

Advantage West Midlands

Annual Report and Accounts

2011-12

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Annual Report and Accounts 2011-12

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Chairman's Statement

As Chairman of Advantage West Midlands, I am pleased to present our Report and Accounts for 2011-12.

Over the years the Agency, - and the region, - has faced some tough challenges. The West Midlands has been falling behind the rest of the UK in terms of Gross Value Added (GVA) per head since the mid-1970s. The private sector has contracted as industries that once provided employment and security for thousands have shrunk. Low skills, low wages and low rates of innovation and entrepreneurship remain barriers to growth and investment.

That said, I have been struck by just how many assets we have in the West Midlands - our internationally renowned Universities; the increasingly diverse engineering sector; expertise in IT, finance and business services; a young, diverse population; and vibrant cities and beautiful rural areas that continue to attract inward investment from all over the world.

But I also firmly believe that the principal reason the West Midlands continues to lag behind much of the rest of the UK is because the region has failed to get all the key players united and sufficiently focused on economic development in the widest sense.

As an Agency, Advantage West Midlands first took a long dispassionate look at the regional economy to identify the structural weaknesses. Secondly, we engaged with the region's businesses, universities, local authorities and central government to generate consensus around priorities and strategies. Thirdly, we invested our own resources – both financial and intellectual – in a way that our record shows have had the most impact. Fourthly we influenced other organisations to align their activity with ours. We could clearly not deal with all of these entrenched problems on our own.

We recognise that jobs and prosperity are created by businesses, not organisations like Advantage West Midlands. But our unique position, above local interests but below Whitehall, meant that we were able to identify short, medium and long term priorities and manage a portfolio of projects – some large, some small – that have tackled economic problems head on. By robustly evaluating the impact of our interventions, we were able to gain a unique understanding of what worked and why.

We hope that many of the new Local Enterprise Partnerships (LEPs) will build on our strategic approach. As an example, in 2009 we helped draw up a list of 20 impact investment locations. For the first time, there was agreement on where partners should pool their resources so that they would have the biggest impact. I am delighted that locations such as Longbridge and Eastside have featured prominently in the bids to create LEPs.

Advantage West Midlands has been an effective and efficient organisation. Since our creation in 1999 we have invested £3 billion of UK and European Union funding to help develop the West Midlands economy. Independent evaluation of our activity has found that every £1 we spend has led to over £8 of related activity in the regional economy. It means we have been able to deliver a range of projects and programmes that have made a real difference:

- Projects such as the regeneration of Fort Dunlop, which lay derelict for 25 years;
- Stepping in to ensure that colleges in Sandwell, Stoke and Bournville are able to provide education and training opportunities to some of our most deprived communities;
- Co-ordinating quick and effective responses to economic shocks such as the closure of MG Rover and the recent recession; and
- Driving through large scale, complex and long term development and regeneration schemes, such as at Longbridge; and working with business on schemes such as the Advantage

Transition Bridge Fund to give them a financial lifeline through the worst parts of the recession.

None of these initiatives would have happened without our ability to bring organisations together, set priorities and agree co-ordinated investments. This is why we are confident that our abolition reflects a change in political priorities, rather than our performance.

Over the past twelve years, the Agency has made an impact for the better on the regional economy. We have learned lessons, responded to changing circumstances and engaged with businesses on a scale never seen before. We have invested in development opportunities, emerging technologies and existing businesses. We have argued, persuaded and pleaded for the region to get the support it needs to move forward. And we have worked closely with businesses, the public sector, universities and other partners to combine our efforts for the benefit of the region. All this from an organisation with one of the lowest administration costs in the public sector.

We are justifiably proud of our record - a record that, since 1999, has seen us:

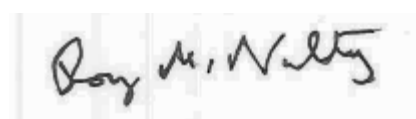
- Contribute to the creation and safeguarding of 140,000 jobs;
- Help 28,000 people back into work and 160,000 get better skills;
- Assist 150,000 businesses improve their performance; and
- Lever in over £2 billion of private sector investment.

In working towards our operational closure in March 2012, our sole priority this year has been to ensure an orderly closure of the Agency and the transfer of our functions and assets where we were required to do so. I am pleased to report the successful completion of this work. We worked closely with regional and national stakeholders to transfer our physical and intellectual assets. We closed down bodies such as Business Link West Midlands in a manner that minimised the disruption of the closure on their customers. We also worked with partners to manage effectively our remaining projects and programmes through to transfer or closure.

Even in this final year, we managed down and transferred some £130m worth of activity. This included work on projects such as New Street Station, Ansty Park and i54, that will continue to help shape the future prospects of the West Midlands economy long after we have gone. Of particular note was AWM's role in securing Jaguar Land Rover's £355 million investment at i54 – the largest new automotive manufacturing facility to be built in the UK for 20 years.

It has been a pleasure to serve the region in my brief time as Chairman. 2011-12 has been another tough year for Advantage West Midlands and for the region. Ongoing weakness and uncertainty in the global economy, the changed political environment and continuing demands on shrinking Agency resources, combined to make this a challenging year for the organisation.

Mick Laverty and his team have tackled these challenges, in a professional and exemplary manner, meaning that AWM leaves behind a strong and robust legacy. The task for the Local Enterprise Partnerships and for the region is now to build on this fine record and rise to the challenges ahead.



Sir Roy McNulty, CBE
Chairman

Chief Executive's Review

Following the Coalition Government's announcement, in June 2010, of its intention to abolish Regional Development Agencies, we have been working hard to ensure the controlled closure of the Agency and, where applicable, the transfer of its functions and assets to appropriate successor bodies. Our updated mission statement during this period has been, *'to close down Advantage West Midlands in an exemplary manner, ensuring the best possible outcome for our staff, our region and the Department for Business, Innovation and Skills (BIS), our sponsor department.'*

In addition to closure activity, the Agency has continued to deliver for the West Midlands region, managing down a budget of some £130 million during the course of the year and continuing to invest in important projects for the region such as at Birmingham New Street Station.

We have continued to perform strongly as an organisation during this difficult period. That has been due to our most important asset - our staff. It is thanks to their professionalism and 'can do' attitude that I am able to report on our key achievements during 2011-12. I would also like to pay tribute to our partners in business, local authorities, the unions and other public sector Agencies who have worked so effectively with us over the years.

Achievements this year of which I am particularly proud include the formal opening of the *Manufacturing Technology Centre* in December 2011, following £40 million of investment by ourselves and the East Midlands Development Agency. At *Longbridge* the new 250,000 sq ft Bournville College opened as planned in September 2011 and work is underway on a £5 million youth centre, *'myplace'* in partnership with Birmingham City Council. Between April and December we invested a further £38 million into the *New Street Station, Birmingham* scheme, which has seen work continue on the new station concourse and the start of the new Stephenson Street entrance. Due to open in 2015, the project is set to deliver 10,000 jobs and generate over £2 billion of transport and wider economic benefits for the region.

Finally and perhaps most significantly for the region's long-term prospects, the Agency led negotiations with Jaguar Land Rover (JLR) and local partners to secure JLR's decision to locate their new engine plant at *i54, Wolverhampton*, bringing £355 million of investment and new highly-skilled jobs to the region. The Agency's agreement to fund significant off-site infrastructure works was critical to JLR's decision to locate the plant in the West Midlands, enabling them to meet their timetable for having the new plant operational in 2014.

Turning to the closure of the Agency, during 2011-12 we continued to manage the process in a controlled manner, transferring functions, assets and knowledge to appropriate successor bodies.

Inward investment activities transferred to BIS in May 2011. The *Rural Development Programme for England* (RDPE) was transferred to the Department for Environment, Food and Rural Affairs (DEFRA) in July, along with 50 contracted projects with a total value of £37 million, plus the Agency's RDPE team (12 people). Responsibility for managing the *European Regional Development Fund* (ERDF), together with the Agency's ERDF team (27 people) also transferred to the Department for Communities and Local Government (DCLG) in July.

In accordance with our Asset and Liabilities Transition Plan, we generated receipts of over £26 million from land and property asset disposals, in excess of our annual target of £20 million. In addition we agreed a number of sales deals that will secure a further £5 million of income following the transfer of assets to the Homes and Communities Agency. The Agency's remaining land and property assets and investment function transferred to the Homes and Communities Agency in September. The transfer incorporated over £64 million worth of land and property assets; 46 live projects and their associated budgets; over 100 contingent assets and liabilities; plus 10 members of staff.

The *Grants for Research and Development* and *Grants for Business Investment* schemes transferred to the Technology Strategy Board in August and September. Our Venture Capital and Loan Fund activity transferred to the Department for Business Innovation and Skills on 1st October 2011.

Finally, those assets and responsibilities which remained within the Agency transferred to The Portfolio Management Office (PMO) of BIS in two tranches in January and March 2012. This confirmed the operational closure by the end of March 2012.

We've also worked with business, local authority and other partners in the West Midlands to support the transition to Local Enterprise Partnerships. We transferred a number of packages of information to partner organisations to ensure it can continue to be of use to inform policy and investment decisions. We also updated our corporate website to make our most useful knowledge and information resources readily available for use by successor bodies involved in economic development and regeneration.

From the point at which the closure of the Agency was announced, plans were made and executed to ensure that the redundancy and staff transfer processes ran smoothly. We provided a support programme for our staff leaving the Agency, including help and advice on future career planning. The majority of staff left through a series of voluntary redundancy rounds between October 2010 and September 2011, as staff numbers were managed down in line with the reducing scale of our activity. A small closure team remained until the end of March 2012. All transfers and redundancies were successfully undertaken alongside associated HR activities, contributing significantly to the overall effectiveness of the closure process.

Looking back over the life of the Agency, it is worth remembering some of the third party endorsements of Advantage West Midlands and, by implication, our staff. The performance of RDAs has been routinely subject to independent review by the National Audit Office. In both the 2006-07 and 2009-10 assessments undertaken by the NAO, the Agency received the maximum possible rating - one of only two RDAs to do so.

Our efficiency was also recognised by HM Treasury. In July 2009, they carried out a benchmarking exercise to review RDA back office costs. The result of this work showed that all RDAs were in the top quarter when the cost-effectiveness of public bodies was ranked. Of all the RDAs, Advantage West Midlands was the most cost effective – with less than 7p in the £1 spent on back office costs.

As an organisation, we were committed to continuous improvement. We used one of the most rigorous, internationally-recognised, improvement models – the European Foundation for Quality Management (EFQM) Model. Over successive years, to chart our progress, we entered the Midlands Excellence Awards. This was the largest Excellence Awards programme and ceremony in Europe, attracting over 1,000 people to the Awards dinner. Every year our score improved. This culminated in us winning the top prize at the 2010-11 Awards - a well-deserved testament to the professionalism of the Agency's staff, whose expertise and commitment have supported the West Midlands and its economic development for more than twelve years.

Finally, I would like to take this opportunity once again to thank all our partners who, over the years, have helped us along the way. I believe Advantage West Midlands will be a hard act to follow. I would also like to take this opportunity to wish all the very best to the businesses, business organisations, local authorities and other public and third sector partners who now take up the challenge of transforming the economic fortunes of this fine Region which has so much potential.



Mick Laverty
Chief Executive and Accounting Officer

Performance Report

2011-12

Advantage West Midlands

Delivering our Corporate Plan

Following the Government's decision in June 2010 to abolish RDAs, the Agency's objectives naturally changed and since the beginning of 2011-12 our focus has been on the achievement of a controlled operational closure by March 2012, with the 2011-12 accounts published in June 2012.

The Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent in December 2011 accordingly, management have assessed that AWM will no longer be considered a going concern, and these accounts have therefore not been prepared on a going concern basis.

In March 2011, the Agency Board endorsed our 2011-12 Programme Initiation Document which set out a series of Agency objectives and the details of how we would deliver our Closure and Transition Plan in 2011-12 in accordance with the Agency's mission, *'to close down Advantage West Midlands in an exemplary manner, ensuring the best possible outcome for our staff, our region and BIS, our sponsor department.'*

A shared understanding of our aims and objectives has been reached with BIS through the presentation of our Closure and Transition Programme at the National Transition Board and by the provision of monthly progress updates to the Agency Board and to the Department for Business, Innovation and Skills (BIS).

An operational Blueprint describing the functions, processes, operations and baseline position was agreed at the start of each management stage and progress has been overseen through monthly meetings of the Closure and Transition Board, which is chaired by the Chief Executive and attended by all corporate and functional directors.

As well as setting out how we are scaling back our staffing and facilities and transferring the functions, assets and knowledge required beyond the Agency's lifetime in a controlled and complete manner, the Agency's Closure and Transition Plan also set out how we would continue to deliver against our expenditure, output and receipts commitments.

The key highlights in terms of the Agency's activities with respect to outputs, outcomes and receipts during 2011-12 are set out below.

Business

- *Business Link West Midlands (BLWM)* continued to deliver advice and support to businesses until its closure on 25th November 2011, achieving an average customer satisfaction rate of 90%. BLWM provided information and/or advice to 5,361 individuals interested in starting a business and engaged with 6,976 companies. The service supported the creation of 1,512 new jobs; supported the start-up of 1,485 new businesses; and provided 314 high-growth companies with specialist support and mentoring.
- *Business Support* – The Agency invested over £600,000 in grants from Single Pot and ERDF funding in projects that created 120 jobs and levered around £4.5 million of private sector investment. In addition the Agency made 19 new grant offers totalling £3.56 million, exclusively using ERDF funding. These projects are expected to create or safeguard 630 jobs.
- *Manufacturing Technology Centre (MTC)* – following £40 million of investment by ourselves and the East Midlands Development Agency, the MTC formally opened in December 2011. This purpose-built, world-class facility brings together leading manufacturers and academics

with the wider manufacturing supply chain, enabling them to develop and test new manufacturing techniques ahead of full-scale production.

- *Olympics* – by March 2012, contracts totalling almost £520 million had been won by businesses in the region, with over 300 firms benefiting as a result of the Agency's investment through *CompeteFor*, the official procurement route for 2012 tenders, and the regional 2012 business support programmes.

Place

- *i54, Wolverhampton* – the Agency led negotiations with Jaguar Land Rover (JLR) and local partners to secure JLR's decision to locate their new engine plant at i54, bringing £355 million of investment and new, highly-skilled jobs to the region. The Agency's agreement to fund significant off-site infrastructure works was critical to JLR's decision to locate the plant in the West Midlands, enabling them to meet their timetable for having the new plant operational in 2014.
- *Longbridge* – the new 250,000 sq ft Bournville College opened as planned in September 2011 and work is underway on a £5m youth centre, 'myplace' in partnership with Birmingham City Council. St Modwen drew down a further 10.57 acres of land from the Agency to take forward the next phase of the Longbridge Area Action Plan. Detailed planning permission for the new £70 million town centre development was approved during the summer and Sainsburys have been secured to construct an 85,000 sq ft supermarket at the heart of the retail centre.
- *New Street Station, Birmingham* – between April and December we invested a further £38 million into the scheme, which has seen work continue on the new station concourse and the start of the new Stephenson Street entrance. Due to open in 2015, the project is set to deliver 10,000 jobs and generate over £2 billion of transport and wider economic benefits for the region.
- *Wolverhampton Bus Station* – 2011 saw the opening of Phase 1 of the Wolverhampton Interchange project. Via the Regional Infrastructure Fund, the Agency has invested over £9 million in the scheme that will transform the city's transport infrastructure and further the regeneration of the city centre through new office and retail provision and improved public realm.
- *Asset Disposals* – against our original annual target of £20 million, we have generated receipts of over £26 million, a significant proportion of which have passed to the Homes and Communities Agency through the Machinery of Government transfer.
- *Asset Transfers* – the Agency's remaining land and property assets and investment assets transferred to the Homes and Communities Agency. The transfer incorporated over £64 million worth of land and property assets; 46 live projects and their associated budgets; over 100 contingent assets and liabilities; and 10 members of staff.
- *Rural Development Programme for England (RDPE)* – the programme's full budget allocation of £13.6 million for 2011-12 was committed to a range of projects supporting rural businesses and communities. The Agency's RDPE team (12 people) transferred to DEFRA in July, along with 50 contracted projects with a total value of £37 million. RDPE is not accounted for in the RDA's books.

People

- *Graduates into Employment Service* – during 2011-12, the Agency has continued to fund a dedicated recruitment service that both supports graduates into employment and helps businesses increase the number of their workforce with higher skills levels. During the year

the project assisted 600 graduates to get a job, with over 100 moving into new graduate level posts.

Powerful Voice

Delivery of our Knowledge Management Plan has been a key strand of our closure activities and during the year we have:

- Transferred a number of packages of information to partner organisations to ensure key information can continue to be of use to successor bodies going forward to inform policy and investment decisions; and
- Updated the corporate website to make the knowledge and information resources that the Agency has developed readily available for use by successor bodies involved in economic development and regeneration activities. The revised site was live until 31st March 2012, with a frozen version subsequently available via the National Archives UK Government Web Archive.

Venture Capital Loan Funds (VCLF)

- Since 1999, the Agency has committed over £40m into 10 VCLFs, alongside over £20m of ERDF money, £8m in other public sector funding and £17m of private sector funding. As part of the closure arrangements, the Agency transferred its interests in all its VCLFs to AWM's sponsor department BIS on 1st October 2011.

Corporate responsibility

- AWM is committed to being a responsible corporate citizen. Our strategies take account of broader social, environmental and community impacts in our role as an employer, purchaser of goods and services and strategic investor.

Post year end events

- The Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent on 14th December 2011. The abolition date for the RDAs will fall on or after the 30th June 2012. Therefore, in order to facilitate the closure of the RDAs on 30th June 2012, a final transfer order (Transfer Order Three) will remove all assets and liabilities from AWM on 30th June, and transfer all remaining responsibility to the Portfolio Management Office at BIS. This will then allow BIS to finalise the 2012-13 accounts ready to be laid before Parliament.

Directors' Report and Management Commentary

The Directors present their Report and Accounts for the year ended 31 March 2012.

The Board Members are appointed by the Secretary of State for the Department for Business, Innovation and Skills (BIS) and include Local Authority, Trade Union and private sector representatives. Further details of Board Members responsibilities are contained within the Code of Practice for Board Members available from the Head of the Portfolio Management Office (PMO) at BIS offices at 1 Victoria Street, London SW1H 0ET.

