                     |
| Capital grants from OFMDFM                                 | 16          | 12,987                              | 6,566                               |
| <b>Increase/(decrease) in cash</b>                         |             | <u>626,613</u>                      | <u>(4,865)</u>                      |

# STRATEGIC INVESTMENT BOARD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 1. ACCOUNTING POLICIES

#### General

These financial statements have been prepared in accordance with the accounting and disclosure requirements of Companies (Northern Ireland) Order 1986, without limiting the information given, the accounts comply with the accounting and disclosure requirements contained in the Northern Ireland Financial Reporting Manual (FReM) and accounting disclosure requirements issued by the Department of Finance and Personnel 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 19 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 SIB 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.

# STRATEGIC INVESTMENT BOARD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 1. ACCOUNTING POLICIES (CONT'D)

#### **Capital grants**

Capital grants are deferred and amortised over the remaining useful lives of the assets to which they relate.

#### **Fixed assets and depreciation**

(a) The cost of assets comprises purchase price and any installation charges.

(b) Depreciation is calculated to write off the cost of assets, less estimated residual value, over their useful lives. The method adopted and rates used are:

- Computers and fax equipment - 33.33% straight line;
- Furniture, fixtures and other equipment - 10% straight line.

#### **Pensions**

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 income and expenditure account as they are incurred, in accordance with FRS 17.

#### **Value Added Tax**

SIB is VAT registered in relation to its vatable activity. VAT is accounted for in accordance with Statement of Standard Accounting Practice 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.

#### **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 balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**2. INCOME**

|  | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|--|---|---|
| This comprises:                                  |   |   |
| Grant in Aid receivable                          | 7,276,000                                     | 8,475,000                                     |
| Less: grants towards capital costs (see note 16) | (12,987)                                      | (6,566)                                       |
|  | <hr/>   | <hr/>   |
| Total revenue grants receivable from OFMDFM      | <u>7,263,013</u>                              | <u>8,468,434</u>                              |

SIB 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:

|             | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|-------------|---|---|
| Income      | 346,078                                       | 739,387                                       |
| Expenditure | (346,078)                                     | (739,387)                                     |
|             | <hr/>   | <hr/>   |
|             | -   | -   |

**3. NET SURPLUS/(DEFICIT) FROM OPERATIONS**

|   | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|---|---|---|
| The net surplus/(deficit) from operations is stated after charging: |   |   |
| Property rents  | 184,082                                       | 90,165  |
| Depreciation  | 13,668  | 21,139  |
| Loss on disposal of fixed assets                                    | 478   | 11,590  |
| Auditors' remuneration - audit services                             | 10,234  | 9,283   |
|   | <hr/>   | <hr/>   |



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**4. EMPLOYEES**

The average number of employees (not full-time equivalents) in the company is made up as follows:

|                                      | <b>Year ended<br/>31 March<br/>2008</b> | <b>Year ended<br/>31 March<br/>2007</b> |
|--------------------------------------|---|---|
| Staff                                | 19                                      | 15                                      |
| Staff recharged to other departments | 1                                       | 0                                       |
| Seconded staff*                      | 6                                       | 13                                      |
| Total                                | <u>26</u>                               | <u>28</u>                               |

|  | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|--|---|---|
| The costs incurred in respect of these employees were: |   |   |
| Wages and salaries                                     | 1,788,174                                     | 1,436,822                                     |
| Wages and salaries recharged to other departments      | 54,456  | -   |
| Social security costs                                  | 218,655                                       | 185,338                                       |
| Health Insurance                                       | 37,998  | 49,517  |
| Other pension costs                                    | 203,360                                       | 143,352                                       |
| Total staff cost                                       | <u>2,302,643</u>                              | <u>1,815,029</u>                              |
| Seconded staff   | 594,098                                       | 1,313,699                                     |
| Recruitment costs                                      | 379,218                                       | 73,519  |
| Total employment cost                                  | <u>3,275,959</u>                              | <u>3,202,247</u>                              |

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

\* Staff seconded to SIB from the Civil Service, private sector organisations or employed on fixed-term contracts.

