



Building Locally  
Competing Globally

# Annual Report and Accounts 2004-05





# **INVEST NORTHERN IRELAND**

## **ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**

Laid before the Houses of Parliament by the Department of Enterprise, Trade and Investment in accordance with Paragraph 12(2) of the Schedule to the Northern Ireland Act 2000 and Paragraph 37 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004.

30 November 2005

Laid before the Northern Ireland Assembly under Paragraphs 17(5) and 18(2) of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 by the Department of Enterprise, Trade and Investment.

30 November 2005

Ordered by the House of Commons to be printed

30 November 2005

HC 699

NIA 267/03



<b>CONTENTS</b>	
OVERVIEW	04
INVEST NI BOARD	05
CHAIRMAN'S INTRODUCTION	07
CHIEF EXECUTIVE'S OVERVIEW	11
PERFORMANCE HIGHLIGHTS	17
BEING ENTREPRENEURIAL	25
BEING INNOVATIVE	31
BEING INTERNATIONAL	41
CORPORATE	53

## OVERVIEW

Invest Northern Ireland (Invest NI) was 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 international competitiveness in Northern Ireland businesses, encourage new business start-ups and market Northern Ireland as a location for inward investment.

Invest NI provides a range of programmes 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, research and development (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.

Since its formation, Invest NI has undergone considerable development and change as it has evolved its policies and processes to meet the challenges of a constantly changing business environment. This change is a continuous process, rather than occurring at discrete intervals. Accordingly, some of the approaches taken by Invest NI during this third year of its first Corporate Plan period already anticipate the direction subsequently set out in detail in its second, 2005-08, Corporate Plan.

Invest NI attaches importance to making available considerable information and data in relation to its activities and expenditure. However, the information for many of these datasets may not be available within the timeframe for publication of the Report and Accounts. Invest NI now intends to publish such statistical information on its website as it becomes available.

The Annual Report will present policies, activities and results in a format that aligns more clearly with the Corporate Plan and allows the reader to interpret its effectiveness and objectives.

### **Invest NI's Mission:**

To deliver expertise and resources to accelerate the creation and growth of businesses committed to, and capable of, being entrepreneurial, innovative and international.

### **Invest NI's Objectives:**

To help strengthen the economy, we will assist companies in manufacturing and tradeable services to compete by improving productivity, increasing value-added, new product development and by developing new markets. Overall, Invest NI will focus on three key economic priorities:

- **Being Entrepreneurial**
- **Being Innovative**
- **Being International**

## 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 oversees the achievement of Invest NI's objectives and targets and has corporate responsibility for ensuring the highest standards of governance, efficiency and propriety in the use of public funds.



### INVEST NI BOARD MEMBERS

Professor Fabian Monds	Chairman
Mrs Rotha Johnston	Deputy Chairman
Mrs Deborah Boyd	
Mr Frank Bunting	
Professor Roy Crawford	retired from office 31 December 2004
Professor Bernie Hannigan	
Dr Patrick Haren	
Ms Debra Jenkins	
Mr Stephen Kingon	
Mr Gilbert Little	
Dr Alan McClure	
Mr Bill McGinnis	
Mrs Rosemary Peters-Gallagher	

### INVEST NI SENIOR MANAGEMENT

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

CHAIRMAN'S  
INTRODUCTION





# Chairman's Introduction

## CHAIRMAN'S INTRODUCTION

The year marked an important milestone for Invest NI, being both its third year of operation and the final year of the organisation's first three-year Corporate Plan period.

Invest NI used 2004-05 to consolidate the progress made across a wide range of fronts during its first two, formative, years and to press forward with new initiatives aimed at stimulating activity across our three key themes of being entrepreneurial, being innovative and being international.

In tandem with this work, we have been shifting emphasis from supporting capacity to stimulating capability development. Where appropriate, support packages have incorporated repayable forms of assistance and equity investments. This is intended to increase the use of market-based disciplines and to match economic development risks with the financial capacity of companies. In respect of high-potential start-ups, it includes hastening their investor readiness.

During a time of global competition which continued to provide significant challenges for a number of sectors, Invest NI produced its strongest performance to date, against demanding targets.

Support from Invest NI during the year leveraged almost £0.5 billion planned investment by companies in a series of projects. These ranged from initial establishment to capability development, the enhancement of innovation and greater international participation.

In total, we made over 7,500 offers of assistance to companies and individuals, of which around 3,800 were made to support the creation of new locally focused businesses.

Our work under the Accelerating Entrepreneurship Strategy, strongly promoted and supported by the Go for It campaign, played an important role in embedding the more entrepreneurial approach which Northern Ireland needs to develop.