Non Executive Directors (The Board)

Sir Roy McNulty CBE	Agency Chair
Professor Madeleine Atkins	Term ended 30 th September 2011
Jas Bains MBE	Term ended 30 th June 2011
Dr David Brown	Agency Deputy Chair <i>Member – Audit Committee</i> <i>Chair – Human Resources and Remuneration Committee</i>
Brendan Connor	<i>Member – Audit Committee</i> <i>Member – Human Resources and Remuneration Committee</i>
Gerard Coyne	<i>Member – Audit Committee</i> <i>Member – Human Resources and Remuneration Committee</i>
John Crabtree OBE	<i>Member – Audit Committee</i> <i>Member – Human Resources and Remuneration Committee</i>
Angela Maxwell OBE	
Kumar Muthalagappan OBE	<i>Chair – Audit Committee</i> <i>Member – Human Resources and Remuneration Committee</i>
Roger Phillips	Term ended 30 th September 2011
Sue Prince OBE	Term ended 30 th September 2011
Diane Rayner	<i>Member – Human Resources and Remuneration Committee</i>
Kenneth Taylor OBE	<i>Member – Audit Committee</i>
Jonnie Turpie MBE	Term ended 30 th September 2011
Michael Whitby	

Board Members are contracted to carry out two days work per month on behalf of the Agency (four days per month for the Deputy Chair). The Chairman is contracted for three days per week.

Board meetings

Nine scheduled Board meetings were held during the year. The Agency has two formal Board Sub-Groups, an Audit Committee and a Human Resources and Remuneration Committee. Five Audit Committee meetings and four Human Resources and Remuneration Committee meetings were held during 2011-12.

The Agency maintains a register of Board Members' interests. The register is available for inspection at BIS's offices by prior appointment with the Head of The Portfolio Management Office (PMO).

Executive Directors

Mick Laverty	Chief Executive
John Doherty	Corporate Director
Karen Yeomans	Corporate Director (Voluntary Redundancy 31 July 2011)
Mark Pearce	Corporate Director

Statement of Directors' and Board's Responsibilities

Under Section 14 of the Regional Development Agencies Act 1998 the Agency is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its total comprehensive expenditure and cash flows for the financial year.

The Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent in December 2011 accordingly, it is deemed that AWM will no longer be considered a going concern, and these accounts have therefore been prepared on a basis other than a going concern basis.

The Permanent Secretary of BIS has designated the Chief Executive as Accounting Officer of Advantage West Midlands. 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 Agency's assets, are set out in the Accounting Officer Memorandum issued by the Treasury and published in Managing Public Money.

The Accounting Officer has disclosed all relevant information to the Auditors. So far as the Accounting Officer is aware, there is no relevant audit information of which AWM's auditors are unaware, and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that AWM's auditors are aware of that information.

RDA Accountability and Financial Framework

The Department for Business, Innovation and Skills issued the RDA Accountability and Financial Framework which took effect from 1st October 2011. This replaced the earlier version of the Framework (effective from 1st October 2008) and the previous Financial Memorandum, issued in November 2005. This document sets out the financial framework under which the Agency should operate. The Agency has complied with the terms of the RDA Accountability and Financial Framework in all material respects during the course of 2011-12.

Principal Activities

Advantage West Midlands was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14 December 1998. The Public Bodies Act, under which the Regional Development Agencies will now be abolished, received Royal Assent in December 2011. Over this last year, AWM have been focussed primarily on ensuring the

professional closure of the Agency, which includes the completion of a significant amount of investment activity, and the transfer or sale of all remaining assets and ongoing activity to other bodies. The Chairman's and Chief Executive's statements and the Performance Report include a review of the Agency's key activities during the last year.

Principal Risks and Uncertainties

The Agency's key risks are set out in its Risk Register which is reported routinely to the Board, as part of the Chief Executive's report.

Financial results and review

Financial summary

During the 2011-12 financial year AWM was primarily funded by grant in aid from the Department for Business, Innovation and Skills. The Group Net Expenditure after Taxation is £101,198k, as set out on page 35. This is considerably lower than prior year at £149,492k due to the closure of the Agency. Staff costs have also fallen considerably, as the redundancy programme has progressed, and colleagues left the Agency, more detail on staff costs are set out in note 8 to the accounts. During the year, the Agency focussed on its operational and financial closure, resulting in the transfer of remaining assets and liabilities to other parts of government. The financial impact of these transfers are outlined in notes 2a, 2b, 2c and 2d to the accounts.

Results

The results for the year ended 31st March 2012 are set out in the financial statements on pages 35 to 99.

Review of activities - financial performance 2011-12

The Agency's principal source of funding was the Single Programme Grant-in-Aid received from Government. The Single Programme was granted to cover ongoing financial commitments made by the Agency against its remit for taking forward economic development in the West Midlands. No new financial programme commitments were entered in to.

This Single Programme funding was supplemented by European Funding until 30th June 2011, funding from Homes and Communities Agency under the Coalfield Programme to 31st July 2011, and capital receipts from the disposal of assets. AWM also managed the Rural Development Programme for England on behalf of the Department for Environment, Food and Rural Affairs in the West Midlands, with the financial transactions for this programme processed centrally by the Rural Payments Agency; this transferred back to DEFRA on 1st July 2011.

Pension Costs

The treatment of pensions' liabilities and the relevant pension scheme details are set out in the Remuneration Report on pages 15 to 20.

Employee Relations

The Agency recognised two Trade Unions (Prospect and PCS) in 1999 for the purposes of negotiation in the areas of pay and benefits, holidays and hours. This relationship with Prospect has since been developed and strengthened, however due to the low level of membership of PCS within the Agency and their inability to field representatives for various Agency activities it was decided to withdraw recognition from PCS in 2005. The relationship with Prospect continued to be strong.

In September 2000 the Agency's Staff Consultative Forum was established. The Forum (which has a representative from Prospect) comprises a cross-section of staff from across the organisation. The Forum meets quarterly and is chaired by a Corporate Director with support from the Director of Human Resources.

Representatives are elected to the Forum by their colleagues and are able to discuss, consult and consider a wide range of issues, including policies, terms and conditions of employment and specific organisational issues.

Prompt Payment Policy

The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices and claims within 30 days of approval. The Agency will continue to be committed to the Better Payment Practice Code during 2012-13.

Personal Data Related Incidents

There have been no personal data related incidents during the financial year.

Freedom of Information

The Agency received 30 formal requests for information under the Freedom of Information Act 2000 during the year. 28 requests were dealt with within 20 working days or within a deadline agreed with the applicant. One request was withdrawn and one request is currently being dealt with and managed through the standard appeals process.

Environmental Policy

The Agency is committed to using, where possible, 'environmentally friendly' office and hospitality consumables from sustainable or recycled sources, many of which in turn are recycled. Furthermore, we are committed to controlling the amount of water and energy consumed in administration buildings, and where possible to make use of fuel efficient transportation methods to reduce unnecessary production of greenhouse gases and pollution. The Agency has received an exemption from providing an Annual Sustainability Report.

Audit Services

The Comptroller and Auditor General is appointed by statute to audit Advantage West Midlands, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure.

The following costs have been incurred in relation to services provided by the Comptroller and Auditor General:

Statutory Audit Services	£ 88,000 (Annual Charge)
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The Comptroller and Auditor General (C&AG) also has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Report of the Audit Committee

The Audit Committee is chaired by Kumar Muthalagappan. It is wholly non-executive and during the year the other members were Gerard Coyne, John Crabtree, Ken Taylor, Brendan Connor and David Brown. The Chief Executive in his role as Accounting Officer attends each of the meetings during the year, but is not a formal member. In view of the heightened risks during closure and transition, the frequency of Committee meetings was bi-monthly. The purpose is to ensure that good financial practice is conducted throughout the Agency and to oversee the risk management process. The Committee's responsibilities are additional to those of the Accounting Officer, which are detailed separately in the Governance Statement.

The Committee approves the Strategic and Annual Plans of the Agency's Internal Audit service and considers all of its reports. It also monitors performance against these plans, which were completed in full. Implementation of recommendations is monitored. Certain reports are forwarded to the Board where the Committee considers this appropriate.

The Committee considers the National Audit Office (NAO) Audit Completion Report before the Annual Accounts are laid before Parliament and discusses any issues in the Report with representatives from the NAO, the Agency's external auditors, who attend all meetings. It also meets in private session without any members of the Executive present.

The Committee considers the Corporate Risk Register and receives a detailed report at every meeting that sets out progress made on the management of the significant risks identified.

Although there is no requirement to comply, the Audit Committee wishes to follow best practice identified in the Corporate Governance Code for Central Government and its Departments and guidance from HM Treasury within the Audit Committee Handbook.

It, therefore, regularly reviews its operations and makes minor adjustments as appropriate to achieve the best practice identified.

Register of Chairman's, Board Members' and Directors' Interests

The Chairman, Board Members and Directors have registered any declarations of interest or material benefits they may receive, or any other links, which may affect the execution of their duties on the Board or as a paid employee.

The Register of Interests is open to inspection by the public on request. Copies of the information contained within the register can also be supplied.

Anyone wishing to inspect the register or wanting copies of the information contained within it should contact The Head of The Portfolio Management Office (PMO) at BIS's offices at 1 Victoria Street, London SW1H 0ET.

Remuneration Report

This report for the year ended 31st March 2012 is produced by the Board on the recommendation of the Human Resources and Remuneration Committee and deals with the remuneration of the Chair, Chief Executive, Board Members and Executive Directors who have influence over the decisions of the Agency as a whole.

Report of the Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee was chaired by David Brown. The membership of the Committee is Brendan Connor, Gerard Coyne, John Crabtree, Kumar Muthalagappan and Diane Rayner. The Chief Executive, Mick Laverty attends each of the quarterly meetings but is not a full member of the committee.

Human Resources and Remuneration Committee

The Agency has established a Human Resources and Remuneration Committee as a Sub-Committee of the Board. The membership of the Committee consists of Board Members and meetings are chaired by a member of the Board, other than the Chairman. The Human Resources and Remuneration Committee is the means by which the Board ensures that adequate arrangements are in place to deal with the performance and remuneration of the Chief Executive and Corporate Directors. It also ensures that the Agency operates satisfactory Human Resources policies and regularly reviews these. The Accounting Officer (Chief Executive) will attend all meetings of the Human Resources and Remuneration Committee unless, exceptionally, his performance is being discussed. The Human Resources and Remuneration Committee operates under formal terms of reference.

All redundancy and staffing programmes are considered by the Human Resources and Remuneration Committee, and recommendations are ratified by the Agency's Board.

Remuneration of Board Members

All Board Members have been appointed on fixed term contracts by the Department for Business, Innovation and Skills as detailed in the audited part of the Remuneration Report and are contracted to carry out two days work per month (three days per week for Chair and one day per week for Deputy Chair) on behalf of the Agency.

Remuneration of Senior Managers

The remuneration of the Chief Executive is decided by the Human Resources and Remuneration Committee on recommendation from the Chairman of the Board. The RDA Chief Executive's non consolidated performance related bonus was based on performance against objectives that have been agreed by the Human Resources and Remuneration Committee and then ratified by the Secretary of State for Business, Innovation and Skills.

The remuneration of the Executive Directors is decided by the Human Resources and Remuneration Committee on recommendation from the Chief Executive. Performance is reviewed in their annual performance appraisal by the Chief Executive.

The Chief Executive and all other Executive Directors are employed under permanent, full time employment contracts. The contractual notice period for the Chief Executive is twelve months, for the Executive Directors the notice period is three months.

There has been no consultancy expenditure or contingent labour expenditure during the year.

Audited part of the Remuneration Report

The emoluments of the Board were:

Name	Date of Appointment	Salary 2011-2012 £	Salary 2010-2011 £
	From - To		
Sir Roy McNulty CBE (Chair)	01/05/09 – 30/06/12	81,718	81,718
Professor Madeleine Atkins* (Term Ended 30/09/2011)	14/12/09 – 30/09/11	722	8,666
Jas Bains MBE (Term Ended 30/06/2011)	14/12/07 – 13/12/10 14/12/10 – 30/06/11	2,167	8,666
Dr David Brown (Deputy Chair from 14/12/2008)	13/02/06 – 13/12/08 14/12/08 – 30/06/12	17,332	17,332
Brendan Connor	14/12/06 – 13/12/09 14/12/09 – 30/06/12	8,666	8,666
Gerard Coyne	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 30/06/12	8,666	8,666
John Crabtree OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11 14/12/11 – 30/06/12	8,666	8,666
Angela Maxwell OBE	14/12/07 – 13/12/10 14/12/10 – 30/06/12	8,666	8,666
Kumar Muthalagappan OBE	14/12/09 – 30/06/12	8,666	8,666
Roger Phillips (Term Ended 30/09/2011)	14/12/09 – 30/09/11	4,333	8,666
Sue Prince OBE (Term Ended 30/09/2011)	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 30/09/11	4,333	8,666
Diane Rayner	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 30/06/12	8,666	8,666
Kenneth Taylor OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11 14/12/11 – 30/06/12	8,666	8,666
Jonnie Turpie MBE (Term Ended 30/09/2011)	14/12/09 – 30/09/11	4,333	8,666
Michael Whitby	14/12/09 – 13/12/11 14/12/11 – 30/06/12	8,666	8,666

* Professor Madeleine Atkins chose to work for the period 1st May 2011 to 30th September 2011 without pay. She also chose to donate her salary earned in April 2011 to charity, through *Give as You Earn*.

The closure of the Agency is planned for 30th June 2012. In the event that this closure date is later, due to the accounts process being extended, the Board will remain in place until that point in time.

Salary

“Salary” includes gross salary and car allowance where applicable. Performance pay is identified separately.

Remuneration and pension entitlements of the Chief Executive and the most senior managers were as follows:

	Salary including Car Allowance £	Performance pay £	Pension costs £	Compensation costs £	Total Emoluments 2011-2012 £	Total Emoluments 2010-2011 £
Mick Lavery Chief Executive (Compulsory Redundancy 30/06/2012)	145,772	13,500	31,493	140,772	331,537	188,476
John Doherty Corporate Director (Voluntary Redundancy 30/06/2012)	110,121	0	25,787	54,533	190,441	138,351
Karen Yeomans Corporate Director (Voluntary Redundancy 31/07/2011)	39,661 (FYE 112,121)	0	8,758	143,162	191,581	143,259
Mark Pearce Corporate Director (Voluntary Retirement 30/06/2012)	112,121	0	26,273	312,147	450,541	143,259
Tim Gebbels Corporate Director (Voluntary Redundancy 11/03/2011)	-	-	-	-	-	246,021
Richard Hutchins Corporate Director (Resigned 30/09/2010)	-	-	-	-	-	155,137

(See staff costs note 8 for further details of compensation payments)

One of the compensation costs is the actual redundancy cost for a senior officer who exited under the Civil Service Compensation Scheme in July 2011. The remaining compensation payments are accrued based on current estimates. Whilst they are expected to be paid, it is possible that they may not be.

None of the executive directors received any benefits in kind during this year or the previous year.

	Total remuneration 2011-12 £	Total remuneration 2010-11 £
Highest paid director	424,268	221,277
Median total	38,442	41,077
Remuneration ratio	11.0	5.4

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as compensation payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

In the financial year to 31st March 2012 no employees received remuneration in excess of the highest paid director (2010-11, one.) Remuneration ranged from £353 to £424,268 (2010-11 £998 to £273,775). As a result of compensation payments in 2010-11, one individual received remuneration in excess of the highest paid director.

The difference in the ratio for the financial year to 31st March 2012 compared to the previous financial year is due to the mix of staff required to close the Agency. A core closure team was maintained in the lead-up to 31st March 2012 which consisted of, on the whole, higher paid staff due to the level of skill and knowledge required in closing all facets of the organisation.

The pension entitlements of the most senior executives for year ended 31st March 2012 were as follows:

	Real increase in pension (£k)	Real Increase in lump sum (£k)	Pension at 31/03/12 (£k)	Lump sum at 31/03/12 (£k)	*CETV at 31/03/11 (nearest £k)	CETV at 31/03/12 (nearest £k)	Employee contributions and transfers in (£)	Real increase in CETV funded by employer (nearest £k)
Mick Lavery	0 – 2.5	-	45 - 50	75 - 80	627	690	4,536	7
John Doherty	0 – 2.5	-	5 - 10	N/A	25	42	3,714	12
Karen Yeomans	0 – 2.5	-	25 - 30	N/A	349	369	1,261	13
Mark Pearce	-	-	40 - 45	120 -125	673	716	1,622	0

The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/2011 and 31/3/2012 have both been calculated using the new factors, for consistency. The CETV at 31/3/2011 therefore differs from the corresponding figure in last year’s report which was calculated using the previous factors.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalized value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and

chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance which may be due when pension benefits are drawn.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the member (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a “final salary” scheme (classic, premium and classic plus) or a “whole career” scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and Nuvos are increased annually in line with changes in the Consumer Prices Index. New entrants from 1st October 2002 may opt for either the appropriate defined benefit arrangement or a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1st October 2002 calculated broadly as per Classic.

In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The maximum pension that nuvos will provide is 75% of pensionable earnings. There is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. The maximum lump sum that can be taken is calculated as the pension, multiplied by 30, divided by 70 (the commutation rate is £12 of lump sum for every £1 of pension given up. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 37.5% of the members pension. On death in service the scheme pays a lump sum benefit of twice the pay to a nominated person.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme but Advantage West Midlands is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/civil-service/pensions).

For 2011-12, employers' contributions of £946,287, were payable to the PCSPS (2010-11 £2,325,036) at one of four rates in the range 16.7 to 25.8 per cent of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Scheme's Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

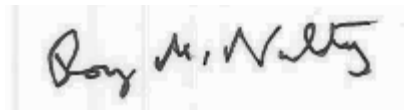
Employees joining after 1st October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £13,583 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £901, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Board Members' Pensions

No Board Members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of employment with the Agency, with the exception of the current and previous Chairman. Sir Roy McNulty, AWM's current Chairman, receives a contribution towards an existing pension scheme. Nick Paul, the previous Chairman, had a By-Analogy pension aligned to the Principal Civil Service Pension Scheme (PCSPS). With the approval of BIS, a pension and death in service benefit scheme was put in place for the previous Chairman with contribution rates and pension benefits which were identical to the Principal Civil Service Pension Scheme but which were funded directly by the Agency. The By-Analogy pension scheme is now a diminishing fund because the previous Chairman, Nick Paul retired on 31 August 2009. The Agency is no longer responsible for paying out the pension to Nick Paul, as this responsibility has transferred to BIS on 30th March 2012.



Mick Laverty
Chief Executive and Accounting Officer



Sir Roy McNulty, CBE
Chairman

14 June 2012

Statement of Board and Accounting Officer's Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury has directed the Board 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 Advantage West Midlands and of its income and expenditure, changes in taxpayer's equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Department for Business, Innovation and Skills (BIS), 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 accounts;
- Prepare the accounts on a going concern basis, unless it is no longer appropriate to do so; and
- Disclose all relevant information to the auditors.

The Permanent Secretary of BIS has designated the Chief Executive as Accounting Officer of Advantage West Midlands. 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 Agency's assets, are set out in Managing Public Money published by the HM Treasury.

The Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent in December 2011 accordingly, it is deemed that AWM will no longer be considered a going concern, and these accounts have therefore not been prepared on a going concern basis.