**5. Other Operating Charges**

Other operating charges are made up of expenditure on internal consulting, director costs, office accommodation, travel, accommodation & subsistence, equality support, telephone, IT costs, stationery, training & conferences, hospitality and depreciation.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**6. SOURCES AND APPLICATION OF FUNDS**

|   | <b>£m</b>   | <b>£m</b>   |
|---|-------------|-------------|
| <b>SOURCE OF FUNDS</b>                      | <b>2008</b> | <b>2007</b> |
| OFMDFM Grant in Aid (Note 2)                | 7.26        | 8.46        |
| OFMDFM                                      | 0.05        | -           |
| Department of the Environment               | 0.22        | 0.05        |
| Water Reform Unit                           | -           | 0.38        |
| Water Service                               | -           | 0.11        |
| Other                                       | 0.08        | 0.20        |
|   | <u>7.61</u> | <u>9.20</u> |
|   | <b>£m</b>   | <b>£m</b>   |
| <b>APPLICATION OF FUNDS</b>                 | <b>2008</b> | <b>2007</b> |
| Staff Costs (see note 4)                    | 3.28        | 3.20        |
| Other operating charges (see note 5)        | 0.92        | 0.84        |
| Other                                       | 0.01        | 0.01        |
| Enabling Expenditure by project             |             |             |
| ISNI  | 0.42        | 0.17        |
| Workplace 2010                              | 0.43        | 1.25        |
| Central Asset Realisation Taskforce         | 0.09        | -           |
| Wider Markets                               | 0.07        | 0.08        |
| Network NI                                  | -           | 0.19        |
| Waste Management                            | 0.68        | 0.33        |
| Water Reform                                | -           | 0.66        |
| BELB  | 0.61        | 0.51        |
| Belfast Metropolitan College                | 0.10        | 0.17        |
| School Modernisation Programme              | 0.30        | 0.40        |
| Titanic Quarter Signature Project           | 0.05        | 0.16        |
| Emergency Services Inv Programme            | 0.15        | 0.01        |
| General Hospitals Programme                 | 0.24        | 0.52        |
| Primary Care Programme                      | 0.06        | 0.25        |
| Maze/Long Kesh                              | 0.12        | -           |
| Other                                       | 0.06        | 0.46        |
| Total Enabling Expenditure                  | <u>3.38</u> | <u>5.16</u> |
| Total Expenditure                           | <u>7.59</u> | <u>9.21</u> |
| Net surplus/(deficit) for the year (Note 3) | 0.02        | (0.01)      |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**7. ENABLING EXPENDITURE**

This expenditure on enabling costs is principally undertaken in respect of SIB supported projects, and includes VAT and in some cases subcontractor costs:

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

| Supplier                        | No of    |             | No of    |             |
|---------------------------------|----------|-------------|----------|-------------|
|                                 | Projects | £m          | Projects | £m          |
|                                 | 2008     | 2008        | 2007     | 2007        |
| Addleshaw Goddard               | 2        | 0.28        | 3        | 0.16        |
| Allen & Overy                   | -        | -           | 1        | 0.26        |
| BIFHE/BMC                       | 1        | 0.10        | 1        | 0.17        |
| Cambridge Economics             | -        | -           | 1        | 0.19        |
| Deloitte                        | -        | -           | 2        | 0.15        |
| Dept. of the Environment        | 1        | 0.23        | 1        | 0.01        |
| Dept. Finance and Personnel     | 1        | 0.37        | 1        | 1.20        |
| Dept. for Regional Development  | -        | -           | 1        | 0.10        |
| DHSSPS                          | 3        | 0.16        | 1        | 0.03        |
| Eversheds                       | 1        | 0.12        | -        | -           |
| FGS McClure Watters             | 2        | 0.17        | 7        | 0.28        |
| Geronimo                        | 5        | 0.14        | 2        | 0.03        |
| KPMG                            | -        | -           | 2        | 0.13        |
| Partnerships UK Plc             | 6        | 0.05        | 10       | 0.48        |
| PricewaterhouseCoopers          | 3        | 0.64        | 4        | 0.65        |
| South & East Belfast Library    | 2        | 0.02        | 1        | 0.11        |
| Board                           |          |             |          |             |
| Sperrin Lakeland Trust          | -        | -           | 1        | 0.18        |
| Total                           |          | <u>2.28</u> |          | <u>4.13</u> |
| Other suppliers less than £100k |          | 1.10        |          | 1.03        |
| Total                           |          | <u>3.38</u> |          | <u>5.16</u> |

The expenditure in relation to government bodies listed above comprises recharges from those bodies in relation to projects supported by SIB.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**8. RELATED PARTY TRANSACTIONS**

OFMDFM is regarded as a related party. During the year SIB received grant in aid of some £7,276,000. Related party transactions involving company directors are detailed in the Remuneration Report.