With Invest NI support, business committed to invest over £48 million in more than 200 research and development (R&D) projects. The 18 Centres of Research Excellence are performing well against targets, having secured additional research funding of over £8 million and having generated over £52 million in income. The refinement of support structures for wealth creating innovation and R&D is a key element of our strategy.

Our work to stimulate broadband take up has been particularly successful, with over 2,600 applications received against a target of 2,000 for the 18 month programme. This will help businesses capitalise on Northern Ireland's enhanced telecoms infrastructure, an important DETI priority. As a result of this we will soon be the first region in the British Isles to have full broadband coverage.

In foreign direct investment (FDI), Invest NI had its most successful year so far, with 17 new projects offering the promise of over 1,900 jobs and £45 million in wages and salaries. Of these, 15 were knowledge-based projects, which included a number from particularly high-quality investors including Citigroup, Yell, and Oracle. They demonstrate the strength of Northern Ireland's business proposition for FDI, particularly in business and financial services.

This is reinforced by the reinvestments by existing overseas-owned companies including Liberty, HCL, Bushmills, Moy Park and DuPont, and by indigenous firms such as Almac Sciences.

A number of difficult economic challenges still face Northern Ireland. Market forces are impacting a number of sectors, particularly traditional areas such as textiles and clothing. Invest NI continues to work with local businesses, our partners in government, the private sector and the wider public and voluntary sectors to help meet these challenges. This involves both capability assistance to affected companies and support for alternative economic activity.

The third year of Invest NI marks my final full year as Chairman, as I intend to step down from this role in December 2005. I want to thank my fellow Board Members who have committed a great deal of time and effort to Invest NI's work, and who have been a source of support and encouragement to me throughout my time as Chairman. I am especially grateful to the Deputy Chairman, Rotha Johnston, in this regard.

Thanks are due to Leslie Morrison and the Senior Management Team for their hard work, enthusiasm and advice, without which my task would have been much more difficult. I am also indebted to Invest NI's staff, in its Belfast and Lisburn locations, throughout the local office network and in its overseas offices. Their energy, enthusiasm and commitment to Invest NI are crucial to our success.

I also want to thank the Permanent Secretary and his officials in our sponsor department, DETI, for the support, encouragement and guidance they have provided, since we were established in April 2002.

This support is increasingly important as we work to co-ordinate our collective activities in line with the Economic Vision for Northern Ireland and other key strategic objectives. I would also like to express my thanks to the other partner bodies and organisations with which we work in delivering our services.

The year 2004-05 has been our most successful to date and it represents a very encouraging conclusion to the first Corporate Plan period. Delivery of the second Plan, published in July 2005, will require adequate flexible and predictable funding for Invest NI. At this difficult time for public expenditure, it will be vital to secure sufficient resources for the activity that supports our society's future wealth creation.

As it continues to develop and refine its approach, Invest NI is increasingly demonstrating its ability to help business throughout Northern Ireland meet the challenges of global competition, and thereby contribute to the achievement of the Economic Vision.



Fabian Monds  
Chairman

CHIEF EXECUTIVE'S  
OVERVIEW

*Annual Report and  
Accounts 2004-05*

# Chief Executive's Overview

## CHIEF EXECUTIVE'S OVERVIEW

The fiscal year 2004-05 was one of very substantial achievement by Invest NI, a year when many of our operational targets were exceeded and our support continued to lever into the Northern Ireland economy large amounts of financial capital from private sector businesses.

Covering the last year of our first Corporate Plan period, this Annual Report captures much of our activity and its outcomes. Our second Corporate Plan, which has recently been published, demonstrates continuity across the planning periods, since our economy's needs are evolving rather than changing fundamentally.

Invest NI's work during its first three years has attracted much attention, scrutiny and analysis from a wide range of commentators and influencers in Northern Ireland. It is clear that, while much of this commentary is well informed, there is not a universal understanding of the Agency's remit, strategy, methods, valid performance measures and functional links with the rest of the public sector. We will attempt to redress this.

A key function of the 2004-05 Annual Report, therefore, will be to act as a vehicle to articulate the issues in these areas clearly and, in so doing, relate historical performance to economic development policy and to our corporate planning. The description of the year's activity is therefore organised in the same format as our new Corporate Plan. There are many elements of overall public service delivery that impact on economic performance but lie outside our remit and resources.

Efforts are being made with central government departments and through private sector and local government engagement to link the direct and indirect economic participants. Since responsibilities overlap but are not identical, this is a complex task that requires much communication and periodic adjustments.

It is worth restating Invest NI's 2005-08 mission, because its three key themes set the terms under which our performance and broader effectiveness should be measured: to deliver expertise and resources to accelerate the creation and growth of business committed to, and capable of, being entrepreneurial, innovative and international.

