

Invest Northern Ireland Annual Report and Accounts 2002/03

Today I...

This Report and Accounts have been prepared and laid before the Northern Ireland Assembly in accordance with Paragraphs 17 and 18 of Schedule 1 of the Industrial Development Act (Northern Ireland) 2002. These paragraphs require Invest Northern Ireland to prepare each year a Statement of Accounts and an Annual Report on the carrying out of its functions.

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Today I...



...apply new thinking across all areas of the business; production, design, quality, IT and marketing. These innovative approaches, shared by Invest NI, have been as valuable as their financial assistance.

Terry McDonagh, Managing Director, McDonagh Furniture

McDonagh Furniture

Crafting new business through increasing capability

Thomas McDonagh Ltd, the Portadown-based manufacturer of quality living room and bedroom furniture, has increased turnover by 40 per cent and strengthened profitability over the past three years by investing in its design and marketing capabilities.

Assisted by Invest NI, McDonagh has diversified to include a design-led range of contemporary furniture, including computer workstations, developed by leading design consultants, alongside its long-established quality reproduction furniture for the home.

The company subsequently established a new design facility as part of a project to differentiate itself from increasing competition in Great Britain and the Republic of Ireland, its two most important markets, from overseas rivals, particularly in the US and Asia.

The focus on design - the company aims to produce up to two new furniture ranges annually - has been combined with increased marketing capabilities and increased market share by a shift away from agents to a dedicated sales force that is now targeting large independent retailers and retail groups in England and Wales. The marketing drive is also being supported by activities to increase brand awareness among retailers.

To support the marketing drive, McDonagh has also invested in business improvement techniques which are enabling the company to increase its competitiveness through greater efficiency and tighter control over operating costs.

Invest NI has assisted the company, which currently employs 100 people, to apply international proven business improvement techniques such as the Theory of Constraints, Six Sigma, Benchmarking and Competitive Analysis. These techniques enable the company to ensure effective management of its production process and help in pinpointing areas for improvement quickly.

Invest Northern Ireland (Invest NI) is Northern Ireland's economic development agency, established in April 2002 as a Non-Departmental Public Body, sponsored by the Department of Enterprise, Trade and Investment (DETI). Its role is to promote innovation, enterprise and competitiveness in Northern Ireland businesses, encourage new business start-ups and market Northern Ireland as a location for inward investment. The Agency provides a range of financial support to assist businesses to grow and become more profitable and, in doing so, places a particular emphasis on assisting capability-building activities such as innovation, R&D, marketing, quality, process modernisation and skills development. Invest NI also provides access to advice, expertise and information, assists companies to enter or diversify in export markets and helps to meet business property needs.

Invest NI's Mission is:

To accelerate economic development in Northern Ireland, applying expertise and resources to encourage innovation and achieve business success, increasing opportunity for all within a renewed culture of enterprise.

Invest NI's Objectives are to:

Promote Innovation in all its Aspects, Stimulate Higher Levels of R&D and Design and Improve Knowledge Transfer.

Achieve Higher Levels of Growth by Indigenous and Externally-Owned Businesses.

Promote a More Enterprising Culture so as to Raise the Overall Level and Quality of Business Starts.

Attract High-Quality, Knowledge-Based Investment from Outside Northern Ireland.

INVEST NI BOARD

The role of the Invest NI Board is to establish the Agency's overall strategic direction and provide advice to the Minister on matters relating to the Agency. The Board also oversees the achievement of Invest NI's objectives and targets and has corporate responsibility for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds.

INVEST NI BOARD MEMBERS

Professor Fabian Monds (Chairman)
Rotha Johnston (Deputy Chairman)
Deborah Boyd
Frank Bunting
Professor Roy Crawford
Professor Bernie Hannigan
Dr Patrick Haren
Debra Jenkins Devine
Stephen Kingon (Appointed 7 June 02)
Owen Lamont (Resigned 11 Dec 2002)
Gilbert Little
Dr Alan McClure
Bill McGinnis
Rosemary Peters-Gallagher
Derek Shaw
Teresa Townsley

INVEST NI EXECUTIVE

Leslie Morrison
Chief Executive
Chris Buckland
Managing Director,
Corporate Services
Tracy Meharg
Managing Director,
Innovation and Capability Development
Leslie Ross
Managing Director,
Clients Group and Business International
Professor Terri Scott
Managing Director,
Clients Group and Entrepreneurship



CHAIRMAN'S INTRODUCTION

In our first year, Invest NI faced some tough challenges. We came into being in April 2002 as a new organisation, tasked with integrating the main economic development agencies in Northern Ireland. Amalgamating five previously separate service-delivery organisations into a single, seamless entity with clear strategic objectives was challenging in itself. To set about this while continuing to provide a value-added service to client companies who were, themselves, operating in a turbulent global economy made the task all the more daunting.

The consequences of the tragic events of 11 September 2001 had a major impact on our first year. The aftershock dealt a severe blow to the global business environment and this was further aggravated by the sharpest slowdown since 1974 of the world's major economies. During 2002, the global economy began to recover but it faltered again towards the end of the year and into the first half of 2003, in response to geopolitical uncertainties including the war in Iraq. This was clearly a difficult economic backdrop against which to introduce a new economic development agency.

Nevertheless, led by an experienced and committed Board, and benefiting from a talented and enthusiastic staff and the goodwill of our economic development partners, we set about our work briskly and with determination. We published our first three-year Corporate Plan in June

2002, with its keynote themes of innovation and entrepreneurship. The Plan provided a clear strategic foundation for achieving an economy for Northern Ireland better suited to meeting this century's challenges.

From our inception, we committed ourselves to instigating a change in economic-development support, based on promoting higher levels of innovative and entrepreneurial activity within our economy. An early priority was to achieve organisational synergy and we put much effort into re-designing the model for service delivery. This involved integrating, through client and sector teams, the far broader range of services that we are now able to offer from a unified organisation.

At the same time we adapted our internal practices and processes for the task of assisting Northern Ireland's businesses to compete in a much tougher world economy.

We have made encouraging advances in implementing the new model. Attention continues to focus on improving some aspects of customer delivery but we are now able to offer many of our clients a much more tailored and strategic approach to business growth.

A key objective is to ensure that the portfolio of Invest NI's programmes and services is available to all clients in an integrated and holistic way and we made progress during our first year in rationalising the wide range of programmes we inherited from our predecessor agencies. While adjustments continue to be made to our structure we now have in place the elements of a

sound organisation with a robust, but flexible structure focused on meeting customer needs. Regrettably, we have had to operate across three separate main office sites and this has made the task of full integration yet more challenging. However, we are taking forward preparations for locating in a single headquarters location in late 2005.

One of our key priorities was to strengthen the services that are delivered through our local office network and, during the year, we opened three new offices in Coleraine, Enniskillen and Craigavon. We increased the number of client-facing staff operating from the local offices and extended the product offering to ensure that companies being serviced by these had access to the entire range of Invest NI programmes and services. We also reviewed the role and location of our overseas offices and restructured our representation in North America.

Equality and the need to ensure that New Targeting Social Need (NTSN) areas benefit from our activities are key considerations and we took steps to ensure that both were mainstreamed into our policy development and service delivery operations. Formulating our Equality Scheme was a priority and this was submitted to the Equality Commission during the year.

We developed strategies in a number of important areas. In this context, an early initiative was the publication of our Principles for Business Support, which outlines the ways in which we provide mainstream financial assistance, whether in the shape of venture capital, equity or grant assistance. A document, "Venture Capital, Our Approach", also published during the year, articulated our vision for a vibrant and self-sustaining venture-capital industry in Northern Ireland. We launched 'Accelerating Entrepreneurship', which provides the framework for bringing about an increase in the number and quality of business starts and for initiating the more entrepreneurial culture that we need.

In addition to withstanding the effects of the global economic difficulties, the suspension of the Northern Ireland Assembly in October 2002 and continued political uncertainties were further restraining factors. Although we escaped the worst of global recession, its effects are still with us. The manufacturing sector was particularly badly affected and job losses occurred both as a result of weaker global demand and also as a consequence of increased competition from lower-cost regions overseas. Nevertheless, our economy performed reasonably well with growing overall employment and further falls in unemployment.

“From our inception, we committed ourselves to instigating a change in economic-development support, based on promoting higher levels of innovative and entrepreneurial activity within our economy”.

Our client companies had mixed fortunes. Some continued to develop and, in the case of our larger mainly externally-owned clients, we were heartened to see one of the highest total investment commitments for some years. However, much effort was also given to assisting a large number of businesses face the challenges posed by particularly difficult trading conditions. We, like our competitors, were affected by the downturn in global FDI (Foreign Direct Investment). While we fell short of what turned out to be a very ambitious target for new investment, our market share of new mobile FDI into the UK and Republic of Ireland held up well at 11%.

Financing support for companies, either domestically or foreign-owned, constitutes the largest segment of our budget. Deferment of investment plans by client companies and lower new inward investment had a direct impact on our spending during the year. A significant number of companies holding offers of financial support did not take up these offers as expected and a proportion of our budget had to be returned to our sponsor Department, for redeployment elsewhere in Northern Ireland.

Despite the challenges we can report an encouraging first year during which, as this Annual Report records, much activity has taken place. This reflects a creative and pro-active approach by many people. I take this opportunity, therefore, of thanking my fellow Board Members who have served Invest NI well over the past year. I am also grateful to our sponsor, the Department of Enterprise, Trade and Investment which has provided invaluable support and guidance over the course of our first year. To all our partner organisations working in the area of economic development, I offer my thanks for their help and support. Finally, particular thanks are due to our Chief Executive, Leslie Morrison, his management team and staff for their outstanding efforts in bringing this fledgling new organisation safely through its first year. The foundations of our new organisation are now substantially in place and we are looking forward with confidence to the future during which we will act as an agent for the advancement of the Northern Ireland economy.

FABIAN MONDS

Chairman

CHIEF EXECUTIVE'S OVERVIEW

As the world moves towards a more globally-competitive economy, the challenge for all those involved in economic development is changing rapidly. Today, economic growth is driven by knowledge, skills, innovation and entrepreneurship and nearly all economies are improving performance across these fronts. While the approaches we, in Northern Ireland, adopted in the past had relevance to their time, the realities of the new economy require a different prescription.

Invest NI, launched in April 2002, is Northern Ireland's redesigned economic development agency and, as its Chief Executive, I take particular pride that it offers a fresh start for economic growth in Northern Ireland. We now have the necessary scope, scale, potential for integrated delivery and the tools, to effect a fundamental change in Northern Ireland's business. We offer, through a single access point, a range of business support previously only available from separate agencies. From our inception, we have tried to develop a holistic approach that provides solutions to business challenges and is worked out through robust engagement with our customers.

Gaining widespread acceptance for our first three-year Corporate Plan gave us early encouragement. Our Chairman has already described the progress made, new organisational initiatives and the introduction of new support policies. Key among these are our Business Support Principles and Approach to Venture Capital, closely allied to the introduction of client and sector teams. These important achievements provide the foundation for the support we provide to our client companies and the manner of its delivery. Publication of 'Accelerating Entrepreneurship' was a significant milestone in articulating a new mode of support for business start-up activity.

Our first year's Operating Plan detailed a challenging agenda in each of four key areas: Innovation; Growing Existing Businesses; Business Start-Up; Inward Investment. Invest Northern Ireland staff worked energetically across all of these areas, delivering a wide variety of financial and non-financial solutions to client companies and organisations. In terms of financial support alone, we made offers totalling some £146 million which, in turn, leveraged an overall investment commitment of £605 million. This represents a very significant underpinning of the Northern Ireland economy.

“In terms of financial support alone, we made offers totalling some £146 million which, in turn, leveraged an overall investment commitment of £605 million”.

Invest NI's work is also assisted by significant financial support from the European Union. Through funding obtained under the Programme for Building Sustainable Prosperity (2000-2006) and the Special Support Programme for Peace and Reconciliation (Peace II), Invest NI is undertaking a wide range of innovative and ambitious projects to accelerate economic development in Northern Ireland.

Innovation

Innovation is a crucial driver in gaining competitive advantage and, during the year, considerable efforts were made to encourage it across all sectors. Despite the economic slowdown, a high level of activity was evident and we achieved all our published targets in this area. Most R&D investment in Northern Ireland takes place in a small number of large firms and an important part of our effort is directed at extending the number and range of companies engaging in R&D activity. Encouragingly, our offers of support helped 61 companies who had not previously engaged in R&D to undertake new product development through our Compete programme. We also made a significant contribution to Northern Ireland's R&D infrastructure by funding 17 Centres of Research Excellence. These Centres, ranging across several important scientific disciplines, will facilitate collaboration between local companies and the universities and will help accelerate the commercial exploitation of science and technology.

Growing Existing Businesses

Achieving higher levels of growth by our existing businesses is an absolute prerequisite for wealth creation and diffusion. The year under review was a difficult one for Northern Ireland businesses for the reasons provided by the Chairman. We had set a very challenging target of supporting 276 business development projects and our end-year figure of 258 slightly undershot this. These projects represented additional private and Invest NI commitments to invest £400 million in Northern Ireland businesses. I would also highlight the considerable efforts made by our client teams in assisting those companies which faced particularly severe trading conditions during the year.

Almost 1,400 companies participated in our trade-related activities against an original target of 1,000. We helped 93 companies to enter export markets for the first time and 194 companies (almost double our original target) to enter markets that were new to them. These are very heartening outcomes, evidence of recognition that growth will come primarily from increased sales to markets outside Northern Ireland. Our network of Technology and Development Centres, which provide vital support in international market places, has become well established and Centres now exist in Boston, Dubai, Denver and Houston.

The demand for Business Improvement Services exceeded expectations and almost 988 offers were made against a target of 400. These offers totalled some £12.9 million, of which £9.9 million was for skills-related activities; £1.2 million was for business-process improvement; and £1.8 million was for business networking and benchmarking.

Business Start-Up

The focus of attention in this area during our first year was the formulation of 'Accelerating Entrepreneurship', our strategy for bringing about a more entrepreneurial culture in Northern Ireland. We consulted widely on the strategy and were very encouraged by the overwhelmingly positive feedback received. We are confident that 'Accelerating Entrepreneurship' provides a solid foundation for increasing the number and quality of business starts, and that these will offer wider wealth creation opportunities for our people.

Throughout the year we provided financial and advisory support to those wishing to set up new businesses. Our target to assist 1,500 new businesses through the Northern Ireland Business Start Programme, with a principal focus on serving local markets was significantly exceeded, with a final outturn figure of 1,983, of which 28% were in NTSN areas. This Programme is delivered in conjunction with our partner, Enterprise Northern

Ireland to whom Invest NI provided £4 million in funding. We also achieved our target of 100 high-growth-potential start-ups despite the economic downturn. However, the number of research-based spin out companies we were able to assist totalled 19, compared with the very testing target of 40. The difficulties faced by the ICT sector, a prime source of research-based spin-outs, was the main reason.

Inward Investment

Foreign direct investment worldwide slowed down dramatically during 2002/03 as global capital expenditure was cut back. The volume of visits into Northern Ireland - 136 against a target of 190 - was, nevertheless, encouraging given the adverse economic circumstances. Of the 136 visits, 98 were first-time visits and 38 were repeat visits. As a result, we made offers totalling just under £6 million in respect of 10 projects, providing a total investment of £22 million and 817 new jobs. Although below our original target of 16 inward investment projects, these represent a healthy 11% market share of new mobile Foreign Direct Investment into the UK and the Republic of Ireland. We just undershot our target of securing 75% of projects for NTSN areas, achieving 70%.

“The demand for Business Improvement Services exceeded expectations and almost 988 offers were made against a target of 400”.

The Future

We made good headway in our first year, and we have laid a solid platform based on teamwork and the delivery of integrated solutions to our clients' business needs. But there are still hills to climb. We will continue to develop a partnership approach with our key stakeholders, a single corporate culture and complete our unified processes and systems. We will align our delivery even more closely to the highly demanding business environment and place a sharper focus on the consistency of customer responsiveness and client relationship management. In particular, we will redeploy client-facing staff on a more clearly defined sectoral basis, and simplify what we offer to enhance client communications. We will further strengthen the linkages between our locally-based staff and those overseas to maximise Northern Ireland's full potential for FDI, trade and technology transfer. There is much to be done on these and many other fronts, but I am confident that Invest NI's highly professional and committed staff, working alongside our Board and our economic development partners, will accomplish much in the years ahead. The measure of this will be the business success and wealth creation that is achieved across the spectrum of Northern Ireland's community.

LESLIE MORRISON

Chief Executive

Today I...



...am primarily involved in developing and maintaining alliances, and winning contracts with major North American customers. The company has acquired a significant number of blue-chip customers in this key market and is well-placed to build on its enhanced corporate profile, all with the help of Invest NI.

Michael O'Neill, COO, First Derivatives plc

First Derivatives

Expert services drive global success

First Derivatives, the Newry based financial services business, now ranks among the leading companies doing business on New York's Wall Street and in the world's other financial capitals. In its growing client portfolio are five of the leading tier one investment banks and a range of large financial institutions and financial software companies in the USA, Germany, Holland, France, Sweden, Austria and the United Kingdom.

Listed on the London Stock Exchange's Alternative Investment Market in March 2002, First Derivatives continues to grow steadily in size and international reputation as a provider of innovative and client-focused services to the financial institutions. Achieving an AIM listing was a major step for this small company that signalled its determination to become a major player in a dynamic and demanding industry.

Invest NI has assisted the company, which was formed in 1996 and currently employs 35 people, in its marketing, particularly in the US, where it has formed a strategic partnership with KX Systems to market, implement and support this US company's innovative database technology. The company attributes the KX partnership and contacts developed with other key customers to marketing support from Invest NI.

Through its participation in Invest NI trade missions, First Derivatives has also been able to identify and exploit new business opportunities with major financial institutions in Japan and Korea.

First Derivatives is an excellent example of a local company, an entrepreneurial business with a global horizon, which successfully combined Northern Ireland's IT and software skills with an in-depth knowledge of financial markets to offer a unique expertise in systems for businesses at the heart of the global economy.

This unique expertise has been recognised in a series of awards that have seen the company chosen as Northern Ireland Tradeable Services Exporter of the Year in 1998 and as Ireland's Fastest Growing Technology Company in 2001.

In addition to its expertise in financial services, the company has developed e-business systems for clients in a range of business sectors, including telecoms, government and construction.

PERFORMANCE HIGHLIGHTS

- Provided assistance totalling £146 million to client businesses and third party organisations that leveraged total investment of approximately £600 million.
- Safeguarded 17 larger client companies operating in difficult market conditions with associated employment of 4,175.
- Established 17 Centres of Research Excellence that will significantly enhance Northern Ireland's innovation capabilities and strengthen links between industry and the universities.
- Assisted almost 1,400 companies explore new markets through trade missions and other activities.
- Promoted the establishment of over 2,000 business starts.
- Secured 10 new inward investment projects offering 817 new jobs; this represented 11% of the market share of new mobile Foreign Direct Investment into the UK and ROI.
- Launched important policy statements including 'Accelerating Entrepreneurship'; 'Principles for Business Support' and 'Approach to Venture Capital'.
- Developed a new Performance Information Framework.
- Strengthened local delivery of Invest NI services by the opening of new offices in Coleraine, Craigavon and Enniskillen and extended the services available through the local office network.
- Reviewed our representation overseas and put plans in place for increased functionality and realignment of resources.

PERFORMANCE AGAINST CORPORATE PLAN (2002-05) AND OPERATING PLAN (2002-03) TARGETS

Key Objective	2002-05 Corporate Plan Targets	Progress at 31 March 2003	2002-03 Operating Plan Targets	Progress at 31 March 2003
Promote Innovation, Stimulate Higher Levels of R&D and Design and Improve Knowledge Transfer	<p>Increase private sector investment in R&D by 25% (by March 2004)</p> <p>Implement those actions falling to Invest NI in the Regional Innovation Strategy</p> <p>Establish 20 new/enhanced Centres of Research Excellence</p>	<p>28% increase (from 1999 baseline)</p> <p>Invest NI is actively taking forward a comprehensive range of innovation activities.</p> <p>17 Centres</p>	<p>Lever £20 million private sector R&D investments.</p> <p>Increase participation in R&D programmes by 7%.</p> <p>Publish Design Strategy</p> <p>Establish 10 Centres of Research Excellence</p>	<p>£23.7 million</p> <p>7.9%</p> <p>Design Strategy now an integral part of Regional Innovation Strategy. Design Action Plan to be implemented during 2003-04.</p> <p>17 Centres</p>
Achieve Higher Levels of Growth by Existing Businesses	<p>For larger companies achieve:</p> <ul style="list-style-type: none"> - Export sales growth of 10% per year - Increase in net employment of over 0.5% over the 3-year period <p>For smaller growth companies achieve:</p> <ul style="list-style-type: none"> - External sales growth of 8% per year - Increase in turnover of 7% per year - Increase in employment of 6% per year <p>330 companies (210 small companies and 120 larger companies) to undertake skills improvement programmes</p> <p>Increase numbers of businesses using e-Commerce website technology to 40% (by March 2004)</p>	<p>1.7%</p> <p>-5%</p> <p>1.2%</p> <p>3.2%</p> <p>6.4%</p> <p>110</p> <p>Interim performance data will not be available until end November 2003</p>	<p>Support 276 business development projects</p> <p>Develop 17 sector strategies</p> <p>1,000 companies to participate in Trade Missions and trade initiatives</p> <p>100 companies to enter external markets for the first time</p> <p>100 companies to diversify into new markets</p> <p>Establish a further Technology and Development Centre</p> <p>200 energy audits</p> <p>200 environmental audits</p> <p>400 business improvement interventions leading to £5 million increase in profits and £5 million new business</p> <p>120 Company Development Programme projects</p> <p>10 ICT Awareness events attracting 300 companies with 60% taking positive action</p> <p>100 ICT emerging technologies demonstrated</p>	<p>258</p> <p>12</p> <p>1,388</p> <p>93</p> <p>194</p> <p>Plans for 3 Centres well advanced</p> <p>209</p> <p>113</p> <p>988</p> <p>£3.1 million increase in profits and £3.7 million new business</p> <p>110</p> <p>19 events attracting 329 companies (75% took positive action)</p> <p>126</p>
Promote a more enterprising culture so as to raise the overall level and quality of business starts	<p>Achieve 4,500 new locally-focused businesses</p> <p>Assist in the establishment of 420 high growth potential businesses (120 of which will come from the research base)</p>	<p>2,035</p> <p>101 (19 from research base)</p>	<p>1,500 locally-focused business starts</p> <p>100 high growth potential start-ups</p> <p>40 research-based spin-outs</p>	<p>2,035</p> <p>101</p> <p>19</p>
Attract high quality, knowledge-based investment from outside Northern Ireland	<p>Attract 60 externally-owned knowledge-based investments</p> <p>75% of new inward investments to be located in NTSN areas</p>	<p>10</p> <p>70%</p>	<p>190 inward visits</p> <p>16 new externally-owned, knowledge-based investments promising 1,500 new jobs</p> <p>75% of all new inward investments to be located in NTSN areas</p>	<p>136</p> <p>10 investments promising 817 jobs</p> <p>70%</p>

OPERATING PLAN 2002-03: ORGANISATIONAL CHANGE TARGETS

Key Actions	Progress at 31 March 2003
Customer Interfaces	
Define client groupings and establish client teams. Define and establish sector-management teams.	Client and sector teams operational across many areas. Further internal restructuring underway to engage client-facing staff on a more integrated sectoral basis. "Principles for Business Support", defining how we will meet individual customer needs, has been published. Programme of internal training and external client awareness seminars delivered.
Review Financing and non-Financing Programmes.	This is a major ongoing exercise to review and rationalise the many wide-ranging programmes and initiatives currently on offer from Invest NI. The review mapped out these programmes and made recommendations for rationalisation. These are currently being taken forward.
Define relationships and establish strategic approaches to economic development with other relevant bodies.	A programme of regular meetings and communication with business representative bodies and key economic development organisations has been established.
Design and Functionality	
Strategic Review of Staffing and Structure.	The further integration work will result in new structures being in place during 2003/04. This will permit the development of a formal manpower strategy.
Staff Training and Development Action Plan.	Staff Training Action Plan for 2002/03 implemented. Change Management programme underway.
Review of role, location, staffing levels and cost effectiveness of Local Offices.	Review completed. Three new offices opened during 2002-03 in Enniskillen, Craigavon and Coleraine.
Review of role, location, staffing levels and cost effectiveness of Overseas Offices.	Review completed. Recommendations being implemented.
Policy Framework and Governance	
Develop policy and operational practices for Venture Capital.	Invest NI's "Approach to Venture Capital" published.
Develop policy and operational practices for the Social Economy	Social Economy Policy almost finalised.
Develop policy and operational practices for increasing Business Birth Rates.	"Accelerating Entrepreneurship" published. Consultation process completed. (Final document published in June 2003.)
Prepare Freedom of Information Publication Scheme.	Draft Freedom of Information Scheme prepared.
Equality	
Publish Equality Scheme.	Equality Scheme approved by Minister and, following public consultation, a draft Scheme was submitted to the Equality Commission.
Contribute to DETI New TSN Action Plan 2003.	Pending completion of OFM/DFM-led interim evaluation of NTSN policy, NTSN targets rolled forward for one year.
Service Standards	
Formulate customer service standards.	Customer Charter published.

Today I...



...am building upon Andor's worldwide marketing success as specialists in cameras for nanotechnology and the life sciences. As part of our leadership drive, Invest NI is assisting our continued investment in R&D, sales and manufacturing. We'll increase productivity, profitability and set the standards in our industry.

Dr. Hugh Cormican, Managing Director, Andor Technology

Andor Technology

Profits flow from focus on innovation

Andor Technology of Belfast, a world leader in the design and manufacture of scientific cameras, is investing £6 million in R&D, marketing and in measures to increase efficiency and productivity to enhance further its already strong market position. As a result of its focus on sophisticated technology and innovation, Andor is now one of Northern Ireland's most enterprising and successful knowledge-led businesses.

Assisted by Invest NI, Andor Technology, based at Springfield Business Park in West Belfast, is pursuing an aggressive growth strategy solidly based on continuing innovation in advanced products and in the technical support services it provides to customers worldwide. This commitment to innovation, which has included the production of the world's most efficient light sensitive camera, has enabled the company to achieve steady growth in turnover and profitability.

Invest NI is assisting the company's growth through support for an expansion of its manufacturing capability and for its R&D programmes. Extensive investment in manufacturing processes is geared to achieve a 400 per cent reduction in total process time, increasing efficiency and help to increase productivity and overall profitability.

The company, which employs over 100 people, has also taken part in Invest NI trade development activities and is strengthening its sales presence in the US, Japan and Europe.

In addition to Invest NI financial assistance, Andor Technology has successfully attracted venture capital support from Crescent Capital and Lloyds Development Capital.

Formed in July 1989 as a spin-out to exploit the commercial potential of leading-edge research in the internationally respected Physics Department at Queen's University, Belfast, Andor develops and manufactures scientific cameras for optical spectroscopy applications such as the use of light to examine the physical properties of solid, liquid and gaseous substances in technology-led industries such as life sciences and by research institutes worldwide. Early stage development of the company was assisted by seed capital provided by QUBIS, the university's industrial promotion business. QUBIS retains a shareholding in the company.

CLIENT AND SECTORAL PERFORMANCE

Performance Information Framework

Invest NI's Corporate Plan signalled the intention to put in place a robust and effective performance information system. This recognised the need to integrate further and rationalise the performance indicators formerly used in the legacy agencies and to develop a measurement framework that would reflect the aims and objectives of the new organisation. In addition to assessing what additional indicators would be required, a particular focus was placed on the need to develop a range of innovation measures.

The Northern Ireland Economic Research Centre (NIERC) was engaged to help take this work forward and during 2002/03 helped to develop a new Performance Information Framework (PIF). The Framework which has now been produced covers a wide range of indicators which reflect the volume and diversity of Invest NI activity (ie programme throughput), as well as the immediate and longer term impacts both on the Invest NI client group and on Northern Ireland more generally. The Framework is at Annex 1. Much of the performance data which is detailed in this Report is based on the new Framework and will continue to be developed and expanded in the future.

Overview of Client Performance

Invest NI has tracked performance, during 2002-03, of a group of businesses with which it is most closely engaged, referred to as "primary active clients". These are businesses which have demonstrated their potential for growth or are of strategic importance to the Northern Ireland economy. At the end of March 2003 there were 1,970 clients within this portfolio. With a total employment of 108,712, these clients represent approximately 24% of total private sector employment in Northern Ireland.

In spite of the very difficult economic conditions faced by many businesses during the year the value of total sales¹, generated by primary active clients increased by 0.3% to £10.83 billion. The value of sales made by clients to markets outside Northern Ireland increased by 1% to almost £8 billion, whilst the overall level of export sales, at £4.34 billion, increased by 1.3% from the previous year. The value of exports as a proportion of total client sales increased by 0.4 percentage points to 40.1%.

During 2002/03 client businesses made 6,659 job gains. However, these were offset by 9,970 job losses, resulting in a net decline in employment of 3%. Larger businesses, employing 250 or more, suffered most in terms of job losses with net employment in this group reducing by 3,662. These clients account for less than 5% of the client base, but contribute almost 50% of

1. 2002/03 values deflated to 2001/02 prices

total employment. The only net contributing group to employment growth were smaller businesses. Clients employing less than 50 increased their net employment by 1,286, an increase of 6.4%.

As a consequence of falling employment and relatively static sales, there was evidence of rising levels of productivity within the client base, as indicated by sales per employee. Overall, this increased from £100,500 in 2001-02 to £104,300 in 2002-03, with most of the gains being driven by those larger clients employing 250 or more.

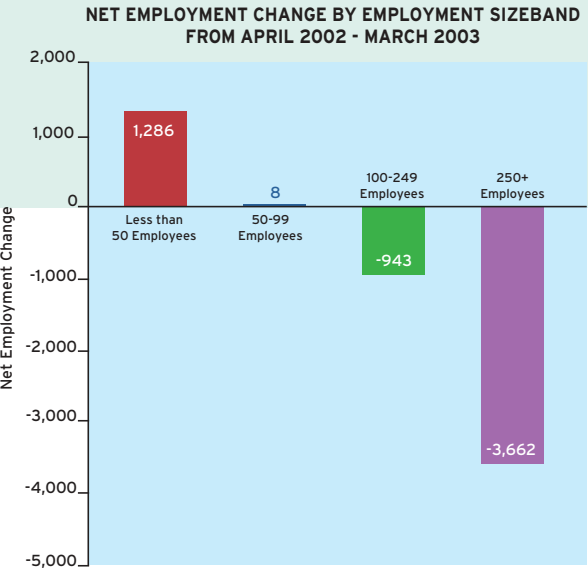
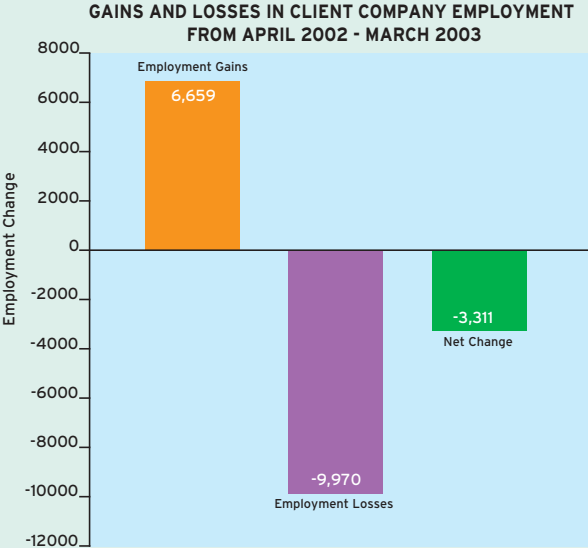
SUMMARY PERFORMANCE DATA

Sales	
2001/02	£10.8 billion
2002/03	£10.83 billion
Gross Gains	£0.970 billion
Gross Losses	£0.943 billion
Net Change	0.3%

External Sales	
2001/02	£7.91 billion
2002/03	£7.98 billion
Gross Gains	£0.787 billion
Gross Losses	£0.708 billion
Net Change	1%

Exports	
2001/02	£4.29 billion
2002/03	£4.34 billion
Gross Gains	£0.50 billion
Gross Losses	£0.45 billion
Net Change	1.3%

Employment	
2001/02	112,023
2002/03	108,712
Gross Gains	6,659
Gross Losses	9,970
Net Change	-3.0%



Sector Performance

There were some notable variations in performance between broad industrial sector groupings. Manufacturing employment decreased by 5.3%, compared to a growth of 5.3% by service sector clients. The latter represents 35% of the client base, and 24% of total employment. Whilst manufacturing clients suffered a decline in exports of 0.4%, service sector related exports increased by 19.9%, providing evidence of the changing market orientation of the sector. However, manufacturing businesses remain vital to overall performance, accounting for 90% of exports.