**9. TAXATION**

HM Revenue & Customs has determined that SIB is a taxable entity but not all of the income will be taxable. In the year ended 31 March 2008 no provision for tax has been made as there has been no assessable income arising (period ended 31 March 2007: £nil).

**10. TANGIBLE FIXED ASSETS**

|                                  | <b>Computer<br/>Equipment<br/>£</b> | <b>Total<br/>£</b> |
|----------------------------------|-------------------------------------|--------------------|
| <b>Cost:</b>                     |                                     |                    |
| At 1 April 2007                  | 68,956                              | 68,956             |
| Additions in year                | 12,987                              | 12,987             |
| Disposals                        | (22,829)                            | (22,829)           |
| At 31 March 2008                 | <u>59,114</u>                       | <u>59,114</u>      |
| <b>Accumulated Depreciation:</b> |                                     |                    |
| At 1 April 2007                  | 51,085                              | 51,085             |
| Charge in year                   | 13,668                              | 13,668             |
| Disposals                        | (22,351)                            | (22,351)           |
| At 31 March 2008                 | <u>42,402</u>                       | <u>42,402</u>      |
| <b>Net book value:</b>           |                                     |                    |
| At 31 March 2008                 | <u>16,712</u>                       | <u>16,712</u>      |
| At 31 March 2007                 | <u>17,871</u>                       | <u>17,871</u>      |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**11. DEBTORS**

|  | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|--|-------------------------------------|-------------------------------------|
| Trade Debtors                          | 99,404                              | 268,861                             |
| Amounts owed by OFMDFM re Grant in Aid | 2,142,488                           | 1,932,290                           |
| Prepayments and Accrued Income         | 61,430                              | 64,436                              |
|  | <u>2,303,322</u>                    | <u>2,265,587</u>                    |

**Analysed between amounts due from:**

|                               | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|-------------------------------|-------------------------------------|-------------------------------------|
| Central government bodies     | 2,288,946                           | 2,235,515                           |
| Bodies external to government | 14,376                              | 30,072                              |
|                               | <u>2,303,322</u>                    | <u>2,265,587</u>                    |

**12. CREDITORS – Amounts falling due within one year**

|  | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|--|-------------------------------------|-------------------------------------|
| Included in amounts falling due within one year are: |                                     |                                     |
| Trade Creditors                                      | 1,041,411                           | 1,105,685                           |
| Accruals   | 1,771,345                           | 1,095,189                           |
| Value Added Tax                                      | 13,364                              | 3,290                               |
|  | <u>2,826,120</u>                    | <u>2,204,164</u>                    |

**Analysed between amounts owed to:**

|                               | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|-------------------------------|-------------------------------------|-------------------------------------|
| Central government bodies     | 1,144,862                           | 792,934                             |
| Local authorities             | 43,594                              | 78,400                              |
| NHS bodies                    | 50,589                              | 52,875                              |
| Bodies external to government | 1,587,075                           | 1,279,955                           |
|                               | <u>2,826,120</u>                    | <u>2,204,164</u>                    |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**13. CONTINGENCIES AND COMMITMENTS**

There were no contingencies or capital commitments at the year-end. SIB is committed to supporting various projects which are on-going at year end. SIB is dependent on funding from its sponsoring Department, OFMDFM, to meet its commitments.

**14. GUARANTEE**

The member of the company undertakes 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.