Governance Statement

Scope of Responsibility

As Accounting Officer, I have responsibility for ensuring a sound system of governance and internal control structures that underpin the achievement of Advantage West Midlands' policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible. The responsibility is in accordance with the responsibilities assigned to me in Managing Public Money, the Government's Financial Reporting Manual and Government Accounting. I also share responsibility with the Board for ensuring that Advantage West Midlands continues to operate within the framework specified by the Secretary of State for the Department for Business, Innovation and Skills (BIS).

Purpose of the Governance Statement

The purpose of this governance statement is to provide a clear understanding of the Agency's control structure, the stewardship of the organisation and how Advantage West Midlands has coped with the challenges that it has faced during 2011-12. The Governance Statement provides an insight into the business of the Agency and how resources have been used to allow me, as Accounting Officer, to make informed decisions regarding progress against our aims and objectives and keep the business on track. The statement explains how the Agency has complied with the principles of Good Governance and how we have reviewed the effectiveness of these arrangements.

Governance Framework

Following the Government's decision in June 2010 to abolish RDAs, the Agency's objectives changed and since the beginning of 2011-12 our focus has been on the achievement of a controlled closure by March 2012 with 2011-12 accounts published in June 2012. In recognition of the change in the Agency's objectives during 2010-11, our Closure and Transition Programme was initially approved by the Board in September 2010. A revised 2011-12 Programme Initiation Document, setting out programme objectives, governance arrangements, roles and responsibilities and performance measures was approved by the Board in March 2011.

In determining our approach to programme delivery, it was recognised at the outset that the closure of the Agency was a diverse, high risk and complex undertaking with both known and unknown external dependencies. Therefore, it was decided that to reduce the level of risk, the programme would be delivered in four stages with stages three and four covering the periods April 2011 to September 2011 and October 2011 to June 2012 respectively.

Committee Structure and Reporting

The Board has met on a monthly basis throughout the year and has provided oversight and governance to the overall Programme. Responsibility for risk management has been delegated to the Audit Committee and all exit, redundancy and staffing programmes have been considered by the Human Resources and Remuneration Committee.

The Audit Committee and the Human Resources and Remuneration Committee have met five and four times respectively during 2011-12. At each meeting the Audit Committee has considered a summary of the risk profile and the risk register together with a detailed breakdown of all risks that comprise the Corporate Risk Register and has reviewed the management actions implemented in response to internal audit recommendations.

I, as Accounting Officer, have served as the Closure and Transition Programme's Senior Responsible Owner (SRO) on behalf of the AWM Board. To assist me in discharging my responsibilities, the Programme has been governed by a Closure and Transition Board acting as the Programme's executive function. This Board has met on a fortnightly basis with a membership comprising the Agency's Corporate and Functional Directors with a remit to provide senior and expert oversight to ensure the Agency achieves its closure and transition objectives.

In November 2011, the Board received the End of Stage Review Report for Stage 3 of the Closure and Transition Programme. This report concluded that significant progress had been made. In particular the majority of the asset transfers had been completed, the voluntary redundancy scheme had been successfully implemented and the overall approach and governance remained fit for purpose.

The AWM Board has also received regular reports from the Audit Committee including the minutes of all Committee meetings held throughout the year and a summary of all internal audit reports presented to the Committee. During the period, there were no reports which concluded that any of the areas under review were 'Inadequately Controlled'.

In accordance with best practice guidance, the AWM Board received a formal report from the Audit Committee summarising its activities for the period. The Audit Committee did not receive any whistle blowing referrals during the period or any reports of fraud and considered that a satisfactory standard with regard to risk management was maintained for the year.

Board Effectiveness

In May 2011, the Board reviewed its constitution and in view of the fact that staffing numbers would be reducing significantly during the year and the Agency had withdrawn from a wide range of strategic partnerships and activities, members agreed that the Board would reduce from 15 to 10 members from 1st October 2011. In assessing its effectiveness, the Board recognised that good governance together with continuity and stability at a time of rapid change and heightened risk would remain extremely important and as a result agreed that the Audit Committee and the Human Resources and Remuneration Committee would remain in place to oversee the production of the final set of accounts and the departure of the remaining staff.

On a monthly basis, the AWM Board has been provided with a Closure and Transition Board Report Pack which includes a Key Decision Log setting out those decisions that have been taken and those that are scheduled to be taken as part of the closure and transition process. The Pack also contains a Balanced Scorecard and Programme Dashboard which provide details of progress against headline performance measures and illustrates the current status of key programme parameters including capacity and work remaining, audit and risk management, and financial management.

The Board has also received regular reports at each Board meeting covering a number of key issues including performance headlines, financial performance, the Corporate Risk Register and Audit Committee minutes and reports. In addition to the regular items, the Board has received reports on specific issues including Board membership, anti-bribery policy, legacy website and 2010-11 Annual Report and Accounts.

Throughout the year, Advantage West Midlands has where applicable, applied the principles of the Code of Good Practice for Corporate Governance in Central Government Departments in order to meet its business needs and the Agency's practices have been consistent with these principles.

The quality of the data used by the Agency's Board has been presented to and endorsed by the Closure and Transition Board prior to being reported to the Board and as a result the Board is confident in the quality of the information being presented.

The Board has set out, through myself as Accounting Officer, any necessary additions or revisions to the existing Scheme of Delegation to account for the activities relating to closure and transition. This has been done in accordance with the RDA Accountability and Financial Framework and any supplementary instructions issued by BIS with respect to the closure and transition process (for example, Transition Guidance Notes).

Risk and Internal Control Framework

As already noted, it was recognised very early in the closure and transition process that the changes in the environment in which the Agency was operating represented an increase in the level of risk and uncertainty. As a result of this situation and the change in Agency objectives, the Audit Committee acknowledged an decrease in the organisation's risk appetite and in response to this, endorsed a series of steps to increase the level of control and provide greater assurance that risk was being managed to an acceptable level.

The 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 a reasonable and not an absolute assurance of effectiveness.

The Risk and Issue Management Strategy forms a key component of the 2011-12 Closure and Transition Programme and in accordance with the methodology endorsed by the Board, we have adopted an approach to the management of risk based on the Orange Book, published by HM Treasury.

The Agency has attended regular meetings of the RDA Audit Chairs' Committee in order to share and take on board a wide range of views regarding closure and transition risks. In addition, I am a member of the RDA National Transition Board, established by BIS. At each monthly meeting, the Board considered closure and transition risks and mitigating actions from a national perspective.

The closure and transition activities of the Agency have resulted in a fundamental change in the risk environment in which the Agency is operating with heightened risks in areas such as financial management and fraud and a removal of risks in areas such as those relating to policy development. With the implementation of the Closure and Transition Plan it became clear that the risks associated with its delivery had superseded all previous risks. As a result, all risks have been assessed within a framework that has followed the structure of the Closure and Transition Plan, and an approach was endorsed by the Audit Committee.

Each area of risk that was identified has been mapped against the types of assurance that are available to the Board, and shows the Board receives assurance on each of the key risks identified. The level and types of assurance vary from risk to risk, with some areas such as fraud being subject to multiple assurances while others areas such as programme management being more reliant on the Corporate Risk Register and management assurance. To further enhance the Assurance Framework, the source of the assurance is designated as either Independent or Management to highlight whether the assurance given comes direct from managers controlling the risk or activity or from an independent third party such as Internal Audit or external sources such as the National Audit Office.

Risk Profile and Assessment

Our risk profile and approach to risk management has been based on the structure of our Closure and Transition Programme. We have implemented a comprehensive programme of reviews carried out by Internal Audit and, throughout the year, we have regularly monitored the levels of risk and the implementation of mitigation actions across the following eight areas:

- **Closure and Transition Programme Delivery**

The key risk was identified as delays to the overall programme delivery brought about by factors such as late transfer of assets and liabilities, delays in the establishment of the BIS Portfolio Management Office (PMO) and problems with subsidiary organisations. In order to mitigate the overall delivery risks, the Closure and Transition Programme has been broken down into four stages. Progress in the implementation of each stage has been monitored against defined milestones by the Closure and Transition Board and reported to the Agency Board on a monthly basis.

As Chairman of Business Link West Midlands (BLWM), a subsidiary organisation, I have overseen the closing down of the Business Link services, which ceased on 25th November 2011. The Business Link closure activities have been reviewed by Internal Audit (the audit opinion was 'Well Controlled') and further assurance has been provided by the BLWM audit committee, chaired by the Agency's Corporate Director of Resources and by BLWM's independent auditors. The company has been put into Members Voluntary Liquidation (MVL) and then transferred to the BIS Portfolio Management Office (PMO) in March 2012.

- **People**

The key risk has been the loss of staff and expertise during the period of closure and transition. In order to mitigate the risk, the Agency has, with Cabinet Office approval and in consultation with trade union representatives, implemented a voluntary redundancy scheme which has included a consideration of the business-critical nature of key roles as well as the achievement of best value for money in staff and administrative costs.

Staff capacity has been monitored against a target profile and this has formed a part of the dashboard report presented to the Board on a monthly basis. To manage knowledge retention and transfer, we have in place a rigorous handover process to ensure that key knowledge is not lost to the organisation as staff leave.

- **Facilities & Services**

The key risks have been the failure to exit from all legal agreements before the Agency is abolished and the maintenance of adequate business continuity arrangements. In order to mitigate the risks, we have maintained detailed records of all legal agreements, and our Business Continuity Plan (BCP) has been subject to internal audit and updated to ensure that it remains fit for purpose.

- **Finance**

The heightened risks associated with closure relate to fraudulent and/or erroneous payments and disposal of assets due to significant changes in personnel and to the control environment. In order to mitigate these risks, we have implemented the following:

- Transaction testing undertaken by Internal Audit found the systems and processes in place to be 'Controlled';
- Financial procedures have been tightened to ensure segregation of duties is maintained as the number of staff within the organisation is reduced;
- Continuing with tightened controls introduced during 2010-11, our scheme of delegation has been replaced by a centralised process whereby all financial expenditure and asset management has been managed through the Finance Department and our Investment Decision Group; and
- We have reviewed and re-issued our Anti Fraud Policy and issued an Anti Bribery policy in response to the Bribery Act which came into force in July 2011.

- **Knowledge Management, Records and Systems**

The key risks have been that information will be lost and/or there will be breaches in information security. The risks associated with disposal of assets, transfer of information and destruction of records have been recognised and we have acted to ensure that the necessary safeguards have been put in place including data transfer agreements with all information recipients and encryption and security marking of information prior to transfer.

During the year, we reviewed our information security policies and procedures as part of our programme of internal audits, in line with the guidance issued by the Cabinet Office. We have found no significant breaches of security. The Corporate Director of Resources is the Senior Information Risk Officer (SIRO) with the remit to oversee all information security. We have reviewed and updated our Data Protection policy to reflect the changes in circumstances brought about by closure and transition.

In view of the large number of staff that have left the Agency throughout 2011-12, our IT and buildings security procedures have been enhanced to reduce the risk of unauthorised access.

The Agency has not suffered any key data losses during the year.

- **Programmes, Projects and Grants**

The key risks have been that the efficient and effective completion or transfer of our remaining programmes and projects do not take place before the Agency is abolished and/or that failure in the achievement of contracted outputs and outcomes has a negative impact on value for money. In order to mitigate these risks, progress has been subject to monthly review by the Closure and Transition Board and the Agency Board through the Financial Management Report (budget expenditure forms the subject of the Dashboard reported to the Board on a monthly basis).

We have established a specific team to work on this area of activity with resources focussed on those projects with the greatest balance of spend or potential risk remaining. Our approach has been to systematically minimise the scale of remaining activity as we approach the date of closure. We have worked closely with partners to accelerate our spend contribution and hence the completion of our input to projects. We have formally closed projects early where value for money targets have already been achieved and have streamlined the closure and archive process to make it more efficient. In addition, we have proactively sought and encouraged Government's identification of suitable alternative hosts for projects with remaining spend, outputs or contingent obligations and effected the orderly transfer of this activity through the transfer package process.

- **Transfer of Functions and Assets**

The key risk relating to the transfer of functions and assets has been that all the necessary transfers do not take place before the Agency is abolished. Through the maintenance of the programme management controls and with independent assurance from Internal Audit, the risks associated with these transfers have been managed effectively. These areas were:

- Inward Investment activities transferred to BIS on 1st May 2011 under Section 6 and Schedule 3 of the RDA Act 1998, and contracted out to PA Consulting Ltd;
- RDPE transferred to DEFRA on 1st July 2011 under Statutory Instrument;
- ERDF transferred to DCLG on 1st July 2011 under Statutory Instrument;
- Coalfields transferred to HCA on 1st August 2011 under Section 51 of the Housing and Regeneration Act 2008;
- Stewardship (Land and Property Portfolio) transferred to HCA on 19th September 2011 under Section 51 of the Housing and Regeneration Act 2008;

- Grants for Research & Development transferred to TSB on 1st August 2011 under Section 6 and Schedule 3 of the RDA Act 1998;
- Grants for Business Investment transferred to TSB on 1st September 2011 under Section 6 and Schedule 3 of the RDA Act 1998; and
- Venture Capital and Loan Funds transferred to BIS on 1st October 2011 through novation.

With respect to the transfers relating to Grants for Research & Development, Grants for Business Investment and Venture Capital and Loan Funds, I have received a letter from the BIS Permanent Secretary stating that as Principal Accounting Officer for BIS, from the dates of transfer he will take on the Accounting Officer role for these funds.

With respect to the Coalfields and Land and Property Portfolio transfers to HCA, I have received a letter from the CLG Permanent Secretary stating that he will accept responsibility for ensuring regularity, propriety and value for money, as if he was the responsible Principal Accounting Officer for these resources from transfer dates until the Supplementary Estimate is passed by Parliament.

As Parliament has approved the transfer of the relevant resources, the CLG Permanent Secretary will formally assume the Principal Accounting Officer role. The transfer of Inward Investment activities to BIS did not include any transfer of assets or liabilities.

• **Communications**

The key communications risks have been that staff and stakeholders have not been kept fully informed of the closure and transition process and that the Agency's reputation is damaged as a consequence. In the light of the change in aims and objectives, we revised our strategy and focused our communications on three key areas of activity:

- Internal Communications – to ensure timely, accurate and consistent provision of information to staff;
- Stakeholder Management – to ensure the Agency's customers, strategic and operational partners were suitably informed regarding the closure process; and
- Protecting the Agency brand and legacy – to ensure that the Agency's reputation remains intact and that a legacy is established which is accessible beyond the Agency's life.

In particular, we have met with BIS Relationship Managers throughout the year on a fortnightly basis in order ensure that both parties have a common understanding of progress and issues as well as an agreed approach to the handover of communications functions and responsibilities.

At the commencement of Stage 4 of the Closure and Transition Plan in October 2011, in recognition of the greatly reduced levels of activities and resources and to ensure that our approach remained fit for purpose, the Audit Committee endorsed a change in our approach whereby the eight business risk areas listed above were collapsed down into a single Closure and Transition Risk Register, managed on a monthly basis through the Closure and Transition Board.

Accountability for Grants to Local Government

During 2011-12 the Agency entered into no new grant agreements with local government organisations. However, payments were made in accordance with existing agreements signed in previous years.

Probity has been assured through the application of the Agency's contract management processes which include, where applicable, the need for the provision of independent auditors' reports.

Grant agreements have only been entered into for those projects that at the appraisal stages, met the Agency's value for money criteria. Subsequent management against spend and output targets has ensured that the activities have achieved the desired value for money performance levels.

Review of Effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of the executive managers and internal auditors within the organisation who have responsibility for the development and maintenance of the governance structures, the internal control framework, the Audit Committee's Annual Report to the Board and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

The RDA peer review conducted by BIS with representatives from the National Audit Office and another RDA has provided an important independent assurance on the Agency's ability to meet its closure and transition objectives. In November 2011, as a result of the second review, BIS concluded that:

“AWM continues to manage its closure process tightly with a high standard of governance and control, as was evidenced at the first peer review. In all areas the programme is on schedule, in some instances ahead of schedule and only unforeseen circumstances of some magnitude should prevent AWM achieving a high quality closure”.

The Board has not been reliant upon a single source of assurance and we have implemented and relied upon the following processes (which include mechanisms that are independent of management) to maintain and review the effectiveness of the internal control system:

- The Agency's non-executive Board has corporate responsibility for ensuring that aims and objectives, as set by the Secretary of State, are fulfilled and for promoting the efficient and effective use of staff and other resources. To this end, the Board plays a major role in the risk management and internal control processes and at its monthly meetings considers Audit Committee minutes and Audit Reports;
- The non-executive Audit Committee which meets bi-monthly, receives assurance on the Agency's systems of risk management, corporate governance, and internal control and independently advises the Board;
- The Audit Committee Chair's Annual Report to the Agency's Board;
- Attendance by the National Audit Office at each Audit Committee meeting, including discussions with the Committee from which the Agency's executives are excluded;
- Reports to each meeting of the Audit Committee on the implementation of recommendations for addressing control weaknesses identified by Internal Audit;
- The Audit Committee's role to specifically review the Corporate Risk Register;
- Reports to each meeting of the Agency's Human Resources and Remuneration Committee;
- Establishment of key performance milestones and indicators reported through the Closure and Transition Programme Dashboard and the Balanced Scorecard;
- The Risk Register, together with evaluation and management of the risks identified. This is supported by regular reports from managers on the steps they are taking to manage risks in their areas of responsibility;
- The executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework;
- Monthly management accounts and quarterly forecasts; and
- Internal Audit submits regular reports to the Audit Committee on the adequacy and effectiveness of the Agency's systems of internal control and the management of key

business risks together with recommendations for improvement. Recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables. The status of Internal Audit recommendations and the collection of evidence to verify their implementation are recorded as part of the dashboard and are reported regularly to the Audit Committee and Board.

Following completion of the 2011-12 audit work, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

“Based on the work carried out during 2011-12, it is reasonable to conclude that arrangements for control and governance within the Agency as a whole are adequate. Recommendations to improve systems and processes have been made as part of Internal Audit reviews where applicable”.

There have been no significant control issues or security breaches to report.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the Audit Committee.

I have considered the evidence provided with regards to the production of the Annual Governance Statement and conclude that the Agency's overall governance and key risks have been managed effectively.