It is generally recognised that long term economic growth will depend greatly upon the successful exploitation of knowledge by the business base. There is no universally agreed definition of what constitutes knowledge-based industry. However, the Organisation for Economic Co-operation and Development (OECD) defines these as high and medium technology manufacturing sectors and knowledge-based marketed services. For reporting purposes we have classified our clients in line with this definition to focus on the contribution which this sector makes to overall performance.

Clients within the knowledge-based grouping account for one third of the client base and 42% of total employment. Difficulties in the high technology markets continued to adversely affect the trading position of many clients. This is evidenced by a 5.7% fall in

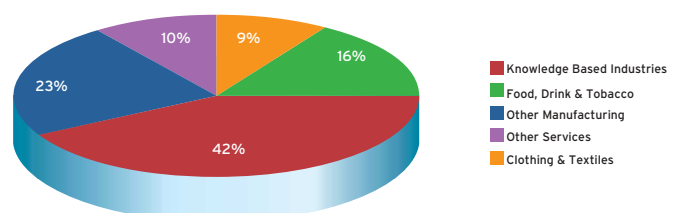
employment by clients within knowledge-based industries. In spite of sales declining by 5.6%, exports marginally increased by 0.2%. The sector has a strong focus on external markets which account for 88% of sales; exports represent 65% of sales.

During the year the performance of the food, drink and tobacco sector was relatively strong with export sales increasing by 9.5% to almost £626 million. Whilst employment marginally declined by 0.3% to 17,428, the sector remains important, accounting for 16% of total client employment and 26% of total sales revenue.

The difficulties within the clothing and textiles sector are well recorded. With sales generated during the year of £599 million, the sector accounts for only 5.5% of total client sales. However, there was some good news in terms of export sales which increased by 2.1% during the year. Although employment in the sector declined by 11% during the year, it still accounts for over 9% of total client employment.

As part of its new performance information framework, Invest NI has analysed the level of Gross Value Added (GVA) created by clients. Data for this has been extracted from the DETI Northern Ireland Annual Business Inquiry (NIABI) for a group of 165 clients, identified on the basis of their importance in terms of employment and exports.

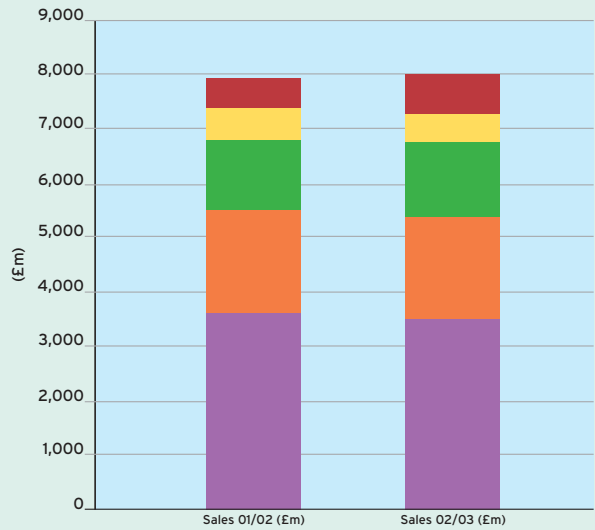
EMPLOYMENT 2002/03 BY SECTOR



The analysis reveals that for 2002/03 the GVA for this group of clients was £2,954 million, which represents a decrease of 1.8% from the previous year. However, due to a decrease in employment within these clients the GVA per head increased to £54,010, producing a growth of 2.5%.

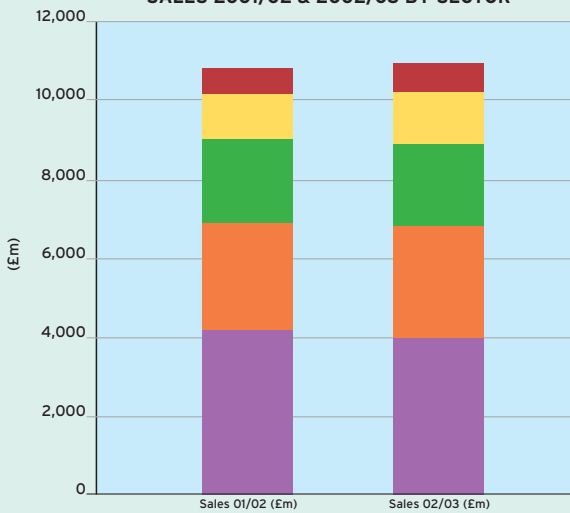
The NIABI has also provided Invest NI with a baseline position in terms of the level of 'connectivity' within the client base. For the group of identified core clients, 67% were classified as trading on-line, which is defined as either placing or receiving orders through the use of the internet, electronic data interchange or any other electronic network excluding e-mail.

EXTERNAL SALES 2001/02 & 2002/03 BY SECTOR



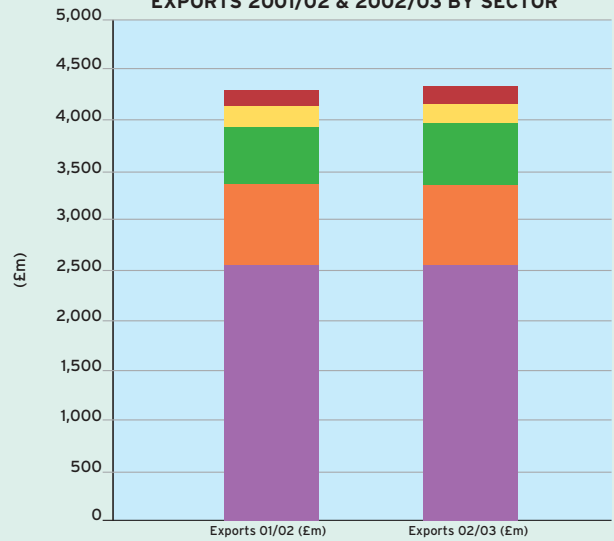
- Other Services
- Clothing & Textiles
- Other Manufacturing
- Food, Drink & Tobacco
- Knowledge Based Industries

SALES 2001/02 & 2002/03 BY SECTOR



- Clothing & Textiles
- Other Services
- Other Manufacturing
- Food, Drink & Tobacco
- Knowledge Based Industries

EXPORTS 2001/02 & 2002/03 BY SECTOR



- Clothing & Textiles
- Other Services
- Food, Drink & Tobacco
- Other Manufacturing
- Knowledge Based Industries

Sectoral Reviews

Much of Invest NI's engagement with client companies takes place on a sectoral basis, through Client Executives who work in sectorally-focused teams and who have an in-depth specialist knowledge of the sector with which they are dealing. There are a number of sectors which are key to the Northern Ireland economy and the following describes activities within these sectors during 2002-03.

ICT and Network Services

The Information and Communications Technologies (ICT) and Network Services sectors include software development, contact centres and shared services centres. The downturn in the technology and telecoms markets made 2002-03 a difficult year for these sectors. Due to a generally pessimistic outlook, confidence was low and the perceived high risk discouraged investment. Market growth, where it did take place, was niche-specific and mainly confined to outsourcing, public sector and financial services markets. Given these difficulties, Invest NI's main objective was to defend and retain the existing sectoral base within Northern Ireland, thereby maintaining a solid foundation for future growth and as a result, interventions tended to be protective.

Despite the prevailing market conditions an encouraging number of business development projects was supported. Among these was the MM Group, a contact centre company, which was provided with assistance for

the establishment of a Customer Relationship Centre at the company's premises in Bangor. This facility offers major clients a mail and e-mail handling service for their European operations. This project will take MM Group employment in Northern Ireland to 470 people.

Other significant elements of Invest NI's engagement with the sector included addressing key issues such as the ability to secure sales as well as to meet the competitive threat from lower cost economies such as India and China. Invest NI also worked closely with the Department for Employment and Learning (DEL) to monitor skills availability through initiatives such as the Workforce Development Plan. Momentum, the industry's representative body, was provided with assistance to ensure it maintained its position as the sector's collective voice.

In pursuit of improving external sales and exports Invest NI also provided trade support to the sector. Six Northern Ireland companies participated in the first ever Gulf Information and Technology Exhibition (GITEX) in Dubai. Sugar Cube, a participant on the Northern Ireland Group Stand at GITEX, won a contract to provide dual language text messaging technology for Nokia to run the 'Nokia Race' in Saudi Arabia, Qatar, the United Arab Emirates, Kuwait, Bahrain, Jordan and Oman. As a result of attending GITEX, Memsis, the Belfast-based software company, signed a partnership agreement with Apple which gives the prestigious Apple Solutions Expert (ASE) status.

The Eye-to-Eye (i2i) Event, a cross-border forum focusing on the ICT public and private sectors, was held in October. This brought together 50 ICT buyers from the Republic of Ireland with supplier companies, 12 of whom were from Northern Ireland. A total of 45 small and medium sized software businesses attended a one-day seminar on the opportunities within the expanding Government ICT market, which is valued at approximately £66m.

On the R&D front, the Compete Fast Track appraisal process for ICT businesses was launched in early 2002. This initiative was established in consultation with the industry in an attempt to increase the development work necessary to underpin the demand for new products and processes in the sector. There was a very positive response to Compete Fast Track and, during 2002/03, a total of 39 companies accepted offers of assistance to carry out 40 ICT projects. In addition it was encouraging to note that almost half of these ICT companies (19) were engaging in our R&D programmes for the first time.

Financial Services have become increasingly important to both the ICT and Network Service sectors and we have been encouraged that our efforts in this area in recent years have helped to attract investment to Northern Ireland by a cluster of financial services companies. These have included, from the UK, HBOS, Abbey National and Prudential. (Both HBOS and Abbey

National have located software centres here, in addition to contact centres.) We have also seen the continued growth of US companies such as Northbrook Technology and Liberty Mutual. A number of local companies has also developed to serve the sector including First Derivatives, Harco Technology and Singularity. During 2002-03 employment in the Financial Services Sector grew by over 500 and now totals approximately 4,000. The sector will continue to be a focal point for our development work for new start-up and existing businesses and for attracting FDI.

Electronics

Activity in the electronics sector was set against the broadest and most prolonged global downturn to affect this sector in recent years. Since 2000 the sector in the US has shed 320,000 jobs, while in Europe household names such as Ericsson have been forced to shed large proportions of their workforces. In the UK we have seen the decline of Marconi, and ARM Holdings succumbed to the downturn by shedding some 10% of its workforce. This contraction in global activity has resulted in large US companies rethinking their overseas strategies and, in some cases, divesting of bases in foreign locations. In Northern Ireland, this was the approach taken by the Marmon Group with the resulting closure of Getty Connections. A similar fate for both Viasystems and SMTEK Europe was only averted when, following the withdrawal of the US parents, Invest NI assisted management buy-out teams to take control of the Northern Ireland-based businesses.

“2002/03 saw continued growth for US companies such as Northbrook & Liberty Mutual and local companies such as Harco Technology & Singularity”.

Throughout these difficulties, Invest NI worked closely with local companies in the sector to help with the development of effective strategies. Much of the focus of these new strategies was on encouraging companies to invest in R&D and to develop new products. In addition, companies were assisted with best practice initiatives that will ensure that they are better equipped to take advantage of better market conditions in the future. This approach is based on past evidence which indicates that there will always be opportunities for companies that are innovative or have identified niche markets. Such is the case for companies such as Seagate, Andor and Kelman who have continued to invest for the future despite very difficult trading conditions.

Biotechnology and Health

Northern Ireland has around fifty companies operating across the diverse spectrum of health technologies. They range from long-established pharmaceutical and medical device companies to emerging university spin-out operations, grounded in leading-edge research in areas such as oncology, genomics and proteomics. The local sector has maintained a modest but steady level of growth, set against global market growth rates of 10% per annum with the strongest growth in biotechnology. Although the market growth prospects are favourable and the changes in medical science over the next 20 years are likely to be significant, biotechnology is a sub-sector which carries both high risks and the potential for high rewards.

In parallel with rising development costs, product life cycles are shortening. Government is also striving to keep healthcare costs under control against the background of an ageing population. This has resulted in further consolidation, rationalisation, strategic partnering and alliances. There is a need for greater efficiency in the R&D process and harnessing IT will be a critical success factor in drug discovery. Bioinformatics, in particular, is forecast to be a huge growth sector. Invest NI has been working with stakeholders to develop a strategy for the biotechnology and health technologies sector that will maximise the potential for growth through local company creation and development as well as inward investment. The strategy will focus on developing core capabilities in biotechnology, manufacturing outsourcing (eg medical devices, pharmaceutical services) and bioinformatics. At the heart of this strategy is the establishment of an umbrella organisation, "Bio Northern Ireland" that will embody the aspirations of all interested parties and will act as the 'brand' for Northern Ireland in this sector.

General activity in the sector has been high, with a number of structural changes among our larger players. The Almac Sciences Group continues to grow, with the acquisition of two further Galen pharmaceutical services units at Craigavon, Clinical Trials Services (CTS) and Interactive Clinical Technology Incorporated (ICTI), along with the former ABC Laboratories business at Coleraine. The Group now employs over 1,000 people here and at its facilities in the USA.

Leading biotech company, Randox Laboratories, announced a major investment of £123 million, which holds the promise of over 800 innovation-based jobs over the next five years.

The BIO Northern Ireland brand is already being employed at international trade events, including BIO Toronto in June 2002, to be followed with participation at BIO Washington, USA. As a direct result of participation in the Denver Bio Trade Mission in June 2002, Fusion Antibodies secured a partnership deal with Novus, Denver. In March 2003 Invest NI sponsored a mission to a number of US locations on the theme of Oncology. Participants included senior researchers from Queen's University Belfast and the University of Ulster, the aim being to introduce these individuals to USA-based companies and influencers within the biotechnology arena. The initiative proved very successful and a similar event is planned later in 2004, this time with a medical device focus.

Textiles and Apparel

The textiles and apparel industry in Northern Ireland is declining in terms of numbers employed as manufacturing continues to move offshore to lower-wage economies and as retailers maintain pressure on high street prices. As a result of these pressures, employment in the sector has declined from almost 25,000 five years ago to its current level of c.10,000.

It is anticipated that, in the future, the main focus will be on knowledge-based service jobs in areas such as IT, logistics, design and marketing, particularly within the larger companies in the sector. Smaller companies are more likely to be successful in niche markets making high value-added or specialist products. For all companies, this move up the value chain will be critical in achieving individual success and in ensuring the survival of a viable core industry.

Invest NI worked directly with companies and the industry's representative bodies to develop capabilities in these higher value added areas. Offers of support were made to Glenaden Shirts Ltd (Londonderry) to help the establishment of their branded shirts in the international fashion market; to Adria (Strabane) to enable the management buy-out team develop innovative and technically advanced hosiery products; to Franklins International Ltd (Banbridge) and Ulster Weavers Apparel Ltd (Banbridge) to assist both companies develop their export capability in European and other markets. Importantly, Invest NI's work with these companies has led to improvements across many business functions. These include, for example, the development of an innovative yarn covering process in Adria and the achievement during the year by Ulster Weavers of Class A World Class Manufacturing Standard, the only textile company in Europe to have achieved this level of excellence. Invest NI assistance has also helped smaller companies such as Capemist Gloves to develop niche markets with international designers such as Paul

“In 2002/03 Randox Laboratories announced a major investment of £123 million, which will promote over 800 innovation-based jobs over the next 5 years”.

Smith and also with buyers in the Japanese market. Grosvenor Shirts was assisted to develop branded made-to-measure shirts for prominent retailers including Selfridges.

Invest NI organised a group visit to the IFAI Expo event in the USA. As a direct result, C-Teq, the technical performance division of Crepe Weavers, secured a contract with a US company, giving C-Teq the European licensing rights to promote protective clothing for the motor sports industry. At the Heimtextil Exhibition in Frankfurt, Liddell secured a significant order from the US hotel group Regus valued in excess of £500k.

Food and Drink

Food and drink is an important sector in Northern Ireland, contributing £2.2 billion per annum to the local economy. Over 20% of Northern Ireland's total manufacturing work force is employed in food with 20,000 in processing and 60,000 in farming. An additional 20,000 are employed in food retailing and 5,000 in support services. In common with other industries, food is facing ever-increasing challenges from changing market trends. Shoppers demand healthy and safe products as well as new and cheaper convenience foods. There are challenges, too, from the expansion of retail multiples in Northern Ireland and from producers in lower-cost countries. Invest NI is helping client companies meet these challenges by focusing on measures to improve competitiveness through better marketing, product differentiation and skills development.

A wide range of projects was assisted. For example, a project of McColgans Quality Foods Ltd, Strabane involves the development of new food products and the expansion of its manufacturing premises. Another exciting development during the year was the establishment by United Dairy Farmers of a new Centre of Excellence at its Dale Farm operation in Ballymena. The new Centre will accelerate the company's research and development operations.

Speciality Food is a fast-growing segment of the food market. Under the Harrods Food Initiative three firms, Fermanagh Black Bacon, Whites Speedicook and Fivemiletown Cheese secured permanent listings with Harrods. At the Speciality Food Symposium in Kinsale in July, Genesis extended their Tesco listing in Northern Ireland to the Republic of Ireland and Fivemiletown Creamery achieved listings with Sainsbury's, Waitrose and Harrods. Following a visit to St. George's Market in Belfast, Superquinn identified nine food companies with which they wished to develop business. While attending the International Food Exhibition representatives of twelve speciality food clients met key buyers from Fortnum & Mason, Selfridges and Harvey Nichols.

Aerospace

The aerospace sector is an important one for Northern Ireland. At its core are Bombardier and Thales, major players in defence markets and the manufacture of regional jets; it also includes about 20 smaller companies involved in supplying sub-systems, components, materials, software and services.

The global recession and the ongoing impact of the 11 September 2001 events combined to make this an exceptionally difficult year for the sector. The key work for Invest NI during the year was the development of a strategic framework defining the basis for Invest NI's future interventions in the sector. These interventions will be aimed at helping Northern Ireland companies create greater value and move up the supply chain. This will require them to develop collaborative, commercial relationships, increase innovation and investment, develop skills and make the best use of knowledge-based technology. We continued to provide support to the sector for trade activities and thirteen Northern Ireland companies exhibited at the Farnborough Air Show, at which Beaufort Defence secured a confirmed order of £100k. Springco also identified two distributors in the USA.

Invest NI also continued during the year to work closely with the sector body, the Northern Ireland Aerospace Consortium. The development of the Integrated Aircraft Technologies Centre at Queen's University will also assist Northern Ireland to compete in this global and fast-changing industry.

Engineering

The Northern Ireland engineering sector is heavily dependent on aerospace and the difficulties within the latter sector had a knock-on effect on the local engineering supply base. Allied to this, competition from the Far East and Eastern Europe continued to strengthen. In order to help offset these difficulties Invest NI worked closely during 2002-03 with companies to encourage the introduction of more efficient people and process solutions. Significant emphasis was also placed on moving companies along the value added chain with particular emphasis on research and development and introduction of new products. This strategy will help to refocus companies away from the lower-cost, high-competition areas of the market, towards the more differentiated niche-market opportunities. Despite the challenges faced by the sector there were a number of significant success stories in the local engineering sector, with a £33 million expansion project at Nacco Materials Handling Group and the success of F G Wilson in taking first place in the Institute of Mechanical Engineers Excellence Awards.

Many companies have been encouraged to take part in trade exhibitions and other events which enabled products, services and skills to be displayed on the global marketplace. At the Interbuild Exhibition at the NEC in Birmingham in June, WMB launched a new product, securing an order for £150,000. At the Rio Oil and Gas Expo, OK Welding placed initial orders against a prospective £2m order with Crane Stockham & Valve and Fast Engineering.

“In tourism our main focus is on developing programmes majoring on competitiveness, management and staff development, marketing and use of ICT”.

In the London Building Centre, Heritage E-Card is part of a permanent display and this has helped generate over 100 trade enquiries per month. In the Autosport Engineering sub-sector Rosco Engineering secured business relating to prototype development for BMW. At the Royal Smithfield Show, Wylie Engineering received requests for dealerships from Sweden and Norway. The company earned a highly commended award for its new product, the Flip-Flop, and received a number of orders. As a direct result of the Smithfield Show, Slurry Kat received orders from Australia worth approximately £100k.

A cluster of NI companies exhibited at Houston Oil & Gas. The success of this initiative has encouraged the establishment of a Northern Ireland Energy and Technology Centre with the Energy Industries Council in Houston. Three local companies signed up for this important initiative, with further development planned for 2003-04.

Tourism

The Northern Ireland Tourist Board (NITB) is responsible for the marketing and development of tourism in Northern Ireland. Invest NI works closely with NITB and, within the context of overall tourism policy, assists tourism businesses improve the quality of their product so as to enable them to compete in the international tourism market.

Tourism is currently the fourth-largest private sector employer in Northern Ireland with almost 50,000 employees. However, even though it is an important contributor to the Northern Ireland economy, tourism contributes less than 2% of our GDP compared to 4.8% in the Republic of Ireland, 5% in Scotland and 7% in Wales. There is, therefore, significant further potential for the sector to generate wealth and employment. During the year NITB developed a new Strategic Framework for Action which will provide the basis for developing the sector over the next three years. Invest NI also, during its first year, developed a Business Support Strategy which is set firmly within the context of the NITB Framework. The key principle of Invest NI's strategy is that improved product quality can best be achieved through providing support for capability-building. Our main focus, therefore, is on delivering programmes majoring on competitiveness, management and staff development, marketing and use of ICT. In some circumstances support is also available for strategic capacity-building projects.

A number of applications for financial assistance both from Invest NI and the International Fund for Ireland, for whom we act as an agent, were processed during the year. The largest single offer was made to the Killyhevlin Hotel in Enniskillen to assist the hotel develop additional accommodation and facilities so as to reposition it in the tourism market. Assistance was also provided to a number of hotel businesses to help them improve their management systems, e-commerce capabilities and to develop management skills.

Multi Media and Creative Industries

This is an exciting time for the newly-emerging media industry in Northern Ireland with both significant opportunities and threats. The changes that have been taking place in the industry, particularly with the convergence of previously distinct areas such as media, entertainment, software, electronic hardware and telecommunications, prompted a re-examination of Invest NI's approach to supporting the sector. A review of the sector was completed during the year and Invest NI is using this as a basis for developing a strategy for the sector in collaboration with the Northern Ireland Media Association.

Also, in collaboration with the ITC, Invest NI brought a wide spectrum of sector interests together for a number of symposia during the year to discuss future development opportunities. Innovation is the key to success in this sector, whether that be in technology, content or infrastructure and it is vitally important for the industry to work closely with those who are at the leading edge of research and development, such as the universities, ECIT and the Sonic Arts Centre. Invest NI also committed nearly £10 million to the NIFTC (Northern Ireland Film and Television Commission) to help the Commission implement its strategy for the development of the film and television industry.

Today I...



...feel positive our Enniskillen contact centre will significantly benefit the local economy and provide long term jobs for 350. Invest NI is also supporting our drive to diversify local industry and promote knowledge-based e-business.

Liam McCaffrey, Chief Executive Officer, Quinn Group

03. Performance against corporate plan objectives

Quinn Direct

Direct connects with Enniskillen

Insurance industry leader, Quinn Direct chose Enniskillen for an £8 million contact centre to service its growing and successful insurance business throughout Ireland. Although only created in 1996, Quinn Direct has already established itself as the fourth-largest player in the Irish Insurance market.

The Enniskillen investment will be a “flagship” project for Quinn Direct and will create long-term employment opportunities for around 350 people. The investment, which was assisted by Invest Northern Ireland, will have a net benefit for the UK economy of around £18 million.

Sean Quinn, one of Ireland’s most successful entrepreneurs, is the driving force behind the Quinn Group, formed in 1973 and the parent company of Quinn Direct.

From its beginnings as a small family quarry firm the Quinn Group has grown into a significant privately-owned group and now employs over 2,000 people in such diverse business sectors as the manufacture of construction industry products, the production of container glass, the provision of financial services and hotel and leisure activities.

The Enniskillen area will also benefit from Quinn Direct’s plans to develop e-commerce activities there. The investment will also support efforts by Invest NI to diversify the local economy and to promote knowledge-led industries such as e-business.

The expansion of Quinn Direct will represent a significant endorsement of Enniskillen as an attractive business location and will make a major contribution to the development of capability in the area, particularly in fast growing and immensely important e-business and other developing technologies.

PERFORMANCE AGAINST CORPORATE PLAN OBJECTIVES

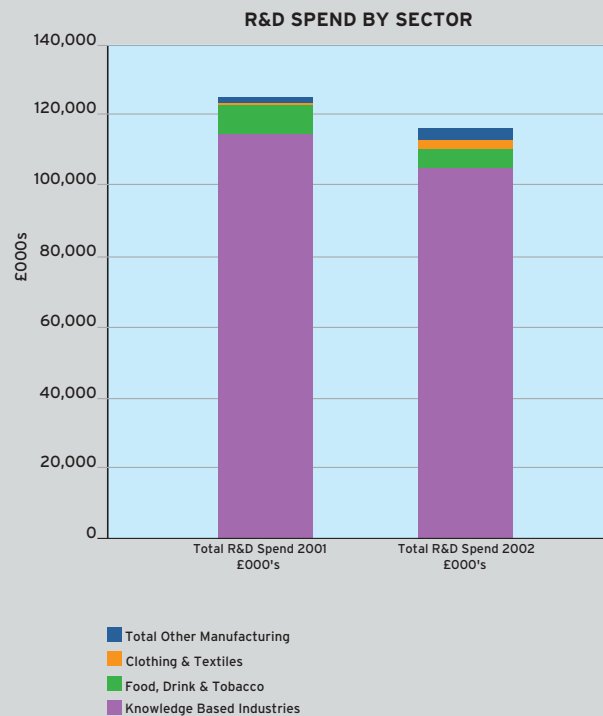
Invest NI's economic development activities are focused on four areas of development need: Innovation; Helping Existing Businesses to Grow; Business Start-Up; and Foreign Direct Investment. The following describes our achievements across these four areas.

Innovation

The successful exploitation of new ideas is the foundation for a dynamic and growing economy. Increasing innovation, therefore, is central to Invest NI's strategy and we offer a wide range of programmes aimed at encouraging companies engage in strategic research, product development and industrial design. Despite the uncertain economic circumstances which prevailed during 2002/03 there were some encouraging indications of the level of innovation within our client companies. A survey conducted by the Northern Ireland Economic Research Centre (NIERC) reported that 85% of the 130 respondent Invest NI manufacturing clients had introduced product changes, and 79% had introduced process changes during the three-year period since 1999. By comparison, for the wider population of Northern Ireland manufacturing plants, only 54% and 50% respectively, of respondents had introduced product or process changes. In the tradeable services sector, some 88% of the respondent Invest NI clients had introduced product changes since 1999 compared with 49% of all companies in the sector.

From the recently conducted R&D survey for 2002, DETI provided Invest NI with a summary analysis based on a group of mostly larger clients. This showed that investment in R&D - a major precursor of technological innovation - decreased by 8% from the previous year. In terms of R&D spend per employee, this declined by 1% to £3,845, reflecting a decrease in employment within this group of clients. R&D investment also continues to be mainly confined to a small number of larger companies within knowledge-based industries.

Our strategy, therefore, is to continue to place an emphasis on encouraging first-time R&D performers, help existing R&D companies progress up the R&D capability ladder and develop strategic collaborative partnerships between industry and third level institutions.



R&D Programmes

Invest NI administers a range of R&D support programmes and offers totalling £12.4 million were made in respect of 154 projects. These leveraged a total of £24.6 million private sector investment.

Encouragingly, there was a 7.9% increase in participation by companies in these programmes.

Invest NI's **Compete** Programme helps companies to improve their national and international competitiveness through support for innovative new products and manufacturing processes. During the year participation in the programme was high with a total of 184 applications. Of these, 134 companies accepted 139 offers of assistance totalling £7.3m against total project costs of £22.1m. Forty per cent of the participating companies were engaging in R&D for the first time.

The **Start** programme assists technology-based, pre-competitive R&D. The programme has grown gradually over the years and during 2002/03 there were 26 live projects extending across a broad range of sectors including electronics, textiles, packaging, aerospace, pharmaceuticals and food. The total value of research projects presently being assisted under START amounts to over £43 million. Due to the global economic slowdown which impacted adversely on company participation in the programme during 2002/03, only 4 new projects were agreed. However, the expenditure associated with these projects totalled £13.6 million.

Despite uncertain economic conditions, however, local companies have continued to show interest in the START programme and an upturn in strategic research activity is expected as global market conditions improve.

The **Smart** programme assists very small companies and individuals to carry out feasibility studies which will help develop innovative ideas into commercial products. SMART is organised on an annual competitive basis and a rigorous selection process determines the merit of projects put forward. The six winners of the 2002-03 competition were Memsis Ltd (Information Technology), Gendel Ltd (Medical Technology), Adaptive Communication Systems (Electronics), CCP Grandson (Bi-Chem) Ltd (Security), InspecVision Ltd (Metal Fabrications) and John Milliken (Food).

Invest NI manages the International Fund for Ireland's **Radiane** Programme which helps local companies develop new products and processes through joint ventures with partner companies in the USA, Canada, Australia, New Zealand or in another EU Member State. During 2002/03 assistance was provided to nine projects involving total investment of nearly £700,000.

Invest NI also helped to establish 19 new companies which emerged from research carried out within Northern Ireland's research base. Our target was 40 companies but the outturn was adversely affected by the global downturn in the ICT sector, which is a prime area for this type of start-up company.

“During 2002/03 Invest NI provided offers of funding to 17 centres of excellence. This investment represents the largest R&D infrastructure investment in recent years”.

NITECH Growth Fund

Launched in February 2003 the NITECH Growth Fund is a £3 million venture capital fund to finance the commercialisation of technological research in new-start and existing businesses. The Fund will encourage and support research and development activities and enable businesses to develop products and services that will meet market needs. Investments will range from £10,000 to a maximum of £250,000 and the Fund will operate alongside other sources of funding.