**15. NOTIONAL COST OF CAPITAL**

|                          | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|--------------------------|-------------------------------------|-------------------------------------|
| Average capital employed | 143,000                             | 122,831                             |
| At 3.5%                  | <u>5,005</u>                        | <u>4,299</u>                        |

**16. DEFERRED INCOME**

|  | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|--|-------------------------------------|-------------------------------------|
| At 1 April                                 | 17,871                              | 44,028                              |
| Capital grant received in year             | 12,987                              | 6,566                               |
| Released to income and expenditure account | (14,146)                            | (32,723)                            |
| <b>At 31 March</b>                         | <u>16,712</u>                       | <u>17,871</u>                       |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**17. NOTES TO THE CASH FLOW STATEMENT**

- (i) Reconciliation of surplus/(deficit) for the year to net cash inflow/(outflow) from operating activities:

|  | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|--|---|---|
| Surplus/(deficit) for the year                             | 23,241  | (11,759)                                      |
| Depreciation   | 13,668  | 21,139  |
| Loss on disposal   | 478   | 11,590  |
| Notional cost of capital                                   | 5,005   | 4,299   |
| Increase in creditors                                      | 621,128                                       | 362,584                                       |
| Increase in debtors  | (37,735)                                      | (392,712)                                     |
| <b>Net cash inflow/(outflow) from operating activities</b> | <u>625,785</u>                                | <u>(4,859)</u>                                |

- (ii) Reconciliation of net cashflow to movement in net funds:

|                              | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|------------------------------|---|---|
| Increase/(decrease) in cash  | 626,613                                       | (4,865)                                       |
| Net funds at 1 April         | 43,090  | 47,955  |
| <b>Net funds at 31 March</b> | <u>669,703</u>                                | <u>43,090</u>                                 |

**18. RESERVES**

The movement on the income and expenditure reserve in the year comprised:

|                            | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|----------------------------|---|---|
| Balance at 1 April         | 104,513                                       | 79,250  |
| Surplus for the year       | 42,392  | 25,263  |
| <b>Balance at 31 March</b> | <u>146,905</u>                                | <u>104,513</u>                                |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**19. ADDITIONAL DISCLOSURES TO COMPLY WITH FReM**

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.

If SIB were to comply with FReM, the following would be the effect of this compliance:

**OPERATING COST STATEMENT PREPARED UNDER FReM**

|   |             | Year ended<br>31 March<br>2008<br>£ | Year ended<br>31 March<br>2007<br>£ |
|---|-------------|-------------------------------------|-------------------------------------|
|   | <b>Note</b> |                                     |                                     |
| <b>INCOME</b>                                 |             |                                     |                                     |
| Other operating income                        | 2           | 346,078                             | 739,387                             |
|   |             | 346,078                             | 739,387                             |
| <b>EXPENDITURE</b>                            |             |                                     |                                     |
| Staff costs                                   | 4           | 3,275,959                           | 3,202,247                           |
| Enabling expenditure                          | 7           | 3,384,518                           | 5,157,755                           |
| Other operating charges                       | 5           | 919,890                             | 843,689                             |
| Loss on disposal of fixed assets              |             | 478                                 | 11,590                              |
| Notional cost of capital                      | 15          | 5,005                               | 4,299                               |
| <b>TOTAL EXPENDITURE</b>                      |             | 7,585,850                           | 9,219,580                           |
| <b>NET DEFICIT FOR THE YEAR</b>               | 3           | (7,239,772)                         | (8,480,193)                         |
| Credit in respect of notional cost of capital | 15          | 5,005                               | 4,299                               |
|   |             | (7,234,767)                         | (8,475,894)                         |
| <b>AMOUNT TRANSFERRED TO RESERVES</b>         |             | (7,234,767)                         | (8,475,894)                         |



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**19. ADDITIONAL DISCLOSURES TO COMPLY WITH FReM (continued)**

**RESERVES NOTE PREPARED UNDER FReM:**

|                                 | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|---------------------------------|---|---|
| Balance at 1 April              | 122,384                                       | 123,278                                       |
| Grant in Aid received in year   | 7,276,000                                     | 8,475,000                                     |
| Net operating cost for the year | (7,234,767)                                   | (8,475,894)                                   |
| <b>Balance at 31 March</b>      | <u>163,617</u>                                | <u>122,384</u>                                |

|   | <b>Year ended<br/>31 March<br/>2008<br/>£</b> | <b>Year ended<br/>31 March<br/>2007<br/>£</b> |
|---|---|---|
| Represented by:                             |   |   |
| Deferred income – unamortised capital grant | 16,712  | 17,871  |
| Income and expenditure reserve              | 146,905                                       | 104,513                                       |
| <b>Balance at 31 March</b>                  | <u>163,617</u>                                | <u>122,384</u>                                |