Mick Laverty
Chief Executive and Accounting Officer
14 June 2012

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of Advantage West Midlands for the year ended 31 March 2012 under the Regional Development Agencies Act 1998. The financial statements comprise: the Group and Agency Statements of Comprehensive Net Expenditure, Statements of Cash Flows and the Statements of Changes in Taxpayers' Equity, as well as the Agency Statement of Financial Position; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board 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. My responsibility is to audit and express an opinion on the financial statements in accordance with the Regional Development Agencies Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the group's and Advantage West Midlands' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Advantage West Midlands; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Advantage West Midlands' affairs as at 31 March 2012 and of the group's and the parent's net expenditure after tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

Emphasis of Matter – Preparation on a basis other than Going Concern

Without qualifying my opinion, I have considered the adequacy of the disclosures made in note 1(b) concerning management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following Royal Assent to the Public Bodies Act 2011 which contains provision for the abolition of all Regional Development Agencies.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Regional Development Agencies Act 1998; and
- the information given in the Performance Report, Directors' Report and Management Commentary, and Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; 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 HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria

15 June 2012

Financial Statements

2011-12

Advantage West Midlands

Group Statement of Comprehensive Net Expenditure For the year ended 31 March 2012

	Notes	Year ended 31-Mar-12 £'000	Year ended 31-Mar-11 Restated £'000
Expenditure			
Programme expenditure	3	59,330	132,884
European funded programme expenditure	3	4,729	26,114
Staff costs	8	15,402	27,803
Depreciation / amortisation	11/12	0	852
Other administration expenditure	9	3,601	4,629
Loss on transfer of Financial Assets	2d	29,540	0
Loss on transfer of Subsidiary	2d	4,606	0
Loss on revaluation of Venture Capital Funds	2d	1,732	1,224
Total Expenditure		118,940	193,506
Income			
European funded income	4	6,809	31,834
Other income	6	4,985	3,763
Other government grants	5	2,918	9,958
Gain/(Loss) on disposal of Inventories		98	(1)
Gain on disposal of PPEs		785	0
Gain on PMO transfer	2d	434	0
Total Income		16,029	45,554
Net Expenditure		102,911	147,952
Interest payable	10	8	9
Interest receivable	7	(58)	(276)
Net Expenditure after interest		102,861	147,685
Taxation	20	(1,663)	1,807
Net Expenditure after taxation		101,198	149,492
Net expenditure after taxation relating to discontinued activities	28	69,541	140,297
Other Comprehensive expenditure		£'000	£'000
Net (gain)/loss on revaluation of PPE		(133)	174
Net (gain)/loss on revaluation of Inventories	16	0	3,489
Net (gain)/loss on revaluation of Bad Debts		(149)	(48)
Total Comprehensive Expenditure for the year		100,916	153,107

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2a).

The notes on pages 43 to 99 form part of these accounts.

Agency Statement of Comprehensive Net Expenditure For the year ended 31 March 2012

	Notes	Year ended 31-Mar-12 £'000	Year ended 31-Mar-11 Restated £'000
Expenditure			
Programme expenditure	3	59,806	133,342
European funded programme expenditure	3	4,729	30,510
Staff costs	8	13,248	16,904
Depreciation / amortisation	11	0	852
Other administration expenditure	9	1,979	1,121
Loss on transfer of Financial assets	2d	29,540	0
Loss on disposal of Subsidiary	2d	4,606	0
Net (gain)/loss on revaluation of Venture Capital Funds	2d	1,732	1,224
Net (gain)/loss on revaluation of Subsidiary	2d	484	0
Total Expenditure		116,124	183,953
Income			
European funded income	4	6,809	31,576
Other income	6	4,925	3,799
Other government grants	5	158	879
Profit on disposal of Inventories		98	0
Profit on disposal of PPEs		785	0
Profit on PMO transfer	2d	434	0
Total Income		13,209	36,254
Net Expenditure		102,915	147,699
Interest payable	10	8	9
Interest receivable	7	(59)	(269)
Net Expenditure after interest		102,864	147,439
Taxation	20	(1,664)	1,807
Net Expenditure after taxation		101,200	149,246
Net Expenditure after taxation relating to discontinued activities	28	69,543	140,051
Other comprehensive Expenditure			
Net (gain)/loss on revaluation of PPE		(133)	174
Net (gain)/loss on revaluation of Inventories	16	0	3,489
Net (gain)/loss on revaluation of Bad Debts		(149)	(46)
Total Comprehensive Expenditure for the year		100,918	152,863

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2b and 2c).

The notes on pages 43 to 99 form part of these accounts.

Statement of Financial Position

As at 31 March 2012

	Notes	Year ended 31-Mar-12 Agency £'000	Restated 31-Mar-11 Group £'000	Restated 31-Mar-11 Agency £'000	Restated 01-Apr-10 Group / Agency £'000
NON CURRENT ASSETS					
Property, plant and equipment	11	0	3,175	3,175	3,884
Intangible assets	12	0	0	0	392
Investments in Associates	13a	0	0	0	117
Investments in Joint Ventures	13b	0	0	0	55
Investment in Subsidiary	13d	0	0	5,090	0
Financial Assets - Venture Capital Funds	13c	0	26,930	26,930	25,773
Financial Assets - Long term loans	14	0	3,500	3,500	4,785
Total Non Current Assets		0	33,605	38,695	35,006
CURRENT ASSETS					
Inventories	16	0	4,345	4,345	7,725
Trade and other receivables	17	222	22,887	21,860	25,099
Cash and cash equivalents	18	12,379	70,694	65,438	80,369
Total Current Assets		12,601	97,926	91,643	113,193
TOTAL ASSETS		12,601	131,531	130,338	148,199
CURRENT LIABILITIES					
Trade and other payables	19	2,141	62,098	61,233	75,015
Total Current Liabilities		2,141	62,098	61,233	75,015
NON CURRENT ASSETS PLUS NET CURRENT ASSETS		10,460	69,433	69,105	73,184
NON CURRENT LIABILITIES					
Provisions	21	0	2,558	2,232	2,259
Total Non Current Liabilities		0	2,558	2,232	2,259
ASSETS LESS LIABILITIES		10,460	66,875	66,873	70,925
TAXPAYERS' EQUITY					
Grant in Aid Reserve		10,460	62,953	60,521	70,976
Revaluation Reserve		0	133	133	129
Government Grant Reserve		0	0	0	0
General Reserve		0	3,789	6,219	(180)
		10,460	66,875	66,873	70,925

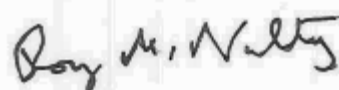
The comparative information for 2010-11 and 2009-10 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2b and 2c).

The notes on pages 43 to 99 form part of these accounts.

The financial statements on pages 35 to 99 were approved by the Board on 14th June 2012 and were signed on its behalf by:



Mick Laverty
Chief Executive and Accounting Officer



Sir Roy McNulty
Chairman

Group Statement of Cash Flow

For the year ended 31 March 2012

	Notes	Year ended 31-Mar-12 £'000	Year ended 31-Mar-11 Restated £'000
Net Expenditure after interest		(102,861)	(147,685)
(Increase)/decrease in Trade and other receivables	17	22,665	3,033
(Increase)/decrease in Inventories	16	4,345	(109)
Increase/(decrease) in Trade Payables	19	(58,395)	(22,542)
Use of provisions	21	(2,558)	748
Release of revaluations		(133)	0
Disposal of Property, Plant and Equipment	11	3,205	0
Disposal of Intangible Assets	12	0	90
Disposal of assets to other government bodies	2d	29,540	0
Disposal to BIS		(434)	0
Unwinding of Discount on Loans	15	0	215
Impairment of Venture Capital Funds	2d	1,732	1,224
Depreciation / amortisation	11/12	0	852
Corporation Tax Paid		1	(3)
Net cash outflow from operating activities		(102,893)	(164,177)
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	11	(30)	(15)
Payments to Venture Capital Funds	13c	(1,605)	(2,265)
Repayments from other bodies	13c	763	1,500
Interest receivable		(58)	(269)
Net cash outflow from investing activities		(930)	(1,049)
Cash flows from financing activities			
Grant in Aid from parent department		42,536	141,928
Grant in Aid utilised for Stewardship transfer		1,301	0
EU grants to fund Venture Capital Funds		1,605	1,765
Bank Interest		58	62
By-Analogy pension scheme		8	8
Net financing		45,508	143,763
Net increase/(decrease) in cash and cash equivalents in the period		(58,315)	(21,463)
Cash and cash equivalents at the beginning of the period	18	70,694	92,157
Cash and cash equivalents at the end of the period	18	12,379	70,694

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2b and 2c).

The Agency transferred its subsidiary interests to the Department for Business, Innovation and Skills on 30th March 2012.

Agency Statement of Cash Flow For the year ended 31 March 2012

	Notes	Year ended 31-Mar-12 £'000	Year ended 31-Mar-11 Restated £'000
Net Expenditure after interest		(102,864)	(147,439)
(Increase)/decrease in Trade and other receivables	17	21,638	(448)
(Increase)/decrease in Inventories	16	4,345	(109)
Increase/(decrease) in Trade Payables	19	(57,521)	(11,995)
Use of provisions	21	(2,232)	(27)
Release of PPE revaluation		(133)	0
Disposal of Property, Plant and Equipment	11	3,205	0
Disposal of assets transferred to other government bodies	2d	29,540	0
Disposal of Intangible Assets	12	0	90
Disposal to BIS		4,169	0
Unwinding of Discount on Loans	15	0	215
Impairment of Venture Capital Funds	2d	1,732	1,224
Impairment of Subsidiary	2d	484	0
Depreciation / amortisation	11/12	0	852
Corporation Tax Paid		0	0
Net cash outflow from operating activities		(97,637)	(157,637)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(30)	(15)
Payments to Venture Capital Funds	13c	(1,605)	(2,265)
Repayments from other bodies	13c	763	1,500
Interest receivable		(59)	(269)
Net cash outflow from investing activities		(931)	(1,049)
Cash flows from financing activities			
Grant in aid from parent department		42,536	141,928
Grant in Aid utilised for Stewardship transfer		1,301	0
EU grants to fund Venture Capital Funds		1,605	1,765
Bank Interest		59	54
By Analogy pension scheme		8	8
Net financing		45,509	143,755
Net increase/(decrease) in cash and cash equivalents in the period		(53,059)	(14,931)
Cash and cash equivalents at the beginning of the period	18	65,438	80,369
Cash and cash equivalents at the end of the period	18	12,379	65,438

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2b and 2c).

During the year ended 31st March 2012 losses have been crystallised and this has resulted in the restatement of prior year comparative cashflows.

Group Statement of Changes in Taxpayers' Equity For the year ended 31 March 2012

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Published Balance at 1 April 2010	(1,844)	10,504	16,558	189,996	215,214
Restatement adjustment for MOG transfers	1,664		(16,429)	(129,524)	(144,289)
Restatement adjustment for policy change		(10,504)		10,504	0
Balance at 1 April 2010 restated	(180)	0	129	70,976	70,925
Changes in Taxpayers' Equity 2010-11					
Acquisition Reserves	5,335	0	0	0	5,335
Transfers between reserves	22,404	0	0	(22,404)	0
Actuarial gain / (loss)	28	0	0	0	28
ERDF receipts for Venture Capital Funds	1,765	0	0	0	1,765
ERDF released for prior year adj.	(484)	0	0	484	0
Total Comprehensive Expenditure for the year	(25,079)	0	4	(128,032)	(153,107)
Total movements in 2010-11	3,969	0	4	(149,952)	(145,979)
Grant in aid from BIS to fund capital expenditure	0	0	0	0	0
Grant in aid from BIS to fund revenue expenditure	0	0	0	141,929	141,929
Balance at 31 March 2011 restated	3,789	0	133	62,953	66,875
Balance at 1 April 2011 restated	3,789	0	133	62,953	66,875
Changes in Taxpayers' Equity to 31 March 12					
Additions	1,605	0	0	0	1,605
Actuarial gain / (loss)	(5)	0	0	0	(5)
Transfer between reserves	(5,062)	0	0	5,062	0
Disposals		0	(133)		(133)
Transfers	157			(157)	0
Coal debtor prior year correction	0	0	0	502	502
Consolidation intercompany transactions	7,090	0	0	(7,090)	0
Total Comprehensive Expenditure for the year	(7,574)	0	0	(93,342)	(100,916)
Total recognised income and expense for 2011-12	(3,789)	0	(133)	(95,025)	(98,947)
Grant in aid from BIS to fund capital expenditure	0	0	0	1,622	1,622
Grant in aid from BIS to fund revenue expenditure	0	0	0	40,910	40,910
Balance at 31 March 2012	0	0	0	10,460	10,460

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2). The Government Grant Reserve has been restated to apply the change in accounting policy (see Note 1e).

Agency Statement of Changes in Taxpayers' Equity For the year ended 31 March 2012

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Published Balance at 1 April 2010	(1,844)	10,504	16,558	189,996	215,214
Restatement adjustment for MOG transfers	1,664	0	(16,429)	(129,524)	(144,289)
Restatement adjustment for policy change		(10,504)	0	10,504	0
Balance at 1 April 2010 restated	(180)	0	129	70,976	70,925
Changes in Taxpayers' Equity 2010-11					
Restatement for Investment in Subsidiary	5,090				5,090
Actuarial gain / (loss)	28	0	0	0	28
ERDF receipts for Venture Capital Funds	1,765	0	0	0	1,765
ERDF released for prior year adj.	(484)	0	0	484	0
Total Comprehensive Expenditure for the year	0	0	4	(152,867)	(152,863)
Total movements in 2010-11	6,399	0	4	(152,383)	(145,980)
Grant in aid from BIS to fund capital expenditure	0	0	0	0	0
Grant in aid from BIS to fund revenue expenditure	0	0	0	141,928	141,928
Balance at 31 March 2011 restated	6,219	0	133	60,521	66,873
Balance at 1 April 2011 restated	6,219	0	133	60,521	66,873
Changes in Taxpayers' Equity to 31 March 12					
Additions	1,605	0	0	0	1,605
Actuarial gain / (loss)	(5)	0	0	0	(5)
Transfer between reserves	(7,492)	0	0	7,492	0
Disposals		0	(133)		(133)
Transfers	157			(157)	0
Coal debtor 2010-11 correction	0	0	0	502	502
Total Comprehensive Expenditure for the year	(484)	0	0	(100,434)	(100,918)
Total recognised income and expense for 2011-12	(6,219)	0	(133)	(92,597)	(98,949)
Grant in aid from BIS to fund capital expenditure	0	0	0	1,622	1,622
Grant in aid from BIS to fund revenue expenditure	0	0	0	40,914	40,914
Balance at 31 March 2012	0	0	0	10,460	10,460

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (see Note 2). The Government Grant Reserve has been restated to apply the change in accounting policy (see Note 1e).

Statement of Changes in Taxpayers' Equity (continued)

The General Reserve has been released as a result of the By-Analogy Pension Scheme transfer under acquisition accounting to the Department of Business, Innovation and Skills on 30th March 2012 (see Note 2)

The Government Grant Reserve has been released due to a prior period adjustment resulting from a change in accounting policy.

The Revaluation Reserve has been fully released as a result of disposals of capitalised Property, Plant and Equipment assets.

The Grant in Aid Reserve represents grant received from BIS which is retained to match capitalised expenditure, cash and cash equivalents.

Notes to the Financial Statements for the year ended 31 March 2012

1 Accounting Policies

(a) Basis of Accounting

The financial statements of Advantage West Midlands have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury and in a form directed by the Secretary of State for Business, Innovation and Skills (BIS), with approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Advantage West Midlands for the purpose of giving a true and fair view has been selected. The particular policies adopted by Advantage West Midlands, either for current year or prior year comparatives, are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Note that the Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent on 14th December 2011. Accordingly management have assessed that Advantage West Midlands will no longer be considered a going concern, and these accounts have therefore prepared on a basis other than that of a going concern.

(b) Going Concern

The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14th December 2011. The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act, the first came in to effect on 1st January 2012, transferring remaining projects and some staff to BIS so that the projects can be completed. A second Transfer Scheme was made on 30th March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31st March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on or after 30th June 2012.

Based on this knowledge, and the fact that the majority of the Agency's functions ceased in year, with the remainder transferred to other parts of government, it is management's view that the accounts for 2011-12 should be prepared on a basis other than that of a going concern.

We have reviewed the impact of this on the accounting policies. Given the transfer or cessation of all functions during the year (see note 2) and the operational closure of the agency by 31st March, achieved by the transfer to BIS of all residual operational assets and liabilities at 30th March (see note 2d), little remains on the Agency's Statement of Financial Position. For those current assets and liabilities remaining, we have reviewed the related accounting policies and we are content that these continue to be appropriate.

A small team of people will remain employed after 31st March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts and preparing draft accounts for the final period until abolition.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(c) Accounting Convention

The information contained in the financial statements relating to prior accounting periods is prepared on a going concern basis under modified historical cost convention. The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(d) Basis of Consolidation

The consolidated accounts incorporate the Agency and its subsidiary undertakings Business Link West Midlands Limited, which was put voluntarily into administration on 24th February 2012 and transferred to BIS on 30th March 2012, with a result that the accounts to 31st March 2012 are no longer prepared on a group basis. A Group Statement of Comprehensive Net Expenditure (SoCNE), Statement of Group Cashflow and Group Statement of Changes in Taxpayers' Equity (SoCTE) have been prepared to reflect that transactions that took place during the year up to disposal.

(e) Government Grants and Grant In Aid

Grant in Aid received to finance activities and expenditure which support the statutory and other objectives of the entity is treated as financing, and credited to the Grant in Aid Reserve, because it is regarded as a contribution from a controlling party.

All other grants are credited to income unless there are specific repayment conditions.

(f) Property, Plant and Equipment

As a consequence of closure, during the year the Agency sold or transferred under Machinery of Government, all of its interests in land and buildings. In previous years, land and buildings held within Non Current Assets were shown in the Statement of Financial Position at market value which included depreciation that had been applied over their useful economic life.

All other property, plant and equipment is stated at historical cost less depreciation. All of these assets are fully depreciated, and have zero net value. Historical cost includes expenditure that was directly attributable to the acquisition of the items.

Valuations were carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institution of Chartered Surveyors and were carried out by King Sturge International Property Consultants.

Increases in the carrying amount arising on revaluation of land and buildings were credited to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset were charged against the Revaluation Reserve; all other decreases were charged to the Statement of Comprehensive Net Expenditure. Acquisitions and disposals of land and buildings are accounted for on the date of legal completion. The Agency capitalises all items of expenditure above £100 which have a useful life beyond one year.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(g) Venture Capital Funds and Loan Funds

As part of the closure arrangements, the Agency transferred its interests in all of its Venture Capital Funds and Loan Funds to AWM's sponsor department (BIS), on 1st October 2011. These transfers are dealt with under IFRS 3: Business combinations, whereby the acquisitions are accounted for at fair value at the date of acquisition. Due to these transfer arrangements being for nil consideration, the accounts report a loss on transfer and BIS report an equal and opposite gain on transfer. Assets to the value of £29.54m were transferred to BIS under this arrangement. At the BIS group level, there is neither a loss nor gain on disposal.