Knowledge Transfer Partnerships (KTP)

KTP (formerly the Teaching Company Scheme) is our flagship technology transfer programme which is aimed at stimulating innovation through collaborative partnerships between businesses and the knowledge base contained within Northern Ireland's higher and further educational institutions. A partnership involves at least one graduate working in a company for between one and three years on a project central to the needs of the company. In so doing, the company is able to draw on the knowledge and expertise of the higher education establishment. During 2002-03 KTP supported 19 partnerships.

Centres of Excellence

The development of a strong and vibrant research infrastructure is central to building up a successful innovation culture. The Centres of Excellence programme, funded by Invest NI and EU Peace II funds, is expected to result in total public/private investment in excess of £115 million. During 2002-03, Invest NI

provided offers of funding to 17 centres and a further 2 were nearing agreement. This investment, the largest R&D infrastructure investment in recent years, will lead to the creation of 20 new R&D facilities which will carry out leading edge, industrially-related and, above all, commercially exploitable research. The centres will have strong university-industry links and cover a wide range of research fields including genomics, biotechnology, ICT, nanotechnology, materials, aeronautics, food safety and sustainable development.

Northern Ireland Science Park

The primary aim of the NI Science Park is to provide a mechanism for the commercialisation of the local research base and strengthened links between industry and higher education. It will create new employment opportunities for graduate scientists, engineers and technologists and, of course, will offer a very attractive support facility for inward investors. The main site in Titanic Quarter, supported by linked developments elsewhere in Northern Ireland including the Magee and Coleraine campuses at the University of Ulster, will provide a facility for the establishment of new research centres and manufacturing businesses. The Science Park, which has received significant EU funding, will also strengthen the links between industry and academia. Phase I, comprising 86,000 square feet (46,000 in Titanic Quarter and 20,000 each at the Magee and Coleraine sites) was approved in March 2002. Work commenced on the Innovation Centre in July 2002 with completion scheduled for completion in July 2003 and the first tenants locating in November 2003.

Nanotechnology

Nanotechnology is the area of science and technology where dimensions and tolerances are measured by nanometres, ie about 1/80,000 of the diameter of the human hair. It is a revolutionary, multi-disciplinary enabling technology for the future economy with a wide range of applications. It has become a major R&D priority for all developed countries, with the USA committing \$700 million per annum to its National Nanotechnology Initiative. Northern Ireland has considerable strength in nanotechnology with a community of over 150 researchers based in academia and industry. Invest NI, through the RTD Centres of Excellence programme, provided support to an £11 million joint University of Ulster and Queen's University Centre of Excellence in nanotechnology research. The new Centre, known as Nanotec NI, is a significant first step towards developing a coherent and complementary infrastructure for the exploitation of nanotechnology in Northern Ireland.

At a national level Northern Ireland is working with the other Devolved Administrations and the 9 Regional Development Agencies to seek a common position on UK plans for nanotechnology under the auspices of the Micro and Nanotechnology Network (MNT) Group.

The MNT Network aims to lower entry barriers to micro and nanotechnology and to drive the market development and exploitation of these technologies. The outputs from this process are expected to include a more cohesive and interconnected association of regional facilities, an asset register of UK micro and

nanotechnology capability, proposals on the siting of additional facilities and a management structure for the network. Invest NI is fully committed to the development of the UK MNT Network as a vehicle by which to achieve the promotion of Northern Ireland's nanotechnology capabilities, both nationally and internationally.

European Framework Programme for Research and Technological Development

The Sixth Framework Programme (FP6), launched during 2002, is geared towards channelling research and scientific networks throughout Europe for the creation of a dynamic and competitive knowledge-based economy. FP6 has an overall budget of €17.5 billion and presents a real challenge to Northern Ireland companies and universities to take full advantage of the opportunities for collaborative R&D. Invest NI is proactive in promoting Northern Ireland participation in FP6 and during the year facilitated 17 Seminars and Workshops involving 545 delegates from both the universities and companies. Invest NI also assisted 25 researchers attend the high profile launch conference of FP6 in Brussels in November. This conference was attended by 8,000 delegates from across Europe and offered an unrivalled opportunity for networking and for initiating partnerships.

Invest NI's Innovation Relay Centre, which is partly funded by the EU, also has a European perspective through the promotion of trans-national technology transfer. During the year the Centre undertook advisory

“ At the all-island Innovation Awards, Northern Ireland achieved awards in 3 of the 4 categories and Ulster Carpets (NI) took the overall award for innovation”.

visits to 79 clients, facilitated 240 technology matches between Northern Ireland and European companies and accomplished a total of 9 technology transfers. The Centre also organised a number of awareness events and conferences which were very successful in raising Northern Ireland's R&D profile throughout Europe.

Design

Design is an important enabler of competitive business performance and Invest NI's Design Group provides expert advice and support to companies on both strategic and project specific issues. During the year this involved work with 159 companies across a range of industrial sectors. The Design Development Programme helps participating companies to manage the process of product development and provides an intensive structural support programme. Two programmes were organised during the year with a total of 18 participating companies across a range of sectors and geographic locations.

Innovation and Design Awareness

Awareness of the central role of innovation in achieving commercial success is low among many companies in Northern Ireland and Invest NI continued to be proactive in a variety of promotional activities. A highlight during the year was the Annual Irish Innovation Lecture which is a joint venture between Invest NI, Forfas and their respective parent Departments. Over 150 senior industrialists and academics attended this year's lecture in Dublin. The inaugural all-island Innovation Awards event, hosted by the Minister Ian Pearson and An

Tánaiste, Mary Harney, were held in the Shelbourne Hotel in Dublin in December 2002. Sponsored jointly by Invest NI, InterTradeIreland and Forfas, the awards amalgamate two competitions previously organised separately in Northern Ireland and the ROI. The competition attracted over 100 entries. Northern Ireland achieved awards in 3 of the 4 categories and Ulster Carpets (NI) took the overall award for innovation. Another all-Ireland event, the Institute of Designers in Ireland Design Awards, was launched in Belfast, with the final awards ceremony taking place in Dublin. Out of a total of 285 entries, 86 were from Northern Ireland. Local designers collected the top prize in 7 of the 16 award categories.

Liaison with the Higher Educational Institutions

During the year Invest NI continued to cultivate strong and effective linkages with the two local universities and the network of higher education colleges. We promoted technology transfer by linking the research base with companies through the placement of postgraduates on the Knowledge Transfer Programme. Many of the START projects, supporting commercially-focused industrial research, are joint ventures between companies and one or both of the two local universities and Invest NI has collaborated closely with the universities in taking forward these projects. We also worked closely with the universities developing and supporting the new Centres of Excellence. We also liaised closely with the Department of Education and Learning to ensure an effective and complementary approach to university funding.

Helping Existing Businesses to Grow

Business Development Support

Invest NI provides financial assistance to companies to help them grow and become more competitive. The main focus of this assistance is on developing the capabilities of companies in areas such as research, product development, innovation, quality and marketing as well as improving operational processes and developing skills at all levels in the company. Invest NI's client executives work closely with companies to develop tailored and strategic approaches that will help meet their growth needs and to exploit business development opportunities.

Across the spectrum of Invest NI's clients the agency made offers of £61 million to 258 business development projects. These offers resulted in potential public and private sector investment of £382 million. Within this total, some 88% (224) of projects were from smaller, locally-owned companies whose main focus of trade is within the UK and the Republic of Ireland. In relation to the mainly larger, externally-owned companies trading in international markets, offers totalling £51 million were made to 32 projects. These offers, together with the associated private sector investment, will produce a total investment of £334 million - one of the highest figures in recent years.

In addition to the total of 256 projects which were associated with developing businesses, Invest NI also worked extensively with a further 25 companies who were experiencing particularly difficult market conditions.

Trade Support

The strength of the Northern Ireland economy flows directly from the ability of our businesses to sell their goods and services in international markets. A key priority for Invest NI therefore is to encourage and assist small and medium-sized companies in the manufacturing and internationally traded services to pursue such markets and during the year provided offers totalling £5 million. The support given to client companies during the year included market and product information, export capability development, market access visits and in-market support tailored to company needs. In addition, focused intensive support along sectoral lines further enabled companies to enter new markets. These activities were complemented by our close links with UK Trade and Investment who provided vital information on overseas markets as well as access to a worldwide network of contacts.

“During 2002/03 almost 1,400 companies participated in trade initiatives”.

2002-03 KEY SECTORS AND MARKETS FOR TRADE ACTIVITIES

	Sector	Sub-Sector	Key Geographic Markets
Technologies	ICT	Telecoms Wireless Financial services E-learning Medical informatics	GB ROI USA Netherlands
	Electronics	ICT Medical Telecoms Contract Manufacturing	US Europe
	Life & Health Technologies	Biotechnology Pharmaceuticals Medical Informatics Medical Devices Clinical Trials	USA GB ROI Germany
Tradeable Services	Multi-Media	TV Film Music	France GB USA
	Technology based Professional Services	Call Centres	GB ROI
		Oil and gas	Brazil USA
	Industrial Services	Aerospace	GB France Germany USA
	Environment	Waste management	Denmark Eastern Europe
Marine	Ship fitting	EU	
Industrial	Engineering	Commercial vehicle	Middle East Central Europe
	Construction	Sustainable environment	Benelux Europe
		Heritage Contract Furniture	ROI GB ROI Dubai
		Rehabilitation Care Equipment Nursing Home Equipment	Germany Europe Scotland
Consumer	Food	Food Service Speciality Food Fish	ROI GB Benelux
	Textiles	Technical Textiles	GB Netherlands Europe
		Outsourcing	Turkey South Africa
	Giftware	Museum market	France GB and ROI USA

During 2002-03 our trade experts worked closely with sector teams to strengthen the trade aspects of sector strategies. This sectoral approach underpins all our export activities and, through an understanding of market opportunities, strengthens our combined efforts. The achievements of some of our client companies in securing new customers and entering new markets are described in the Sectoral Reviews earlier in this Report (Pages 31 to 38).

During 2002/03, we helped nearly 1,400 companies participate in trade initiatives. As a consequence, 93 of our clients entered UK mainland markets for the first time and 194 companies (nearly double our target) entered new export markets.

Trade missions are a cost-effective way to visit markets, meet potential agents, distributors and customers and carry out market research. They also provide an opportunity to network with other mission members and for more experienced exporters to give advice to the less experienced. These organised visits provide an extensive framework of both practical and financial help for NI businesses travelling abroad as part of a group. In 2002/03 Invest NI organised nine multi-sectoral trade missions to markets in South East Asia, North America, the Middle East, India, South Africa, Eastern Europe and Scandinavia. Over 150 businesses participated in these visits.

To add value to trade missions and other export initiatives, Invest NI provides **In-Market Support** services in key export markets such as the Middle East, South East Asia and the USA. The objective of In-Market Support is to help NI companies to increase their business in these key export markets. The service provides local companies with market research, practical advice and guidance from experienced trade advisers based in the markets. The service complements the expert market and sector knowledge that is on offer through UK Trade and Investment, which has over 200 diplomatic posts overseas and whose expertise is available to all Invest NI clients.

NI Trade Development Centres exist to facilitate innovative NI companies which wish to raise their profile and increase sales in the strategically important US and Middle Eastern markets. The Centres offer fully serviced workspace and management support from dedicated advisers with sectoral and market expertise. The first Centre was established in Boston in 2001. Current resident companies in the Boston centre are EZ-DSP, Causeway Data Communications, Amtec Medical and TextHELP Systems. TextHELP has also brought its main US business partner - the Kentucky Department of Education - to the Centre. In 2003 Invest NI opened a second Northern Ireland Technology and Development Centre in Dubai. Preparations were also taken to an advanced stage during the year for establishing Centres in Houston and Denver.

“Invest NI has Trade Development Centres in Boston and Dubai to facilitate innovative NI companies”.

One of the fastest ways in which companies can grow business in an overseas market is through finding a strategic business partner. Invest NI's **NIIPP** (Northern Ireland International Partnership Programme) helps local companies identify the right partner by using specialist consultancy services in the relevant markets to develop the most appropriate and potentially rewarding strategic business alliance in the relevant markets. To date some one hundred local companies have registered an interest in NIIPP. During the year Causeway Data Communications (CDC), a start-up company from the University of Ulster at Coleraine that has developed an innovative system for valuing property, secured a lucrative deal to market its product in North America. CDC formed a strategic alliance with Patriot Properties Inc, a specialist software and service provider based in Lynn, Massachusetts. This partnership with CDC gives them a competitive edge when bidding for key contracts in the highly competitive Computer Assisted Mass Appraisal (CAMA) market.

The **Marketing Awareness Programme (MAP)** is a strategic marketing programme offered by Invest NI to provide the early foundations for successful exporting. Combining workshops and one-to-one mentoring, the programme develops growing, successful and strong businesses by focusing on marketing as a key driver to business growth. During the year three waves of MAP took place with 70 participants. Each wave consisted of 13 training sessions ending with presentations of our clients' newly developed Marketing Plans. There was

very positive feedback from companies about the value of instilling this strategic approach to marketing. A further stage in developing exporting capability is Invest Northern Ireland's **Export Development Programme** aimed at helping companies develop their export marketing skills. In June 2002, 10 companies of varying size successfully completed the programme. All 10 companies participated on Market Visits and have to date successfully implemented their export plans.

The Autumn and Spring schedules of the **IMPACT** programme - a series of one-day practical marketing workshops to help individuals improve their marketing skills - were fully subscribed. Two additional workshops were slotted into December to deal with demand and additional workshops were held to prepare clients for exhibitions such as Plan Expo. During the year 65 Impact workshops were held covering a range of marketing topics. A total of 630 clients, representing almost 250 Invest NI client companies, attended these workshops.

Business Improvement Services

A wide range of programmes was on offer to assist both established and new businesses to develop their capabilities in terms of improving people skills, upgrading business processes and incorporating best practice techniques into their operations. The demand for business improvement services was exceptionally high during 2002/03 with almost 1,000 offers made against an original target of 400. These offers totalled

some £12.9 million of which £9.7 million was for skills-related activities; £1.2 million was for business process improvement; and £1.8 million was for supporting best practice activities, networking and benchmarking. These latter investments helped client companies generate a total increased profit of £3.1 million in addition to total new business of £3.7 million.

The **Company Development Programme** is our premier programme for people development, providing practical and financial support for training and development activities for both managers and workforces. During the year, 110 packages of assistance were agreed with client companies. Of these, 45 were in NTSN areas and 65 were with smaller businesses. One-to-one advice on people management issues was provided to 151 companies. Through the Profits through People programme, which involves six action learning modules for improving company competence across a range of areas, 37 companies were assisted to implement more effective HR management techniques. Fourteen new managers participated in the New Managers Programme.

In the area of **Business Process Improvement** consultancy was provided to 274 companies in a range of best practice techniques, including Competitive Assessments, Theory of Constraints, Total Productive Maintenance and Six Sigma. A further 14 companies participated in the Business Improvement Agent Initiative which supports the salary of an improvement

specialist with the target of achieving savings over three years of three times the cost of the salary.

The Supply Chain development initiative promotes the multi-national companies and Northern Ireland suppliers so as to bring more business to local suppliers and optimise supply for the multi-nationals. During the year, 24 local companies participated in the programme and, over a 3 to 6 month period, were assisted to identify and implement improvements to help them attain world-class standards in terms of quality, cost and delivery.

Best practice and benchmarking activities focus on the dissemination of knowledge, latest techniques and best practice that will help companies make improvements across the range of their strategic and operational activities. The Northstar Mentoring Programme, which assigns experienced business managers as mentors to smaller Invest NI client companies, supported 332 assignments during the year. Through Business to Business Bridge 41 large companies offered mentoring assistance to smaller companies. Following the successful model established by the Belfast Benchmarking Club, five business clubs were established in other parts of Northern Ireland to encourage the sharing of best practice among businesses.

E-Business Services

The e-Business team worked with more than 800 businesses during the year with more and more companies recognising the positive impact which

“The e-business team worked with more than 800 businesses and the scientific team carried out over 600 investigations during the year”.

Information and Communications Technologies (ICT) can have on their growth and profitability. The personalised advice provided by Invest NI's ICT advisors remains in strong demand with more than 75% of the businesses involved taking direct action to improve their systems and processes as a result. The e-Solutions centre also exceeded its annual target for visitors with 126 businesses visiting the centre to avail of the "try before you buy" experience and the objective advice provided. A total of 174 companies received financial support (total £568,000) to implement improved ICT processes during the year. ICT applications assisted during the year demonstrated an increased sophistication by companies in their approach to ICT - examples include remote training of distributors, integrated CRM systems and increased use of mobile technologies to provide real time information. Invest NI also assisted 70 companies, located in areas where traditional access to broadband was unavailable to install satellite broadband and thereby enable them to avail of faster dial-up and internet access. This programme acted as a prelude to Invest NI's Broadband Demand Stimulation Strategy.

Scientific Services

Invest NI's scientific teams carried out over 600 short-term analytical and testing investigations for companies across a wide range of sectors. Extensive work programmes were also completed in respect of air pollution, contaminated land, health and safety and waste minimisation. In its role of providing advice, information and support on the efficient use of energy

Invest NI offered assistance and follow-up support to over 200 businesses to assist in the completion of independent energy audits. Loans totalling £274,000 were made to 25 companies, under the Loan Action Scheme, to assist with the implementation of energy saving measures. Under the Environmental Audit Support Scheme, 113 businesses were offered financial support of £488k. Over 180 local businesses now have recognised certification for their environmental management systems, most of these having been supported under the Scheme.

Business Start-Up

Northern Ireland's position in regard to entrepreneurial activity is well documented. Recent publications such as the Global Entrepreneurship Monitor and the Household Entrepreneurship Survey confirmed that business start-up activity in Northern Ireland is among the lowest in the UK. The incidence of female entrepreneurship is also low as is the extent to which high earners start up their own business. The combination of start-ups and closures - the "churn", which is necessary for a healthy economy - is also the lowest in the UK. Additionally, there is evidence of a strong cultural resistance to entrepreneurial activity and fear of failure is particularly apparent in Northern Ireland than elsewhere. It is imperative that these weaknesses are addressed; that a more enterprise-friendly culture is achieved and that quality business starts are substantially increased.

Accelerating Entrepreneurship

'Accelerating Entrepreneurship', the strategy for addressing Northern Ireland's low business birth rate was launched for consultation in January 2003. A very positive response, together with some valuable feedback, was received from our enterprise partners in the public, private and voluntary sectors and the final strategy was published in June 2003. The vision for 'Accelerating Entrepreneurship' is to make Northern Ireland an exemplar location for starting and growing a business. The strategy sets out a number of priorities. Creating a culture that recognises and values entrepreneurs is a vital component and will require long-term action particularly in the education system. In this context, 'Accelerating Entrepreneurship' is consistent with the Entrepreneurship Education Strategy published jointly by DETI, the Department of Employment and Learning and the Department of Education. Northern Ireland's risk-averse culture and fear of failure will also be addressed through widespread enterprise awareness campaigns that will be aimed at encouraging more people to consider establishing their own business. Importantly, a responsive and accessible system of support for entrepreneurs will be developed. Assistance will be tailored to potential new start-ups on the basis of the markets they are likely to serve whether these be local, external or global.

Business Start Programme

Throughout the year, Invest NI continued to provide support to individuals wishing to start up in business. The Northern Ireland Business Start Programme is funded and managed by Invest NI in partnership with the District Councils and the EU. It is delivered through the network of local enterprise agencies whose work is co-ordinated through Enterprise Northern Ireland. The programme provides a package of support to entrepreneurs that includes training, mentoring and financial support. The majority of businesses supported under the programme are focused on serving a local market and most are in the services sector. The programme had a particularly strong performance during 2002-03, assisting 1,983 new business starts - well above the target of 1,500. Of these, 28% were in NTSN areas. The Programme has a significant impact on the Northern Ireland economy, promoting some 3,000 jobs and generating an estimated £200 million of output over the year as a result of the new businesses created. The programme is both successful and well regarded by those who have participated. In 2002 it was the winner of the Small Firms Development Initiative Awards for the training materials developed for the programme.

“The Business Start Programme assisted 2,035 new business starts - well above the target of 1,500 - promoting some 3,000 jobs”.

Social Economy

Social enterprises have the potential to make a significant contribution to the growth of our economy and we worked closely with DETI and other Government departments to formulate a strategic framework for the development of this sector. We also carried out initial preparatory work on a number of flagship projects that will be implemented during 2003/04. In June 2002 we launched the Community Business Start-Up Programme which is co-funded by the Department of Employment and Learning and the EU Programme for Peace and Reconciliation and which provides packages of support to groups wishing to start community businesses, particularly in disadvantaged areas and among business underrepresented groups. A consortium of agents delivered the Programme throughout Northern Ireland, with the main contractors coming from the Enterprise NI network. During 2002/03 we reached our target with 20 groups establishing new community businesses with the potential to create over 100 jobs.

Enterprise Awareness

As well as developing the Accelerating Entrepreneurship Strategy, important preparatory steps were taken to work up a range of programmes and initiatives that will provide the mechanisms for implementing its initiatives.

A particular emphasis was placed on two under-represented groups - women and young people. On all measures of entrepreneurship, there are significant gaps in the rate of business start-up between men and

women in Northern Ireland and between women in Northern Ireland and elsewhere in the UK. Our aim is, therefore, to reduce the negative effect on the main constraints in potential women entrepreneurs including changing cultural and social perceptions, providing easier access to information and improving the quality of support. Networks are important in providing local role models, developing mentoring relationships and offering peer support and all our local offices were involved in networking activities. We also took part, with Government departments, in the Stakeholder Forum which places a strategic focus on the entrepreneurship agenda.

Younger entrepreneurs were supported through organisations such as Shell Livewire, the Prince's Trust and Young Enterprise Northern Ireland who delivered enterprise programmes to over 30,000 school students. Additionally, we worked closely with the educational institutions in encouraging a broadening of the school curriculum to include enterprise.

Local Offices

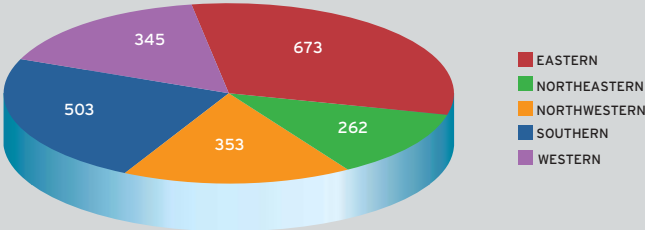
Invest NI's network of offices throughout Northern Ireland plays an important role in bringing the agency's services directly to local areas. The core tasks of the Local Offices are to assist the growth of existing clients in the small business sector and to work with those business starts where there is an opportunity for Export activity or for significant company growth. One of our

early priorities was to extend the range of services delivered through the network. At our inception the local offices' role was to promote enterprise in their areas, assist business start-ups, provide support to small companies and work closely with local partners - particularly District Councils, Enterprise Agencies and Local Strategy Partnerships - to provide a supportive framework for local economic development. We felt it important, first of all, to extend the network of offices and we opened satellite offices in Coleraine, Craigavon and Enniskillen to complement the existing offices in Belfast, Ballymena, Londonderry, Newry and Omagh. The role of the offices was also enhanced. Local office staff became more integrated with client and sector teams and in doing so were able to bring more effectively to their own clients the entire range of Invest NI services. The inward investment effort was also given a local flavour with greater involvement by local office staff (and through them the District Councils and other partners) in developing local sales propositions for attracting FDI to their areas. We also substantially increased our local office staffing. This helped to increase the time that local client executives could spend with both existing and start-up clients. In this context we believe it is important that attention is centred on those clients with greatest growth potential.

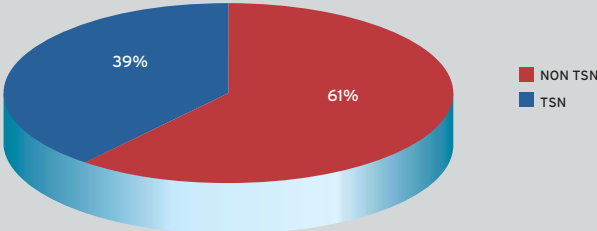
At the same time as introducing these new practices the local offices continued to play a very active role in economic development initiatives in their areas. The network has about 3,800 client companies of which just over 1,000 are primary active clients.

Client executives work closely with these companies helping them bring forward development projects and providing a wide range of information and advisory services. During 2002/03 the local offices provided support totalling £4.3 million to 133 business development projects which in turn leveraged £14.4 million of private sector investment. The local offices also assisted 101 growth start projects, which taken with the 2,035 businesses assisted through the Business Start Programme brought the total number of new business starts to 2,136.

INVEST NI START UPS 2002/03 BY REGION



INVEST NI START UPS 2002/03 BY TSN STATUS



“Invest NI local office network assisted 101 growth start projects and 133 business development projects”.

A wide range of initiatives was also undertaken by the network, often in partnership with other organisations working at local level. These ranged from short-term training programmes to more extensive initiatives.

We were also involved in a number of important taskforce initiatives.

The **West Belfast and Greater Shankill Taskforces** were established to bring forward recommendations for reducing unemployment and poverty in these areas. Invest NI has been closely involved in implementing aspects of a wide ranging set of initiatives developed within the ambit of the Taskforces. A key aspect is the redevelopment of the former Mackie's site which offers the opportunity to provide a mixture of traditional and knowledge-based employment opportunities.

The proposal for a **North West Action Plan** emerged as a result of widespread redundancies in the North West region, particularly in the clothing and textiles sectors. In taking forward this Plan, Invest NI worked during the year with a number of partner organisations to identify both the economic needs and the future opportunities of the North West area. The Action Plan identifies a set of actions aimed at maximising these opportunities.

The **North East Forum** was established during 2002 to address major redundancies in the area following the downturn in the ICT sector. The Forum includes representation from, as well as Invest NI, the Carrickfergus, Larne and Newtownabbey District Councils. The Forum has developed a suite of programmes to help those affected by the redundancies in the area to find alternative employment or to start their own businesses.

The **Taskforce for South Down** was established in January 2003 to examine the implications of successive EU Agriculture and Fisheries Council decisions on employment in the fishing villages of Kilkeel, Annalong, Ardglass and Portavogie. Invest NI is represented on this Taskforce and we contributed to the development of our Action Plan to address the socio-economic challenges faced by the villages. Invest NI continues to work pro-actively in implementing the Action Plan.

Invest NI is also a member of the **Omagh Taskforce** which has developed a strategy for the future development of Omagh. The Taskforce has a wide-ranging brief focused on economic development but also includes issues such as health and culture.

Property

Invest NI's role in relation to property is to ensure the full range of business property needs in Northern Ireland is met. The Property Unit seeks to achieve this by stimulating strong private sector involvement in industrial property provision throughout Northern Ireland.

The Unit is actively involved in ensuring that there is an adequate supply of serviced sites in key locations and modern facilities designed to accommodate expanding export oriented indigenous client companies and foreign direct investors.

Invest NI owns 49 business parks and industrial estates located in district towns spread across the region, maintaining a total landholding of approximately 2,800 acres with some 1,040 useable acres currently available for leasing. Invest NI also maintains a stock of modern manufacturing and office style business units ready for immediate occupation. During 2002-03 total property receipts of over £4.5 million were generated. Tables 7.1 and 7.2 in the Annexes provide further details on Land and Factory Holdings, Acquisitions, Completions and Sales.

The comprehensive property database contains details of available factory and office space located across Northern Ireland. Access to this database via the Invest NI website provides a user-friendly property search facility. The Unit's property advisory role also extends to advising client companies and potential investors on issues such as property procurement, statutory approvals and utilities provision.

Estates Management

During the year key headlines in respect of estate development have included work at the former Mackie's site in West Belfast, at the Creagh in the Magherafelt District Council Area and at Balloo in North Down.

An important recommendation in the West Belfast and Greater Shankill Task Force report is that the former Mackie's site should be redeveloped to offer new employment opportunities in this area of the city. The submission of planning applications, infrastructure design and community consultation were well advanced during the year. Next year will see major progress in respect of demolition and infrastructure works at this strategically important location.

Major site development work, assisted by EU funding, commenced on land at Creagh, in the Magherafelt District Council Area. Situated on the A6 key transport corridor between Belfast and Londonderry this 50-acre site has already acted as a stimulant to demand in the area. Work also began on development platforms at the 35-acre site at the Balloo South Estate in North Down. The availability of this business park has enabled the first stages of an innovative business village concept to progress to outline design and business approval stages. Of particular note was the purchase of a fully serviced 13-acre site at Invest NI's Hightown Estate in Mallusk by Diageo. This high quality site played a pivotal role in attracting this prestigious project to Northern Ireland.

“The availability of a high quality site played a key role in attracting the investment by Diageo to Northern Ireland”.

Property Development

The Property Development Agreement (PDA) scheme is available to encourage private sector developers to meet the needs of local businesses. This facility was used to complete speculative modern flexible business units at Strabane of approximately 30,000 square feet and at the Ulster Science and Technology Park in Londonderry of 50,000 square feet. PDA support also facilitated new manufacturing facilities for Rixel, a Taiwanese based company, at Doogary, Omagh of 40,000 square feet and for Huco Lightronics at Aghanaloo, Limavady of 22,000 square feet. In direct development mode Invest NI developed a new 20,000 sq ft modern flexible business unit at Glenbank (Crumlin Road) to complement the Whiterock Unit built the previous year.

Invest NI has continued to keep abreast of the changing nature of our clients' needs. In the case of Foreign Direct Investment knowledge-based projects, clients are expressing a preference for town centre locations in modern office buildings with proximity to leisure, retail and transport rather than the more traditional edge of town estates. To meet this need a speculative build initiative was initiated during 2002-03 to encourage the private sector to develop four speculative build office blocks in Londonderry, Omagh, Carrickfergus and Newry. Work on these proposals is ongoing. Demand from expanding indigenous business still shows a healthy interest in the traditional business park developments.

Foreign Direct Investment

Externally-Owned Companies

There were some very notable inward investment successes through expansions by externally-owned companies and some of these have been referred to earlier in this report. Invest NI clients who are externally-owned employ just over 50,000 people and account for 46% of total client employment. Whilst these clients, mostly large businesses, account for just 11% of the client base, they are key contributors to overall client performance. They account for 54% of total client sales and 72% of exports. However, their performance during the year was adversely impacted by world trading conditions. There was a reduction in the value of total sales by 3%, and a slight decline in exports of 0.4%. Whilst employment gains of 2,228 were made, this was offset by job losses of 6,579, resulting in an employment decline of 8%.

Externally-owned clients are major contributors to gross value added (GVA). GVA per head for these clients increased to £70,602 representing a 2.4% growth over the year.

Inward Investment Projects

Some 3,600 face-to-face visits were made in-market. A total of 136 company visits to Northern Ireland took place (of which 98 were first time visits and 38 were repeat visits) and 24 delegation visits were achieved. From these activity levels, 10 projects were secured offering 817 new jobs. Of these, 7 involving 351 (43% of total) new jobs promoted were in New TSN areas.

While we fell short of what proved to be a very ambitious target of 16 projects, the projects that were secured represented 11% of the market share of new mobile Foreign Direct Investment into the UK and Republic of Ireland. Given the difficult global economic environment against which we were operating, this was an encouraging achievement.