(h) Depreciation and Amortisation

Depreciation and amortisation was provided to write off the cost of non current assets over their anticipated useful lives on a straight line basis at the following annual rates:

Property, Plant and Equipment:

Land and Property	Between 20 & 50 years
Leasehold buildings with less than 25 years to run	Period of Lease
Office furniture, fittings and equipment	Between 4 & 10 Years
Information Technology	3 Years

Intangible Assets

Software and Licences	5 Years
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(i) Inventories

During the year the Agency sold or transferred under Machinery of Government, all of its interests in Inventories consisting of land and buildings held short term for disposal. In prior years Inventories were shown at fair value. Increases in the carrying amount arising on revaluation were credited to the Revaluation Reserve. Decreases in the carrying amount that offset previous increases of the same asset were charged against the Revaluation Reserve; all other decreases were charged to the Statement of Comprehensive Net Expenditure.

Valuations were carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institution of Chartered Surveyors.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure. Acquisitions and disposals are accounted for on the date of legal completion.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(j) Financial Assets – Interests in Associates, Joint Ventures and Subsidiaries

Interests in associates, joint ventures and subsidiaries were held on the Statement of Financial Position and were valued using the equity method, being the Agency's share of the net assets or net liabilities of the entity at the Statement of Financial Position date. Increases in the carrying amount arising on revaluation were credited to the Revaluation Reserve. Decreases in the carrying amount that offset previous increases of the same asset were charged against the Revaluation Reserve; all other decreases were charged to the Statement of Comprehensive Net Expenditure.

(k) Pension Costs

Past and present employees of the Agency are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a non-contributory defined benefit scheme and is unfunded, or by the provisions of the Homes and Communities Agency Scheme (previously the English Partnerships Pension Scheme) which is also a defined benefit scheme and individual defined contribution pension plans.

Advantage West Midlands recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employee services by payment to the scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Under the Voluntary Redundancy Scheme where an employee takes early retirement before their normal pension age, the cost of this is met by the Agency up to the point of their normal pension age, after which the scheme meets the cost.

The 'By-Analogy' scheme is for past Chairs with rules equivalent to those of the PCSPS. The arrangement is a UK based benefit promise made by the employer, providing benefits at retirement and on death-in-service. The arrangement is unfunded and the employer pays benefits as and when they arise. This was transferred to BIS on 30th March 2012.

The By-Analogy scheme is subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits. Differences between actual and expected returns on assets during the year are recognised in the Statement of Changes in Taxpayers' Equity, together with differences arising from changes in actuarial assumptions. More details of the Agency's pension schemes are provided within the Remuneration Report.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(l) Foreign Currency Transactions

Transactions in foreign currency are recorded in Sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into Sterling at the rates prevailing at the end of the year. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases.

Payments made under operating leases were charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease.

There are no finance leases.

(n) Financial Instruments

The Agency has no borrowings and relies primarily on Grant in Aid from its sponsor Department and is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities were denominated in Sterling, so there is no exposure to interest rate risk or currency risk.

Recognition

Financial assets and financial liabilities which arose from contracts for the purchase or sale of non-financial items (such as goods or services), which were entered into in accordance with the entity's normal purchase, sale or usage requirements, were recognised when, and to the extent which, performance occurred i.e. when receipt or delivery of the goods or services was made.

All other financial assets and financial liabilities were recognised when the entity became a party to the contractual provisions of the instrument.

De-recognition

All financial assets were de-recognised when the rights to receive cashflows from the assets had expired or the entity has transferred substantially all of the risks and rewards of ownership.

Financial liabilities were de-recognised when the obligation was discharged, cancelled or expired.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(n) Financial Instruments (continued)

Classification and Measurement

The entity has assessed its assets and liabilities in accordance with IAS39.

As a result of closure there were no balances at 31st March 2012.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. The Agency's loans and receivables comprise: cash at bank and in hand, receivables, and accrued income in prior years.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Net Expenditure.

Long Term Loans

The long term loan, Advantage Transition Bridge Fund was transferred to BIS under novation agreements and was revalued to fair value immediately prior to transfer. As instructed by BIS, our sponsor Department, and with agreement of HMT the Acquisition Accounting rules were applied to this transfer which was at nil consideration. Hence this appears in the Agency's accounts as a loss on disposal. The receiving body will show a corresponding gain in their financial statements. Note that this was not a commercial transaction, but a transfer of assets between government departments, as a result of AWM's closure.

The Loan investment was shown at cost and net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable. Provision was made for all loans where recovery appears doubtful. No loan is written off until the impossibility of recovery is beyond doubt. Approval from the Department for Business, Innovation and Skills (BIS) was obtained for any write-off in excess of £250,000.

Increases in the carrying amount arising on revaluation of Loan Investments are credited to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(n) Financial Instruments (continued)

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the Statement of Comprehensive Net Expenditure.

Determination of fair value

For the period to 31st March 2012 the Agency has not subsequently measured any financial assets or financial liabilities carried at fair value.

Impairment of financial assets

At the Statement of Financial Position date, the entity assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Prior to the transfer of the Venture Capital Loan Funds to BIS, these assets were written down to fair value, and any resulting impairments has been recognised in these accounts. These transfers are dealt with under IFRS3: Business Combinations, whereby the acquisitions are accounted for at fair value at the date of acquisition. Under these transfer arrangements, BIS acquired the assets for no consideration, this gives the appearance in the accounts of a loss on disposal.

Revenue Recognition

Operating income is recognised on a receivable basis.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(o) Classification of Expenditure

The Agency incurs expenditure which it classifies as either Administration Expenditure or Programme Expenditure. Administration expenditure relates to costs incurred in the delivery of its objectives and these are salaries and overhead costs. Programme expenditure relates to expenditure directly incurred in the management of project activities.

(p) Provisions and Contingent Liabilities

The Agency made provision for liabilities and charges in accordance with IAS37 where, at the end of the financial year, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate of the obligation can be made.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits. They are subject to an insignificant risk of changes in value and are included as a component of cash and cash equivalents of the cash flow statement.

(r) VAT

The Agency is registered for VAT and operates within a Non Business Apportionment methodology agreed with HM Revenue and Customs. Any irrecoverable VAT resulting directly or indirectly from this methodology is written off to the Statement of Comprehensive Net Expenditure.

(s) Impact of future Accounting Policy changes

The Agency has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and the FReM) which have an impact on the current or prior period, or may have an effect on future periods. The Agency has also reviewed new or amended standards issued by the IASB (but not yet effective), to determine if it needs to make any disclosures in respect of those new IFRS as yet to become effective, to determine if it needs to make any new disclosures. As a result, there have been no further changes to accounting policies in the current period and none are expected in the future due to closure.

Notes to the Financial Statements for the year ended 31 March 2012

Accounting Policies (continued)

(t) Transfer of Assets

As part of the closure arrangements, the Agency transferred its interests in all of its Venture Capital Loan Funds (VCLFs) to AWM's sponsor Department BIS, on 1st October 2011. Further to this the Agency transferred its interest in its subsidiary Business Link West Midlands Limited plus remaining debtors and pension liabilities to the BIS Portfolio Management Office (PMO) on 30th March 2012. These transfers are dealt with under IFRS 3: Business combinations, whereby the acquisitions are accounted for at fair value at the date of acquisition. Due to these transfer arrangements, in that BIS, the receiving body, acquired the assets for no consideration, this gives the appearance in the accounts of a loss on transfer..

Assets to the value of £33.71m (£29.54m VCLFs and £4.17m PMO) were transferred to BIS under this arrangement. The value of the assets has been included with net expenditure in the Statement of Comprehensive Net Expenditure. The receiving body will show a corresponding gain in its financial statements. At the BIS group level, there is neither a loss nor gain on disposal.

(u) Machinery of Government transfers

As a consequence of the planned abolition of Regional Development Agencies, two Machinery of Government transfers occurred during the financial year.

The National Coalfields programme transferred to the Homes and Communities Agency on 1st August 2011, under the provisions of the Housing and Regeneration Act 2008. In addition, all remaining land and building assets, together with the rights to future income, under land and property claw-back agreements and 47 projects and 10 staff transferred to the Homes and Communities Agency under the same Act. This occurred on 19th September 2011 and was entitled the Stewardship transfer.

As these transfers meet the definition of a Machinery of Government change they have been accounted for under the provisions of merger accounting, in line with the 2011-12 Financial Reporting Manual. As such, the Agency has excluded, from its Financial Statements, all associated income and expenditure, cash flows, assets and liabilities and reserves, in relation to these transfers. In addition, prior year comparatives have been restated on the same basis.

(v) Deferred taxation

Deferred taxation was recognised as a liability or asset if transactions have occurred at the Statement of Financial Position date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

An asset is recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted. The deferred tax provision was removed in 2011-12 as it was no longer appropriate due to closure.

Notes to the Financial Statements for the year ended 31 March 2012

2a Machinery of Government

As a consequence of the planned abolition of Regional Development Agencies, two Machinery of Government transfers occurred during the financial year.

The National Coalfields programme transferred to the Homes and Communities Agency on 1st August 2011, and the Stewardship transfer to the Homes and Communities Agency occurred on the 19th September 2011. The Stewardship scheme encompassed all remaining land and buildings assets, together with the rights to future income, under land and property clawback agreements and 47 projects and 10 staff. Both transfers are under the provisions of the Housing and Regeneration Act 2008.

As these transfers meet the definition of a Machinery of Government change, they have been accounted for under the provisions of merger accounting, in line with the 2011-12 Financial Reporting Manual. As such, the Agency has excluded, from its Financial Statements, all associated income and expenditure, cash flows, assets and liabilities and reserves, in relation to these transfers. In addition, prior year comparatives have been restated on the same basis.

The following Statements of Financial Position, Statements of Comprehensive Net Expenditure, Statements of Taxpayers' Equity and Statements of Cashflows identify the impact on the 2010-11 published accounts and 2011-12 activity, of the transfer to the Homes and Communities Agency.

Statement of Comprehensive Net Expenditure for related transactions in 2011 to dates of transfer

Machinery of Government transfers	Stewardship Period ended 18-Sep-11 £'000	Coalfields Period ended 01-Aug-11 £'000
Expenditure		
Programme Expenditure	10,712	74
Staff costs	285	0
Depreciation / amortisation	7,163	0
Other Administration expenditure	782	4
	18,942	78
Income		
Other Income	(13,492)	(74)
	(13,492)	(74)
Net expenditure	5,450	4
Interest payable / receivable	0	0
Net expenditure after interest	5,450	4
Taxation	0	0
Net expenditure transferred	5,450	4

Notes to the Financial Statements for the year ended 31 March 2012

2a Machinery of Government (continued)

Statement of Financial Position balances transferred

Machinery of Government transfers	Stewardship as at 18-Sep-11 £'000	Coalfields as at 01-Aug-11 £'000
NON CURRENT ASSETS		
Property, Plant and Equipment	6,418	0
Investments in Associates	(14,700)	0
Financial Assets - Long term receivables	7,235	0
Financial Assets - Long term loans	55,466	0
Total Non Current Assets	54,419	0
CURRENT ASSETS		
Inventories	56,399	1,815
Trade and other receivables	1,348	0
Total Current Assets	57,747	1,815
TOTAL ASSETS	112,166	1,815
CURRENT LIABILITIES		
Trade and other payables	(2,105)	(24)
Total Current Liabilities	(2,105)	(24)
Total assets less current liabilities	110,061	1,791
Non current liabilities		
Provisions	0	0
Total non current Liabilities	0	0
Assets less Liabilities	110,061	1,791
Taxpayers' Equity		
Grant in Aid reserve	(95,285)	(632)
Revaluation Reserve	(14,776)	(1,159)
	(110,061)	(1,791)

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

The published accounts for year end 31st March 2011 have been restated to reflect two Machinery of Government transfers to the Homes and Communities Agency.

Group Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Restated 31-Mar-11 £'000
Expenditure				
Programme Expenditure	175,963	42,956	123	132,884
European funding	26,114	0	0	26,114
Staff Costs	28,423	620	0	27,803
Depreciation / amortisation	1,111	259	0	852
Other Administration expenditure	6,389	1,756	4	4,629
Loss on revaluation of Venture Capital Funds	0	0	0	1,224
	238,000	45,591	127	193,506
Income				
European Funded income	31,834	0	0	31,834
Other Income	12,514	8,631	120	3,763
Other Government grants	10,280	0	322	9,958
Profit on disposal of inventories	(134)	(264)	131	(1)
	54,494	8,367	573	45,554
Net expenditure	183,506	37,224	(446)	147,952
Interest payable	9	0	0	9
Interest receivable	(1,386)	(1,110)	0	(276)
Net expenditure after interest	182,129	36,114	(446)	147,685
Taxation	1,807	0	0	1,807
Net expenditure after taxation	183,936	36,114	(446)	149,492
Other Comprehensive Expenditure				
Net (gain)/loss on revaluation of PPE	116	(58)	0	174
Net (gain)/loss on revaluation of Inventories	32,568	28,629	450	3,489
Net (gain)/loss on revaluation of Associates	(647)	(647)		0
Net (gain)/loss on revaluaiton of Venture Capital Funds	1,108	0	0	0
Net (gain)/loss on revaluation of Bad Debts	(48)	0	0	(48)
Net (gain)/loss on revaluation of Long Term Receivables	36	36	0	0
Total Comprehensive expenditure for the year	217,069	64,074	4	153,107

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Group Statement of Financial Position as at 31 March 2011

	Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfield transfer £'000	Restated 31-Mar-11 £'000
Non Current Assets				
Property Plant and Equipment	9,535	6,360	0	3,175
Investments in Joint Ventures	(14,700)	(14,700)	0	0
Financial Assets - Venture Capital Funds	26,930	0	0	26,930
Financial Assets - Long Term Receivables	7,235	7,235	0	0
Financial Assets - Long Term Loans	62,163	58,663	0	3,500
Total Non Current Assets	91,163	57,558	0	33,605
Current Assets				
Inventories	69,088	62,928	1,815	4,345
Trade and other receivables	26,110	3,215	8	22,887
Cash and cash equivalents	70,977	17	266	70,694
Total Current Assets	166,175	66,160	2,089	97,926
Total Assets	257,338	123,718	2,089	131,531
Current Liabilities				
Trade and other payables	70,461	8,089	274	62,098
Total Current Liabilities	70,461	8,089	274	62,098
Total assets less current liabilities	186,877	115,629	1,815	69,433
Non current liabilities				
Provisions	2,558	0	0	2,558
Total non current Liabilities	2,558	0	0	2,558
Assets less Liabilities	184,319	115,629	1,815	66,875
Taxpayers Equity				
Grant in Aid Reserve	165,366	99,763	2,650	62,953
Revaluation Reserve	17,158	15,866	1,159	133
Government Grant Reserve	0	0	0	0
General Reserve	1,795	0	(1,994)	3,789
	184,319	115,629	1,815	66,875

The General Reserve has been restated to apply the change in Government Grant Reserve accounting policy (see Note 1e).

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Statement of Group Cash Flow for the year ended 31 March 2011

	Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfield transfer £'000	Restated 31-Mar-11 £'000
Net Expenditure after interest	(183,352)	(35,980)	313	(147,685)
(Increase)/decrease in trade and other receivables	2,774	(259)	0	3,033
(Increase)/decrease in Inventories	(6,130)	(6,021)	0	(109)
Increase/(decrease) in Trade Payables	(17,782)	4,719	41	(22,542)
Use of Provisions	748			748
Disposal of Intangible Assets	90	0	0	90
Impairment of loans	215	0	0	215
Impairment of Venture Capital Funds	1,224			1,224
Depreciation / amortisation	1,111	259	0	852
Corporation Tax Paid	(3)			(3)
Net cash outflow from operating activities	(201,105)	(37,282)	354	(164,177)
Cash flows from investing activities				
Purchase of property, plant and equipment	(15)	0	0	(15)
Payments to Venture Capital Funds	(2,265)	0	0	(2,265)
Repayments from other bodies	1,505	5	0	1,500
Interest receivable	(1,389)	(1,120)	0	(269)
Inventories write up transferred to Reserves	513	513	0	0
Net cash outflow from investing activities	(1,651)	(602)	0	(1,049)
Cash flows from financing activities				
Grants from parent department	179,371	37,443	0	141,928
Grants from other departments	7	0	7	0
EU grants to fund Venture Capital Funds	1,765	0	0	1,765
Bank Interest	62	0	0	62
By-Analogy pension scheme	8	0	0	8
Late Interest payment	0			0
Net financing	181,213	37,443	7	143,763
Net increase/(decrease) in cash and cash equivalents in the period	(21,543)	(441)	361	(21,463)
Cash and cash equivalents at the beginning of the period	92,520	17	346	92,157
Cash and cash equivalents at the end of the period	70,977	17	266	70,694

During the year ended 31st March 2012 losses have been crystallised and this has resulted in the restatement of prior year comparative cashflows.

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Group Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General Reserve Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	General Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	(1,844)	0	0	(1,844)
Restatement Adjustment		0	1,664	1,664
Changes in taxpayers' equity 2010-2011				
Acquisition Reserves	5,335			5,335
Transfer from Grant in Aid	22,404			22,404
Actuarial gain / (loss)	28	0	0	28
ERDF receipts for Venture Capital Funds	1,765			1,765
ERDF released for prior year adj.	(484)			(484)
Repayments of grant to HCA	(330)	0	330	0
Total Comprehensive Net Expenditure	(25,079)	0	0	(25,079)
Balance at 31 March 2011	1,795	0	1,994	3,789

	Revaluation Reserve Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Revaluation Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	16,558	0	0	16,558
Restatement Adjustment	0	(15,270)	(1,159)	(16,429)
Changes in taxpayers' equity 2010-2011				
Total comprehensive expenditure for the year	600	(596)	0	4
Balance at 31 March 2011	17,158	(15,866)	(1,159)	133

The General Reserve has been restated to apply the change in Government Grant Reserve accounting policy (see Note 1e).

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Group Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011 (continued)

	Grant in Aid Reserve Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Grant in Aid Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	189,996	0	0	189,996
Restatement adjustment	0	(126,874)	(2,650)	(129,524)
Restatement adjustment fo policy change				10,504
Changes in taxpayers' equity 2010-2011				
Transfer to General Reserve	(22,404)			(22,404)
ERDF released	484	0	0	484
Total Comprehensive Expenditure	(192,589)	64,557	0	(128,032)
Total Movements in 2010-2011	(214,509)	(62,317)	(2,650)	(268,972)
Grant in aid from BIS to fund capital expenditure	9,689	(9,689)	0	0
Grant in aid from BIS to fund revenue expenditure	169,686	(27,757)	0	141,929
Balance at 31 March 2011	154,862	(99,763)	(2,650)	62,953

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

The published accounts for year end 31st March 2011 have been restated to reflect two Machinery of Government transfers to the Homes and Communities Agency.