Market and Competitive Positions

The difficult economic conditions in leading global economies and resultant depression in general business confidence have continued and as a result the volume of contestable FDI has remained at a low level. Allied to this the nature and size of investments into the British Isles has continued to change. More manufacturing investment is locating or relocating to low-wage economies in Eastern Europe and Asia Pacific, there is an increased focus on the service industry sectors, and the average size of investments, expressed in job numbers, has continued to decline.

Northern Ireland is not unique in experiencing these new challenges. Our competitors are similarly affected. Encouragingly we have maintained our healthy market share of contestable FDI. It is important to maximise the product offering, while hopefully seeing a reduction in the uncertainties about the political process for our global audience.

The nature of FDI opportunities of the recent past has changed significantly and it is unlikely that sufficient levels of new investments will be secured in the short term to replace the haemorrhaging of employment in Northern Ireland's traditional industry sectors. However, Invest NI remains committed to attracting FDI with the objective of broadening the industrial base and stimulating the introduction and development of new industry sectors, technologies and skills. We will continue to focus our marketing and sales resources on those business sectors and geographical markets that are most likely to generate projects to match the Northern Ireland business proposition and complement the development of an innovation based economy.

Sector Focus

The focus of our sales and marketing activities remains in the innovation-based sectors of international traded services (in particular software, contact centres and shared services), electronics, telecommunications, health and biotechnology.

During the year we undertook a number of studies to help refine our sector focus and re-assess the competitiveness of the Northern Ireland business proposition. In particular, primary research was conducted on the Shared Services and Financial Services Sectors and on the potential for outsourcing and relocation from elsewhere in the UK. These studies

“The projects that were secured represented 11% of the market share of new mobile foreign direct investment into the UK and Republic of Ireland”.

have helped us to favourably position Northern Ireland against the key location decision-making factors of quality of service and cost.

Geographical Focus

Our resources remain targeted on North America, Europe (including Great Britain and the Republic of Ireland) and Asia Pacific, with the level of resource applied being commensurate with the potential opportunities.

We undertook a major review of the role, location, staffing and value for money assessment of our overseas representation. As a result Invest NI has decided to realign its representation in North America. This will result in the headquarters office in North America transferring from Chicago to Boston, which, in the prevailing market, offers a better location from which Invest NI can maximise its inward investment efforts. The overseas offices will also have an extended functionality which will increase the effectiveness of Invest NI's work on business alliances, trade and technology transfer. The Invest NI office in Boston will be the most significant demonstration of this fully integrated role. Also, since the end of the reporting year a new sales position has been created in Washington DC, in the Northern Ireland Bureau, to cultivate business opportunities.

Our sales offices in London and Dublin have been particularly active in positioning Northern Ireland as an

attractive alternative for public and private sector relocation investment. Invest NI's presence in Asia Pacific still remains very important, not least in maintaining close contact with those companies that have already invested in Northern Ireland. Our sales teams have also extended their functionality.

Promotional Highlights

A US/Ireland Business Summit took place in Washington DC in September 2002. This was a collaborative event involving the Northern Ireland Executive (with Invest NI taking a lead role), the government of the Republic of Ireland, the US Department of Commerce and leaders from business and academia from each country. Its focus lay in the promotion of collaborative research and development, technology transfer, enhancement of competitiveness, and business alliances. Workshops targeted the ICT, Financial Services and Health Technology sectors.

In conjunction with the leading consulting house Gartner, we undertook a major promotional campaign in the US market to showcase the Northern Ireland business proposition for investment in Financial Services and Wireless Technologies.

An initiative was launched to encourage major location decision-making consulting firms to actively consider Northern Ireland as a viable and attractive investment location. In this regard we were encouraged that over

30 consultants from IBM Consulting Services held their annual sales conference in Northern Ireland in January 2003.

Partnerships

This year has seen a major initiative to identify and develop a number of sub-regional business propositions suitable for investment opportunities. The objective here is to encourage regional groups of District Councils and local stakeholders to partner with Invest NI through its local office network to present these opportunities to investors. Particular focus has been given to the North West region. Since the end of the reporting year, as part of a wider initiative to encourage economic development there, we have commissioned a major study to benchmark Londonderry, including its travel to work area, against leading competitor metropolitan areas in the British Isles as a location for service industry inward investment

Invest NI presented "Software Northern Ireland" in partnership with Queen's University Belfast, the University of Ulster, Momentum and private sector clients at Hanover's CeBIT 2003. This is the world's most important showplace for information technology, software, telecommunications, and office automation. It featured a selective showcase of leading edge university research being undertaken in Northern Ireland and featured the software expertise that resides among some of Northern Ireland's leading technology companies.

We also sought to utilise the expertise of our universities in promoting Northern Ireland as an investment location in niche sectors such as digital communications, sonic arts, semiconductor design, nanotechnology and biotechnology. Leading academics and technical experts from both Queen's University Belfast and the University of Ulster have assisted our sales teams in both the North American and Asia Pacific markets.

Future Prospects for FDI

Since the end of the reporting year, and despite the crisis in Iraq, there are the signs of recovery, especially in the US. This is encouraging for our existing client companies in terms of trade and further investment; however, the prospects for increased levels of FDI remain very challenging.

The trend in the movement of international manufacturing towards low-wage economies is likely to continue and, as far as new FDI is concerned, the majority of the contestable opportunities will lie primarily within the service industry sector. Nevertheless, Invest NI will continue to target those manufacturing companies that offer viable long-term opportunities, for example in higher-margin product, building on the success of those world class externally-owned companies already located here.

"Invest NI presented "Software Northern Ireland" in partnership with Queen's University Belfast, the University of Ulster, Momentum and private sector clients at Hanover's CeBIT 2003".

Northern Ireland is no longer regarded as a low-cost, high-unemployment and high-incentive region within the British Isles. Consequently the selling message will focus more on the proven quality of service and value for money that is achievable here, and the quality of the business infrastructure. Planned product improvements in the incoming year with regard to the further roll out of broadband and improved air access will be welcome developments.

We will also work in partnership with our universities and existing companies to continue to exploit the world-class expertise that exists here; and work with existing client companies to identify and promote collaborative strategic business alliances in overseas markets.

Our Software sector has had significant success and Invest NI's close working relationship with the sector's representative, Momentum, seeks to maintain the sector's key position in the economy. A task for the future is to develop a working arrangement for interacting with the newer global players, such as India.

Today I...



...am delighted at our success so soon after setting up!
Our product was new, but Invest NI believed and helped get production and marketing underway quickly through product design assistance and their Growth Start Programme.

Charles Woods, Managing Director, Fire Escapes

Fire Escapes

Portadown company on ladder to success

Fire Escapes Ltd, a Portadown-based manufacturer of drop-down fire escape ladders for homes, is developing its business by investing in product innovation and external marketing.

Entrepreneur Charles Woods, who established another business, Delta Trading, a conservatory sales company, in 1997, was helped by Invest NI's Growth Start Programme to exploit a gap he had identified in the market for rigid frame fire ladders that could help save lives in domestic fire emergencies.

Mr Woods had been seeking an opportunity to diversify the business and purchased the design for a novel fire escape ladder. He formed a separate business, Fire Escapes Ltd, and set up a manufacturing plant at Carn Industrial Estate in Portadown. The product is marketed by an associate company, Fire Escapes (Europe) Ltd.

Assistance in the development of a business plan, in finding suitable premises and resources was provided by Invest NI. Further support towards refining the unique design of the ladder and its components was offered through Invest NI's Innovation Credit Scheme, which is delivered by the Manufacturing Technology Partnership.

Fire escape is a collapsible safety ladder, which when installed has the appearance of a rainwater pipe. It opens out into a robust ladder that enables several people to escape from an upstairs window.

The ladder is held in its closed position by a nylon cover cap fitted to the top of the ladder. When this cap, which has been designed to be removed easily by an elderly or frail person, is removed the ladder opens out into a fully functional fire escape. Queen's University also assisted by developing prototypes using their rapid prototyping technology.

Fire Escapes Ltd plans to employ seven people by 2005.

The Growth Start Programme supports new businesses that have the potential to export a product or service outside Northern Ireland and is delivered primarily via Invest NI's Local Office Network.

In its first year Invest Northern Ireland exceeded its target for the number of businesses established under its Growth Start programme helping over 100 new export focused businesses to set up in Northern Ireland between April 2002 and March 2003.

Some £3 million was provided to support new businesses like Fire Escapes Ltd, which has significant external sales potential and is keen to explore overseas opportunities.

The Growth Start programme is open to new businesses that have the potential to export a product or service outside Northern Ireland. The programme provides business counsellors, financial support and access to business information.

ADMINISTRATION

Human Resources

In its initial year, Invest NI faced a number of major challenges on the Human Resource front. Not least of these was the creation of a fully functioning HR unit from the relatively small base of the legacy agencies.

Over the first few months, a Director of HR was appointed and teams were set up to deal with the general HR functions, including recruitment, and a small specialist training team was also established. Thereafter, the main priorities for the year were Employee Resourcing, Staff Development, Harmonisation of Terms and Conditions and Industrial Relations.

Employee Resourcing

The operating context for Invest NI in 2002-2003 was exceptionally complex. Manpower planning had to be sufficiently flexible to take into account factors such as the vacancies which transferred with the legacy agencies on Day 1, the return of DETI staff to posts in the NICS and the need for Invest NI to establish recruitment mechanisms covering both specialist posts and bulk intakes at support grade level. This resulted in a very intensive recruitment campaign, with appointments made at every level below Chief Executive. From a standing start, the HR unit ran some 45 recruitment competitions during the year. These generated over 6750 requests for information, almost 3500 completed applications and led to 164 appointments. As these appointments were made and as those DETI staff who had opted to return were released back to NICS Departments, the proportion of permanent Invest NI staff in the organisation rose to almost 50% by the end of the financial year (against a starting point of 33%).

Staff Development

In staff development in the first year, the emphasis fell largely on supporting the change management process and in meeting other essential training needs which emerged from a variety of sources. In terms of change management, the key elements in this first year were:-

- **Training for Client Executives:** as new approaches, principles and processes were developed, a series of training events for Client Executives was developed and delivered in September/October 2002.
- **Information Technology Training:** the bringing together of the legacy agencies, coupled with the introduction of new systems and security procedures, gave rise to a significant demand for IT training; a total of 380 training days were delivered in this area.
- **Organisational Development (OD):** a number of communication events were held through the year, including a major staff event in the Europa, attended by over 500 staff and addressed by the Chairman and Chief Executive. These were supported by several team-based OD events to develop business plans and team approaches.

Other essential training needs arose in a variety of areas such as media handling, written submissions, fraud awareness and the performance management system. In total the Training Team managed the delivery of a total of 1722 training days, with a total spend on training and educational activities of £250,000.

Harmonisation of Terms and Conditions

Building on the very solid base which had been laid in the run-up to the establishment of Invest NI, the HR team, in close consultation with our union colleagues in NIPSA, worked on the development of a raft of policies and procedures, notably those in the area of IT use and IT Security, Training and Development and Recruitment and Selection. By the year end, the vast bulk of the policies and procedures of the legacy agencies had been replaced by an almost complete suite of new Invest NI policies.

Industrial Relations

Given the initial uncertainty among staff and the development and change in the first year of Invest NI's existence, it was important to secure a constructive and positive Industrial Relations climate in which the new organisation could move forward with some certainty. A Joint Consultation and Negotiating Council, with a series of sub-committees has formed goodwill and co-operation on both sides; the consultative process has worked well and good working relationships with NIPSA representatives have been established.

Equality

Invest NI has established a dedicated Equality Unit which drives the organisation in the field of equality. One of our first tasks was to prepare an Equality Scheme. A draft Scheme was issued for consultation, revised in the light of that consultation and was submitted to the Equality Commission for approval. We have, on the basis of an equality screening process, included all of our policy areas for Equality Impact Assessment and outlined these in the overall Scheme timetable.

As part of the implementation of our equality obligations, under Section 75 of the Northern Ireland Act 1998, we have fully integrated the Section 75 agenda into staff training induction seminars. The latter have covered how equality, New TSN, and human rights issues impact on the organisation as a whole. We have also been working in partnership with the Section 75 groups to promote and further the equality agenda and have been actively involved in developing and supporting a number of initiatives with a range of these organisations. Some examples are listed below:

- The Invest NI "Investing In Women Initiative" - which seeks to accelerate female entrepreneurship levels throughout the Province.
- The Disability Action "Business Support Scheme" - which encourages Northern Ireland businesses to work in partnership with Disability Action to ensure best practice approaches to disability issues. In addition, Invest NI has been instrumental in ensuring that there is adequate provision within the Northern Ireland Business Start Programme (run in conjunction with the local Councils) to accommodate and train people with disabilities.
- The Action for Mental Health "Employer Of Choice Programme" - aimed at encouraging companies towards a positive, inclusive approach to achieving work-life balance within the workplace.

Invest NI is also a member of DETI's "Equality & Diversity Working Group" and its higher level "Equality & Diversity Steering Group". These Groups meet regularly

to progress issues on equality, New TSN and human rights, thus ensuring co-ordination of activity between colleagues in DETI.

The Section 75 equality duty, placed on Invest NI, requires us to provide inclusive consultation and communication methods for all our customers. Thus we have produced internal guidelines which offer a standard of "Best Practice" to make consultations more effective and which advise staff how to communicate with equality in mind.

New Targeting Social Need (New TSN)

Invest NI continues to work closely with DETI in implementing the latter's New TSN Action Plan. As part of an ongoing review, Invest NI has now in place an enhanced monitoring system which gathers employment information on a number of the Section 75 categories including gender, religious belief, disability and racial group.

Monitoring procedures illustrate Invest NI's overall performance in impacting on areas of disadvantage and social deprivation. By providing a breakdown of new employees recruited by Invest NI client companies, the impact of skewing resources to socially deprived areas can be clearly seen. In relation to the Northern Ireland Business Start Programme (NIBSP), information is gathered on age, gender, religious belief and political opinion. This information is used not only to meet European Union funding requirements but also to help Invest NI identify potential gaps in activity, in a range of market sectors. In this way we can more easily develop "need specific" programmes and initiatives.

Accounting Systems

In setting up a new agency the installation of an integrated approach to the management of financial matters presented a major challenge. It required the establishment of a single finance team, incorporating staff from the legacy agencies who had previously operated under different practices and procedures. As a priority a new Financial Accounting system, Oracle 11i, was implemented along with a completely new set of Financial Procedures. Oracle 11i is a web-based accounting package that will facilitate the introduction of other financial-based modules that utilise web technology.

A new automated system to process purchase orders was introduced into the ninety cost centres within the organisation. This allowed for the move from cash to resource accounting. This system allows for on-line raising and approving of purchase orders and facilitates audit requirements in terms of tracking orders and applying delegated approval limits.

A single system of Budgetary Control was established and a method of calculating grants accruals and provisions established.

Towards the end of the Financial Year the Finance Team was audited for the Quality Award ISO 9001:2000, this was achieved and underlines the commitment of Invest NI Finance Division to providing a quality service.

Today I...



...team with Invest NI to enhance our Management Information, Customer Analysis and Reservation systems, also developing an action plan to upgrade capability. Better customer service and information will keep us ahead in the tourism market.

David Begley, Manager, Manor House Hotel

Manor House Hotel

Hotel enhances appeal to tourists

Extensive investment by the Manor House Hotel will further enhance its appeal to tourists and other guests attracted by the tranquil and picturesque shoreline of Lough Erne in Co Fermanagh.

The hotel's owners are being assisted by Invest Northern Ireland to improve business capability for customers and have introduced programmes to upgrade their Management Information and Reservation Systems. Management has developed a strong working relationship with the Invest NI client team and this has helped the company develop its competitive position in the dynamic global tourism industry

The hotel, which is located at Killadeas on Lower Lough Erne and just seven miles from Enniskillen, continues to invest in its customer services through a planned training programme for staff at all levels of the business.

The hotel is also taking part in a business diagnostic exercise with Invest NI, the objective of which is to develop an action plan that will lead to a significant increase in capability.

The investment is designed to accelerate the growth of the business, which has been receiving guests since the 1950s. The current owners purchased the property in 1989 and began the investment programme, adopting a phased approach to the development over the years. The owners have added a new kitchen, upgraded bedrooms and recently added 40 new ensuite bedrooms and a state of the art conference facility. It's an ongoing investment that is designed to ensure superb services to customers, including tourists, those on weekend breaks and leisure pursuits such as cruising and fishing, as well as local people using its facilities for weddings, business conferences and other events.

Invest NI is currently working with management to identify new reservation and IT software that will enable the hotel to analyse its customer base and improve existing Management Information Systems. Participation in the Company Development Programme has resulted in the hotel's staff being accredited the Investors in People award.

Corporate Plan Objective	Activity	Key Measures	Supporting Measures
Innovation Objective	<p>Research and Development</p> <p>Innovation</p> <p>Connectivity</p>	<p>R&D spend per employee</p> <p>Sales from new or improved products or Traded Services introduced in last 3 years.</p> <p>Progress on ICT Sophistication Index</p>	<p>Government Support % of business R&D spend. Patent applications per employee.</p> <p>New or improved products/traded services in last 3 years (% of firms introducing)</p> <p>Innovation Intensity</p>
Existing Businesses Objective	Existing Businesses	<p>GVA per employee</p> <p>Sales Growth</p> <p>Export Growth</p>	Gross Capital Expenditure per employee Sales in Knowledge-Based Sector Employment
Business Birth Rates Objective	<p>All Start-ups (including locally focused start-ups)</p> <p>Externally-focused Start-Ups</p> <p>Global Start-Ups</p>	<p>Number of People Engaged in New Business Activity</p> <p>Total number of Externally Focused Start-Ups</p> <p>Total number of Global Starts</p>	<p>NI/UK Birth Rate VAT registered per 10,000 of Business population</p> <p>Survival Rate of start-ups after 1/3 years</p> <p>Failure Rate of businesses</p> <p>Growth Rate of Start-Ups which are selling externally (outside NI)</p> <p>Growth Rate of all start-ups which are exporting (outside the UK & Ireland)</p>
Inward Investment Objective	Inward Investment	<p>Sales Growth of Externally-Owned Firms</p> <p>GVA per Employee in Externally-Owned Firms</p> <p>R&D spending per employee by externally-owned firms.</p>	Salaries and Wages in Externally-Owned Firms Local Supplier Spend by Externally-Owned Firms

Table 2.1 Client Company Performance By Sector (2002/03)

SECTOR	Number of Clients		Employment		% Sales (£m)		% External Sales (£m)		% Exports (£m)		Sales/Employee (£000's)		External Sales % Of All Sales		Exports % Of All Sales	
	01/02	2/03	01/02	02/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03
Clothing & Textiles	109	0	11,218	9,966	648	599	587	541	146	149	57.7	60.1	90.6	90.4	22.5	24.9
Food, Drink & Tobacco	221	224	17,487	17,428	2,672	2,810	1,847	1,977	571	626	152.8	161.3	69.1	70.3	21.4	22.3
Knowledge Based Industries	630	666	48,628	45,847	4,196	3,960	3,598	3,473	2,565	2,571	95.1	96.5	85.8	87.7	61.1	64.9
Other Manufacturing	598	622	24,315	24,510	2,000	2,029	1,280	1,314	795	769	82.2	82.8	64.0	64.8	39.8	37.9
Other Services	328	354	10,375	10,961	1,289	1,434	593	680	210	230	124.2	130.9	46.0	47.4	16.3	16.0
TOTAL	1,886	1,970	112,023	108,712	10,804	10,832	7,906	7,984	4,288	4,344	100.5	104.3	73.2	73.7	39.7	40.1

Table 2.2 Client Company Performance By Industrial Group (2002/03)

INDUSTRIAL GROUP	Number of Clients		Employment		% Sales (£m)		% External Sales (£m)		% Exports (£m)		Sales/Employee (£000's)		External Sales % Of All Sales		Exports % Of All Sales	
	01/02	2/03	01/02	02/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03
Manufacturing	1,246	0	86,873	82,237	8,942	8,800	7,037	6,977	3,922	3,905	102.9	107.0	78.7	79.3	43.9	44.4
Services	640	690	25,150	26,475	1,862	2,032	869	1,007	366	439	90.1	93.9	46.7	49.6	19.7	21.6
TOTAL	1,886	1,970	112,023	108,712	10,804	10,832	7,906	7,984	4,288	4,344	100.5	104.3	73.2	73.7	39.7	40.1

Invest NI Client Company Performance 2002/03

Table 2.3 Client Company Performance By Ownership Status (2002/03)

OWNERSHIP	Number of Clients		Employment		% Growth		Sales (£m)		% Growth		External Sales (£m)		% Growth		Exports (£m)		% Growth		Sales/Employee (£000's)		External Sales % Of All Sales		Exports % Of All Sales	
	01/02	02/03	01/02	02/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03
External	230	223	54,507	50,156	-8.0	6,078	5,897	-3.0	5,284	5,213	-1.3	3,162	3,149	-0.4	121.5	130.1	86.9	88.4	52.0	53.4				
Local	1,656	1,747	57,516	58,556	1.8	4,726	4,935	4.4	2,622	2,771	5.7	1,126	1,195	6.2	82.2	84.3	55.5	56.1	23.8	24.2				
TOTAL	1,886	1,970	112,023	108,712	-3.0	10,804	10,832	0.3	7,906	7,984	1.0	4,288	4,344	1.3	100.5	104.3	73.2	73.7	39.7	40.1				

Table 2.4 Client Company Performance By Company Size (2002/03)

EMPLOYMENT SIZEBAND	Number of Clients		Employment		% Growth		Sales (£m)		% Growth		External Sales (£m)		% Growth		Exports (£m)		% Growth		Sales/Employee (£000's)		External Sales % Of All Sales		Exports % Of All Sales	
	01/02	02/03	01/02	02/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03	01/02	2/03
Less than 50	1,459	1,550	20,115	21,401	6.4	1,696	1,751	3.2	807	817	1.2	477	469	-1.7	84.8	82.5	47.6	46.6	28.1	26.8				
50-99	194	194	13,136	13,144	0.1	1,083	1,126	4.0	617	666	8.1	283	308	8.9	83.2	86.4	56.9	59.2	26.1	27.4				
100-249	143	136	21,790	20,847	-4.3	2,436	2,355	-3.4	1,687	1,678	-0.6	844	872	3.3	114.7	117.5	69.3	71.3	34.7	37.0				
250+	90	90	56,982	53,320	-6.4	5,589	5,601	0.2	4,795	4,823	0.6	2,684	2,695	0.4	104.9	113.0	85.8	86.1	48.0	48.1				
TOTAL	1,886	1,970	112,023	108,712	-3.0	10,804	10,832	0.3	7,906	7,984	1.0	4,288	4,344	1.3	100.5	104.3	73.2	73.7	39.7	40.1				

Invest NI Client Company Performance 2002/03

Table 2.5 Client Company Employment Gains & Losses By Sector (2002/03)

SECTOR	01/02	Employment 02/03	Employment Gains	Employment Losses	Net Change	% Change
Clothing & Textiles	11,218	9,966	291	-1,543	-1,252	-11.2
Food, Drink & Tobacco	17,487	17,428	846	-905	-59	-0.3
Knowledge Based Industries	48,628	45,847	2,985	-5,766	-2,781	-5.7
Other Manufacturing	24,315	24,510	1,573	-1,378	195	0.8
Other Services	10,375	10,961	964	-378	586	5.6
TOTAL	112,023	108,712	6,659	-9,970	-3,311	-3.0

Table 2.6 Client Company Employment Gains & Losses By Industrial Group (2002/03)

INDUSTRIAL GROUP	01/02	Employment 02/03	Employment Gains	Employment Losses	Net Change	% Change
Manufacturing	86,873	82,237	3,636	-8,272	-4,636	-5.3
Services	25,150	26,475	3,023	-1,698	1,325	5.3
TOTAL	112,023	108,712	6,659	-9,970	-3,311	-3.0

Invest NI Client Company Performance 2002/03

Table 2.7 Client Company Employment Gains & Losses By Country of Ownership (2002/03)

OWNERSHIP	Employment 01/02	Employment 02/03	Employment Gains	Employment Losses	Net Change	% Change
External	54,507	50,156	2,228	-6,579	-4,351	-8.0
Local	57,516	58,556	4,431	-3,391	1,040	1.8
TOTAL	112,023	108,712	6,659	-9,970	-3,311	-3.0

Table 2.8 Client Company Employment Gains & Losses By Employment Sizeband (2002/03)

EMPLOYMENT SIZEBAND	Employment 01/02	Employment 02/03	Employment Gains	Employment Losses	Net Change	% Change
Less than 50	20,115	21,401	2,523	-1,237	1,286	6.4
50-99	13,136	13,144	914	-906	8	0.1
100-249	21,790	20,847	1,564	-2,507	-943	-4.3
250+	56,982	53,320	1,658	-5,320	-3,662	-6.4
TOTAL	112,023	108,712	6,659	-9,970	-3,311	-3.0

Invest NI Client Company Performance 2002/03

Table 2.9 Client Company Performance By District Council Area (2002/03)

DISTRICT COUNCIL	Number of Locations		Employment		% Growth
	01/02	02/03	01/02	02/03	
ANTRIM	86	88	4,407	4,349	-1.3
ARDS	67	68	2,679	2,735	2.1
ARMAGH	75	82	2,140	2,102	-1.8
BALLYMENA	72	78	5,053	5,376	6.4
BALLYMONEY	27	30	1,484	1,482	-0.1
BANBRIDGE	39	39	1,570	1,361	-13.3
BELFAST	359	374	22,071	21,753	-1.4
CARRICKFERGUS	31	27	1,437	1,197	-16.7
CASTLEREAGH	64	66	5,010	5,064	1.1
COLERAINE	52	53	2,903	2,906	0.1
COOKSTOWN	69	77	2,346	2,318	-1.2
CRAIGAVON	136	139	10,353	10,229	-1.2
DERRY	139	144	7,821	7,421	-5.1
DOWN	47	49	1,516	1,423	-6.2
DUNGANNON	123	126	4,706	5,023	6.7
FERMANAGH	60	61	3,725	3,791	1.8
LARNE	31	34	2,034	1,883	-7.4
LIMAVADY	26	27	2,271	2,007	-11.6
LISBURN	130	128	7,247	6,873	-5.2
MAGHERAFELT	85	92	3,489	3,421	-2.0
MOYLE	11	12	213	208	-2.3
NEWRY & MOURNE	122	123	4,130	4,231	2.4
NEWTOWNABBEY	78	82	6,918	5,631	-18.6
NORTH DOWN	61	59	2,477	2,096	-15.4
OMAGH	50	54	1,521	1,506	-1.0
STRABANE	34	34	2,502	2,326	-7.0
TOTAL	2,074	2,146	112,023	108,712	-3.0

Invest NI Client Company Performance 2002/03

Table 2.10 Client Company Performance by Parliamentary Constituency Area (2002/03)

PARLIAMENTARY CONSTITUENCY	Number of Locations		Employment		% Growth
	01/02	02/03	01/02	02/03	
BELFAST EAST	97	104	11,377	10,508	-7.6
BELFAST NORTH	101	95	4,621	3,970	-14.1
BELFAST SOUTH	158	171	5,778	6,816	18.0
BELFAST WEST	60	59	3,612	3,576	-1.0
EAST ANTRIM	73	73	6,073	4,579	-24.6
EAST LONDONDERRY	78	80	5,174	4,913	-5.0
FERMANAGH & SOUTH TYRONE	138	140	7,323	7,651	4.5
FOYLE	139	144	7,821	7,421	-5.1
LAGAN VALLEY	128	125	7,489	7,104	-5.1
MID ULSTER	199	216	6,943	6,903	-0.6
NEWRY & ARMAGH	137	144	4,502	4,558	1.2
NORTH ANTRIM	110	120	6,750	7,066	4.7
NORTH DOWN	64	62	2,803	2,425	-13.5
SOUTH ANTRIM	140	147	7,955	7,858	-1.2
SOUTH DOWN	108	109	3,177	3,083	-2.9
STRANGFORD	105	110	5,472	5,640	3.1
UPPER BANN	155	159	11,130	10,811	-2.9
WEST TYRONE	84	88	4,023	3,832	-4.7
TOTAL	2,074	2,146	112,023	108,712	-3.0

Invest NI Client Company Performance 2002/03

Table 2.11 Client Company Performance By TSN Area (2002/03)

TSN STATUS	Number of Locations		Employment		% Growth
	01/02	02/03	01/02	02/03	
Non-TSN	1,344	1,389	73,119	71,057	-2.8
TSN	730	757	38,904	37,655	-3.2
Total	2,074	2,146	112,023	108,712	-3.0

Notes for Tables 2.1 - 2.11

- 1) Prices at 2001/02 levels.
- 2) External Sales are those outside NI.
- 3) Percentage changes have been calculated using unrounded figures.
- 4) The OECD definition of Knowledge Based Industries has been used. This includes - High Technology Manufacturing Industries (sic codes 24.4, 30, 32, 33, 35.3), Medium-high Technology Manufacturing Industries (sic codes 24 [excl.24.4], 29, 31, 34, 35.2) and Knowledge-based Marketed Services (sic codes 64-67 & 71-74).
- 5) Other Manufacturing includes sic codes 20-37 excluding 24, 29, 30-34, 35.2 and 35.3.
- 6) Other Services includes sic codes 1-14 and 38-90 excluding 64-67 and 71-74.
- 7) Sales/Employee figures exclude those businesses which do not produce a measurable sales output, such as some contact/call centres.