Agency Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Restated 31-Mar-11 £'000
Expenditure				
Programme Expenditure	176,421	42,956	123	133,342
European funding	30,510	0	0	30,510
Staff Costs	17,524	620	0	16,904
Depreciation / amortisation	1,111	259	0	852
Other Administration expenditure	2,881	1,756	4	1,121
Loss on sale of inventories	133	264	(131)	0
Loss on revaluation of Venture Capital Funds	0	0	0	1,224
	228,580	45,855	(4)	183,953
Income				
European Funded income	31,576	0	0	31,576
Other Income	12,550	8,631	120	3,799
Other Government grants	1,201	0	322	879
	45,327	8,631	442	36,254
Net expenditure	183,253	37,224	(446)	147,699
Interest payable	9	0	0	9
Interest receivable	(1,379)	(1,110)	0	(269)
Net expenditure after interest	181,883	36,114	(446)	147,439
Taxation	1,807	0	0	1,807
Net expenditure after taxation	183,690	36,114	(446)	149,246
Other Comprehensive Expenditure				
Net (gain)/loss on revaluation of PPE	116	(58)	0	174
Net (gain)/loss on revaluation of Inventories	32,568	28,629	450	3,489
Net (gain)/loss on revaluation of Associates	(647)	(647)	0	0
Net (gain)/loss on revaluation of VCF's	1,108	0	0	0
Net (gain)/loss on revaluation of Bad Debts	(46)	0	0	(46)
Net (gain)/loss on revaluation of Long Term Receivables	36	36	0	0
Total Comprehensive expenditure for the year	216,825	64,074	4	152,863

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Agency Statement of Financial Position As at 31 March 2011

	Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfield transfer £'000	Restated 31-Mar-11 £'000
Non Current Assets				
Property, Plant and Equipment	9,535	6,360	0	3,175
Investments in Joint Ventures	(14,700)	(14,700)	0	0
Investment in Subsidiary	5,090	0	0	5,090
Financial Assets - Venture Capital Funds	26,930	0	0	26,930
Financial Assets - Long Term Receivables	7,235	7,235	0	0
Financial Assets - Long Term Loans	62,163	58,663	0	3,500
Total Non Current Assets	96,253	57,558	0	38,695
Current Assets				
Inventories	69,088	62,928	1,815	4,345
Trade and other receivables	25,083	3,215	8	21,860
Cash and cash equivalents	65,721	17	266	65,438
Total Current Assets	159,892	66,160	2,089	91,643
Total Assets	256,145	123,718	2,089	130,338
Current Liabilities				
Trade and other payables	69,596	8,089	274	61,233
Total Current Liabilities	69,596	8,089	274	61,233
Total assets less current liabilities	186,549	115,629	1,815	69,105
Non current liabilities				
Provisions	2,232	0	0	2,232
Total non current Liabilities	2,232	0	0	2,232
Assets less Liabilities	184,317	115,629	1,815	66,873
Taxpayers Equity				
Grant in Aid Reserve	162,934	99,763	2,650	60,521
Revaluation Reserve	17,158	15,866	1,159	133
Government Grant Reserve	0	0	0	0
General Reserve	4,225	0	(1,994)	6,219
	184,317	115,629	1,815	66,873

The published Agency Statement of Financial Position as at 31st March 2011 has been restated to include an Investment in Subsidiary which was omitted in the previous year's published accounts.

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Agency Statement of Cash Flow for the year ended 31 March 2011

	Restated Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfield transfer £'000	Restated 31-Mar-11 £'000
Net Expenditure after interest	(183,106)	(35,980)	313	(147,439)
(Increase)/decrease in trade and other receivables	(718)	(270)	0	(448)
(Increase)/decrease in Inventories	(6,130)	(6,021)	0	(109)
Increase/(decrease) in Trade Payables	(7,235)	4,719	41	(11,995)
Use of provisions	(27)	0	0	(27)
Disposal of Intangible Assets	90	0	0	90
Impairment of loans	215	0	0	215
Impairment of Venture Capital Funds	1,224	0	0	1,224
Depreciation / Amortisation	1,111	259	0	852
Net cash outflow from operating activities	(194,576)	(37,293)	354	(157,637)
Cash flows from investing activities				
Purchase of property, plant and equipment	(15)	0	0	(15)
Payments to Venture Capital Funds	(2,265)	0	0	(2,265)
Repayments from other bodies	1,505	5	0	1,500
Interest receivable	(1,379)	(1,110)	0	(269)
Inventories write up transferred to Reserves	513	513	0	0
Net cash outflow from investing activities	(1,641)	(592)	0	(1,049)
Cash flows from financing activities				
Grants from parent department	179,372	37,444	0	141,928
Grants from other departments	7	0	7	0
EU grants to fund Venture Capital Funds	1,765	0	0	1,765
Bank Interest	54	0	0	54
By-Analogy pension scheme	8	0	0	8
Late Interest payment	0			0
Net financing	181,206	37,444	7	143,755
Net increase/(decrease) in cash and cash equivalents in the period	(15,011)	(441)	361	(14,931)
Cash and cash equivalents at the beginning of the period	80,732	17	346	80,369
Cash and cash equivalents at the end of the period	65,721	17	266	65,438

During the year ended 31st March 2012 losses have been crystalised and this has resulted in the restatement of prior year comparative cashflows.

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General Reserve Restated Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	General Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	(1,844)	0	0	(1,844)
Restatement adjustment for MOG transfers	0	0	1,664	1,664
Restatement for investment in Subsidiary	5,090	0	0	5,090
Balance at 1 April 2010 restated	3,246	0	1,664	4,910
Changes in taxpayers' equity 2010-2011				
Actuarial gain / (loss)	28	0	0	28
Repayments of grant to HCA	(330)	0	330	0
ERDF receipts for Venture Capital Funds	1,765	0	0	1,765
ERDF released for prior year adj.	(484)	0	0	(484)
Balance at 31 March 2011	4,225	0	1,994	6,219

	Reval Reserve Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Reval Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	16,558	0	0	16,558
Restatement Adjustment		(15,270)	(1,159)	(16,429)
Changes in taxpayers' equity 2010-2011				
Total comprehensive expenditure for the year	600	(596)	0	4
Balance at 31 March 2011	17,158	(15,866)	(1,159)	133

The General Reserve has been restated to apply the change in Government Grant Reserve accounting policy (see Note 1e).

Notes to the Financial Statements for the year ended 31 March 2012

2b Machinery of Government – Restatement of 2010-11

Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011 (continued)

	Grant in Aid Reserve Published 31-Mar-11 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Grant in Aid Reserve Restated 31-Mar-11 £'000
Balance at 1 April 2010	189,996	0	0	189,996
Restatement adjustment	0	(126,874)	(2,650)	(129,524)
Restatement for policy change	10,504			10,504
Changes in taxpayers' equity 2010-2011				
ERDF released for impairment of Venture Capital Funds	484	0	0	484
Retained deficit from Net Expenditure Account	(217,424)	64,557	0	(152,867)
Total recognised income and expense for 2010-2011	(216,940)	64,557	0	(152,383)
Grant in aid from BIS to fund capital expenditure	9,689	(9,689)	0	0
Grant in aid from BIS to fund revenue expenditure	169,685	(27,757)	0	141,928
Balance at 31 March 2011	162,934	(99,763)	(2,650)	60,521

Notes to the Financial Statements for the year ended 31 March 2012

2c Machinery of Government – Restatement of 2009-10 balances

The published accounts for year end 31st March 2010 have been restated to reflect two Machinery of Government transfers to the Homes and Communities Agency.

Agency / Group Statement of Financial Position as at 1 April 2010

	Published 31-Mar-10 £'000	Stewardship transfer £'000	Coalfield transfer £'000	Restated 01-Apr-10 £'000
Non Current Assets				
Property, Plant and Equipment	10,444	6,560	0	3,884
Intangible Assets	392	0	0	392
Investment in Associates	117	0	0	117
Investments in Joint Ventures	(15,463)	(15,518)	0	55
Financial Assets - Venture Capital Funds	25,773	0	0	25,773
Financial Assets - Long Term Receivables	7,235	7,235	0	0
Financial Assets - Long Term Loans	62,379	57,594	0	4,785
Total Non Current Assets	90,877	55,871	0	35,006
Current Assets				
Inventories	96,552	86,562	2,265	7,725
Trade and other receivables	28,052	2,644	309	25,099
Cash and cash equivalents	80,732	17	346	80,369
Total Current Assets	205,336	89,223	2,920	113,193
Total Assets	296,213	145,094	2,920	148,199
Current Liabilities				
Trade and other payables	78,740	3,379	346	75,015
Total Current Liabilities	78,740	3,379	346	75,015
Total assets less current liabilities	217,473	141,715	2,574	73,184
Non current liabilities				
Provisions	2,259	0	0	2,259
Total non current Liabilities	2,259	0	0	2,259
Assets less Liabilities	215,214	141,715	2,574	70,925
Taxpayers Equity				
Grant in Aid Reserve	189,996	126,349	3,175	60,472
Revaluation Reserve	16,558	15,366	1,063	129
Government Grant Reserve	10,504	0	0	10,504
General Reserve	(1,844)	0	(1,664)	(180)
	215,214	141,715	2,574	70,925

Notes to the Financial Statements for the year ended 31 March 2012

2c Machinery of Government – Restatement of 2009-10 balances

Group / Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	General Reserve Published 31-Mar-10 £'000	Stewardship transfer £'000	Coalfields transfer £'000	General Reserve Restated 31-Mar-10 £'000
Balance at 1 April 2009	4,823	0	0	4,823
Restatement adjustment	0	0	1,664	1,664
Changes in Taxpayers' Equity 2009-2010				
Transfers between reserves	(6,638)	0	0	(6,638)
Actuarial gain / (loss)	(29)	0	0	(29)
Balance at 31 March 2010	(1,844)	0	1,664	(180)

	Reval Reserve Published 31-Mar-10 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Reval Reserve Restated 31-Mar-10 £'000
Balance at 1 April 2009	24,895	0	0	24,895
Restatement adjustment	0	(15,366)	(1,063)	(16,429)
Changes in Taxpayers' Equity 2009-2010				
Transfers between reserves	(9,563)	0	0	(9,563)
Net gain on revaluation of inventories	1,097	0	0	1,097
Net gain on revaluation of PPE	129	0	0	129
Balance at 31 March 2010	16,558	(15,366)	(1,063)	129

Notes to the Financial Statements for the year ended 31 March 2012

2c Machinery of Government – Restatement of 2009-10 balances

Agency / Group Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010 (continued)

	Grant in Aid Reserve Published 31-Mar-10 £'000	Stewardship transfer £'000	Coalfields transfer £'000	Grant in Aid Reserve Restated 31-Mar-10 £'000
Balance at 1 April 2009	181,267	0	0	181,267
Restatement adjustment	0	(126,349)	(3,175)	(129,524)
Changes in Taxpayers' Equity 2009-2010				
Transfers between reserves	9,563	0	0	9,563
ERDF released for prior year adjustment	500	0	0	500
ERDF released for impairment of Venture Capital Funds	1,334	0	0	1,334
Repayments of grant to HCA	(2,518)	0	0	(2,518)
Net Present Value of ATBF	213	0	0	213
Retained deficit from Net Expenditure Account	(296,533)	0	0	(296,533)
Total recognised income and expense for 2009-2010	(287,441)	0	0	(287,441)
Grant in aid from BIS to fund capital expenditure	28,267	0	0	28,267
Grant in aid from BIS to fund revenue expenditure	267,903	0	0	267,903
Balance at 31 March 2010	189,996	(126,349)	(3,175)	60,472

Notes to the Financial Statements for the year ended 31 March 2012

2d Transfer of Activities

In addition to the Machinery of Government changes, a number of activities were transferred to other bodies during the year under Acquisition Accounting rules.

On the 1st May Inward Investment activity transferred to BIS and was contracted out to PA Consulting Services Ltd. This resulted in the transfer of 1 member of staff. No assets or liabilities transferred with this service and therefore there was no impact on these accounts.

On 1st July the European Regional Development Fund programme (ERDF) transferred to the Department for Communities and Local Government (DCLG). This resulted in the transfer of 27 members of staff. The only asset transferred was the repayment of the cash balances held by the Agency for advanced funds on the programme. This amounted to £29m.

On 1st July the Rural Development Programme for England (RDPE) transferred to the Department for the Environment, Food and Rural Affairs (DEFRA). 12 members of staff transferred with the service.

On 1st August the Grants for Research and Development programme transferred to the Technology Strategy Board (TSB). No assets or liabilities transferred with the scheme. No staff transferred to TSB.

On 1st September the Grants for Business and Innovation programme transferred to the Department for Business Innovation and Skills (BIS). No assets or liabilities transferred with the scheme and 4 members of staff transferred.

On 1st October all the Venture Capital Loan Funds (VCLF) which included one long term loan transferred to the Department for Business, Innovation and Skills. The total value of loans transferred was £29.5m. One member of staff transferred to Capital for Enterprise Limited, the organisation engaged by BIS to manage the loan funds.

On the 1st January 2012 there was a transfer to the BIS Portfolio Management Office (PMO) of all remaining live projects, 31 in total, plus 35 projects in conditions. No assets or liabilities transferred with the projects and 1 member of staff transferred.

Finally on 30th March 2012 there was a further transfer to the BIS Portfolio Management Office. This included 6 projects 'in conditions', and assets of the Agency Subsidiary (Business Link West Midlands) at a value of £4.6m and Trade Debtors of £336k. There were also liabilities transferred relating to the pension provisions and accruals worth £770k.

The non Machinery of Government transfers, have all been accounted for under Acquisition Accounting. As such the financial statements of the Agency include all income, expenditure and cash flows, for these activities, to the date of transfers. Any assets or liabilities included in the transfer have been revalued to fair value as at the date of transfer. These fair value adjustments are shown as impairments in the Statement of Comprehensive Net Expenditure, with the resulting transfer at nil consideration, thereby giving a loss.

Notes to the Financial Statements for the year ended 31 March 2012

2d Transfer of Activities (continued)

Table of values of Assets transferred to BIS

	Value before Impairment £'000	Impairments £'000	Net book value at transfer £'000
Venture Capital Loan Funds	27,772	1,732	26,040
Long Term Loans	3,500	0	3,500
Total	31,272	1,732	29,540
Business Link	5,090	484	4,606
Total	5,090	484	4,606
Trade Debtors	336	0	336
Pension Accrual	(614)	0	(614)
Provision for By-Analogy Pension Scheme	(156)	0	(156)
Total	(434)	0	(434)
Grand Total	35,928	2,216	33,712

Notes to the Financial Statements for the year ended 31 March 2012

3 Segmental Reporting of Programme Expenditure

Strategic Function	Spend Group 31-Mar-12 £'000	Spend Agency 31-Mar-12 £'000	Spend Group Restated 31-Mar-11 £'000	Spend Agency Restated 31-Mar-11 £'000
International Business	462	462	3,248	3,248
Market Opportunities (through Clusters)	4,917	4,917	24,849	24,849
Enterprise & Business Development	12,144	12,620	31,336	36,190
Finance for Business	2,036	2,036	25,650	25,650
Technology Capacity & Business Innovation	9,473	9,473	11,764	11,764
Tourism & Culture	1,202	1,202	11,109	11,109
Skills for Business	1,116	1,116	6,329	6,329
Total Business	31,350	31,826	114,285	119,139
Land & Buildings for Economic Growth	4,721	4,721	11,563	11,686
Infrastructure & Asset Development	14,378	14,378	19,622	19,499
Total Place	19,099	19,099	31,185	31,185
Sustainable Living & Working	0	0	350	350
Access to Employment (Economic Inclusion)	173	173	2,755	2,755
Total People	173	173	3,105	3,105
Regional Leadership	42	42	3,809	3,809
Total Powerful Voice	42	42	3,809	3,809
Total	50,664	51,140	152,384	157,238
Less Reconciling items				
Inventories additions	0	0	534	534
Venture Capital Funds Capitalised	1,605	1,605	2,265	2,265
PXP Dowry reduction	(15,000)	(15,000)	(15,000)	(15,000)
AEIF additions (not charged to SoCNE)	0	0	4,911	4,911
Land & buildings additions	0	0	14	14
Venture Capital Funds Timing Difference	0	0	477	477
ERDF Provision	0	0	185	185
ERDF ineligible costs	0	0	0	0
Total Reconciling Items	(13,395)	(13,395)	(6,614)	(6,614)
Total Programme Expenditure	64,059	64,535	158,998	163,852
Funded by				
Expenditure funded from European income	4,729	4,729	26,114	30,510
Expenditure funded from Grant in Aid	59,330	59,806	132,884	133,342
Funding received by				
Public Sector Recipients	33,210	33,210	81,669	81,668
Private Sector Recipients	30,849	31,325	77,329	82,184
Total Programme Expenditure	64,059	64,535	158,998	163,852

AWM does not include assets or liabilities in the segment information as they were managed on a portfolio basis and are not allocated to operating segments. The reconciling items represent programme expenditure that is reported by segment during the year and is then capitalised at the year end and moved to the Statement of Financial Position. Administration costs are also not allocated to segments as the Board do not require a breakdown of this information.

Notes to the Financial Statements for the year ended 31 March 2012

4 European Funding

	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
	Group	Agency	Restated	Restated
	£'000	£'000	Group	Agency
			£'000	£'000
ERDF 2000-06 Grants Receivable	2,080	2,080	0	0
ERDF 2007-13 Grants Receivable	4,729	4,729	31,834	31,576
	6,809	6,809	31,834	31,576

Funding from the European Regional Development Fund (ERDF) is claimed against defrayed expenditure. The funding is conditional on eligible expenditure within 'Objective 2' areas, mandatory regulations are laid down by the European Commission and if not followed correctly can be subject to clawback. The responsibility for the management of the ERDF programme was transferred to Department of Communities and Local Government on 1st July 2011 although the Agency continued as applicant to a number of projects until 31st March 2012.

The ERDF 2000-06 Grant receivable relates to the release of a provision in year which is no longer required as the Agency does not believe that there is a potential for the liability to crystallise.

5 Other Government Grants

	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
	Group	Agency	Restated	Restated
	£'000	£'000	Group	Agency
			£'000	£'000
UK Trade and Investment Grant	92	92	31	31
Other Grants	2,826	66	9,020	0
DFT Grant	0	0	19	19
MAS SIF Grant	0	0	777	777
School Gates Grant	0	0	59	0
Climate KIC European Grant	0	0	52	52
	2,918	158	9,958	879

Notes to the Financial Statements for the year ended 31 March 2012

6 Other Income

	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
	Group	Agency	Restated	Restated
	£'000	£'000	Group	Agency
			£'000	£'000
Rent	54	54	33	33
Partner Contributions	117	117	162	162
Clawback	4496	4,496	1,931	1,931
Other Income	307	247	1,385	1,380
Secondee Income	11	11	252	293
	4,985	4,925	3,763	3,799

Rent was received under operating leases in respect of property rentals received from assets previously held in Property, Plant and Equipment.