ANNEX 3

Offers and Assistance

Table 3.1 Offers, Assistance and Investment By District Council Area 2002/03

DISTRICT COUNCIL	No of Offers	Amount of Assistance Offered (£)	Total Investment (£)
ANTRIM	51	18,786,407	133,210,570
ARDS	34	1,190,931	6,059,860
ARMAGH	55	5,198,896	19,199,971
BALLYMENA	48	1,814,623	10,457,086
BALLYMONEY	15	483,410	2,509,216
BANBRIDGE	25	1,937,355	8,301,820
BELFAST	273	29,341,105	83,619,136
CARRICKFERGUS	24	2,159,340	8,228,574
CASTLEREAGH	28	977,295	2,911,258
COLERAINE	48	2,397,251	5,271,548
COOKSTOWN	53	1,296,457	8,262,042
CRAIGAVON	59	16,076,431	71,042,976
DERRY	94	14,463,147	105,655,505
DOWN	63	1,345,244	7,149,771
DUNGANNON	57	2,436,205	9,462,763
FERMANAGH	28	3,714,293	14,539,718
LARNE	23	1,311,688	5,182,434
LIMAVADY	18	1,930,346	9,728,021
LISBURN	49	1,441,690	7,009,573
MAGHERAFELT	63	1,624,828	8,538,557
MOYLE	10	239,328	683,100
NEWRY & MOURNE	65	2,058,812	6,416,309
NEWTOWNABBEY	49	6,604,048	15,949,471
NORTH DOWN	38	1,145,203	6,053,245
OMAGH	33	957,261	3,243,872
STRABANE	17	3,780,199	16,773,578
TOTAL	1,320	124,711,793	575,459,974

An additional £21.2 million of assistance was offered to clients, for which this level of detail is not available

Offers and Assistance

Table 3.2 **Offers, Assistance and Investment By Parliamentary Constituency Area 2002/03**

PARLIAMENTARY CONSTITUENCY	No of Offers	Amount of Assistance Offered (£)	Total Investment (£)
BELFAST EAST	58	2,103,025	8,512,108
BELFAST NORTH	45	7,565,191	20,071,672
BELFAST SOUTH	137	15,943,868	38,581,673
BELFAST WEST	47	4,154,127	16,518,873
EAST ANTRIM	66	6,249,254	21,210,100
EAST LONDONDERRY	59	4,168,042	13,950,428
FERMANAGH AND SOUTH TYRONE	68	5,370,677	20,865,162
FOYLE	94	14,414,920	105,655,505
LAGAN VALLEY	54	1,462,738	6,682,614
MID ULSTER	144	4,406,819	22,188,706
NEWRY AND ARMAGH	84	6,258,098	22,320,265
NORTH ANTRIM	72	2,387,964	14,215,617
NORTH DOWN	44	1,347,025	6,467,355
SOUTH ANTRIM	86	22,877,977	142,862,810
SOUTH DOWN	70	2,439,960	12,649,429
STRANGFORD	62	2,148,990	9,258,178
UPPER BANN	78	16,626,275	73,276,818
WEST TYRONE	52	4,786,843	20,172,661
TOTAL	1,320	124,711,793	575,459,974

An additional £21.2 million of assistance was offered to clients, for which this level of detail is not available

Offers and Assistance

Table 3.3 Offers, Assistance and Investment By Targeting Social Needs Status 2002/03

TSN STATUS	No of Offers	Amount of Assistance Offered (£)	Total Investment (£)
NON-TSN	851	77,100,613	369,440,870
TSN	469	47,611,180	206,019,104
GRAND TOTAL	1,320	124,711,793	575,459,974

An additional £21.2 million of assistance was offered to clients, for which this level of detail is not available

Table 3.4 Offers, Assistance and Investment By Sector 2002/03

SECTOR	No of Offers	Amount of Assistance Offered (£)	Total Investment (£)
FOOD, DRINK & TOBACCO	77	7,207,481	46,063,131
CLOTHING & TEXTILES	45	4,755,411	18,260,864
KNOWLEDGE BASED INDUSTRIES	464	65,866,393	365,722,484
OTHER MANUFACTURING	395	9,491,640	37,768,453
OTHER SERVICES	283	27,256,477	90,574,099
THIRD PARTY ORGANISATIONS	56	10,134,391	17,070,943
TOTAL	1,320	124,711,793	575,459,974

An additional £21.2 million of assistance was offered to clients, for which this level of detail is not available

ANNEX 4

THE TABLE SHOWS OFFERS OF ASSISTANCE OF £75,000 OR MORE (EXCLUDING MAINTENANCE OFFERS OF REVENUE ASSISTANCE ONLY AND RESCUE/RESTRUCTURING ASSISTANCE) GIVEN AGAINST WHICH A FIRST PAYMENT WAS MADE TO THE COMPANY DURING THE PERIOD 1 APRIL 2002 TO 31 MARCH 2003

COMPANY/ORGANISATION	TOTAL INVESTMENT (£000's)	AMOUNT OF ASSISTANCE OFFERED (£000's)	TYPE OF ASSISTANCE	JOB CATEGORY
Adria Ltd	906	235	RG	C
Adamsez (NI) Ltd	1,649	205	OG	A&C
Adrian Bradley & Daryl Fullerton	230	81	RG	C
Aepona Ltd	410	143	RG	C
Aerospace Metal Finishers Ltd	990	327	RG	A&C
Aesseal (MCK) Ltd	374	81	RG	A&C
Alhow Laboratories Ltd	4,154	1,039	CG, RG	C
Almac Sciences Ltd	21,000	3,420	CG, RG	C
Amacis Ltd	288	86	RG	C
Amphion Semiconductor Ltd	404	141	RG	C
AMT Sybex Ltd	503	148	RG	C
Andor Technology Ltd*	5,336	208	CG, EG, RG	A&C
Answercall Direct Ltd	913	360	EG	C
Armstrong Medical Ltd	519	181	RG	C
B E Aerospace (UK) Ltd*	9,137	4,097	EG, TG	A,B&C
BDR Consulting Ltd	834	203	EG	A
British Airways PLC	553	513	EG	A&B
C C C Technology Ltd	384	96	RG	C
C N C Components (UK) Ltd	1,399	254	RG	A&C
Cam Benchmarking Ltd	800	516	OG	C
Canyon Europe Ltd	170	140	RG, OG	C
Chieftain Trailers Ltd	375	375	SCI	A&C
City Hotel Derry	162	111	TG	C
Clean Technologies Ltd	389	155	RG	C
Clinty Chemicals Ltd	201	80	RG	C
Colorite Europe Ltd	1,253	476	OG	C
Consilium Technologies Ltd	359	108	RG	C
Coote Engineering Ltd	356	125	RG	C
Crannburn Software Ltd	280	98	RG	C
Creative Composites Ltd	965	156	CG, EG	C
Crossgar Poultry Ltd	1,785	250	CG, RG	C
Curran Environmental Recycling Ltd	360	144	RG	C
Diageo Global Supply IBC Ltd	22,487	4,460	CG, EG, RG	A&B
Dream Ireland Ltd	665	490	RG	A&C
E D M Spanwall Ltd	301	75	RG	C
Elite Electronic Systems Ltd	3,785	475	CG, EG, RG	C
Extec Screens And Crushers	565	195	RG	C
Extract Solutions Ltd	598	99	RG	A&C
Exus Energy Ltd	409	163	RG	C
Finlay Breton Ltd	2,106	350	RG	A
First Derivatives Plc	403	141	RG	C
Fisher Engineering Ltd	3,636	221	CG, EG	A
Franklins International Ltd	784	172	RG	C
Freeza Meats Ltd	515	76	OG	A&C
Galen Ltd	3,109	777	CG, RG	C

ANNEX 4

COMPANY/ORGANISATION	TOTAL INVESTMENT (£000's)	AMOUNT OF ASSISTANCE OFFERED (£000's)	TYPE OF ASSISTANCE	JOB CATEGORY
Gendel Ltd	321	105	CG, RG, OG	C
Greater Shankill Business Forum Ltd	580	436	RG	C
Hill Engineering Ltd	282	100	EG	A&C
Hunter Apparel Solutions Ltd	334	96	CG, RG	C
I C S Computing Ltd*	3,273	1,200	RG, EG	C
In-Doors Manufacturing Ltd	791	150	RG	A&C
Infineer Ltd	283	99	RG	C
Innovation Technologies Ltd	265	105	CG, RG, OG	C
Internet Designers Ltd	465	210	EG	A
Invision Software Ltd	415	165	EG	A
John Mackle (Moy) Ltd	2,489	248	CG, RG	C
John Porter Engineering Ltd	177	88	CG, RG, OG	C
Joules Energy Efficiency Services Ltd	205	82	CG, RG, OG	C
Kelman Ltd	313	125	RG	C
M S O Cleland Ltd	281	98	RG	C
Mallaghan Engineering Ltd	1,606	219	OG	A&C
Maximum IP Ltd	398	100	SCI	A&C
McColgan's Quality Foods Ltd	6,171	950	CG, RG	A&B
Medevol Clinical Services	944	100	SCI	C
Michelin Tyre PLC	10,000	995	CG, RG	B
MM Group Ltd	1,575	224	EG, RG	A
Moldall Ltd	238	95	RG	C
Moy Park Ltd	29,915	5,535	CG, RG	A&B
Navital (UK) Ltd	209	84	RG	C
New World Developments Ltd*	1,267	308	RG,OG	A&C
Newry & Mourne District Council	107	107	OG	C
Nisoft (UK) Ltd	716	200	SCI	A&C
Norbrook Laboratories Ltd	592	177	RG	C
Nortel Networks UK Ltd*	6,995	2,886	RG, OG	C
Northern Ireland Film And Television Commission	2,204	300	OG	A&C
Openwave Systems (NI) Ltd	5,009	1,252	CG, RG	C
Queen's University*	10,430	4,862	CG, RG, OG	C
Randbox Laboratories Ltd*	7,314	1,902	RG, OG	C
Rapid International Ltd	152	134	RG, OG	C
Reflex Mouldings Ltd	583	99	OG	A&C
Responsian Ltd	218	87	RG	C
Rimedia Ltd	27,676	3,500	CG, EG	A
Roll Formed Fabrications Ltd	2,404	521	CG, EG, RG	C
S B Chemicals Ltd	250	100	RG	C
Seagate Technology Media (Ireland) Ltd*	38,970	8,389	CG, RG	B&C
Seinex Electronics Ltd	543	217	RG	C
Sepha Limited	363	145	RG	C
Serpico Software Ltd	724	135	SCI	A&C
Service And Systems Solutions Ltd	766	230	RG	C
SPS Ireland Ltd	464	85	RG	A&C
Telestack Ltd	1,415	269	SCI	A&C
Thales Air Defence Ltd	4,495	899	CG, RG	C
The Mc Avoy Group Ltd	1,962	284	RG	A&C
The Princes Trust	3,018	3,019	OG	A&C
The Zip Project Ltd	5,550	1,166	EG	A

ANNEX 4

COMPANY/ORGANISATION	TOTAL INVESTMENT (£000's)	AMOUNT OF ASSISTANCE OFFERED (£000's)	TYPE OF ASSISTANCE	JOB CATEGORY
Thos W McDonagh Ltd	687	100	RG	C
Trivirix International Ltd	8,911	3,000	CG, EG, RG, LN	A&B
Ulster Bank Ltd	2,545	180	EG	A
Ulster Carpet Mills (Holdings) Ltd	5,878	800	CG, EG, RG	C
Ulster Community Investment Trust Ltd	2,750	500	OG	C
Ulster Weavers Apparel Ltd	6,282	1,553	CG, RG, SCI	C
Unicorn Containers Ltd	383	87	OG	A&C
Unicorn Self Serve Ltd	1,769	232	RG	A&C
United Dairy Farmers	4,531	1,133	CG, RG	C
University of Ulster*	2,049	993	CG, RG, OG	C
Viper International Ltd	258	77	RG	C
Vision Information Consulting Ltd	373	112	RG	C
Webtech NI Ltd	162	135	RG, OG	C
Western Connect Ltd	535	125	SCI	A&C
Wrightbus Ltd	2,269	681	CG, RG	C
Xenosense Ltd	367	125	RG	C
Young Enterprise Northern Ireland	215	215	OG	C

CG - Capital Grant, EG - Employment Grant, IRG - Interest Relief Grant, RG - Revenue Grant, TG - Training Grant, OG - Other Grant, LN - Loan, SCI - Share Capital Investment

A - Assistance for employment creation.

B - Assistance for safeguarding employment.

C - Assistance to promote company competitiveness.

* These Companies/Organisations have received more than one offer against which a first payment has been made during the period 1 April 2002 to 31 March 2003.

ANNEX 5

Inward Investment Visits

Table 5.1 Visits to Northern Ireland By Potential Investors

VISITS	01/02	02/03
First Time Visits	96	98
Repeat Visits	37	38
TOTAL VISITS	133	136

Table 5.2 Visits to District Council Areas By Potential Investors

DISTRICT COUNCIL	01/02	02/03
ANTRIM	5	8
ARDS	6	3
ARMAGH	4	4
BALLYMENA	0	0
BALLYMONEY	0	1
BANBRIDGE	1	0
BELFAST	68	78
CARRICKFERGUS	5	7
CASTLEREAGH	1	0
COLERAINE	3	8
COOKSTOWN	0	0
CRAIGAVON	11	3
DERRY	13	22
DOWN	11	3
DUNGANNON	0	0
FERMANAGH	0	2
LARNE	1	1
LIMAVADY	0	1
LISBURN	6	4
MAGHERAFELT	0	1
MOYLE	0	0
NEWRY & MOURNE	9	7
NEWTOWNABBEY	14	20
NORTH DOWN	6	4
OMAGH	7	5
STRABANE	2	1
TOTAL	173	183

Notes

(1) Visit to Northern Ireland which did not include specific District Council areas are excluded for this table.

(2) Total District Council visits may exceed total visits as there may have been visits to more than one District Council area.

ANNEX 6

New Business Start-Ups

Table 6.1 Number of Assisted Start-Ups By District Council Area 2002/03

DISTRICT COUNCIL	Local*	External**	Total
ANTRIM	41	6	47
ARDS	94	1	95
ARMAGH	76	9	85
BALLYMENA	59	5	64
BALLYMONEY	37	2	39
BANBRIDGE	65	2	67
BELFAST	193	18	211
CARRICKFERGUS	41	0	41
CASTLEREAGH	46	2	48
COLERAINE	62	1	63
COOKSTOWN	56	6	62
CRAIGAVON	89	4	93
DERRY	132	9	141
DOWN	93	3	96
DUNGANNON	77	3	80
FERMANAGH	94	0	94
LARNE	54	2	56
LIMAVADY	46	1	47
LISBURN	149	5	154
MAGHERAFELT	95	7	102
MOYLE	15	0	15
NEWRY & MOURNE	158	4	162
NEWTOWNABBEY	78	5	83
NORTH DOWN	81	1	82
OMAGH	63	3	66
STRABANE	41	2	43
TOTAL	2,035	101	2,136

New Business Start-Ups

Table 6.2 **Number of Assisted Start-Ups By Parliamentary Constituency Area 2002/03**

PARLIAMENTARY CONSTITUENCY	Local*	External**	Total
BELFAST EAST	45	6	51
BELFAST NORTH	57	1	58
BELFAST SOUTH	79	10	89
BELFAST WEST	69	1	70
EAST ANTRIM	108	5	113
EAST LONDONDERRY	108	2	110
FERMANAGH AND SOUTH TYRONE	150	1	151
FOYLE	132	9	141
LAGAN VALLEY	141	5	146
MID ULSTER	172	15	187
NEWRY AND ARMAGH	155	11	166
NORTH ANTRIM	111	7	118
NORTH DOWN	90	1	91
SOUTH ANTRIM	95	8	103
SOUTH DOWN	167	3	170
STRANGFORD	116	5	121
UPPER BANN	136	6	142
WEST TYRONE	104	5	109
TOTAL	2,035	101	2,136

New Business Start-Ups

Table 6.3 **Number of Assisted Start-Ups By Targeting Social Needs Status 2002/03**

TSN STATUS	Local*	External**	Total
NON-TSN	1,468	65	1,533
TSN	567	36	603
TOTAL	2,035	101	2,136

Table 6.4 **Number of Assisted Start-Ups By Sector 2002/03**

SECTOR	Local*	External**	Total
FOOD, DRINK & TOBACCO	16	4	20
CLOTHING & TEXTILES	23	0	23
KNOWLEDGE BASED INDUSTRIES	632	40	672
OTHER MANUFACTURING	126	29	155
OTHER SERVICES	1,238	28	1,266
TOTAL	2,035	101	2,136

* Local Start Ups include those assisted through the Business Start Programme, Home Start and Community Business Start

** External Start Ups are those assisted through the Growth Start Scheme

ANNEX 7

Table 7.1 Land & Factory Holdings, Acquisitions, Completion and Sales

	01/02	02/03
Land Acquisitions:		
Land acquired during year (acres)	44	0
Land acquired in disadvantaged areas* during year (acres)	44	0
Land Holdings at End Year:		
Industrial land holding (acres)	2,804	2,829
Industrial land holding in disadvantaged areas* (acres)	1,212	1,110
Land available for leasing (acres)	1,044	1,028
Land available for leasing in disadvantaged areas* (acres)	366	309
Factory Completions & Sales:		
Advance factories completed	1	0
Purpose built factories completed	0	0
Purpose built factory extensions completed	0	0
Total area of all completions during year (sqm)	2,200	0
Number of factories sold	4	0
Value of factories sold (£m)	1,950	0
Factory Holdings at End Year:		
Factory Stock**	33	36

* Disadvantaged areas in 2002/2003 are new TSN and special status District Council Areas

** Factory Stock includes all available units rather than individual factory buildings (eg a sub-divided factory may contain two or more units)

Table 7.2 Land Holdings and Land Available By District Council Area (Year Ending March)

DISTRICT COUNCIL	Total Land Holdings (Acres)		Land Available For Leasing (Acres)	
	01/02	02/03	01/02	02/03
ANTRIM	110	110	34	34
ARDS	32	32	5	4
ARMAGH	33	33	12	9
BALLYMENA	82	81	38	36
BALLYMONEY	13	13	6	7
BANBRIDGE	27	27	0	0
BELFAST	137	137	22	21
CARRICKFERGUS	108	108	27	27
CASTLEREAGH	14	13	0	0
COLERAINE	74	74	54	54
COOKSTOWN	38	38	6	6
CRAIGAVON	363	378	236	227
DERRY	427	416	125	130
DOWN	129	129	60	60
DUNGANNON	51	94	22	22
FERMANAGH	126	126	45	44
LARNE	36	36	6	10
LIMAVADY	51	51	14	16
LISBURN	313	313	69	69
MAGHERAFELT	75	75	54	37
MOYLE	6	6	4	4
NEWRY & MOURNE	134	114	27	28
NEWTOWNABBEY	284	284	123	127
NORTH DOWN	63	63	33	33
OMAGH	47	47	17	18
STRABANE	31	31	5	5
TOTAL	2,804	2,829	1,044	1,028

Note: Total Land Holding includes both leased and unleased land.

Today I...



...reaffirm Seagate's commitment to R&D, essential to our technology leadership strategy. Our Northern Ireland centres of excellence, in tandem with Invest NI, will extend our capability to deliver the advanced products demanded by emerging digital systems.

John Spangler, Springtown Plant Manager, Seagate

Seagate

A leader in digital technology

Seagate Technology, the world leader in the design, manufacture and marketing of hard disc drives for computers and other electronic devices, is investing more than £90 million to develop its Londonderry plant into a global digital technology centre.

The expansion, which is being assisted by Invest NI, was one of the biggest announced in Northern Ireland by an externally-owned company during the year. Seagate, which celebrated its 10th anniversary in Northern Ireland during 2003, has two facilities here, employing over 1,800 people between them.

At the Springtown wafer fabrication facility, the Company develops and manufactures the recording heads, which write information onto and read information from the recording disc inside a computer's hard drive. The Company's Limavady facility produces nickel-plated aluminium substrates, the core material on which computer hard disc drives read, write and store digital information.

The company is focused on delivering award-winning products, customer support and reliability to meet the world's growing demand for information storage. The investment will help the Springtown facility develop and fabricate next generation technology that will provide manufacturers of computers and other electronic devices with the capability to store vast amounts of data on ever smaller equipment that the international markets are demanding.

With more and more devices, particularly in consumer electronics, adopting digital technology formats, Seagate's knowledge and expertise in data storage is becoming increasingly important and the company is exploiting opportunities in new markets, including televisions, personal video recorders, gaming consoles, and MP3 players.

The expansion consolidates the position of the Northern Ireland operation as a major supplier of innovative technology to this international corporation. It will also have spin-off benefits for Queen's University, Belfast and the University of Ulster, both of which are working closely with the company on leading-edge technology projects.

Continued commitment to R&D is an essential part of Seagate's corporate strategy to maintain technology leadership and the two Northern Ireland operations both have centres of excellence working on advanced technology.

Seagate's decision to locate such an important strategic investment in Northern Ireland indicates the strength of the corporation's confidence in the high quality of talent that is available here and in its on-going successful relationships with the two universities in digital electronics. The investment, the most recent in a series of expansions in Derry, is a further vote of confidence by Seagate on the benefits of a Northern Ireland location.

INVEST NORTHERN IRELAND

ACCOUNTS

31 MARCH 2003

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FOREWORD TO THE ACCOUNTS

The Board present their annual report and the audited accounts for the year ended 31 March 2003.

These accounts have been prepared in accordance with paragraph 17 of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by the Department of Enterprise, Trade & Investment (DETI) with the approval of the Department of Finance & Personnel (DFP). A copy of the Accounts Direction can be found in Appendix B to the accounts.

STATUTORY BACKGROUND

On 26 October 2000 Sir Reg Empey, Minister for Enterprise, Trade and Investment, issued a Consultation Paper on the Reorganisation of the Economic Development Agencies. On completion of the consultation period, the Minister, on 19 December 2000 advised the Northern Ireland Assembly of his decision to establish an entirely new economic development agency, namely Invest Northern Ireland (Invest NI).

Invest NI is a 'Non Departmental Public Body' (NDPB) established on 1 April 2002 under the Industrial Development Act (Northern Ireland) 2002, which operates under a Board which is the body corporate. Invest NI performs the functions previously undertaken separately by the Industrial Development Board (IDB), the Local Enterprise Development Unit (LEDU), the Industrial Research and Technology Unit (IRTU), the Department's Company Development Programme (formerly part of the Training & Employment Agency (T&EA)) and the business support activities of the Northern Ireland Tourist Board (NITB).

Invest NI is sponsored by the Department of Enterprise, Trade & Investment (DETI), under The Industrial Development Order (Northern Ireland) 1982, as amended by the The Industrial Development Act (Northern Ireland) 2002.

As this is the first year of Invest NI's incorporation, prior year comparative figures for the Income & Expenditure account, Statement of total recognised gains and losses and Cash flow statement have not been shown. A copy of the opening balance sheet, which comprises the combined audited balances of the integrating units, together with other adjustments given by and agreed with DETI, is shown in note 2 to the accounts.

The opening balance sheet has been reviewed and agreed by DETI.

MISSION AND OBJECTIVES OF INVEST NI

Invest NI's mission is:

'to accelerate economic development in Northern Ireland, applying expertise and resources to encourage innovation and achieve business success, increasing opportunity for all within a renewed culture of enterprise'

The objectives of Invest NI are:

- to promote innovation in all its aspects, stimulate higher levels of research & development and improved knowledge transfer;
- to achieve higher levels of growth by indigenous and externally-owned businesses;
- to promote a more enterprising culture in Northern Ireland so as to raise the overall level and quality of business starts; and
- to attract high-quality, knowledge-based investment from outside Northern Ireland.

PRINCIPAL ACTIVITIES

The principal activities of Invest NI are:

- provision of selective assistance to assist industry to become more competitive;
- promotion of enterprise and entrepreneurship;
- promotion of innovation including the provision of grants for industrial R&D and the provision of research infrastructure;
- promotion of Northern Ireland as a location for inward investment;
- provision of assistance and support to companies wishing to export;
- provision of support for tourist accommodation projects;
- assistance to companies in the area of training to improve company competitiveness; and
- provision and maintenance of land and buildings.

REVIEW OF THE BUSINESS

(i) Corporate plan

Invest NI's first Corporate Plan, covering the period April 2002 - March 2005, was published in April 2002 following widespread consultation. The Corporate Plan describes the organisation's strategy for that period. It includes a detailed description of the organisation's new design and functionality as well as the objectives, initiatives and targets through which it proposes to achieve its mission. Invest NI's Corporate Plan is consistent with DETI's Corporate Plan for the same period and the economic priorities set out in the Northern Ireland Programme for Government.

(ii) Operating performance in the year

Invest NI's three-year Corporate Plan is delivered through a series of annual Operating Plans. The key operational targets of the 2002/03 Operating Plan together with the year-end achievements are listed on the pages over.

(ii) Operating performance in the year (Cont'd)

INNOVATION

Key Actions	Targets	Year End Achievement
Stimulate, through Invest NI's main R&D programmes, higher levels of investment in R&D.	Lever £20 million private sector investment.	£23.7 million
Increase numbers of companies performing R&D.	Increase participation in R&D programmes by 7% .	7.9% (61 companies)
Enhance technological infrastructure.	Establish 10 Centres of Research Excellence.	17 Centres
Promote industrial design.	Publish Design Strategy by 31 May 2002 and develop Implementation Action by 30 September 2002.	Design Strategy was integrated within Northern Ireland Regional Innovation Strategy. A Design Action Plan will be implemented during 2003/04.

BUSINESS START-UPS

Key Actions	Targets	Year End Achievement
Deliver initiatives to promote higher levels of start-ups.	100 high growth potential start-ups.	101
	40 research-based spin-outs.	19
	1,500 locally focused business starts.	2,035

INWARD INVESTMENT

Key Actions	Targets	Year End Achievement
Market Northern Ireland as an investment location.	190 inward visits.	136
	16 new externally-owned knowledge-based investments promising 1,500 new jobs.	10 investments 817 jobs
	75% of new inward projects to be located in New Target Social Needs (NTSN) areas.	70%

(ii) Operating performance in the year (Cont'd)**GROWING EXISTING BUSINESSES**

Key Actions	Targets	Year End Achievement
Stimulate development projects by client companies.	240 business development projects from indigenous businesses.	226
	36 business development projects by existing overseas owned businesses.	32
Develop appropriate sector strategies.	17 sector strategies.	12
Encourage capability development.	400 business intervention improvements leading to £5 million increase in profits and £5 million new business.	988 £3.1 million increase in profits £3.7 million new business
Encourage client companies to increase external sales and diversify into new products and markets.	1,000 companies to participate in trade missions and initiatives.	1,388
More businesses to enter external markets for the first time.	100 first-time companies to enter external markets.	93
	100 companies to enter new markets.	194
	Establish Technology and Development Centre in the USA.	Centre in Houston established early in 2003/04
Encourage investment in activities to improve qualifications and skills in companies.	120 Company Development Programme projects.	110
Encourage use of modern Information Communication Technology (ICT) by companies.	10 ICT awareness events attracting 300 companies with 60% taking positive action.	19 329 (75% took action)
	100 ICT emerging technologies demonstrations.	126
Promote energy efficiency and good environmental management practice.	200 energy audits.	209
	50 environmental audits.	113

(iii) Other achievements

In the first year of operation, considerable emphasis was placed on putting a new structure in place and implementing internal organisational activities. A new, cross-functional structure, headed by a Board and a new senior management team was established and support mechanisms put in place. In order to enable clients to benefit from a more integrated service, client and sectoral teams offering a range of specialist advice from across Invest NI were introduced. The local office network was strengthened by an increase in staffing and the opening of extension offices in Enniskillen, Coleraine and Craigavon. The range of services delivered through the local offices was also enhanced with the role of local staff extended to include involvement in client and sector teams, inward investment and advice to companies on property.

A number of strategic initiatives with considerable potential to impact on the Northern Ireland economy were taken forward. The 'Accelerating Entrepreneurship' Strategy is a key strategic document whose vision is to make Northern Ireland an exemplar location for starting and growing a business. It was drawn up following a widespread consultation exercise and its implementation will be co-ordinated by Invest NI in partnership with DETI, other government departments, District Councils and others involved in supporting entrepreneurship. While, initially, the strategy covers the period 2002 - 2005, it is recognised that developing entrepreneurship will continue to be a key component of economic development in the longer term future.

Following an in-depth review of selective financial assistance Invest NI published a key document, "Principles for Business Support". This document outlined the general approach which would be taken to providing financial assistance to client companies. Another important document outlines Invest NI's

approach to the provision of venture capital. Together these two important documents articulate and clarify for client companies how they can work in partnership with Invest NI to grow their companies in a more strategic way.

(iv) Key financial targets

In addition to the targets set out in section (ii), Invest NI's final financial outturn was in line with the final budget agreed with DETI.

RESULTS

Invest NI is fully funded by DETI in respect of expenditure incurred during the year. The results are set out in detail in the Income and Expenditure account on page 113.

The net deficit of £4.4m is primarily due to increased provision on debtor and asset impairment.

The full-time and permanent part-time staff totalled 680 as at 31 March 2003.

FINANCIAL PERFORMANCE

Invest NI committed a total of £141.3m to client companies during the year based on 3,936 direct offers, most of which will be paid over future years.

FUTURE DEVELOPMENTS

Invest NI's first Corporate Plan covers the period 2002 - 2005 and its strategy for strengthening the economy of Northern Ireland is described in that document. A new Plan will be drawn up for the three year period following March 2005. A significant development during the next few years, impacting on the efficiency and effectiveness

of the organisation's management and administration, will be the acquisition of a new building which will house all staff (apart from local and overseas-based staff) at a single site.

RESEARCH

Invest NI works closely with its parent Department on the commissioning of economic research which will inform the activities and programmes required to carry out its aims and objectives. During 2002/03 a number of key research projects were carried out. The Household Survey into Latent Entrepreneurship in Northern Ireland established a baseline of entrepreneurship attitudes. The Global Entrepreneurship Monitor examined levels of entrepreneurship activity. Both of these studies contributed to the development of the 'Accelerating Entrepreneurship' Strategy.

Research was undertaken to develop an ex-ante methodology for evaluating the regional benefit of R&D projects. It reviewed the benefits to the economy of Centres of R&D capability and developed a model against which such centres can be assessed.

A number of sector and market research projects was undertaken during the year with the aim of identifying key market opportunities and of developing strategic responses to market conditions.

PAYMENTS TO DETI IN RESPECT OF INCOME REPAYABLE

In accordance with the Financial Memorandum agreement between Invest NI and DETI, the sponsoring department, certain types of income cannot be retained and will be surrendered back to DETI. During the year, Invest NI made a total payment of £2,451,843 to DETI in relation to these types of income.

FIXED ASSETS

The movement in fixed assets in the year is given in note 15.

Invest NI considers the book value of its fixed assets, including land and buildings, does not differ significantly from their market value at the year end.

POST BALANCE SHEET EVENTS

Since the balance sheet date a number of companies have made announcements concerning their activities in Northern Ireland. These decisions have been brought about by the state of the global economy, changes in market demand and very difficult trading conditions in a number of sectors. Invest NI is working closely with these companies to minimise the impact of their decisions on the Northern Ireland economy. The eventual outcome of these events may subsequently be reflected in future Invest NI annual accounts, depending on the particular circumstances in each company concerned.

In July 2003, a company limited by guarantee that does not have a share capital, Air Route Development (NI) Limited (ARD) was established by Invest NI under Article 8(3) of the Industrial Development (NI) Order 1982. ARD is fully sponsored by Invest NI with the approval of DETI and will be in operation in 2004 to administer the 'Northern Ireland Air Route Development Scheme'.

There have been no other significant events since the year end, which would affect the accounts.

CHARITABLE DONATIONS

No charitable donations were made in the year.

PAYMENTS TO SUPPLIERS

Invest NI is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry’s Prompt Payers Code and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions.

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

Regular reviews conducted to measure how promptly Invest NI pays its bills found that 97% of bills were paid within this standard.

THE BOARD

The board members who were appointed on Invest NI’s incorporation and served during the year to 31 March 2003 were as follows:

- Prof. Fabian Monds (Chairman)
- Mrs. Rotha Johnston (Deputy Chairman)
- Mrs. Deborah Boyd
- Mr. Frank Bunting
- Prof. Roy Crawford
- Prof. Bernie Hannigan
- Dr. Patrick Haren
- Mrs. Debra Jenkins-Devine
- Mr. Stephen Kingon (appointed 7 June 2002)
- Mr. Owen Lamont (resigned 11 December 2002)
- Mr. Gilbert Little
- Dr. Alan McClure
- Mr. Bill McGinnis
- Mrs. Rosemary Peters-Gallagher
- Mr. Derek Shaw
- Mrs. Teresa Townsley

REGISTER OF BOARD MEMBERS’ AND SENIOR MANAGEMENT’S INTEREST

Board members and senior management are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgement. The register of interest is available for public inspection at Strategic Management and Planning Team, Invest NI, 44-58 May Street, Belfast, BT1 4NN.

STATUTORY EQUALITY OBLIGATION

Invest NI is committed to achieving a successful economy in Northern Ireland which will provide equal opportunities for all its citizens. It is fully mindful of its responsibilities across the spectrum of Equality, NTSN and Human Rights requirements and will fulfil those responsibilities to the utmost within the organisation, in dealing with client customers and with all those with whom it works.

Section 75 of the Northern Ireland Act 1998 requires Invest NI, in carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without.

Invest NI follows the NI Civil Service Code of Practice on the employment of people with disabilities and aims to ensure that disability is not an obstacle to recruitment or advancement.

In addition, without prejudice to its obligation above, Invest NI shall, in carrying out its functions relating to Northern Ireland, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

EMPLOYEE POLICY

Invest NI is committed to the development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. In particular, Invest NI:

- seeks actively to involve and communicate with employees both directly and through the recognised Trade Union (NIPSA) in all relevant matters;
- promotes equality of opportunity irrespective of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership; and
- is committed to the continuing development of its staff and to maximising their contribution to the continuous improvement of the organisation's service delivery.

AUDITORS

The Comptroller and Auditor General is the external auditor of Invest NI.



Leslie Morrison
Designated Accounting Officer

08 July 2004

STATEMENT OF INVEST NORTHERN IRELAND, THE BOARD AND ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Industrial Development Act (Northern Ireland) 2002, Invest NI is required to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction determined by the Department of Enterprise, Trade & Investment with the approval of the Department of Finance and Personnel. The accounts are prepared on an accrual basis and must give a true and fair view of Invest NI's state of affairs at the year end of its income and expenditure, total recognised gains and losses, balance sheet and cash flows for the financial year.

In preparing the accounts, Invest NI is required to:

- observe the Accounts Direction issued by the Department of Enterprise, Trade & Investment with the approval of the Department of Finance and Personnel, including the relevant accounting and disclosure requirements;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that Invest NI will continue in operation.

Responsibilities of Board Members

The Chairperson is personally responsible to the Departmental Minister for ensuring that Invest NI's strategies are compatible with those of the Departmental Minister and for probity in the conduct of Invest NI's affairs. The Chairperson will act as a conduit for advice from the Invest NI Board to the Minister to inform the policies and priorities of the Department. The Chairperson will ensure that the highest standards of corporate governance are observed and will provide leadership and strategic direction.

Board members have corporate responsibility for ensuring that Invest NI complies with any statutory or administrative requirements in the use of public funds, for ensuring high standards of corporate governance and for establishing overall strategic direction. The Board is responsible to the Minister, through the Department, for the achievement of Invest NI's objectives and targets and also provides a source of advice to the Minister.

Responsibilities of the Accounting Officer

The Accounting Officer for the Department of Enterprise, Trade & Investment has designated the Chief Executive as the Accounting Officer for Invest NI. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non Departmental Public Bodies' Accounting Officer Memorandum, issued by the Department of Finance and Personnel.



Leslie Morrison
Designated Accounting Officer

08 July 2004

STATEMENT OF INTERNAL CONTROL

As Designated Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Invest NI's policies, aims and objectives while safeguarding the public funds and Invest NI's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

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

The system of internal control is based on identifying the principal risks to the achievement of Invest NI's policies, aims and objectives, evaluating the nature and extent of those risks and managing them efficiently, effectively and economically.

In the early part of 2002/03 the Invest NI Board approved a plan for implementing and embedding risk management within Invest NI. This was followed by a series of workshops attended by Managing Directors and Directors. Subsequently, Corporate and Group Registers with allocated Risk Owners were developed and these were reviewed, updated and reported on at the end of the third and fourth quarters of 2002/03. As a result, the Management and Board of Invest NI have ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been built into corporate planning and decision-making processes of Invest NI.

In 2002/03 the Board approved Standing Orders and a Board Code of Practice which includes a section on Conflicts of Interest. A Register of Interests has been created and is updated regularly. The Board also approved

the establishment of three Committees, an Audit Committee, a Remuneration and Performance Committee and a Business Committee, which are fully operational.

Invest NI engages the services of the Department of Enterprise, Trade and Investment's Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Audit Unit has been informed by an analysis of the risks to which Invest NI is exposed, upon which audit activity in 2002/03 and an annual audit plan for 2003/04 were based. The analysis of risk and the internal audit plans were endorsed by the Internal Audit Committee and the Board Audit Committee. The Head of Internal Audit (HIA) has provided me with a report on internal audit activity in Invest NI which includes the HIA's independent opinion on the adequacy and effectiveness of Invest NI's Risk Management, Control and Governance arrangements. Due to this being the first year of Invest NI, a full internal audit programme was not devised for 2002/03. Efforts concentrated on determining the audit need and putting the necessary service delivery arrangements in place. The report for 2002/03 is therefore qualified on the basis of the limited amount of audit work undertaken. Taking account of this limitation and, on the basis of all relevant work done, the HIA is satisfied that a framework for discharging Invest NI's Risk Management, Control and Governance responsibilities is in place. I understand that, in relation to the audit work undertaken to the date of signing this report, control weaknesses and a small number of serious procedural breaches were identified in the area of payroll. No assurance was provided at the time of that audit in this area and management, as a matter of priority, took steps to implement all the main recommendations of the audit report and initiated an internal review of processes and procedures which will result in a re-engineered payroll system being introduced in the early part of financial year 2004/05. In other completed reports issued by Internal Audit, system weaknesses identified and recommendations for control enhancements are also being addressed through specific agreed action plans.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit Committee and the executive managers within Invest NI, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Arising from the internal review of Invest NI's Risk Management processes an action plan has been agreed to further develop and improve the risk management capability of Invest NI. This includes an extension of the current sequence of stewardship reports, documentation improvements and actions to further embed risk management throughout Invest NI. Invest NI will also keep abreast of best practice as it evolves in Risk Management in the public sector and will seek to adopt this wherever practical.

In 2002 the Public Accounts Committee made a number of recommendations to strengthen fraud processes within the Department of Enterprise, Trade and Investment and its NDPBs. As a result, the Department prepared and issued a revised fraud policy and fraud response plan which Invest NI has adopted. Fraud awareness training was also provided during the year and was attended by 126 staff.

At the commencement of Invest NI there was an ongoing review of the activities of Into the West Limited, activities that took place during the existence of LEDU, a predecessor agency of Invest NI. At this time, I instigated an Invest NI review of the contractual relationships inherited and held by Invest NI with a number of other Third Party Organisations.

This identified certain control weaknesses in this area and, as a result, new guidance has been developed and introduced. Action is also being taken to investigate specific governance, contractual and monitoring weaknesses in particular contracts.

To underpin these changes a new Audit and Control function has been established to manage the Third

Party Organisation budget within Local Economic Development Division. All new initiatives are developed with input from this resource, which ensures consistency of approach and adherence to guidelines in relation to payments linked to the achievement of pre-agreed targets. An ongoing responsibility of this function is to sample payments in respect of Third Party Initiatives introduced since the start of Invest NI's first year 2002/03 and also those initiatives commenced prior to Invest NI and still operational. Each month a minimum of 20% of payments are reviewed and evidence of target alignment sought. Recognising initiative timescales, a very high percentage of these payments relate to pre-Invest NI projects and while no irregularities have been identified to date, weaknesses identified in the above review and addressed in the new guidelines (e.g. timing of payments, target deliverables) are evident in some of the inherited initiatives. These will diminish over the next year as these old contracts expire.

While offers of support to individuals and companies can extend for a number of years, assistance is only payable when eligible activities have been satisfactorily undertaken. In line with Resource Accounting, grants payable must be provided for in the year in which the recipient carries out the activity that created the entitlement. This requires a calculation of an estimated provision for unclaimed grants. The basis for this includes estimates from client companies, input from client executives, claim and payment patterns in previous years, and forecasts of future grant expenditure. Therefore the provision in these accounts carries an element of uncertainty in this area.



Leslie Morrison
Designated Accounting Officer

08 July 2004

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements on pages 113 to 149 under the Industrial Development Act (Northern Ireland) 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets investments and the accounting policies set out on pages 117 to 120.

Respective responsibilities of Invest Northern Ireland, the Chief Executive and Auditor

As described on page 108, Invest Northern Ireland is responsible for the preparation of the financial statements in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department of Enterprise, Trade & Investment directions made thereunder and for ensuring the regularity of financial transactions. Invest NI and the Chief Executive are responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department of Enterprise, Trade & Investment directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the

authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if Invest Northern Ireland has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 109 and 110 reflects Invest Northern Ireland's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of Invest NI's Corporate Governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board except that the scope of my audit was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by Invest Northern Ireland and Chief Executive in the preparation of the financial statements, and of whether

the accounting policies are appropriate to Invest Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. However, the evidence available to me was limited in respect of payments of £6 million to third parties carrying out various local economic development activities, as there were significant deficiencies in their contractual terms and conditions and insufficient monitoring of the contractors' books and records. There were no other satisfactory audit procedures that I could adopt to confirm the accuracy of these payments and that they were used for the purpose intended. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming my opinion, I have considered the adequacy and reliability of the disclosures made in the financial statements concerning a provision of £18 million in respect of unsubmitted grant claims.

The circumstances giving rise to the fundamental uncertainty around the accuracy of these provisions are described in the Statement on Internal Control and in notes 20 and 21 to the financial statements. My opinion is not qualified in respect of this.

Qualified opinion arising from limitation in audit scope

In my opinion:


Except for any adjustments that might have been found necessary had I been able to obtain sufficient evidence concerning the recording and use of the funds by third party organisations:

- the financial statements give a true and fair view of the state of affairs of Invest Northern Ireland at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and directions made thereunder by the Department of Enterprise, Trade & Investment; and
- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

In respect alone of the limitation on my work relating to the recording and use of funds by third party organisations:

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit;
- I was unable to determine whether proper accounting records had been maintained; and
- I was unable to determine whether the payments made were applied to the purposes intended by the Northern Ireland Assembly and Parliament and conformed to the authorities which govern them.

Details of this matter are set out in paragraphs 1 to 11 of my report included in Appendix C to the financial statements.



J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

09 July 2004

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2003

	Note	2003 £'000
INCOME		
Gross grant in aid from the Department of Enterprise, Trade & Investment (DETI) inclusive of income surrenderable but retained	3(i)	134,741
Income from operating activities	4	2,822
Other operating income		
profit on assets disposal	5	284
government grant reserve credit	22(iii)	15,207
other	6	4,685
		<hr/>
Total		157,739
Less:		
Net operating income surrendered to DETI	28(iv)	(5,056)
Income surrenderable to DETI but retained		
operating income	3(iii)	(2,451)
non operating income	3(iii)	(7,713)
		<hr/>
Net total income		142,519
		<hr/>
EXPENDITURE		
Grants and programme related costs		
grants and programme related costs	7	(100,834)
asset development, maintenance and related costs		(1,799)
depreciation	11(i)	(1,725)
asset impairment	11(ii)	(9,545)
other operating costs	10	(7,154)
Administrative expenses		
staff costs	12(ii)	(18,840)
other	8	(8,594)
Notional cost of capital	9(ii)	(5,517)
		<hr/>
Total expenditure		(154,008)
		<hr/>
Deficit on activities before taxation		(11,489)
Tax on ordinary activities	14	(1,000)
		<hr/>
Deficit for the financial year		(12,489)
Credit reversal of notional costs	9(iii)	8,056
		<hr/>
Amount transferred to general reserve	23	(4,433)
		<hr/> <hr/>

All activities derive from continuing operations.

Notes 1 to 30 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSES

Year ended 31 March 2003

	Note	2003 £'000
Results for the year before credit reversal of notional costs		(12,489)
Surplus on revaluation of tangible fixed assets included in government grant reserve	22(i)	8,225
Total recognised gains/(losses) relating to the year		<u>(4,264)</u>

BALANCE SHEET

Year ended 31 March 2003

	Note	2003 £'000	1 April 2002 £'000 (note 2)
FIXED ASSETS			
Tangible assets	15(i)	109,798	99,140
Investments	16	200	200
Fixed investments	17(i)	33,211	32,685
		<hr/>	<hr/>
		143,209	132,025
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	18(i)	5,473	12,415
Cash at bank and in hand		149	665
		<hr/>	<hr/>
		5,622	13,080
		<hr/>	<hr/>
CREDITORS:			
amounts falling due within one year	19	(33,292)	(25,097)
		<hr/>	<hr/>
		(33,292)	(25,097)
		<hr/>	<hr/>
NET CURRENT LIABILITIES			
		(27,670)	(12,017)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		115,539	120,008
CREDITORS:			
amounts falling due after more than one year			
Provision for liabilities and charges	20	(19,790)	(31,867)
		<hr/>	<hr/>
		95,749	88,141
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Government grant reserve	22(i)	144,039	139,711
General reserve	23	(48,290)	(51,570)
		<hr/>	<hr/>
		95,749	88,141
		<hr/>	<hr/>

These accounts were approved by the Board and signed on its behalf by:



Leslie Morrison
Designated Accounting Officer

08 July 2004

CASH FLOW STATEMENT
Year ended 31 March 2003

	2003 £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(9,683)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Loan interest received	794
Dividend received	581
	<hr/>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1,375
TAXATION	
Corporation tax paid	(2)
CAPITAL EXPENDITURE	
Payments to acquire tangible fixed assets	(7,753)
Receipts from sales of tangible fixed asset	4,238
Loan repayment received	2,942
Share redemption received	534
Loans made to client companies	(6,023)
Interest element included in loans to client companies	(16)
Investment in share capital of client companies	(4,825)
	<hr/>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND INVESTMENT	(10,903)
	<hr/>
CASH OUTFLOW BEFORE FINANCING	(19,213)
FINANCING	
Capital funding received from DETI	
UK Grants	14,919
EU Grants	3,697
Payments made to DETI	(2,452)
	<hr/>
NET CASH INFLOW FROM FINANCING	16,164
	<hr/>
DECREASE IN CASH	<u><u>(3,049)</u></u>

The cash flow statement should be read in conjunction with note 28.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

Statement of accounting policies

The accounts have been prepared in accordance with accounting principles and disclosure requirements of the Accounts Direction given by the Department of Enterprise, Trade & Investment (DETI) with the approval of the Department of Finance and Personnel (DFP). The particular accounting policies adopted by Invest NI are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting conventions

The accounts are prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

Invest NI was incorporated on 1 April 2002, hence prior year comparatives for Income & Expenditure account, Statement of total recognised gains and losses and Cash flow statement have not been shown.

Tangible fixed assets

(i) Land and buildings owned by Invest NI are restated at current cost on the basis of professional valuations generally based on open market value for existing use. Other property is restated at current cost on the basis of professional valuations. Professional valuations are conducted at intervals no longer than five years and appropriate indices are used for restating the assets at current cost in intervening years.

(ii) Other non-property tangible assets are stated at current cost using appropriate indices to account for the effects of inflation.

(iii) The minimum level of capitalisation of a tangible fixed asset is £1,000.

Legal title to the land and buildings which are capitalised in the books of Invest NI and occupied by a number of divisions within the Innovation and Capability Group at Lisburn, rests with the Department of the Environment NI. Arrangements are being made for transfer of title to Invest NI.

Depreciation

Freehold land and assets in the course of construction are not depreciated.

Depreciation is provided on a straight line basis in order to write-off the valuation of other assets, less estimated residual value, of each asset over its expected useful life, or lease period if shorter. The base useful lives of assets, which are reviewed regularly, are as follows:

Freehold buildings	50 years
Furniture, fixtures and fittings	10 years
Office equipment	5 years
Computer equipment (including software)	3 years
Laboratory equipment	15 years
Plant and machinery (including other specialised vehicles)	10 years
Motor vehicles	4 years

Leasehold alterations are depreciated on remaining period of lease or 10 years, whichever is shorter.

Assets in the course of construction

Assets in the course of construction (AICC) are valued at cost less impairment.

Surplus assets

Surplus assets, in particular, land and buildings which are held by Invest NI with intention for resale, are valued at net realisable value and classified as current assets in the accounts.

Investment in subsidiary

Investment in subsidiary is valued at cost less impairment.

Other investments

Invest NI holds shares in a number of client companies. Investments in private sector trading companies are shown at market value. Where market value cannot be readily ascertained the investments are shown at the lower of historical cost and net realisable value. Investments by way of loans (including mortgages, also known as “amortisations”) made by Invest NI are valued at net realisable value.

Investments are held as part of the overall financial assistance to client companies. For this reason, although holdings in certain client companies exceed 20% of their share capital, it is considered not appropriate to deal with them as if they were associated or related companies, as required by the Companies (Northern Ireland) Order 1986. Details of their reserves and profit and loss are disclosed only if they are deemed material in the context of these accounts.

Invest NI holds its investments over a fixed term period in accordance with the agreed terms and conditions. Hence it is considered appropriate to classify all investments as fixed assets in the accounts.

Debtors

Provision is made where necessary for debts which are considered doubtful. Debts can only be written off when non recovery is considered certain and after the approval of senior management or DETI.

Income

Grant in aid income represents gross funding from DETI. This comprises funding received in cash terms, operating income and non-operating income (primarily capital disposal receipts) that are surrenderable to DETI but are retained by Invest NI for utilisation in accordance with the Financial Memorandum.

Income from operating activities represents:

- funding received and receivable from other funding organisations. Such income is matched against the programme expenditure wherever possible; and
- other income received and receivable, principally, fees and charges for services provided, including secondments, to external customers, clawback and other recoveries.

Other operating income relates primarily to loan interest, share dividend and property rent received and receivable.

Any other income that does not fall within the above categories and does not relate directly to the operating activities of Invest NI, is considered as non-operating income.

Income payable/surrenderable to DETI

In accordance with the Financial Memorandum agreement between Invest NI and DETI (the sponsoring department):

- (i) certain types of income cannot be retained and must be surrendered to DETI.

The amount owed to DETI is shown as a creditor and a charge is made to the Income and Expenditure account to reflect the income which Invest NI cannot retain. The debt to the sponsor department is settled once Invest NI has received money from the relevant client companies. The amount owed to DETI (and the associated charge in the Income and Expenditure account) is adjusted to take account of movements in the bad debts provision relating to this income.

- (ii) certain types of income are surrenderable but can be retained by Invest NI for further utilisation (equivalent to grant in aid income from DETI).

Grant in aid income from DETI is grossed up to reflect the additional funds that Invest NI has been permitted to use. As with income to be surrendered to DETI, a charge is made in the Income and Expenditure account. However no adjustment is made for movements in the bad debts provision and no creditor to DETI is reflected in the Balance Sheet.

Grant Expenditure

The expenditure comprises grants payable to companies sponsored by Invest NI under the terms and conditions of financial assistance agreements. Grants payable are accounted for in the period in which the recipient carries out the activity which creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Income and Expenditure account, on the basis of claims received not yet paid (included as accruals in

the Balance Sheet) and best estimates of claims not received at the year end (included as provisions in the Balance Sheet).

Administration Expenditure

Administration costs reflect the costs of running Invest NI, as defined under the administration cost control regime.

Notional Charges

Some of the costs directly related to the running of Invest NI are borne by other Government Departments or organisations. These costs have been included on the basis of the estimated cost incurred by the providing organisation.

Capital Charge

A non-cash capital charge, reflecting the cost of capital utilised by Invest NI, is included in operating costs and calculated using the average method. The charge is calculated at the Government's standard rate of 6% in real terms on assets less liabilities.

Taxation (including Value Added Tax)

As Invest NI does not have Crown exemption it is liable to corporation tax on certain sources of income earned in any year. The precise areas of activity which are subject to corporation tax are currently being agreed with the Inland Revenue.

Value Added Tax (VAT) is accounted for in accordance with Statement of Standard Accounting Practice 5 in that amounts are shown net of VAT except where irrecoverable VAT is charged to the Income and Expenditure account and included under the heading relevant to the type of expenditure.

Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)), which is a defined benefit scheme and is unfunded and non-contributory. Invest NI recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis.

All pension contributions are charged to the Income and Expenditure account when incurred.

Early Departure Costs

Invest NI is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early. Invest NI recognises in full for this cost when the early retirement programme has been committed. For employees directly employed by DETI who are seconded to Invest NI, early departure costs are recharged to Invest NI on a notional basis.

Provisions

Invest NI makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, Invest NI discounts the provision to its present value using a standard Government discount rate, which currently stands at 6%.

Consolidation

The accounts of the wholly owned limited company, Northern Ireland Public Sector Enterprises Limited (NICO), are not included by way of consolidation as they have no material effect on the accounts of Invest NI and the cost of consolidation outweighs the benefit.

Government Grant Reserve

Capital expenditure incurred by Invest NI to acquire tangible fixed assets and investments is credited to the government grant reserve from grant in aid received from DETI.

Any surplus arising on revaluation of tangible fixed assets is credited to the government grant reserve.

The asset depreciation charge, impairment loss and provision on investments are charged to the Income and Expenditure account and the same proportion is then released from the government grant reserve.

On disposal of a tangible fixed asset or redemption of a fixed investment where applicable, the profit or loss arising is credited or charged to the Income and Expenditure account. A transfer from the government grant reserve equal to the profit or loss arising is made to the Income and Expenditure account. The balance remaining on the government grant reserve in relation to the asset disposed, which represents proceeds on disposal is then transferred to the general reserve account.

2. OPENING BALANCE SHEET APPROVED BY DEPARTMENT OF ENTERPRISE, TRADE & INVESTMENT

2 (i) Balance transferred from DETI

	IDB	IRTU	Total IDB and IRTU	Adjustments	Balance transferred from DETI
	Note 2 (a) £'000	Note 2 (b) £'000	£'000	Note 2 (c) £'000	2 (d) £'000
FIXED ASSETS					
Tangible assets	93,178	5,415	98,593	–	98,593
Investments	–	–	–	200	200
Fixed asset investments	25,065	378	25,443	–	25,443
	<u>118,243</u>	<u>5,793</u>	<u>124,036</u>	<u>200</u>	<u>124,236</u>
CURRENT ASSETS					
Stock and work in progress	–	12	12	–	12
Debtors	15,904	19,174	35,078	(18,183)	16,895
Cash at bank and in hand	477	–	477	–	477
	<u>16,381</u>	<u>19,186</u>	<u>35,567</u>	<u>(18,183)</u>	<u>17,384</u>
CREDITORS: amounts falling due within one year					
	<u>(15,479)</u>	<u>(24,932)</u>	<u>(40,411)</u>	<u>17,923</u>	<u>(22,488)</u>
NET CURRENT ASSETS/(LIABILITIES)					
	<u>902</u>	<u>(5,746)</u>	<u>(4,844)</u>	<u>(260)</u>	<u>(5,104)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
	<u>119,145</u>	<u>47</u>	<u>119,192</u>	<u>(60)</u>	<u>119,132</u>
CREDITORS: amounts falling due after more than one year					
Provision for liabilities and charges	(25,395)	(142)	(25,537)	44	(25,493)
	<u>93,750</u>	<u>(95)</u>	<u>93,655</u>	<u>(16)</u>	<u>93,639</u>
CAPITAL AND RESERVES					
Government grant reserve	274	–	274	–	274
Revaluation reserve	25,325	529	25,854	–	25,854
General reserve	68,151	(624)	67,527	(16)	67,511
	<u>93,750</u>	<u>(95)</u>	<u>93,655</u>	<u>(16)</u>	<u>93,639</u>

Note 2 (a): Based on audited IDB opening balance sheet provided by DETI.

Note 2 (b): Based on audited IRTU 2001/02 accounts.

Note 2 (c): Included in total IDB and IRTU balance (debtors and creditors) is a sum of £18m relating to EU funding.
This balance has not been transferred to Invest NI as DETI has retained all EU balances in its books.

2. OPENING BALANCE SHEET APPROVED BY DEPARTMENT OF ENTERPRISE, TRADE & INVESTMENT (Cont'd)

(ii) Opening Balance Sheet

	Balance transferred from DETI	LEDU	Total Balance transferred from DETI and LEDU	Adjustments	Revised Invest NI Opening Balance
	2 (d) £'000	Note 2 (e) £'000	LEDU £'000	Note 2 (f) £'000	Note 2 (g) £'000
FIXED ASSETS					
Tangible assets	98,593	1,022	99,615	(475)	99,140
Investments	200	–	200	–	200
Fixed asset investments	25,443	2,873	28,316	4,369	32,685
	<u>124,236</u>	<u>3,895</u>	<u>128,131</u>	<u>3,894</u>	<u>132,025</u>
CURRENT ASSETS					
Stock and work in progress	12	–	12	(12)	–
Debtors	16,895	223	17,118	(4,703)	12,415
Cash at bank and in hand	477	187	664	1	665
	<u>17,384</u>	<u>410</u>	<u>17,794</u>	<u>(4,714)</u>	<u>13,080</u>
CREDITORS: amounts falling due within one year	<u>(22,488)</u>	<u>(8,404)</u>	<u>(30,892)</u>	<u>5,795</u>	<u>(25,097)</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(5,104)</u>	<u>(7,994)</u>	<u>(13,098)</u>	<u>1,081</u>	<u>(12,017)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>119,132</u>	<u>(4,099)</u>	<u>115,033</u>	<u>4,975</u>	<u>120,008</u>
CREDITORS: amounts falling due after more than one year					
Provision for liabilities and charges	(25,493)	–	(25,493)	(6,374)	(31,867)
	<u>93,639</u>	<u>(4,099)</u>	<u>89,540</u>	<u>(1,399)</u>	<u>88,141</u>
CAPITAL AND RESERVES					
Government grant reserve	274	936	1,210	138,501	139,711
Revaluation reserve	25,854	51	25,905	(25,905)	–
General reserve	67,511	(5,086)	62,425	(113,995)	(51,570)
	<u>93,639</u>	<u>(4,099)</u>	<u>89,540</u>	<u>(1,399)</u>	<u>88,141</u>

Note 2 (e): Based on audited LEDU 2001/02 accounts.

Note 2 (f):

In line with Invest NI's accounting policy, the following presentational adjustments were made:

- sum of £4.3m in respect of IDB current asset investment was reclassified as fixed asset investment;
- sum of £5.5m in respect of IRTU and LEDU grant accruals was reclassified from current creditors to provision for liabilities and charges; and
- included in provision for liabilities and charges is the sum of £0.9m in respect of NITB's Tourism Development Schemes (TDS) liability transferred to Invest NI.

2. OPENING BALANCE SHEET APPROVED BY DEPARTMENT OF ENTERPRISE, TRADE & INVESTMENT (Cont'd)

The adjustments which have an impact on general reserve account are detailed below:

	£'000
	Dr/(Cr)
Transfer of IRTU VAT balance to DETI	23
Transfer of ISU fixed assets to Invest NI	(224)
Transfer of IRTU fixed asset to Environmental Heritage Service (EHS)	686
Transfer from general reserve to government grant reserve	112,608
Transfer of NITB TDS balance to Invest NI	894
Other	8
	<u>113,995</u>

Note 2 (g): The revised Invest NI opening balance has been agreed and approved by DETI.

3. GROSS GRANT IN AID FROM THE DEPARTMENT OF ENTERPRISE, TRADE & INVESTMENT (DETI) INCLUSIVE OF INCOME SURRENDERABLE BUT RETAINED

	2003
	£'000
(i) Analysis	
Grant in aid	149,830
Capital funding transferred to government grant reserve (note 22(i))	(15,089)
	<u>134,741</u>
Grant in aid is represented by:	
amount received	139,666
utilisation of income surrenderable to DETI but retained (note 3(iii))	10,164
	<u>149,830</u>
(ii) Amounts transferred to government grant reserve comprises:	
UK Grants	
Capital expenditure spending (note 15(ii))	4,225
Investment in loans (note 17(i))	6,023
Investment in shares (note 17(i))	4,825
Interest element on ex LEDU loans (note 17(i))	16
	<u>15,089</u>
(iii) Income surrenderable to DETI but retained by Invest NI comprises:	
Income from operating activities (note 4 (ii))	1,988
Other operating income (note 6 (ii))	463
	<u>2,451</u>
Total operating income	2,451
Non operating income (note 22 (i))	7,713
	<u>10,164</u>

4. INCOME FROM OPERATING ACTIVITIES

(i) Analysis	2003 £'000	2003 £'000
International Fund for Ireland		205
Contributions from other funding organisations		156
Grant clawback		899
Scientific services fees		287
Recoupment of design costs from client companies		211
Market access visits receipts and other related income		584
Recoupment of the related administrative costs from client companies and third parties including EU		114
Management fee income:		
Northern Ireland Business Start Programme (NIBSP)	106	
other	144	
increases in debt provisions (note 28(v))	(72)	
	<hr/>	
Net management fee income		178
Consultancy and secondment fees		78
Others		110
		<hr/>
		2,822
		<hr/> <hr/>
(ii) From the above:		2003 £'000
Operating income surrendered to DETI (note 28(iv))		834
Operating income surrenderable to DETI but retained (note 3(iii))		1,988
		<hr/>
		2,822
		<hr/> <hr/>

(iii) Invest NI is required to recover the full cost of the work carried out by the Scientific Services division. The actual cost recovery was calculated as follows:

	2003 £'000
Income:	
Fees charged for work carried out for the private and public sectors	287
Other	15
Notional charges for work carried out	1,597
	<hr/>
	1,899
Expenditure:	
Gross operating expenditure	(2,181)
Interest on capital	(117)
	<hr/>
	(2,298)
	<hr/>
Net deficit for the year	(399)
	<hr/> <hr/>
Cost recovery	82.6%
	<hr/> <hr/>

This information is to meet DFP requirements on fees and charges and not for the purpose of SSAP 25.

5. PROFIT ON ASSETS DISPOSAL

	2003 £'000
Profit on disposal of tangible fixed assets	284
	<hr/> <hr/>

6. OTHER OPERATING INCOME

(i) Analysis	2003 £'000	2003 £'000
Loan interest	1,349	
Dividend	644	
Increases in debt provision (note 28(v))	(531)	
	<hr/>	
Net loan interest and dividend income		1,462
Property rent		
Environmental Heritage Service (EHS)		463
other		2,531
Other property income		196
Other income		32
Bank interest		1
		<hr/>
		4,685
		<hr/> <hr/>
		2003 £'000
(ii) From the above:		
Other operating income surrendered to DETI (note 28 (iv))		4,222
Other operating income surrenderable to DETI but retained (note 3(iii))		463
		<hr/>
		4,685
		<hr/> <hr/>

7. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis:	2003 £'000
Industrial development grants	36,320
Research and development grants	14,720
Enterprise grants	9,669
Company development programme	10,434
Business support grants	3,603
Promotion and marketing support	5,585
Property support	1,356
Third party grants	4,234
Tourism grants	2,279
Market access support	2,623
Construction service cost	1,068
Other	8,943
	<hr/>
	100,834
	<hr/> <hr/>
	2003 £'000
(ii) Segmental analysis:	
Innovation and Capability Group	32,106
Entrepreneurship and Enterprise Group	13,869
Business International Group*	52,584
Corporate Services Group	2,275
	<hr/>
	100,834
	<hr/> <hr/>

* Expenditure within the Business International Group relates to both indigenous companies as well as Foreign Direct Investment.

8. ADMINISTRATIVE EXPENSES

Analysis	2003 £'000
Administrative expenses	6,055
Notional costs (note 9(i))	2,539
	<hr/>
	8,594
	<hr/>

9. NOTIONAL COSTS

(i) Notional costs included in Administrative Expenses:	2003 £'000
Finance	288
Personnel, training and service	56
Network communication	134
Accommodation	1,642
External Audit	126
Internal Audit	56
Government Purchasing Agency	115
Valuation and Land Agency	75
Early Departure Cost	47
	<hr/>
Total notional costs included in Administrative Expenses (note 8)	2,539
	<hr/>

(ii) Notional costs of capital:

Interest on capital employed (6%)	5,517
	<hr/>

(iii) Credit reversal of notional costs:

Notional costs	2,539
Interest on capital employed	5,517
	<hr/>
	8,056
	<hr/>

10. OTHER OPERATING COSTS

(i) Analysis	2003 £'000
Increase in provision for loan	344
Increase in provision for shares	5,052
Increases in other bad debts provisions: trade debtors	1,758
	<hr/>
	7,154
	<hr/>

(ii) The majority of the trade debtor provision relates to grant clawback and other recoveries due from client companies.