7 Interest Receivable

	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
	Group	Agency	Restated	Restated
	£'000	£'000	Group	Agency
			£'000	£'000
Bank Interest	58	59	61	54
Unwind the discount on long term loans	0	0	215	215
	58	59	276	269

Notes to the Financial Statements for the year ended 31 March 2012

8 Salaries and Wages

(a) Board and Staff Remuneration

	31-Mar-12 Group £'000	31-Mar-12 Agency £'000	31-Mar-11 Restated Group £'000	31-Mar-11 Restated Agency £'000
Permanent Staff				
Board Members				
Board Members' Fees	184	184	212	212
Social Security Costs	34	34	36	36
	218	218	248	248
By-Analogy pension paid to N Paul on retirement	9	9	9	9
Staff				
Salaries and wages inc. overtime	5,926	4,340	19,218	11,890
Pension Costs	975	913	2,499	2,208
Social Security costs	810	670	1,763	1,012
	7,711	5,923	23,480	15,110
Staff Seconded Out				
Salaries and wages inc. overtime	12	12	228	228
Pension Costs	1	1	44	44
Social Security Costs	(2)	(2)	21	21
	11	11	293	293
Other Staff				
Agency staffing costs	(87)	(87)	733	733
Compensation Costs	7,540	7,174	3,040	511
Total charged to Administration	15,402	13,248	27,803	16,904
Income from Staff Seconded Out	(11)	(11)	(293)	(293)
Redundancy costs charged to programme	0	0	3,288	3,288
Permanent Staff salaries coded to Programme Activities				
Salaries and wages inc. overtime	111	111	556	556
Pension Costs	31	31	101	101
Social Security Costs	16	16	44	44
Total charged to Programme	147	147	3,696	3,696
Total Agency Salaries and Wages	15,549	13,395	31,499	20,600

Notes to the Financial Statements for the year ended 31 March 2012

(b) Staffing

The average number of FTE staff employed by the Agency during the year (including all Agency and seconded staff) was 96 (2010-11: 277).

Department	Permanent Staff	Temporary and Agency Staff	Total	Prior Year
Board and Leadership Team	3	0	3	3
Project One - people	6	0	6	12
Project Two – Facilities and Services	6	0	6	10
Project Four – Programmes projects and grants	20	0	20	97
Project Five – Transfer of Functions and Assets	25	0	25	65
Internal Audit and Business Risk	4	0	4	14
Transition and Closure Team	7	0	7	14
Finance Team	13	0	13	18
ERDF / RDPE	7	0	7	39
Business Link West Midlands	2	0	2	3
UKTI	1	0	1	2
Maternity Leave / Long Term Sick	2	0	2	0
Total	96	0	96	277

(c) Seconded Staff

There were no staff seconded in from other organisations during the accounting period. There has been no consultancy expenditure or contingent labour expenditure during the year.

(d) Staff Absence

The twelve month analysis to 31st March 2012 shows we lost 453 days due to absence out of a possible absence of 32,131 days. This equates to an absence rate of 1.41%.

(e) Subsidiaries

Average number of FTE staff employed by subsidiaries during the period

	31 Mar 12
Business Link West Midlands Ltd	0
West Midlands Brokerage Services Ltd	59
Gateway West Midlands Ltd	0

Notes to the Financial Statements for the year ended 31 March 2012

(f) Reporting of Civil Service and other compensation schemes

Agency Staff Exit Packages for the year ended 31 March 2012

Exit Package Cost Band (£)	Number of Compulsory Redundancies	Number of Voluntary Redundancies	Total number of Exits by Cost band
Less than 10,000	0	3	3
10,000 - 25,000	0	50	50
25,000 - 50,000	0	59	59
50,000 - 100,000	0	35	35
100,000 - 150,000	1	7	8
150,000- 200,000	0	3	3
200,000 - 250,000	0	0	0
greater than 250,000	0	1	1
Total number of exits by type	1	158	159
Total cost of exits (£'000)	140	7,034	7,174

Exit Packages for the year ended 31 March 2011

Exit Package Cost Band (£)	Number of Compulsory Redundancies	Number of Voluntary Redundancies	Total number of Exits by Cost band
Less than 10,000	0	10	10
10,000 - 25,000	0	29	29
25,000 - 50,000	0	28	28
50,000 - 100,000	0	16	16
100,000 - 150,000	0	2	2
150,000- 200,000	0	1	1
200,000 - 250,000	0	1	1
greater than 250,000	0	0	0
Total number of exits by type	0	87	87
Total cost of exits (£'000)	0	3,288	3,288

Redundancy and other departure costs have been paid in accordance with the provisions of the new Civil Service Compensation Scheme, a statutory scheme made under the terms of the Superannuation Act 2010. Redundancy costs are accounted for in full in the year of departure. Also, where a contract for redundancy exists, with the date arising shortly after the year end, these costs have been accrued in this year. Where staff are entitled to take early retirement, in accordance with the provision of the new Civil Service Compensation Scheme, the costs are met by the Agency up to the point of retirement age when the scheme meets to costs. Ill-health retirement costs are met by the pension scheme and are not included in the table above.

Notes to the Financial Statements for the year ended 31 March 2012

(f) Reporting of Civil Service and other compensation schemes (continued)

In order to ensure the effective closure of the Agency, a team of 46 staff were identified at the beginning of 2011, to remain employed until 31st March 2012, to ensure the efficient operational closure of the Agency. Of these a team of 12 staff will remain to 30th June 2012 to conclude the final accounting aspects, and the final closure and transfer of responsibility to the Department of Business, Innovation and Skills (BIS).

Within compensation costs, 12 of the 34 staff who left by 31st March 2012 have received a retention payment at a total cost of £408,644. These payments were instigated by BIS, and approved by both HM Treasury and Cabinet Office before the individuals concerned were offered contracts. These payments were to ensure highly specialised and experienced staff were retained to oversee the smooth and solvent closure of the Agency, ensuring value for money on all transactions and negating the need for engagement of consultancy resource which would have been at a greater cost.

9 Other Administration Costs

	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
	Group	Agency	Restated	Restated
	£'000	£'000	Group	Agency
			£'000	£'000
Office costs	990	599	2,595	888
Other staff costs	377	185	787	261
Professional costs	310	64	236	55
Closure Costs	1052	1,052	0	0
Lease Payments - Property	810	385	1,102	685
IT and communication	433	252	1,071	517
Lease Payments - Plant and Equipment	205	135	205	205
Travel and subsistence	37	32	151	151
Estate management	0	0	59	0
Auditor's remuneration - Statutory audit services	88	88	94	66
Auditor's remuneration - IFRS audit services	0	0	22	0
Auditor's remuneration - other	0	0	14	0
Internal audit services	62	(50)	(23)	(23)
Apportionment of overheads	(763)	(763)	(1,684)	(1,684)
	3,601	1,979	4,629	1,121

The internal audit services credit balance relates to the reversal of accrued expenditure from 2010-11 and 2009-10 that did not go ahead. The apportionment of overheads relates to the transfer of activities to the Homes and Communities Agency under Machinery of Government changes (note 2b and 2c).

Notes to the Financial Statements for the period ended 31 March 2012

10 Interest Payable

	31-Mar-12 Group £'000	31-Mar-12 Agency £'000	31-Mar-11 Group £'000	31-Mar-11 Agency £'000
Financing costs of By-Analogy Pension scheme	8	8	9	9
	8	8	9	9

Notes to the Financial Statements for the year ended 31 March 2012

11 Property, plant and equipment (PPE)

Agency

	Restated Land & Buildings £'000	Restated Information Technology £'000	Restated Fixtures and Fittings £'000	Restated Total £'000
Cost restated				
As at 1 April 2011	3,455	1,607	2,048	7,110
Additions in period	30	0	0	30
Disposals	(3,485)	(1,607)	(2,048)	(7,140)
As at 31 March 2012	0	0	0	0
Depreciation restated				
As at 1 April 2011	280	1,607	2,048	3,935
Disposals	(280)	(1,607)	(2,048)	(3,935)
As at 31 March 2012	0	0	0	0
Net Book Value 31 March 2012	0	0	0	0
Net Book Value 31 March 2011	3,175	0	0	3,175
Asset financing:				
Owned	0	0	0	0
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2012	0	0	0	0
	Restated Land & Buildings £'000	Restated Information Technology £'000	Restated Fixtures and Fittings £'000	Restated Total £'000
Cost restated				
As at 1 April 2010	3,615	1,606	2,048	7,269
Additions in year	14	1	0	15
Disposals	0	0	0	0
Impairment	(178)	0	0	(178)
Write up	4	0	0	4
As at 31 March 2011	3,455	1,607	2,048	7,110
Depreciation restated				
As at 1 April 2010	140	1,416	1,829	3,385
Depreciation in year	140	191	219	550
As at 31 March 2011	280	1,607	2,048	3,935
Net Book Value 31 March 2011	3,175	0	0	3,175
Net Book Value 1 April 2010	3,475	190	219	3,884
Asset financing:				
Owned	3,175	0	0	3,175
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2011	3,175	0	0	3,175

Notes to the Financial Statements for the year ended 31 March 2012

11 Property, plant and equipment (PPE)

Group – for comparative year only

	Restated Land & Buildings £'000	Restated Information Technology £'000	Restated Fixtures and Fittings £'000	Restated Total £'000
Cost restated				
As at 1 April 2010	3,615	2,578	3,122	9,315
Additions in year	14	1	0	15
Disposals	0	0	0	0
Impairment	(178)	0	0	(178)
Write up	4	0	0	4
As at 31 March 2011	3,455	2,579	3,122	9,156
Depreciation restated				
As at 1 April 2010	140	2,388	2,903	5,431
Depreciation in year	140	191	219	550
As at 31 March 2011	280	2,579	3,122	5,981
Net Book Value 31 March 2011	3,175	0	0	3,175
Net Book Value 1 April 2010	3,475	190	219	3,884
Asset financing:				
Owned	3,175	0	0	3,175
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2011	3,175	0	0	3,175

12 Intangible Assets

Software Licences	31-Mar-12 Agency £'000	31-Mar-11 Group £'000	31-Mar-11 Agency £'000	01-Apr-10 Group / Agency £'000
Cost				
As at 1 April	827	1,446	917	727
Additions in period	0	0	0	190
Disposals	(827)	(90)	(90)	
As at 31 March	0	1,356	827	917
Amortisation				
As at April	827	1,054	525	432
Amortisation in period	0	302	302	93
Disposals	(827)	0	0	0
As at 31 March	0	1,356	827	525
Net Book Value at 31 March	0	0	0	392

Notes to the Financial Statements for the year ended 31 March 2012

13 Financial Assets - Investments

(a) Agency Investments in Associates

Name of Undertaking	Interest	Nature of Business	Net Assets £'000	Share of Net Assets £'000	Turnover £'000
West Midlands Development Agency Ltd	100%	Dormant	0	0	0
TOTAL as at 31 March 2012			0	0	0
TOTAL as at 31 March 2011			0	0	0
TOTAL as at 31 March 2010			353	117	796

West Midlands Development Agency Ltd is a dormant company. Advantage West Midlands has submitted an application to Companies House to have the company struck off and are currently waiting for a response.

13 Financial Assets – Investments (continued)

(b) Investments in Joint Ventures (Group and Agency)

Name of Undertaking	Interest	Nature of Business	Net Assets £'000	Share of Net Assets £'000	Turnover £'000
The British Midlands Development Corporation Suite 9100 9 th Floor 20 North Waker Drive Chicago Illinois 60606	50%	Closed November 2010	0	0	0
TOTAL as at 31 March 2012			0	0	0
TOTAL as at 31 March 2011			0	0	0
TOTAL as at 31 March 2010			111	55	183

The British Midlands Development Corporation was formally closed in November 2010 and the Agency wrote off its investment in the entity in that year.

Notes to the Financial Statements for the year ended 31 March 2012

(c) Financial Assets - Venture Capital Funds (Group and Agency)

	Share of ATF £'000	Share of AEIF £'000	Share of Mercia Seed Fund 2 £'000	Share of Early Advantage Fund £'000	Share of Exceed Partnership Fund £'000	Total Share of funds £'000
Opening Balance 1 April 2011	3,180	16,138	2,500	8,000	5,165	34,983
Additions	0	0	0	0	1,605	1,605
Repayments	0	(763)	0	0	0	(763)
Transfer	(3,180)	(15,375)	(2,500)	(8,000)	(6,770)	(35,825)
Closing Balance 31 Mar 2012	0	0	0	0	0	0
Impairment						
Opening Balance 1 April 2011	(3,180)	(3,980)	(359)	(277)	(257)	(8,053)
Movement in impairments	0	(1,213)	49	(488)	(80)	(1,732)
Transfer	3,180	5,193	310	765	337	9,785
Closing Balance 31 Mar 2012	0	0	0	0	0	0
Net Book Value 31 Mar 2012	0	0	0	0	0	0
Net Book Value 31 Mar 2011	0	12,158	2,141	7,723	4,908	26,930
Net Book Value 1 April 2010	0	12,869	1,688	7,848	3,368	25,773

The Agency had investments in the Advantage Technology Fund (ATF), the Advantage Enterprise and Innovation Fund (AEIF), the Mercia Seed Fund 2, the Early Advantage Fund (EALP) and the Exceed Partnership Fund (EPLP). These limited partnerships provide funding, in the form of loans and equity, to small and medium sized businesses in the West Midlands Region.

As part of the closure arrangements, the Agency transferred its interests in all of its Venture Capital Loan Funds (VCLFs) to AWM's sponsor department (BIS), on 30th September 2011. These transfers are dealt with under IFRS 3: Business combinations, whereby the acquisitions are accounted for at fair value at the date of acquisition. Due to these transfer arrangements being at nil consideration the accounts report a loss on transfer, and BIS will report an equal and opposite gain on transfer. Assets to the value of £29.54m (£26.54m VCF's & £3.5m Long Term Loans) were transferred to BIS under this arrangement. At the BIS group level, there is neither a loss nor gain on disposal.

Notes to the Financial Statements for the year ended 31 March 2012

(d) Investment in Subsidiary

As part of the closure arrangements, the Agency transferred its investment in its Subsidiary (Business Link West Midlands). These transfers are dealt with under IFRS 3: Business combinations, whereby the acquisitions are accounted for at fair value at the date of acquisition. Due to these transfer arrangements being at nil consideration the accounts report a loss on transfer and BIS report an equal and opposite gain on transfer. At the BIS group level, there is neither a loss nor a gain on disposal.

Name of Undertaking	Interest	Nature of Business	Net Assets £'000	Share of Net Assets £'000	Turnover £'000
Business Link West Midlands Limited 19 Ridgeway Quinton Business Park Birmingham B32 1AL	100%	Business Support	0	0	
TOTAL as at 31 March 2012			0	0	0
TOTAL as at 31 March 2011			5,090	5,090	0
TOTAL as at 31 March 2010			0	0	0

14 Financial Assets - Long Term Loans (Group and Agency)

	31-Mar-12 Agency £'000	31-Mar-11 Group £'000	31-Mar-11 Agency £'000	01-Apr-10 Group / Agency £'000
Cost:				
Opening Balance as at 1 April	8,500	9,785	9,785	9,785
Additions	0	0	0	0
Disposals	(8,500)	0	0	0
unwinding of prior year discount		215	215	0
Repayments	0	(1,500)	(1,500)	0
Value as at 31 March	0	8,500	8,500	9,785
Provision				
Opening Balance as at 1 April	(5,000)	(5,000)	(5,000)	(5,000)
Movement in Provision	0	0	0	0
Disposals	5,000	0	0	0
Value as at 31 March	0	(5,000)	(5,000)	(5,000)
Net Book Value at 31 March	0	3,500	3,500	4,785

The Advantage Transition Bridge Fund (ATBF) was created to specifically assist companies in the supply chain that were directly affected by the closure of MG Rover. Due to the volatile nature of the supply market, the Agency decided to provide for these loans.

The Advantage Transition Bridge Fund (ATBF) was transferred to the Department for Business, Innovation and Skills on 1st October 2011 on the same basis as the VCLF transfers (see Note 2).

Notes to the Financial Statements for the year ended 31 March 2012

15 Impairments

	31-Mar-12 Agency £'000	Restated 31-Mar-11 Group £'000	Restated 31-Mar-11 Agency £'000	Restated 01-Apr-10 Group / Agency £'000
Impairments				
Impairment of Venture Capital Funds	1,732	1,224	1,224	1,697
Impairment of Subsidiary	484	0	0	0
Unwinding of prior year discount of ATBF Loan	0	(215)	(215)	(213)
Discounting of ATBF Loan	0	0	0	215
Property, Plant and Equipment Impairment	0	174	174	0
Inventories write down	0	3,489	3,489	2,335
Closing balance at period end	2,216	4,672	4,672	4,034
Charged to the Statement of Comprehensive Net Expenditure	2,216	4,887	4,887	4,247
Charged to the Grant in Aid Reserve	0	(215)	(215)	(213)
	2,216	4,672	4,672	4,034

16 Inventories

	31-Mar-12 Agency £'000	Restated 31-Mar-11 Group £'000	Restated 31-Mar-11 Agency £'000	Restated 01-Apr-10 Group / Agency £'000
Balance as at 1st April	4,345	7,725	7,725	9,591
Movement in the year	(13)	534	534	2,194
	4,332	8,259	8,259	11,785
Book value on disposal of assets	(4,332)	(425)	(425)	(2,085)
	(4,332)	(425)	(425)	(2,085)
Write down charged to Statement of Comprehensive Net expenditure	0	(3,489)	(3,489)	(2,335)
Upward valuation transferred to Revaluation Reserve	0	0	0	360
Valuation at 31 March	0	4,345	4,345	7,725

Notes to the Financial Statements for the year ended 31 March 2012

17 Trade and other Receivables

	31-Mar-12 Agency	Restated 31-Mar-11 Group	Restated 31-Mar-11 Agency	Restated 01-Apr-10 Group / Agency
	£'000	£'000	£'000	£'000
Amounts receivable within one year:				
Trade receivables	65	2,607	1,758	1,462
Provision for bad debts	0	(29)	(29)	(9)
Prepayments	129	351	173	868
Other receivables	0	111	111	(224)
Accrued ERDF 2000-06 income	0	0	0	4,479
Accrued ERDF 2007-13 income	0	19,649	19,649	13,622
Other accrued income	28	172	172	284
Value added tax	0	0	0	989
UKTI receivables	0	0	0	7
Corporation Tax	0	26	26	0
Deferred Tax	0	0	0	3,621
	222	22,887	21,860	25,099

Intra-Government Balances

	31-Mar-12 Agency	31-Mar-11 Group	31-Mar-11 Agency	01-Apr-10 Group / Agency
	£'000	£'000	£'000	£'000
Amounts Receivable within one year:				
Balances with other central government bodies	0	19,930	19,930	19,647
Balances with Local Authorities	0	1,618	1,531	335
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Total Public Sector	0	21,548	21,461	19,982
Balances with bodies external to Government	222	1,339	399	5,117
	222	22,887	21,860	25,099

Notes to the Financial Statements for the year ended 31 March 2012

18 Cash and cash equivalents

	31-Mar-12 Agency £'000	31-Mar-11 Group £'000	31-Mar-11 Agency £'000	01-Apr-10 Group / Agency £'000
Balance at 1 April	65,438	80,369	80,369	62,607
Acquisition cash balance at 1 April	0	11,788	0	0
Net change in cash and cash equivalents	(53,059)	(21,463)	(14,931)	17,762
Balance at 31 March	12,379	70,694	65,438	80,369
The balances at 31 March were held at:				
Commercial banks and cash in hand	12,379	70,694	65,438	80,369
Short term investments	0	0	0	0
Balance at 31 March	12,379	70,694	65,438	80,369

Notes to the Financial Statements for the year ended 31 March 2012

19 Trade and other payables

	31-Mar-12 Agency	Restated 31-Mar-11 Group	Restated 31-Mar-11 Agency	Restated 01-Apr-10 Group / Agency
	£'000	£'000	£'000	£'000
Amounts payable within one year:				
Trade payables	1	21,403	22,447	37,748
Provision for bad debts	0	0	0	3
ERDF 2007-13 Deferred Income	0	28,804	28,804	25,002
Other Deferred Income	0	2,684	507	551
Accruals	2,111	7,109	7,610	8,333
Corporation tax	28	0	0	3,353
Deferred tax	0	1,566	1,566	0
VAT	1	7	7	0
UKTI payable	0	64	64	0
Rental income billed in advance	0	31	0	0
Other payables	0	430	228	25
	2,141	62,098	61,233	75,015

Intra-Government Balances

	31-Mar-12 Agency	31-Mar-11 Group	31-Mar-11 Agency	01-Apr-10 Agency
	£'000	£'000	£'000	£'000
Amounts Payable within one year:				
Balances with other central government bodies	111	3,999	1,821	26,189
Balances with Local Authorities	0	6,908	6,908	5,283
Balances with NHS Trusts	0	31	30	42
Balances with public corporations & trading funds	0	0	0	0
Total Public Sector	111	10,938	8,759	31,514
Balances with bodies external to Government	2,030	51,160	52,474	43,501
	2,141	62,098	61,233	75,015

Notes to the Financial Statements for the year ended 31 March 2012

20 Taxation (Agency only)

	31-Mar-12 £'000	31-Mar-11 £'000
Corporation Tax:		
Current year	29	328
Prior year	(127)	(3,708)
Total	(98)	(3,380)
Deferred Taxation:		
Current year	0	5,192
Prior year	(1,566)	(5)
Total	(1,566)	5,187
Total taxation at 31 March	(1,664)	1,807

The corporation tax for the current year is expected to be charged at the prevailing rate of tax of 26% (2010-11 28%).

	31-Mar-12 £'000	31-Mar-11 £'000
Net Expenditure on ordinary activities	(102,579)	(215,617)
Calculated deficit before taxation based on net expenditure	(26,671)	(60,373)
Effects of:		
Non-allowable deficit on non-taxable activities	27,003	60,373
Expenses not deductible for tax	(226)	247
Other permanent differences (primarily capital gains)	(77)	(47)
Prior year adjustments	(1,693)	1,607
Corporation tax current year charge for the period	(1,664)	1,807

Notes to the Financial Statements for the year ended 31 March 2012

21 Provisions

	31-Mar-12 Agency	31-Mar-11 Group	31-Mar-11 Agency	01-Apr-10 Group / Agency
	£'000	£'000	£'000	£'000
Balance as at 1st April	2,232	2,259	2,259	7,831
Movement in year	(2,075)	(27)	(27)	(3,874)
Provided in year	8	335	9	(355)
Transfers to BIS	(156)	0	0	0
Charged to Statement of Comprehensive Net Expenditure	(9)	(9)	(9)	0
Prior year adjustment	0	0	0	(4,964)
Transfer to Receivables	0	0	0	3,621
Balance as at 31 March	0	2,558	2,232	2,259
Analysis as at 31 March				
ERDF Provision	0	2,246	2,081	2,081
Other Provisions	0	312	151	178
Balance as at 31 March	0	2,558	2,232	2,259

The movement in year relates to the release of the ERDF 2000-06 provision as the likelihood of any clawback has reduced and the provision is now deemed not to be necessary. The transfer relates to the provision for the former Chairman's By-Analogy pension fund which transferred to the BIS Portfolio Management Office on 30th March 2012.

22 Events after the Reporting Period

Authorisation of Financial Statements for Issue

The financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 – Events after the Reporting Period* requires Advantage West Midlands to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the audit report is signed by the Comptroller & Auditor General.

The abolition date for the RDAs will fall on or after the 30th June 2012. Therefore, in order to facilitate the closure of the RDAs on 30th June 2012, a final transfer order (Transfer Order Three) will remove all assets and liabilities from AWM on 30th June, and transfer all remaining responsibility to the BIS Portfolio Management Office. This will then allow BIS to finalise the 2012-13 accounts ready to be laid before Parliament.

Notes to the Financial Statements for the year ended 31 March 2012

23 Losses and Special Payments

The Agency incurred no losses during the year requiring disclosure under the guidance contained in 'Managing Public Money'.

The Agency incurred 6 special payments amounting to £421,148. All of these related to the early settlement of contractual commitments, due to the closure of the Agency.

Within compensation costs 12 staff have received a retention payment at a total cost of £408,644. These payments were instigated by BIS, and approved by both HM Treasury and Cabinet Office before the individuals concerned were offered contracts. These payments were to ensure highly specialised and experienced staff were retained to oversee the smooth and solvent closure of the Agency, ensuring value for money on all transactions and negating the need for engagement of consultancy resources which would have been at a greater cost.

24 Operating Leases

As at 31st March 2012 the Agency had future operating lease commitments as follows:

Agency

	31-Mar-12 £'000		31-Mar-11 £'000	
	Buildings	Other	Buildings	Other
Not later than 1 year	70	0	368	157
Later than 1 year and not later than 5 years	0	0	50	316
Later than 5 years	0	0	0	0
	70	0	418	473

Rental costs of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. The comparative figures have been re-presented to comply with the disclosure requirements of IAS 17.

Notes to the Financial Statements for the year ended 31 March 2012

25 Commitments

	31-Mar-12 Agency £'000	31-Mar-11 Group £'000	31-Mar-11 Agency £'000
Capital Expenditure authorised by the Board and contracted at 31 March amounted to:	0	104,135	104,135

26 Related Party Transactions

Advantage West Midlands is an Executive Non-Departmental Public Body (NDPB) whose sponsor is the Department for Business, Innovation and Skills (BIS). During the period ended 31st December 2011 the Agency received Grant-in-Aid funding through BIS and ERDF through the Department for Communities and Local Government (DCLG). BIS and DCLG are therefore regarded as related parties. No other significant transactions have taken place with this body.

The Agency also has transactions with the Technology Strategy Board (TSB) a Non Departmental Public Body within BIS.

Other Regional Development Agencies are also sponsored by BIS and so are regarded as related parties. Advantage West Midlands has had transactions with the East Midlands Regional Development Agency (EMDA).

Notes to the Financial Statements for the year ended 31 March 2012

26 Related Party Transactions (continued)

The Agency was involved in the following related party transactions during the period which are considered to be material. Transactions between Advantage West Midlands and organisations in which Board Members and Senior Officers have an interest are shown below.

Name and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims £	Payments made to Related Party for Services Provided £	Balances Outstanding at 31-Mar-12 £
Mick Lavery Chief Executive	Business Link West Midlands	Chairman	0	7,459,731	273	0
	Marketing Birmingham	Board Member	0	201,944	0	0
	Birmingham Hippodrome Theatre Trust	Board Member	0	3,291	0	0
John Doherty Corporate Director	Business Link West Midlands	Director	0	7,459,731	273	0
Madeleine Atkins Board Member	Coventry University Enterprises Ltd	Director	0	192,056	7,875	0
Brendan Connor Board Member	CENEX	Chairman	0	20,495	0	0

Notes to the Financial Statements for the year ended 31 March 2012

26 Related Party Transactions (continued)

Name and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims £	Payments made to Related Party for Services Provided £	Balances Outstanding at 31-Mar-12 £
John Crabtree Board Member	Birmingham City University	Trustee Committee	0	78,832	0	0
	Birmingham Hippodrome Theatre Trust	Director	0	3,291	0	0
Angela Maxwell Board Member	Birmingham University	Member	0	93,909	0	0
	Business Link West Midlands	Advisor	0	7,459,731	273	0
	UKTI	Advisor	82,145	0	0	0
Roger Phillips Board Member	Herefordshire Council	Leader	0	2,640,459	40,510	0
Ken Taylor Board Member	West Midlands Local Government Association	Member	0	27,797	0	0
Mike Whitby Board Member	Birmingham City Council	Leader	163,170	38,503,394	171,841	0
	Birmingham Science Park	Chairman	68,000	0	583	0
	Marketing Birmingham	President	0	201,944	0	0
	West Midlands Local Government Association	Board Member	0	27,797	0	0

Notes to the Financial Statements for the year ended 31 March 2012

27 Financial Instruments

As the cash requirements of the Agency are met through the Department for Business, Innovation and Skills and the supply estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

Categories of Financial Instruments

Financial Assets as at 31 March 2012	Loans and receivables £'000
Trade and other receivables	222
Long term loans	0
Cash at bank and in hand	12,379
Total	12,601

Financial Liabilities as at 31 March 2012	Other Financial liabilities £'000
Trade and other payables	2,141
Total	2,141

Embedded Derivatives

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', the Agency has reviewed all material contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No instances were found that required 'embedded derivatives' to be recognised at their fair value, separately from the non-derivative host contract. For the contracts reviewed, the economic characteristics and risks were closely related to those of the host contract.

Notes to the Financial Statements for the year ended 31 March 2012

28 Group Discontinued Operations

Following the general election in 2010, the Coalition Government outlined a series of changes to how local economic development would be delivered, including its intention to abolish Regional Development Agencies. To this end, the Government published the Public Bodies Bill in Parliament on 29th October 2010, which received Royal Assent on 14th December 2011. The final abolition date will be on or after 30th June 2012, and hence management have been working towards the closure of the Agency. As such, the majority of functions previously undertaken have now been discontinued. This includes Business Support, Tourism, Transport and Planning, Urban Regeneration, Employment Learning and Skills and Strategy.

Note 28, to the accounts, provides detail of those functions and activities that have transferred to other bodies during the financial year. The table below provides details of continuing activities in other public bodies:

Area of continued activity	Area of Public Sector receiving activity	Amount of continued activity 2011-12 £'000	Amount of continued activity 2011-10 £'000
Venture Capital Loan Funds & Long Term Loans	Department of Business, Innovation and Skills	31,272	1,224
European Regional Development Fund	Department of Communities and Local Government	1,200	6,890
Olympics Programme	Department for Culture Media and Sport	385	1,335
	TOTAL	32,857	9,449

As these transfers are to other public sector bodies, although no longer undertaken by the Agency, they are considered to be a continuing operation. This is in line with the 2011-12 Government Financial Reporting Manual (FRoM).

The remaining Agency activities have been discontinued within the public sector. In the case of Inward Investment this is now being undertaken by a private sector organisation and in the case of GRD and GBI programmes, although existing commitments will be met, no new funding will be available to continue these programmes.

Notes to the Financial Statements for the year ended 31 March 2012

28 Group Discontinued Operations (continued)

The results of Group discontinued and continuing operations for the year ended 31st March 2012 are as follows:

Group Statement of Comprehensive Net Expenditure

	Period ended 31-Mar-2012 Continuing £000	Period ended 31-Mar-2012 Discontinuing £000	Period ended 31-Mar-2012 Total £000
Expenditure			
Programme expenditure	339	58,991	59,330
European funded programme expenditure	1,200	3,529	4,729
Staff costs	35	15,367	15,402
Depreciation / amortisation	0	0	0
Other Administration expenditure	11	3,590	3,601
Loss on transfer of Financial Assets	29,540	0	29,540
Loss on disposal of Subsidiary	0	4,606	4,606
Net gain/(loss) on revaluation of Venture Capital Funds	1,732	0	1,732
Total Expenditure	32,857	86,083	118,940
Income			
European funded income	1,200	5,609	6,809
Other income	0	4,985	4,985
Other government grants	0	2,918	2,918
Profit on disposal of Inventories	0	98	98
Profit on disposal of PPE	0	785	785
Profit on disposal of pension provision	0	434	434
Total Income	1,200	14,829	16,029
Net Expenditure	31,657	71,254	102,911
Interest payable	0	8	8
Interest receivable	0	(58)	(58)
Net expenditure after interest	31,657	71,204	102,861
Taxation	0	(1,663)	(1,663)
Net Expenditure after taxation	31,657	69,541	101,198

Notes to the Financial Statements for the year ended 31 March 2012

28 Group Discontinued Operations (continued)

The results of Group discontinued and continuing operations for the year ended 31st March 2011 are as follows:

	Restated 31-Mar-2011 Continuing £000	Restated 31-Mar-2011 Discontinuing £000	Restated 31-Mar-2011 Total £000
Expenditure			
Programme expenditure	7,068	125,816	132,884
European funded programme expenditure	202	25,912	26,114
Staff costs	896	26,907	27,803
Depreciation / amortisation	0	852	852
Other Administration expenditure	59	4,570	4,629
Loss on transfer of Financial Assets	0	0	0
Net (gain)/loss on revaluation of Venture Capital Funds	1,224	0	1,224
Total Expenditure	9,449	184,057	193,506
Income			
European funded income	202	31,632	31,834
Other income	0	3,763	3,763
Other government grants	52	9,906	9,958
Profit on disposal of Inventories	0	(1)	(1)
Profit on disposal of PPE's	0	0	0
Total Income	254	45,300	45,554
Net Expenditure	9,195	138,757	147,952
Interest payable	0	9	9
Interest receivable	0	(276)	(276)
Net expenditure after interest	9,195	138,490	147,685
Taxation	0	1,807	1,807
Net Expenditure after taxation	9,195	140,297	149,492

Notes to the Financial Statements for the year ended 31 March 2012

28 Group Discontinued Operations (continued)

Group cash flows from discontinued and continuing operations are as follows:

	2011-2012 Continuing £'000	2011-2012 Discontinued £'000	2010-2011 Continuing £'000	2010-2011 Discontinued £'000
Cash flows from operating activities	(13,282)	(89,611)	(3,702)	(160,475)
Cash flows from investing activities	(842)	(88)	(765)	(284)
Cash flows from financing activities	1,613	43,895	1,773	141,990
Net cash inflow / (outflow)	(12,511)	(45,804)	(2,694)	(18,769)

Notes to the Financial Statements for the year ended 31 March 2012

28 Agency Discontinued Operations (continued)

The results of Agency discontinued and continuing operations for the year ended 31st March 2012 are as follows:

	Period ended 31-Mar-2012 Continuing £000	Period ended 31-Mar-2012 Discontinuing £000	Period ended 31-Mar-2012 Total £000
Expenditure			
Programme expenditure	339	59,467	59,806
European funded programme expenditure	1,200	3,529	4,729
Staff costs	35	13,213	13,248
Depreciation / amortisation	0	0	0
Other Administration expenditure	11	1,968	1,979
Loss on transfer of Financial Assets	29,540	0	29,540
Loss on disposal of subsidiary	0	4,606	4,606
Net (gain)/loss on revaluation of Venture Capital Funds	1,732	0	1,732
Net (gain)/loss on revaluation of Subsidiary	0	484	484
Total Expenditure	32,857	83,267	116,124
Income			
European funded income	1,200	5,609	6,809
Other income	0	4,925	4,925
Other government grants	0	158	158
Profit on disposal of Inventories	0	98	98
Profit on disposal of PPEs	0	785	785
Profit on PMO transfer	0	434	434
Total Income	1,200	12,009	13,209
Net Expenditure	31,657	71,258	102,915
Interest payable	0	8	8
Interest receivable	0	(59)	(59)
Net expenditure after interest	31,657	71,207	102,864
Taxation	0	(1,664)	(1,664)
Net Expenditure after taxation	31,657	69,543	101,200

Notes to the Financial Statements for the year ended 31 March 2012

28 Agency Discontinued Operations (continued)

The results of Agency discontinued and continuing operations for the year ended 31st March 2011 are as follows:

	Restated 31-Mar-2011 Continuing £000	Restated 31-Mar-2011 Discontinuing £000	Restated 31-Mar-2011 Total £000
Expenditure			
Programme expenditure	7,068	126,274	133,342
European funded programme expenditure	202	30,308	30,510
Staff costs	896	16,008	16,904
Depreciation / amortisation	0	852	852
Other Administration expenditure	59	1,062	1,121
Loss on transfer of Financial Assets	0	0	0
Net (gain)/loss on revaluation of Venture Capital Funds	1,224	0	1,224
Total Expenditure	9,449	174,504	183,953
Income			
European funded income	202	31,374	31,576
Other income	0	3,799	3,799
Other government grants	52	827	879
Total Income	254	36,000	36,254
Net Expenditure	9,195	138,504	147,699
Interest payable	0	9	9
Interest receivable	0	(269)	(269)
Net expenditure after interest	9,195	138,244	147,439
Taxation	0	1,807	1,807
Net Expenditure after taxation	9,195	140,051	149,246

Notes to the Financial Statements for the year ended 31 March 2012

28 Agency Discontinued Operations (continued)

Cash flows from discontinued and continuing operations are as follows:

	2011-2012 Continuing £'000	2011-2012 Discontinued £'000	2010-2011 Continuing £'000	2010-2011 Discontinued £'000
Cash flows from operating activities	(13,282)	(84,355)	(3,702)	(153,935)
Cash flows from investing activities	(842)	(89)	(765)	(284)
Cash flows from financing activities	1,613	43,896	1,773	141,982
Net cash inflow / (outflow)	(12,511)	(40,548)	(2,694)	(12,237)

29 Disclosure of Prior Period Adjustments

In accordance with IAS8, the Agency is required to correct any material prior period disclosures in the first set of financial statements following their discovery. This set of financial statements includes two restatements (i) the disclosure of the acquisition value of the Agency's subsidiary Business Link in the Agency's statements and (ii) the change to reserves following a change in accounting policy for the recognition of grant income.

The restatement in respect of the Business Link disclosure as at 31 March 2011 is a result of the omission of the the Agency's investment of £5,090,000 in its subsidiary Business Link West Midlands Ltd. This change has now been corrected resulting in changes to the Agency's disclosure of Financial Assets in the Statement of Financial Position and the related note 13(d) disclosure as at 31st March 2011.

The financial statements of Advantage West Midlands have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FRm) issued by HM Treasury and in a form directed by the Secretary of State for Business Innovation and Skills (BIS), with approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998. Following a review of the interpretation of IAS20 which determines the treatment of capital assets funded from government grants, the FREM now states that the option to offset the grant against the cost of the asset has been withdrawn. This has now been reflected in the financial statements as a policy change within both the Agency and Group Statement of Changes in Taxpayers Equity for 2010-11.



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