11. DEPRECIATION AND ASSET IMPAIRMENT

(i) Depreciation	2003 £'000
Tangible fixed asset depreciation charge for the year (note 15(i))	1,725

(ii) Asset impairment	2003 £'000
Tangible fixed asset impairment charge for the year (note 22(iii))	8,370
Increase in provision for asset impairment (note 20)	1,175
	<u>9,545</u>

12. EMPLOYEES INFORMATION

(i) The average number employed, including divisional directors and temporary staff, within each category of persons was:	2003 No
Board Members	14
Senior Management Team	5
Staff (including divisional directors):	
Innovation and Capability Group	208
Entrepreneurship and Enterprise Group	155
Business International Group	90
Corporate Services Group	230
	<u>702</u>

(ii) The costs incurred in respect of these employees, excluding board members were:	2003 £'000
Wages and salaries	15,595
Social security costs	1,031
	<u>16,626</u>
Pension scheme contribution	2,214
	<u>18,840</u>

12. EMPLOYEES INFORMATION (Cont'd)

(iii) Pension Costs

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but the Organisation is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 1999 and an interim estimate of the scheme liability is available at 31 March 2002. A full actuarial valuation of the scheme liability is currently underway.

For 2002/03, employers' contributions of £2,214k were payable to the PCSPS(NI) at one of four rates in the range 12 to 19.5 per cent of pensionable pay, based on salary bands. The 2003/04 rates are in the range of 12 to 18 per cent of pensionable pay, based on revalorised salary bands.

Employers' contributions are to be reviewed every four years following a full scheme valuation by the Government 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 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions 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, the employer is liable to make a contribution of 0.8 per cent of pensionable pay to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date are not yet available.

13. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT

(i) Remuneration of the board members of Invest NI as at 31 March 2003 was as follows:

Name and title	Age 31 March 2003	Remuneration 31 March 2003 £'000
The Board		
Prof. Fabian Monds (Chairman)	63	35
Mrs. Rotha Johnston (Deputy Chairman)	44	10
Mrs. Deborah Boyd	43	10
Mr. Frank Bunting	53	10
Prof. Roy Crawford	54	10
Prof. Bernie Hannigan	44	10
Dr. Patrick Haren	52	10
Mrs. Debra Jenkins-Devine	37	10
Mr. Gilbert Little	54	10
Mr. Bill McGinnis	54	10
Dr. Alan McClure	54	10
Mr. Derek Shaw	62	10
Mrs. Teresa Townsley	46	10
Mr. Stephen Kingon (appointed 7 June 2002)	56	8
Mrs. Rosemary Peters-Gallagher	43	10
Mr. Owen Lamont (resigned 11 December 2002)	50	7

13. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT (Cont'd)

Remuneration

This includes gross salary, performance related pay or bonuses, and any other allowance to the extent that it is subject to UK taxation. None of the above received benefits in kind or any bonus in the year.

The remuneration of Mr. Frank Bunting and Mr. Stephen Kingon are paid directly to their employers as reimbursement of salary costs incurred.

Pension

The Board of Invest NI are not members of the Principal Civil Service Pension Scheme nor do they receive any pension related payments.

(ii) Remuneration of the Chief Executive and senior management of Invest NI as at 31 March 2003 was as follows:

Name and title	Age	Remuneration	Pension Contribution	Real increase in pension at age 60	Total Accrued pension at age 60 at
		31 March 2003 £'000	31 March 2003 £'000	31 March 2003 £'000	31 March 2003 £'000
Mr. L Morrison Chief Executive	55	129	23	N/a	N/a
Mr. C Buckland Managing Director Corporate Services	60	85 - 90	15 - 17.5	N/a	0 - 5
Mrs. T Meharg Managing Director Innovation and Capability Development	42	70 - 75	10 - 12.5	N/a	10 - 15
Prof. T Scott Managing Director Entrepreneurship and Enterprise	42	70 - 75	10 - 12.5	N/a	0 - 5
Mr. L Ross Managing Director Business International		Consent for disclosure withheld			
		=====	=====	=====	=====

13. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT (Cont'd)

Remuneration

This includes gross salary, performance related pay or bonuses, and any other allowance to the extent that it is subject to UK taxation. None of the above received benefits in kind.

Mr. L Morrison's remuneration package contains a provision for a performance related bonus element of up to 15% of actual salary, to be determined according to the achievement of targets and performance indicators, which are set by the Board on an annual basis. For the period 1 April 2002 to 31 March 2003 Mr. L Morrison was entitled to a bonus of £11,700, equivalent to 10% of gross salary.

The other members of senior management are paid on the same arrangements which apply to the Senior Civil Service. These arrangements make provision for performance related pay, which may include an element of non-consolidated bonus.

Pension

As 31 March 2003 is the first year of Invest NI, the real increase in pension figure is not provided in the absence of comparatives.

Mr. L Morrison is not a member of the PCS (NI). Invest NI makes a contribution equivalent to 19.5% of his remuneration in lieu of pension provision.

For other senior management team members, pension benefits are provided through the PCS (NI) arrangements. The total accrued pensions at aged 60 at 31 March 2003 disclosed above for Mr. C Buckland and Prof. T Scott have not reflected the transfer amounts relating to their employment prior to joining Invest NI.

From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

(a) Classic Scheme

Benefits 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. Members pay contributions of 1.5 percent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhancement as for widow(er) pensions.

13. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT (Cont'd)

(b) Premium Scheme

Benefits accrued at the rate $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of $3/80^{\text{th}}$ of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of $3/8^{\text{th}}$ of the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per *classic*.

All staff in service at 1 October 2002 will be given the option to join the *premium* or *classic plus* arrangements.

Pensions paid under classic, premium and classic plus are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

14. TAXATION

(i) Taxation charge in the year

(a) Analysis of charge in year	2003 £'000
Current tax:	
UK corporation tax on taxable income of the current year (estimate)	1,000
	<hr/>
Total current tax (note 14(b))	<u>1,000</u>

(b) Factors affecting tax charge

Invest NI does not have Crown exemption in relation to corporation tax and therefore is subject to corporation tax in relation to:

- property transactions;
- interest receivable; and
- profits derived from certain activities such as the provision of scientific services.

Negotiations are currently ongoing with the Inland Revenue to determine precisely what sources of income and activities undertaken by Invest NI will be subject to corporation tax.

The provision for tax in the year 31 March 2003 is an estimate of potential tax payable on these sources of income.

(c) Deferred tax

No provision for deferred tax has been made as at 31 March 2003.

- (ii) Invest NI is currently in discussion with DETI in relation to the funding of the corporation tax payment. At the date of this report, a decision had not been agreed.

15. TANGIBLE FIXED ASSETS

	Land and Property	Plant and Machinery (including motor vehicles)	Fixtures, Fittings, Tools & Equipment	Asset in the Course of Construction	Total
(i) Analysis	£'000	£'000	£'000	£'000	£'000
Cost / Valuation:					
At 1 April 2002	98,852	1,266	6,748	11	106,877
Additions	4,310	22	1,085	2,742	8,159
Disposals	(3,944)	(153)	(72)	-	(4,169)
Transfer from amortisation (note 17(i))	1,466	-	-	-	1,466
Transfer from current asset (note 18)	7,897	-	-	-	7,897
Transfer to current asset (note 18)	(925)	-	-	-	(925)
Revaluation	(248)	37	(50)	-	(261)
At 31 March 2003	<u>107,408</u>	<u>1,172</u>	<u>7,711</u>	<u>2,753</u>	<u>119,044</u>
Depreciation:					
At 1 April 2002	2,225	839	4,673	-	7,737
Charge for year (note 11(i))	918	67	740	-	1,725
Disposals	-	(145)	(66)	-	(211)
Transfer from current asset (note 18)	211	-	-	-	211
Transfer to current asset (note 18)	(95)	-	-	-	(95)
Revaluation	(131)	25	(15)	-	(121)
At 31 March 2003	<u>3,128</u>	<u>786</u>	<u>5,332</u>	<u>-</u>	<u>9,246</u>
Net Book Value:					
31 March 2003	<u>104,280</u>	<u>386</u>	<u>2,379</u>	<u>2,753</u>	<u>109,798</u>
1 April 2002	<u>96,627</u>	<u>427</u>	<u>2,075</u>	<u>11</u>	<u>99,140</u>

(ii) Additions are represented by:

UK grants (notes 3(ii) & 22(i))	4,225
EU grants (note 22(i))	3,934
	<u>8,159</u>

15. TANGIBLE FIXED ASSETS (Cont'd)

(iii) Analysis of land and property balance (net book value basis):

	2003 Land £'000	2002 Land £'000	2003 Property £'000	2002 Property £'000	2003 Total £'000	2002 Total £'000
Administrative	666	666	3,475	2,842	4,141	3,508
Occupied	79,625	72,020	13,410	12,034	93,035	84,054
Unoccupied	2,959	2,413	4,145	6,652	7,104	9,065
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Included in fixed assets	83,250	75,099	21,030	21,528	104,280	96,627
Surplus assets (note 18)	660	5,981	170	1,705	830	7,686
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	83,910	81,080	21,200	23,233	105,110	104,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(iv) Land and property was re-valued by Valuation and Lands Agency on 31 March 2003 on the basis of open market value for existing use.

16. INVESTMENTS

	Total £'000
Unlisted	
Gross amount:	
At 1 April 2002	200
Additions	-
Provisions	-
	<hr/>
At 31 March 2003	200
	<hr/>

Invest NI holds 100% of the ordinary share capital of Northern Ireland Public Sector Enterprises Limited (NICO), which comprises of 200,000 ordinary shares of £1 each.

The company is incorporated in Northern Ireland and its principal activities are the marketing and selling of Northern Ireland public sector services and expertise on a worldwide basis.

Invest NI considers that the cost of the investment (£200,000) does not differ significantly from the market value at the year end.

Extracts from the most recent audited accounts of Northern Ireland Public Sector Enterprises Limited:

	2003 £'000	2002 £'000	2001 £'000
Turnover	2,705	2,030	2,589
Profit after tax	142	24	101
Net assets	848	706	681
	<hr/>	<hr/>	<hr/>

Copies of Northern Ireland Public Sector Enterprises Limited accounts can be obtained from the Companies Registry, Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3LX.

17. FIXED ASSET INVESTMENTS

(i) Total Fixed Asset Investments

	Share Capital £'000	Loans £'000	Amortisation £'000	Total £'000
Gross amount:				
At 1 April 2002	36,644	30,937	19,450	87,031
Additions (notes 3(ii) & 22(i))	4,825	6,023	–	10,848
Repayments	(534)	(1,755)	(1,186)	(3,475)
Interest* (notes 3(ii) & 22(i))	–	15	–	15
Transfer to fixed asset (note 15(i))	–	–	(1,466)	(1,466)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	40,935	35,220	16,798	92,953
	<hr/>	<hr/>	<hr/>	<hr/>
Provision:				
At 1 April 2002	27,137	21,135	6,074	54,346
Charge/(credit) for year	5,052	576	(232)	5,396
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	32,189	21,711	5,842	59,742
	<hr/>	<hr/>	<hr/>	<hr/>
Net balance:				
31 March 2003	8,746	13,509	10,956	33,211
	<hr/>	<hr/>	<hr/>	<hr/>
1 April 2002	9,507	9,802	13,376	32,685
	<hr/>	<hr/>	<hr/>	<hr/>

*relates to the interest element on ex-LEDU loans which is not separately disclosed as accrued income.

(ii) Repayment analysis of fixed asset investments (net balance):

	Loans £'000	Amortisation £'000	Total £'000
Amount due within 1 year	8,489	1,749	10,238
Amount due within 2 to 5 years	2,773	5,393	8,166
Amount due greater than 5 years	2,247	3,814	6,061
	<hr/>	<hr/>	<hr/>
As at 31 March 2003	13,509	10,956	24,465
	<hr/>	<hr/>	<hr/>

(iii) Loan analysis (net balance):

	Loans £'000	Amortisation £'000
Secured	12,401	10,956
Unsecured	1,108	–
	<hr/>	<hr/>
As at 31 March 2003	13,509	10,956
	<hr/>	<hr/>

17. FIXED ASSET INVESTMENTS (Cont'd)

(iv) Loans exceeding £100,000 each

During the year, Invest NI entered into 10 loan agreements each exceeding £100,000 with 10 different companies. Details are as follows:

	Loans Amounts offered in year £'000	Loans Paid in year £'000
	130	130
	140	140
	150	150
	150	150
	200	150
	350	350
	426	426
	900	900
	1,000	1,000
	2,100	2,100
Total	5,546	5,496

(v) Share investment exceeding £100,000 each

A list of the companies in which Invest NI has an interest in the share capital can be found in Appendix A.

During the year, Invest NI invested and paid 21 different companies a total of £4,825,000 in the form of either ordinary or preference shares of which 10 transactions are exceeding £100,000 each.

There has also been a transaction which involves the conversion of 2,000,000 preference shares of £1 each into 2,000,000 ordinary shares of £1 each.

18. DEBTORS**(i) Amount due within one year:**

	2003 £'000	1 April 2002 £'000
Trade debtors	1,258	2,965
Other debtors		
EU	359	–
other	1,713	71
Prepayments	549	864
Accrued income		
loan interest and dividend	764	692
other	–	137
Other assets	830	7,686
	<u>5,473</u>	<u>12,415</u>

(ii) Other assets comprise (net book value basis):

	2003 £'000	1 April 2002 £'000
Surplus land and property (note 15)	830	7,686
	<u>830</u>	<u>7,686</u>

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	1 April 2002 £'000
Bank overdraft	2,533	–
Trade creditors and accruals	4,850	3,207
Accrued grant creditors	18,015	20,116
Corporation tax	1,000	3
Other taxes and social security	225	–
Other creditors		
DETI	3,342	738
other	2,772	425
Deferred income	555	608
	<u>33,292</u>	<u>25,097</u>

20. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 Grants £'000 (note 21)	2003 Others £'000	2003 Total £'000
As at 1 April 2002	31,363	504	31,867
(Over)/under provision from previous year	(3,308)	1,175	(2,133)
Charge to Income & Expenditure account	18,211	–	18,211
Paid	(28,055)	(100)	(28,155)
As at 31 March 2003	<u>18,211</u>	<u>1,579</u>	<u>19,790</u>

Provisions have not been discounted as these primarily relate to grants that are due to be paid in the near future. Hence the effect of discounting is considered as immaterial.

The reduction in provision for grants is a reflection of slow down in activities undertaken by a number of significant client companies.

Other provisions of £1.6m comprise:

- £0.1m of estimated final payments (similar to retirement payments) to employees in an overseas office when employment is terminated in the future, as required by the local employment regulations; and
- £1.5m of provisions in respect of land & property purchases and vested by Invest NI.

21. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE

Grants are paid by Invest NI to the client companies under the terms and conditions of financial assistance agreements. These agreements last for a number of years and assistance is only payable when eligible activities have been satisfactorily undertaken.

The estimation of liability for unclaimed grants is calculated using a number of methodologies, which are reviewed on an ongoing basis, taking into consideration the following main factors:

- (i) review of claims paid post year-end relating to the prior year;
- (ii) trend analysis of claims; and
- (iii) estimates provided by a sample of client companies.

During the year, the estimation methodology has been revised from one derived from information supplied by client companies to one derived from various internal statistics and financial analysis.

Given the basis, the provision carries an element of uncertainty.

22. GOVERNMENT GRANT RESERVE

(i) Analysis

	Investment - unlisted 2003 £'000	Fixed investment 2003 £'000 UK Grants	Tangible fixed assets 2003 £'000 UK Grants	Tangible fixed assets 2003 £'000 EU Grants	2003 £'000 Total
At 1 April 2002	200	32,685	106,551	275	139,711
Transfer between investments and tangible fixed assets	-	(1,466)	1,466	-	-
Received in year					
UK grants (notes 3 (i), 15(ii) & 17(i))	-	10,864	4,225	-	15,089
EU grants (note 15(ii))	-	-	-	3,934	3,934
Release to Income and Expenditure account (note 22(iii))	-	(5,396)	(9,258)	(837)	(15,491)
Revaluation	-	(1)	8,226	-	8,225
Disposals (notes 23 & 3(iii))	-	(3,475)	(4,238)	-	(7,713)
Profit/loss on disposal (note 22(iii))	-	-	284	-	284
At 31 March 2003	<u>200</u>	<u>33,211</u>	<u>107,256</u>	<u>3,372</u>	<u>144,039</u>

(ii) The above balance is represented by:

	2003 £'000	1 April 2002 £'000
Net book value of tangible fixed assets (note 15(i))	109,798	99,140
Net book value of other assets (note 18)	830	7,686
	<u>110,628</u>	<u>106,826</u>
Net book value of unlisted investment (note 16)	200	200
Net book value of fixed investment (note 17 (i))	33,211	32,685
	<u>144,039</u>	<u>139,711</u>

22. GOVERNMENT GRANT RESERVE (Cont'd)

(iii) Application of government grant reserve release:

	2003 £'000
Depreciation (note 11(i))	1,725
Asset impairment (note 11(ii))	8,370
Provision on loan (note 10(i))	344
Provision on shares (note 10(i))	5,052
	<hr/> 15,491
Profit on sale of fixed assets (note 5)	(284)
	<hr/> 15,207
	<hr/> <hr/>

23. GENERAL RESERVE

	2003 £'000
At 1 April 2002 - deficit	(51,570)
Net cost of operations - deficit	(4,433)
Transfer from government grant reserve (note 22(i))	7,713
	<hr/> (48,290)
At 31 March 2003 - deficit	<hr/> <hr/>

24. FUTURE CAPITAL EXPENDITURE

Capital commitments as at 31 March 2003 for which for no provision has been made:

	2003 £'000
Contracted	7,014
	<hr/> <hr/>

25. LOSSES AND RELATED INFORMATION REQUIRED BY GOVERNMENT ACCOUNTING NORTHERN IRELAND (GANI)

Invest NI is required by GANI to disclose losses and related information, which were either incurred within the responsibility of Invest NI or through external parties such as its managing agents, including any waiver of Invest NI's entitlement to fees, income and write off. Details are as follows:

(i) Third party organisations (managing agents) acting on behalf of Invest NI

Organisation	Description	2003 Losses £	2003 No. of cases	2002 Losses £	2002 No. of cases
Emerging Business Trust	Peace and Reconciliation Funding	15,930	1	24,315	3
West Belfast Enterprise Board Limited (ORTUS)	Business Development Fund	-	-	-	-
	Peace and Reconciliation Funding	54,944	3	16,646	6
Aspire Micro Loans for Business Limited	Peace and Reconciliation Funding	55,312	15	18,367	9

Emerging Business Trust (EBT) assists in the financing of emerging businesses from disadvantaged areas in Northern Ireland. Established in 1996, EBT applied for Peace and Reconciliation funding and received a Peace and Reconciliation grant of £500,000 from LEDU in 1996 for the purpose of financing the issue of loans. The figures given above are in respect of the financial years ending 30 September 2002 and 2001 respectively.

West Belfast Enterprise Board Limited (WBEB) encourages business to locate in West Belfast by providing property, training and support to business in the West Belfast area. In 1988 a Business Development Loan Fund was established and applications to LEDU and International Fund for Ireland resulted in grants of £200,000 from each organisation. In 1997 WBEB applied for Peace and Reconciliation funding to establish a new seedcorn loan fund and received a Peace and Reconciliation grant of £250,000 from LEDU. Subsequently an additional £250,000 for this new loan fund was received directly from EU Structural Funds. The figures given above are in respect of the financial years ending 31 December 2002 and 2001 respectively.

Aspire Micro Loans for Business Limited (Aspire) provides short-term loans for working capital and equipment to micro businesses (1-10 employees). The company's focus is on the retail and service sectors. Established in 1999, Aspire applied for Peace and Reconciliation funding to establish a loan fund and received a Peace and Reconciliation grant of £550,000 from LEDU. The figures given above are for the financial year ending 31 March 2003 and 2002 respectively.

There are a number of other organisations operating loan and investment funds who have received support from LEDU (pre 1 April 2002) and Invest NI (post 1 April 2002) alongside funding from Government Departments, International Fund for Ireland and Peace and Reconciliation (Peace 1). These organisations include: Enterprising Northern Ireland Limited - Small Business Loan Fund (ENIL); Ulster Community Investment Trust Limited (UCIT); Northern Ireland Film and Television Commission (NITFC); and Northern Ireland Technology Fund (NITF). ENIL, UCIT, NITFC and NITF have only been in operation in the last couple of years and no losses have been reported to date.

25. LOSSES AND RELATED INFORMATION REQUIRED BY GOVERNMENT ACCOUNTING NORTHERN IRELAND (GANI) (Cont'd)

(ii) Other

There have been no debts written off or other losses in the year except for the following:

- an amount of £261,000 relating to one client company in respect of rental income written off. Invest NI has informed DETI and DFP.

During the year claims totalling £1,279,111 were made against 14 companies which were in receivership, liquidation, administration or had ceased to trade. Any elements of these claims which are not met in due course will be noted as losses in future accounts.

Provisions for bad and doubtful debts, investments and diminution in tangible fixed asset valuation have been reflected in the annual accounts.

26. COMMITMENTS AND CONTINGENCIES

- (a) Operating commitments comprising unclaimed grants under existing financial assistance offers and agreements at 31 March 2003 comprised:

	2003 £'000
Business International	129,576
Entrepreneurship and Enterprise	19,880
Business Improvement	19,556
Innovation and Capability	15,684
Tourism	1,091
	<hr/>
	185,787
	<hr/> <hr/>

- (b) No guarantees have been given in respect of client companies at 31 March 2003.

- (c) Commitments existed at the year end under property leases in respect of annual rentals which expire:

	2003 £'000
Within one year	–
In the second to fifth years	106
After five years	421
	<hr/>
	527
	<hr/> <hr/>

- (d) Invest NI operates a Shortfall Guarantee Scheme. Under this scheme, a guarantee is provided as security for all or part of a client company's bank borrowings to finance the purchase of its premises. Invest NI has a maximum potential liability of £2.4m as at 31 March 2003. There were no payments made in relation to this in the year. Historic information has shown that any payment is likely to be insignificant. Except for this, Invest NI does not have any other contingent liabilities which are required to be disclosed under FRS 12 or for parliamentary reporting and accounting purposes.

27. FINANCIAL INSTRUMENTS

Financial Reporting Standard 13 (FRS 13) - 'Derivatives and Other Financial Instruments: Disclosures' - requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government departments, including NDPBs are financed, Invest NI is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Invest NI has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing Invest NI in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

Invest NI's net revenue resource requirements are financed by resources voted by the Assembly, as largely is its capital expenditure. It is not therefore, exposed to significant liquidity risks.

Interest rate risk

36 per cent of Invest NI's financial assets and 100 per cent of its financial liabilities carry nil or fixed rates of interest. As interest income is paid over to DETI and not retained by Invest NI movement in interest rates does not represent a significant risk to the operation of Invest NI.

Interest rate profile

The following tables show the interest rate and currency profiles of Invest NI's financial liabilities and assets.

Financial liabilities

Invest NI's financial liability consists of a book bank overdraft which is not subject to interest. A real bank overdraft, which would be very rare, is subject to interest at commercial rates.

Financial assets

The financial assets of Invest NI comprised:

	2003
	£'000
Net book value:	
Cash	149
Loans (note 17(i))	13,509
Amortisation (note 17(i))	10,956
Shares (note 17(i))	8,746
	<hr/>
	33,360
	<hr/> <hr/>

27. FINANCIAL INSTRUMENTS (Cont'd)

Currency	Floating rate	Fixed rate	Non-interest bearing	2003 Total
	£'000	£'000	£'000	£'000
Sterling	21,376	2,454	9,530	33,360

Foreign currency risk

Invest NI's exposure to foreign currency risk is not significant.

Fair values

Set out below is a comparison by category of book values and fair values of Invest NI's financial assets and liabilities at 31 March 2003:

	Book value	Fair value	Basis of fair valuation
	£'000	£'000	Note
Primary financial instruments			
<i>Financial assets</i>			
Loans	13,509	13,509	A
Amortisation	10,956	10,956	B
Shares	8,746	8,746	C
<i>Financial liabilities</i>			
Provisions	19,790	19,790	D

Notes:

- A. 76% of loans are at floating rate therefore fair value is not significantly different from book value.
- B. Amortisations to client companies are at floating rate so fair value is not significantly different from book value.
- C. The fair value and book value are both based on market value or estimates of the likely sales proceeds.
- D. Fair value is not significantly different from book value since provisions are based on reasonable estimates of the likely liability.

28. CASH FLOW STATEMENT

(i) RECONCILIATION OF RESULTS FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£'000	2003 £'000
Deficit for the year before credit reversal of notional costs		(12,489)
<u>Adjustments for non-cash transactions</u>		
Notional costs	2,539	
Notional cost of capital	5,517	
Depreciation	1,725	
Profit on sale of fixed assets	(284)	
Asset impairment	8,370	
Total bad debt provision charged to Income & Expenditure accounts (note 28(v))	7,757	
Grant provision charged to Income & Expenditure account	14,903	
Other provision charged to Income & Expenditure account	1,175	
Release of government grant reserve credit	(15,207)	
	<hr/>	
Total non-cash transactions movement		26,495
<u>Adjustments for movement in working capital other than cash</u>		
(i) (Increase)/decrease in debtors (excluding fixed assets held as current):		
Trade debtor (net of provision)	(51)	
EU debtor	(359)	
Other debtors (net of provision)	(1,714)	
Prepayment	315	
Accrued income - loan interest and dividend (net of provision)	(1,977)	
Accrued income - other	137	
	<hr/>	
Decrease in debtors		(3,649)
(ii) Increase/(decrease) in creditors:		
Trade creditors and accruals	1,643	
Corporation tax	1,000	
Other taxes and social security	225	
DETI creditor (note 28(iv))	5,056	
Other creditors	2,346	
Deferred income	(53)	
Accrued grant creditors	(2,101)	
	<hr/>	
Decrease in creditors		8,116
<u>Use of provisions</u>		
Grant provision	(28,056)	
Other provision	(100)	
	<hr/>	
Total use of provisions		(28,156)
Net cash outflow from operating activities		(9,683)

28. CASH FLOW STATEMENT (Cont'd)

(ii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003	
	£'000	
Decrease in cash in the year		(3,049)
Change in net funds resulting from cash flows		(3,049)
Net funds at start of year		665
Net funds at end of year		<u>(2,384)</u>
	2003	2002
	£'000	£'000
Net funds comprise of:		
Cash at bank and in hand	149	665
Bank overdraft	(2,533)	-
Net funds at end of year	<u>(2,384)</u>	<u>665</u>

(iii) The upward movement in fixed assets (fixed and current) and investments in loan and shares is matched with a downward movement in the government grant reserve account, and vice versa.

(iv) Movement in DETI creditor is detailed below:

	2003
	£'000
Increase per balance sheet	2,604
Amount paid by Invest NI in year	2,452
Total movement	<u>5,056</u>
Represented by the following operating income surrendered to DETI:	
Income from operating activities (note 4(ii))	834
Other operating income (note 6 (ii))	4,222
Total	<u>5,056</u>

(v) Total bad debt provision charge is detailed below:

	2003
	£'000
Increase in provision against management fee (note 4(i))	72
Increase in provision against accrued loan interest and dividend income (note 6(i))	531
Increase in provision for loan, shares and trade debtors (note 10(i))	7,154
Total charge	<u>7,757</u>

29. TRANSACTIONS INVOLVING BOARD MEMBERS AND SENIOR MANAGEMENT

Invest NI is a Non Departmental Public Body (NDPB) sponsored by DETI. DETI is regarded as a related party. During the year, Invest NI has had various material transactions with DETI.

Due to the nature of Invest NI's operations and the composition of its Board members (being from local, private and public sector organisations), it is inevitable that transactions will take place with companies and organisations in which a Board member or a senior management team member of Invest NI may have an interest.

(i) Transactions involving senior management

There were no material transactions involving the senior management team members during the year.

(ii) Transactions involving board members

(a) Beneficial interests

Invest NI works with many private sector organisations including companies in which Board members of Invest NI have a beneficial interest. Transactions during the year with such companies, which were all conducted at arms length and were subject to normal project and programme rules and tendering procedures, where appropriate, are listed below:

Grant assistance paid to the company:

Board Member	Company	Amount offered 2003 £'000	Amount paid 2003 £'000
Prof. Fabian Monds	M S C S Limited	–	13
	Western Connect Limited	71	7
Dr. Patrick Haren	Service & Systems Solutions Limited (SX3)	229	492
Mrs. Debra Jenkins-Devine	Exus Energy Limited	–	16
Mr. Gilbert Little	Aepona Limited	–	169
Mr. Bill McGinnis	The McAvoy Group Limited	15	225
Dr. Alan McClure	Alpha Environmental Systems Limited	–	15
	Perfecseal Limited	4	259
Mr. Derek Shaw	Linden Foods Limited	–	277
Mrs. Rotha Johnston	Variety Foods Limited	–	21
Mr. Owen Lamont	The Global E-mail Company Limited	–	355
Mrs. Teresa Townsley	Arcom Limited^	–	4
	Emerging Business Trust*	–	100
	Fusion Antibodies Limited^	–	119
	Genomic Mining Limited^	–	4
	International Net and Twine Limited^	–	6
	MTF Technology Limited	2	1
		–	1,000

29. TRANSACTIONS INVOLVING BOARD MEMBERS AND SENIOR MANAGEMENT (Cont'd)

Investment in client companies:

Board Member	Company	Amount offered 2003 £'000	Amount paid 2003 £'000
Prof. Fabian Monds	Western Connect Limited	100	100
Mr. Owen Lamont	The Global E-mail Company Limited	350	350

Services supplied to Invest NI (inclusive of VAT where applicable):

Board Member	Company	Amount paid 2003 £'000
Dr. Patrick Haren	NIE Plc	371
	Service & Systems Solutions Limited (SX3)**	262
Mr. Stephen Kingon	PricewaterhouseCoopers LLP (UK)**	644
Mr. Bill McGinnis	Focus Management Consultants Limited	11

^connected via family relations

*Mrs. Teresa Townsley is a director of both Emerging Business Trust (EBT) and EBT Venture Fund Limited. She is also a partner in MTF Chartered Accountants who provide management services to these companies. At the 31st March 2003, EBT Venture Fund Limited was a subsidiary of EBT. EBT Venture Fund Limited holds shares in Arcom Limited and Fusion Antibodies Limited.

**There is a joint contract between Service and Systems Solutions Limited (SX3) and PricewaterhouseCoopers LLP (UK) in relation to the provision of financial system maintenance and development services. This joint contract was awarded prior to the incorporation of Invest NI. Invest NI is aware that SX3 assume primary responsibility in invoicing work done and services provided. The related amount paid to PricewaterhouseCoopers LLP (UK) under this contract is disclosed within SX3.

29. TRANSACTIONS INVOLVING BOARD MEMBERS AND SENIOR MANAGEMENT (Cont'd)

b) Non Beneficial interests

Invest NI also works in partnership with many public/private funded organisations with whom joint project and transactions have been undertaken during the year. The following board members and key management staff held official positions in these organisations:

Board member/ senior management	Company/organisation	Position held
Mrs. Rotha Johnston	The Prince's Trust	Voluntary involvement
Mrs. Rosemary Peters- Gallagher	University of Ulster	Member of Council & Member of Court
Mrs. Teresa Townsley	Business in the Community Queen's University of Belfast NI Chamber of Commerce & Industry	Director Honorary Treasurer
Mr. Stephen Kingon	Business in the Community Centre for Competitiveness NI Chamber of Commerce and Industry	Member Board member Chairman
Prof. Bernie Hannigan	Queen's University of Belfast University of Ulster	Chairman on Economic Committee Connected via family relations
Prof. Roy Crawford	Queen's University of Belfast	Professor, Dean Professor, Pro Vice-Chancellor

30. PROGRAMMES FOR WHICH INVEST NI ACTS AS A MANAGING AGENT

Invest NI acts as a managing agent by providing administrative and business support and managing the applications of related programme expenditure for other public funded organisations. The related expenditure is paid directly by the sponsors and hence is not reflected in Invest NI's Income and Expenditure account.

(i) Programmes which Invest NI manages and approves expenditure only

During the year, Invest NI acted as agent for the following programmes with no balances held in the books of Invest NI:

Programme/Scheme	Sponsoring organisation	Amount approved by Invest NI £'000
Radiane Scheme	International Fund for Ireland (IFI)	1,618
Information Age Initiative	European Commission	175

(ii) Programmes which Invest NI manages, approves expenditure and makes payment

Community Business Start Up Programme (CBSUP)

Invest NI administers community business projects which receive assistance from the Peace 2 Programme, measure 1.4, with match funding from the Department For Employment and Learning (DEL) under CBSUP. Invest NI receives funding from Peace 2 and DEL and approved expenditure is paid by Invest NI.

During the year, Invest NI received total funding in relation to the CBSUP of £383,202 with payment of £168,547 (also represents estimated expenditure for the year), a balance of £214,663 is held in the books of Invest NI and included in other creditor's figure of £2.8m in note 19.

Northern Ireland Business Start Programme (NIBSP)

Invest NI provides similar services to NIBSP, which is jointly funded by Invest NI and local councils.

During the year, NIBSP received total cash funding of £1.1m from the local councils and £1.8m from Invest NI. With payments of £2.7m made in the year, a balance of £273,961 is held in the books of Invest NI and included in other creditors' figure of £2.8m in note 19.

APPENDIX A SHARE INVESTMENT IN CLIENT COMPANIES

(i) Invest NI held the following shares in companies registered in Northern Ireland at 31 March 2003:

Company	Type of shares	No of shares 2003
Anderson Manning Associates Limited	£1 redeemable preference shares	125,000
Adamsez (NI) Limited	£1 redeemable preference shares	150,000
A P Galgorm Limited (Adria Limited)**	£1 "A" 11% cumulative redeemable preference shares	1,080,000
A P Galgorm Limited (Adria Limited)**	£1 ordinary shares	270,000
Advance Precision Tooling Limited	£1 redeemable preference shares	40,000
Aerospace Metal Finishers Limited**	5.5% non cumulative redeemable preference shares	250,000
Amacis Holdings Limited	£1 redeemable preference shares	250,000
Andronics Limited**	8.5% cumulative preference shares	225,000
Antrim Hills Spring Water Co Limited	£1 redeemable preference shares	50,000
Arca Technologies Limited**	5.5% non cumulative redeemable preference shares	250,000
Aromet Group Limited	£1 non cumulative convertible redeemable preference shares	30,000
Aromet Group Limited	£1 redeemable non cumulative preference shares	105,000
Aunt Mollies Foods Limited*	Preference shares	75,000
Authentica Limited*	Redeemable preference shares	30,000
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000
Balcas Limited	£1 redeemable cumulative preference shares	500,000
Balcas Limited	£1 "C" preferred ordinary shares	1,500,000
Electro Mechanical Solution Limited (Sanmina-SCI Enclosure Systems Limited)	£1 redeemable cumulative preference shares	50,000
Buchanan Wire Mesh Limited*	5.5% cumulative redeemable preference shares	75,000
Causeway Data Communications Limited*	5.5% non cumulative redeemable preference shares	25,000
Chieftain Trailers Limited**	5.5% non cumulative redeemable preference shares	150,000
William Clark & Sons Limited	£1 redeemable ordinary shares	750,000
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000
J P Corry Holdings Limited	£1 redeemable cumulative preference shares	225,000
The Data Warehousing Practice (NI) Limited*	5.5% non cumulative redeemable preference shares	35,000
Delta Print & Packaging Limited	£1 redeemable cumulative preference shares	250,000
DKM Graphics Limited	£1 redeemable non cumulative preference shares	100,000
Duromould Limited*	5.0% cumulative redeemable preference shares	50,000
E-link Software Limited	£1 cumulative redeemable preference shares	60,000
John England Textiles Limited	£1 redeemable preference shares	30,000
F M Environmental Limited	£1 redeemable preference shares	50,000
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000
Finlay BME Limited**	Cumulative redeemable preference shares	250,000
Franklins International Limited (Franklins Textiles Limited)	£1 redeemable cumulative preference shares	300,000
Gendel Limited	Cumulative redeemable preference shares	378,000
Glenaden Shirts Limited	£1 redeemable preference shares	250,000
Global Club Limited	£1 redeemable preference shares	100,000
The Global E-mail Company Limited**	£0.00001 ordinary shares	57,173,148
The Grant Group Limited	£1 "B" redeemable preference shares	100,000
Hartstone Group Plc	10p ordinary shares	121,043
Hermans Holdings Limited**	"B" ordinary shares	2,490,000
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600
D Hopkins & Sons Limited	Ordinary shares	13,400
In4mation Online Limited	£1 redeemable cumulative preference shares	50,000

Company	Type of shares	No of shares 2003
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,000
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000
Lagan Technologies Limited	£1 preferred "A" ordinary shares	195,694
Lagan Technologies Limited	£1 redeemable non cumulative preference shares	250,000
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000
Linden Foods Limited	£1 redeemable cumulative preference shares	500,000
Linian Knitwear Limited	Ordinary shares	3,265
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000
Macon Engineering Limited	£1 redeemable preference shares	24,000
Maximum IP Limited*	5.5% cumulative redeemable preference shares	50,000
Medevol Limited*	3.0% cumulative redeemable preference shares	100,000
Meridio Holdings Limited	£0.025 "A" preferred ordinary shares	1,588,235
Mineit Software Limited	£1 redeemable preference shares	250,000
Mopack Systems Limited	£1 redeemable non cumulative preference shares	70,000
Moyola Precision Engineering Limited	£1 redeemable non cumulative preference shares	200,000
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	161,000
Newry Building Supplies Limited	£1 redeemable cumulative preference shares	80,000
Nisoft (UK) Limited**	Cumulative redeemable preference shares	200,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000
Northland Computers Services Limited	£1 redeemable preference shares	100,000
Pressfold Limited	£1 redeemable non cumulative preference shares	80,000
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000
PWS Ireland Limited	£1 redeemable preference shares	20,000
Quality Additives Limited	£1 redeemable preference shares	60,000
William Ross & Co. Limited	£1 "C" redeemable cumulative preference shares	100,000
SMTEK International Inc. (USA)	\$0.01 common stock	340,841
Serpico Software Limited*	10.0% cumulative redeemable preference shares	77,500
The Shirtmakers Guild Limited	£1 redeemable cumulative preference shares	150,000
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000
Smiley & Monroe Limited	£1 redeemable non cumulative preference shares	135,000
Specialist Joinery Fittings Limited	£1 redeemable non cumulative preference shares	80,000
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000
Telestack Limited*	5.5% non cumulative preference shares	100,000
Tough Glass Limited	£1 redeemable preference shares	180,000
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000
Tudor Journals Limited	£1 redeemable non cumulative preference shares	60,000
Tyrone Crystal Holdings Limited	£1 preferred "C" ordinary shares	244,339
Ulster Development Capital Limited	£1 ordinary shares	15,000
Ulster Engineering Limited	£1 redeemable preference shares	100,000
Ulster Weavers Apparel Limited**	Redeemable preference shares	692,500
Unibase Cabinet Systems Limited	£1 redeemable non cumulative preference shares	40,000
UPU Industries Limited	£1 redeemable cumulative preference shares	250,000
United Fashion Limited (Strelitz)	£1 "A" redeemable preference shares	250,000
Viking Cycles Limited	£1 redeemable preference shares	150,000
Waveline Limited	£1 redeemable preference shares	100,000
Western Connect Limited*	5.5% cumulative redeemable preference shares	100,000
Woodlock Joinery Limited	£1 redeemable preference shares	200,000
Woodmarque Architectural Joinery Limited	£1 redeemable non cumulative preference shares	160,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000

* Share investments 2002/2003, each £100,000 and below

** Share investments 2002/2003, exceeding £100,000 each

(ii) Invest NI held the following shares in companies in receivership/liquidation in Northern Ireland at 31 March 2003:

Company	Type of shares	No of shares 2003
Adamshill Limited	£1 redeemable cumulative preference shares	250,000
Elizabeth Alexandra Limited	£1 redeemable cumulative preference shares	90,000
Avalanche Technology Holdings Limited	1p ordinary shares	500,000
Bespoke Shirt Company Limited	£1 redeemable cumulative preference shares	44,702
Broad Fittings Limited	£1 redeemable cumulative preference shares	125,000
John Compton (Glenane) Limited	£1 redeemable preference shares	50,000
DSQ Property Co. Limited	£1 "A" redeemable preference shares	17,757,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000
Elastic Olympian Limited	£1 "A" redeemable cumulative preference shares	70,000
Elastic Olympian Limited	£1 "C" redeemable cumulative preference shares	100,000
Erinwood Manufacturing Limited	£1 "A" redeemable cumulative preference shares	10,000
Erinwood Manufacturing Limited	£1 redeemable non cumulative preference shares	70,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000
Hydris Systems Limited	Ordinary shares	10,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000
Langford Joinery Limited	£1 "A" redeemable cumulative preferences shares	130,000
Langford Joinery Limited	£1 "C" redeemable cumulative preference shares	90,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000
McDowell, J G	£1 ordinary shares	60,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000
Northern Ireland Export Co. Limited	£1 redeemable non cumulative preference shares	102,000
Northern Ireland Export Co. Limited	Ordinary Shares	98,000
North West Independent Clinic Limited	£1 redeemable non cumulative preference shares	100,000
Oberon Enterprises Limited	£1 redeemable non cumulative preference shares	90,000
PAM Electronic Limited	Ordinary shares	10,000
Pacific Tooling Limited	£1 redeemable non cumulative preference shares	45,000
Pinewick Limited	£1 redeemable cumulative preference shares	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preferences shares	45,000
Sarcon (No 19) Limited (GK)	£1 "B" redeemable cumulative preference shares	70,000
Sheelin Products Limited	£1 redeemable preference shares	40,000
Softcom Limited	£1 redeemable preference shares	50,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000
Whiteabbey Mechanical Services Limited	£1 redeemable preference shares	20,000
Leaf Mecatronics Limited	£1 "A" redeemable cumulative preference shares	210,000
Leaf Mecatronics Limited	£1 redeemable preference shares	50,000

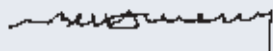
APPENDIX B
**ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF ENTERPRISE,
TRADE & INVESTMENT WITH THE APPROVAL OF THE DEPARTMENT OF
FINANCE AND PERSONNEL, IN ACCORDANCE WITH THE INDUSTRIAL
DEVELOPMENT (NI) ORDER 1982**

The annual accounts shall give a true and fair view of the Income & Expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement, Invest NI shall prepare accounts for the financial year ended 31 March 2003 and subsequent financial years in accordance with:

- a. Non Departmental Public Bodies Annual Reports and Accounts Guidance;
- b. Other guidance which the Department of Finance and Personnel may issue from time to time in respect of accounts which are required to give a true and fair view;
- c. Any other specific disclosures required by the Department;

Except where agreed otherwise with the Department of Finance and Personnel, in which case the exception shall be described in the notes to the accounts.

Signed by authority of the Department of Enterprise, Trade & Investment:



Noel Lavery
Principal Finance and Establishment Officer

05 December 2003

APPENDIX C

QUALIFICATION OF 2002–2003 FINANCIAL STATEMENTS

Invest Northern Ireland's Financial Statements 2002-2003

INTRODUCTION

1. I qualified my opinion on Invest Northern Ireland's accounts as insufficient evidence was available to me on the recording, monitoring and use of funds by third party organisations (TPOs). TPOs are private sector or voluntary bodies which Invest NI contracts to deliver initiatives by means of financial assistance, advice or other services to customers who otherwise would have received such assistance directly from Invest NI. TPOs include, for instance, local enterprise centres delivering the Business Growth programme, Enterprise NI managing the Northern Ireland Business Start Programme and other entities managing loan or venture capital funds. Invest NI paid some £6 million to TPOs in 2002-03. Many of these TPOs also receive funds from other sources such as the International Fund for Ireland and District Councils.
2. On its formation on 1 April 2002, Invest Northern Ireland (Invest NI) inherited contracts with TPOs from the Local Enterprise Development Unit (LEDU). I was not LEDU's auditor as it was a company limited by guarantee and therefore audited by a private sector firm under the terms of the Companies (Northern Ireland) Order 1986 but I did have inspection rights.

INTO THE WEST

3. In December 2001, anonymous written allegations of financial impropriety and poor value for money were received concerning one of these TPOs, Into the West (Tyrone and Fermanagh) Limited (ITW). ITW received public funds of £386,000 including £189,000 from LEDU between October 1997 and March 2002. My report on the independent investigation of ITW is appended (Appendix 1). The investigation questioned the adequacy of the supervision and control arrangements exercised by LEDU and the application of these by LEDU staff involved.

REVIEW OF CONTRACTS WITH THIRD PARTY ORGANISATIONS

4. In 2002 Invest NI commissioned consultants to conduct a review of the TPO contractual relationships inherited from LEDU. This was a desk review of contractual arrangements for contracts with a value over £20,000. Twenty eight contracts were examined. The consultants' report was finalised in February 2003 and concluded that Invest NI's contractual and purchasing arrangements with TPOs were deficient. The main findings were that:
 - contracts were not clear as to the services required and the expected outputs were often omitted;
 - a number of contracts were let without any tendering process; and
 - there were no formal monitoring systems to provide Invest Northern Ireland with assurance that TPOs were complying with the terms and conditions of the contracts.
5. In response to these findings, Invest NI introduced revised procedures over new contracts in 2003-04. New guidance has been issued and an Audit and Control function set up to manage the budget to TPOs. These revised procedures did not apply during the period of these accounts. Payments made by LEDU in years prior to 2002-03 were not supported by an adequate system of controls. These deficiencies were inherited by Invest NI from its formation and applied to payments made during 2002-03. I note, in particular, that the desk review carried out by the consultants in 2002-03 was not underpinned by a programme of inspection visits to TPOs. In the absence of a structured inspection programme of TPO books and records, insufficient evidence is available to me to confirm that public funds issued to these bodies have been used for the purpose intended by the Northern Ireland Assembly or Parliament.

LOAN AND VENTURE CAPITAL FUNDS

6. The Chief Executive refers in the Statement of Internal Control to action taken to investigate specific governance, contractual and monitoring weaknesses in particular contracts. In addition to a general review of TPO contracts inherited from LEDU, Invest Northern Ireland, in January 2003, commissioned an investigation into the establishment and management of Emerging Business Trust (EBT Loan Fund) and EBT Venture Fund Limited (EBT Venture Fund). The Trust was established in 1996 with funds provided by the International Fund for Ireland and LEDU. The Trust assists in the financing of emerging businesses from disadvantaged areas in Northern Ireland.
7. The investigation is still in progress but major weaknesses in LEDU's oversight of both funds have been identified. Significant governance and regularity issues including LEDU's handling of potential conflicts of interest are still being explored. I intend to report further on the EBT Loan Fund and the EBT Venture Fund Limited when the investigation is completed.
8. In addition, my staff identified a lack of proper monitoring and control over another TPO, Ortus which manages a number of loan funds on behalf of Invest NI. Between 1988 and 1998 the former LEDU paid £1.1 million to Ortus to set up these funds. By December 2002 the funds had diminished significantly to £476,000 as a result of high levels of bad debts and annual management charges. I qualified the 1997-98 accounts of the then Department of Economic Development Vote 2 with regard to payments to Ortus, via LEDU, as there was insufficient evidence to support the use of funds due to inadequate monitoring of the TPO by LEDU. I found that there was an absence of signed loan agreements, insufficient documentation of decisions on recovery of loans and debt write-offs, incomplete records including having only one bank account for various loan Funds creating significant difficulty clarifying balances remaining on each Fund. I concluded that LEDU had not ensured that sufficient procedures were in place. My current review concluded that while monitoring of Ortus had improved performance criteria recommended by consultants in November 2000 had not been introduced. In January 2004, Invest NI told me that it was in the process of agreeing with Ortus the full extent of the performance indicators that will be practical to implement.

CONCLUSIONS AND RECOMMENDATIONS

9. Invest NI has acted to improve its own procedures on entering into new contracts with TPOs and has itself identified significant weaknesses in the oversight of contracts inherited from LEDU. However, on the basis of work done by Invest NI at the time of writing this report, I have not been able to obtain sufficient assurance to provide an unqualified report on third party organisations.
10. I recommend that to evaluate the impact of the significant weaknesses identified over existing contracts, Invest Northern Ireland introduce a risk based inspection programme of TPO books and records to confirm that public funds issued to these bodies in 2002-03 and previous financial years have been used for the purpose intended by the Northern Ireland Assembly or Parliament.
11. I intend to report separately on the significant matters arising out of Invest Northern Ireland's own investigation into the EBT Loan and Venture Funds once that investigation is completed.

APPENDIX 1

INTO THE WEST (TYRONE AND FERMANAGH) LIMITED

1. 'Into the West (Tyrone and Fermanagh) Limited' (ITW) is a company limited by guarantee and not having a share capital. It was incorporated in 1997, through an initiative led by the former Local Enterprise Development Unit (LEDU), in which LEDU worked in partnership with five District Councils (Cookstown, Dungannon, Fermanagh, Omagh and Strabane) to provide a platform to promote local economic development.
2. In December 2001, I received anonymous written allegations of financial impropriety and poor value for money concerning the activities of ITW. The allegations were also sent to the Department of Enterprise, Trade and Investment (the Department) and the Department of the Environment (DOE - the lead department with responsibilities for Local Government).
3. This report outlines the allegations made, the main findings of the investigation into those allegations and the actions taken by the Department, the DOE and the ITW Board in the wake of the investigation.

BACKGROUND

ITW Administration and Activities

4. 'Making it Back Home' (MIBH) was a LEDU programme which sought to identify young graduates who had emigrated, in order to encourage them to return to Northern Ireland and play a key role in the economy, preferably by starting their own businesses. In 1997, it was agreed that MIBH would jointly meet LEDU's and the five District Councils' economic development objectives and so ITW was formed. LEDU permitted the company to hold Board meetings in its Western Regional Office, where financial and administrative support was provided by LEDU staff. This was subsequently supplemented by part-time administrative staff hired by ITW. The administrative support was under the management of LEDU's Western Regional Office manager, who was its representative on the ITW Board and who played a prominent operational role in the company.
5. The Chief Executives of the five District Councils and the LEDU Regional Office manager became the founding company directors. Council Members later joined the Board from November 1999. Joint funding was provided by the District Councils (which included European Union funding), LEDU and the International Fund for Ireland (IFI) - the 'funding bodies'. As well as encouraging ex-patriates to return to the area, the company's primary activities included developing international strategic business alliances and joint ventures between Northern Ireland and overseas companies. A major part of the company's activities involved 'Business Development Visits' to North America, Australia and New Zealand.

ITW Funding

6. Over the period October 1997 to March 2002, the funding bodies provided sums totalling £890,000 to the company, as well as 'in-kind' contributions (management and administrative support) with an estimated value of £302,000 - see Figure 1. (Further funding amounting to some £565,000 for other activities was also provided to the company but this was for activities which fell outside the allegations of waste and impropriety.)

Figure 1: Funding of ITW, October 1997 to March 2002

Funders	Funding¹ (£)	"In-kind" Contributions (£)
District Councils	375,000	113,000
LEDU	197,000	189,000
International Fund for Ireland	318,000	-
Private sector contributions ²	23,000	-
Total Core Funding	913,000	302,000

Source: DETI

- Notes:** (1) Based on figures from ITW's audited annual accounts to 31 March 2001 and funding commitments for 2001-02.
(2) Contributions from business delegates on overseas Business Development Visits.

Allegations of Financial Impropriety and Poor Value for Money

7. The allegations received in December 2001 claimed that the vast majority of public money given to ITW had been used on expensive business class air travel and hotel accommodation all over the world, with large groups of councillors and officials having taken part in trips costing up to £50,000. There were three main allegations made:
- Councillors had been receiving cash-in-hand payments of £100 per day for expenses, when food and board was actually being paid, and also claiming a full range of Council allowances
 - the misuse of the ITW credit card to enhance personal payments, with an example quoted of the LEDU Regional Manager charging expenditure to the card during a visit to Boston that was unrelated to ITW work and being accompanied by his wife
 - that LEDU staff within the Western Regional Office had been pressured and intimidated into falsifying documentation in respect of IFI funding.
8. Following discussions between the Department, Local Government Audit (LGA - responsible for the audit of District Councils) and later, the Secretary of ITW, the Board of ITW fully endorsed the need for a joint enquiry and invited the Department's Internal Audit Service (IAS) and LGA to satisfy themselves regarding the probity and propriety of ITW spending. A steering group of senior officials from the Department, DOE and the Department of Finance and Personnel was established to consider matters arising out of the joint investigation.

9. Prior to the commencement of the joint investigation, and following advice from the police, LEDU commissioned independent consultants to investigate the allegations that LEDU staff had been pressured into falsifying documentation in respect of IFI funding. The consultants reported, in January 2002, that the LEDU staff involved were adamant that they had not been pressured or intimidated into making or signing any false declarations.
10. As the joint investigation commenced in February 2002, LEDU's Western Regional Office Manager was relocated to its Belfast Headquarters and later, in June 2002, suspended on full pay. All funding was frozen and ITW's activities were suspended from March 2002. In addition, Invest Northern Ireland (which assumed LEDU's responsibilities from April 2002) established a working group to examine any wider implications arising from the ITW case for its other related activities and control procedures.

Joint Investigation by Internal Audit Service and Local Government Audit

11. The joint investigation team examined each of the specific allegations made. While not all of the allegations were substantiated, a number of areas of concern were highlighted. Details are set out in the attached.
12. In the course of their work, the joint investigation team also noted a number of other matters of concern which they felt required specific consideration by the ITW Board and the funding bodies. These related largely to the use of corporate credit cards and the handling of overseas Business Development Visits involving ITW Board Members, LEDU officials and other delegates. In particular, the team found that:
 - **On Corporate Credit Cards**

There was no evidence of official Board approval for the credit cards issued to the then Chairman and Secretary; the Board did not ensure that formal systems and procedures were in place with regard to the usage and accounting for credit card expenditure; and a number of receipts and invoices had not been provided by the credit card holders for ITW records. Among the most serious findings were concerns that, out of a total of £155,000 sampled, some £40,000 of expenditure was unsupported by receipts and invoices and cash withdrawals amounting to some £5,600 remained to be properly accounted for.
 - **On Overseas Business Development Visits**

The Board did not have policies in place for corporate hospitality, travel and subsistence; it did not have adequate formal arrangements to consider and approve requests for financial assistance for all overseas visits; there was no evidence that the Board monitored specific costs of overseas visits; and an estimated £20,000 could possibly have been saved if public sector rates of subsistence had been used.
13. While recording the explanations provided by various individuals who had been involved with the company, including former directors, the joint investigation team concluded that there had been very poor standards of administration, involving considerable sums of public money. They also concluded that, overall, the ITW Board did not exercise the level of control and challenge that would normally be expected of a Board of Directors. However, they did note the ITW Board's view that it had exercised an acceptable level of care and control in respect of the public funds for which it had been accountable. The report also questioned the adequacy of the supervision and control arrangements exercised by LEDU in relation to ITW and the LEDU staff involved.

14. The report made a number of recommendations aimed at improving the Company's strategic and operational framework and its relationships with funding and other bodies. In particular, the report recommended that, should ITW continue in its present form, robust and reliable control systems and procedures to facilitate proper accountability for public funds should be established immediately.

Value for Money Review

15. In June 2002 the funding bodies commissioned consultants to undertake a value for money review of ITW's activities. The consultants report in March 2003 noted that, while a value for money review requires actual outcomes to be compared with a set of objectives established at the outset, in ITW's case objectives had not been clearly defined. They also commented that this difficulty was compounded by the fact that ITW's role developed over time. Within the context of these difficulties, the consultants carried out a detailed examination of ITW's activities, since its establishment in 1997.
16. In their key findings, they noted that ITW's achievements must be considered within the context of the original concept - the requirement for a platform for collaboration between a number of parties charged with developing economic activity in Northern Ireland. In the consultant's view, given the historical difficulties in achieving co-operation between different parties in Northern Ireland, perhaps ITW's most important and valuable output was that it had been established in the first place. In addition, the cross-community composition of the ITW overseas delegations provided positive evidence of the ability of people from both traditions to work together for mutual benefit. This assisted in reinforcing a positive image of Northern Ireland in the international marketplace.
17. The consultants also reported that all of the stakeholders viewed ITW as a success and noted that ITW's achievement and profile has resulted in it being adopted as a template for economic development in other regions in Northern Ireland. The consultants also commented that a substantial majority of ITW's client companies had responded positively to their enquiries regarding the benefits of taking part in ITW activities - a view which they said was shared both by companies that had been successful in establishing alliances/creating jobs and those that had not.
18. As regards ITW overseas trips to North America, Australia and New Zealand, on which the main items of expenditure had been travel, accommodation and subsistence, the consultants were clear that these costs could have been reduced - for example, by travelling economy rather than business class, or by a reduction in the numbers travelling. Nevertheless, they concluded that, overall, in judging actual outcomes and costs against the outcomes and costs that could reasonably have been expected at the outset, ITW had provided value for money.

Response to the Joint Investigation and Value for Money Review

19. On completion of the joint investigation and the value for money review in March 2003, the reports were made public. Since then, a number of actions have taken place:
- following consideration of the wider implications of the case by the Invest Northern Ireland working group (paragraph 10), consultants were appointed to review its contractual arrangements for the funding of 'third party organisations', where relationships similar to ITW might exist.
 - Invest Northern Ireland also undertook formal disciplinary action against a number of its (former LEDU) staff. As a result, the former LEDU Western Regional manager, who played such a prominent role in the company, was dismissed. In addition, disciplinary penalties were imposed on two other former LEDU staff.
 - on completion of the joint investigation, the Department provided the police with a copy of the report and asked them to consider whether there were any grounds for a criminal investigation. The police subsequently concluded that there is no likelihood of a successful prosecution against any person and indicated that they will not take any action in this case unless and until further evidence comes to light.
 - DOE wrote to the Chief Executives and Chairmen of all 26 District Councils asking them to review their financial and legal arrangements with companies and any other bodies that receive Council funding. Responses from the five Councils which funded ITW indicated that lessons had been learned and that arrangements in relation to other bodies being funded were being reviewed. The 26 Councils were also referred to the HM Treasury handbook on 'Regularity and Propriety' which provides guidance on the personal responsibilities of members and officials of Councils serving as Directors on bodies receiving funding.
 - DOE is also planning to bring forward legislative proposals which will extend the Local Government Auditor's authority to include access to documentation held by bodies in receipt of District Council funding. Currently, no right of access exists - in the case of the ITW review, the joint investigation team had to secure the agreement of the ITW Board in order to examine the company's papers. DOE expects to introduce the new arrangements in 2004-05.
 - the ITW Board told me that, following suspension of the company's activities in March 2002, revised procedures and controls were agreed by the Board as the nature of the weaknesses became clear. The Board also said that it has acted on the various recommendations set out in the joint investigation report.
 - as regards the future of ITW, the Board has developed a plan to put the Company into voluntary liquidation. The Board expects all creditors to be paid in full. A detailed proposal to bring the affairs of the Company to a conclusion has been approved by all of the funding bodies.
20. I will continue to monitor developments in this case and, where appropriate, will report further on my findings.

ANNEX 1 (Paragraph 11)

Allegations Of Impropriety And Poor Value For Money: Findings Of The Joint Investigation Team

1. *"Councillors have been receiving cash in hand payments of £100 per day for expenses when food and board is actually being paid on the ground as well".*

The Review Team confirmed that ITW Directors, Officials, Councillors (and other Business Development Visit participants) did receive the £100 daily allowance intended to cover meals and expenses, excluding accommodation which was paid directly by ITW. There were occasions when meals were also provided using the ITW credit card.

2. *"Many of these Councillors are also claiming additionally a full range of Council allowances".*

The Review Team investigated payments made to Councillors and found no evidence of subsistence being paid by Councils, other than the daily attendance allowance.

3. *"The vast majority of public money given to this project has been used in expensive business class air travel, trip subsistence and hotel accommodation all over the world".*

The Review Team confirmed that a high percentage of the public funds granted to ITW had been used for overseas business visits. They commented that this was the nature of ITW's business.

4. *"The company's card has been used extensively as a non-visible means of enhancing personal payments".*

The Review Team confirmed that the credit card had been used extensively and identified cash withdrawals totalling some £5,600 that had not been properly accounted for. Also, a significant percentage of the Visa Card expenditure (25% by value and 87% by transaction volume) was not supported by invoices/receipts.

5. *"In September 2000 [the then LEDU Western Regional Office manager] went on an all expenses paid trip to Boston to attend a course not related to ITW work and incurred credit card charges of over £3,000. He was accompanied by his wife who was not an authorised participant".*

The Review Team noted that a substantial cash withdrawal (£1,097) was in evidence (although it was contended by the former LEDU manager that this was attributable to daily allowances). In addition, hospitality (of some £750) had been afforded to course delegates and significant telecommunication costs (£1,453) were evident. There was no evidence that any of this expenditure had been necessary or sanctioned by ITW prior to the visit or that the visit itself had been approved.

The Review Team found nothing to substantiate the claim that the former LEDU manager's wife was involved in the visit.

6. *"Large groups of councillors/officials embarked on 5-14 day worldwide trips costing £40-£50,000.00".*

The Review Team confirmed that a high percentage of the public funds granted to ITW had been used for overseas business visits, as this was the nature of ITW's business. The groups had included Directors, Officials, Councillors and delegates. The Review Team stated that it was not in a position to comment on the appropriateness or make-up and size of the groups.

7. *"The business creation of these trips over many years has been virtually nil – although big and deliberately false claims have been made".*

The Review Team noted that its focus was on propriety and probity issues - a separate VFM study into ITW activities had been commissioned by the funding bodies.

Note:

The consultants who undertook the value for money review examined the employment generation, turnover and business interactions resulting from ITW's overseas activities. Based on a review of the information available and discussions with participating companies, they reported that, in each of the areas examined, there was evidence of positive outcomes. This included examples of additional employment, increased turnover and improved productivity in companies which had been involved in overseas visits. The consultants did comment, however, that ITW's reporting of anticipated outcomes had been unduly optimistic.

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