These themes, developed to align closely with DETI's Corporate Plan and with the Northern Ireland Economic Vision, provide the framework within which we set out Invest NI's 2004-05 performance in this Report.

Central to our results this year is the £0.5 billion private sector investment leveraged by Invest NI. This is a substantial commitment which will make a broad contribution to Northern Ireland's economy, not least through the supply-chain impact of domestic sourcing and income dispersal from extended travel-to-work employment patterns.

Where people live is often not where they work, yet home in Northern Ireland is seldom inaccessible to the workplace. Consequently, investments in one area help those from which people travel and where goods and services are purchased. This is especially so where foreign direct investment (FDI) is concerned. Invest NI promotes Northern Ireland as an entity and, when seeking to attract new inward investments, it recognises that the final choice of location is made by the investor. The choice will take account of many factors, including the availability and quality of skilled labour, infrastructure and other logistical considerations.

Often, major FDI projects have, for business reasons, chosen to locate around the city council areas of Belfast or Derry, as conurbations are where appropriate skill sets, from significantly large numbers of potential employees can be found. In practice, the larger centres of population are a magnet for such employment, drawing in staff from other accessible areas.

Nonetheless, many opportunities exist to promote localities which can demonstrate particular characteristics that could fit an investor's needs. Invest NI works with local councils to help them develop and maximise their investment potential. The north-west is a particular case in point, where we have been working very closely with a range of local influencers to develop the North-West Action Plan.

Entrepreneurship is equally important for start-up business and for existing companies. The large investment commitment of our clients continues to be a measure of their confidence in expanding export-oriented businesses based in Northern Ireland. Competition demands that innovation be the basis upon which entrepreneurial companies prosper.

Our clients' performance has been encouraging, both in the quality of capability-based expansions and in their use of research and development, design, trade and business improvement services. Invest NI's activity levels in the provision of these services has never been higher.

The greatest challenge for Northern Ireland business is to increase the proportion of value-added products and services to dilute the impact of cost pressures and increase competitiveness. We are prioritising our resources increasingly towards projects that demonstrate high levels of innovation, leading to the development of external markets. An addition to our trade development services has been the introduction of workshops to help companies improve their selling skills.

During 2004-05, some 75 per cent of our offers were under £10,000 and locally owned companies received 56 per cent of Invest NI's support. Invest NI's priority is to add value to our economy and maximise value for public money. While we support locally focused starts through the Start a Business Programme, our clients either sell outside Northern Ireland or have the potential to do so.

Exporting companies add more to Northern Ireland's economy than those servicing purely the domestic market, yet it is acknowledged that we need to stimulate a quantity of the latter in order that some can graduate towards external markets. In addition, they often form the first rung on the ladder of entrepreneurship.

Foreign investors are essentially export-oriented and bring many advantages such as capital, access to markets, skills, technology, supply-chain opportunities, management development and competitive salaries. They will continue to play an important role here, but some of their attributes are increasingly provided by leading Northern Ireland owned companies. Invest NI provides support based on economic development factors, not on the geography of ownership.

Our locally and externally owned businesses are symbiotic since skills, knowledge and markets brought by the latter provide spin-off opportunities in the form of domestic ventures. Some become elements of the domestic supply chain and others exploit separate, often external, opportunities. Invest NI can capture these through its newly established Global Start Team which, in its first year of operation, has supported 15 new companies, some involving capital, expertise or skills from overseas, others exploiting local intellectual property in overseas markets.

Invest NI's property provision is for our clients, whether domestically or externally owned. During 2004-05, we continued to focus support on compensating for market failure and ensuring that we were not competing with the private sector where its provision was adequate. We rationalised Invest NI's industrial land holdings, releasing property where it was not required and adding to the portfolio where supply was inadequate for projected client needs. This is a long-term programme.

By 31 March 2005, all remaining staff who were civil servants had elected to return to the NICS or become permanent Invest NI employees. I would like to praise the interest in and dedication of all our staff to the work of Invest NI. This is the key basis for the year's excellent results and the foundation for delivery of the second Corporate Plan. I would like to express my appreciation to them for an outstanding year's work and for their commitment to Invest NI's and Northern Ireland's future.



Leslie Morrison  
**Chief Executive**





PERFORMANCE  
HIGHLIGHTS

# Performance Highlights

## PERFORMANCE HIGHLIGHTS

Invest NI's three-year Corporate Plan is delivered through a series of annual Operating Plans. The key targets of the 2004-05 Operating Plan, together with the year-end achievements, are listed below.

Invest NI's practice is to publish comprehensive information on its performance against targets. As part of this process, further data sets are being compiled which Invest NI will publish on its website as a broader Performance Information Report.

### Progress against Corporate Plan (2002-05) and Operating Plan (2004-05) targets

Key Objective	2002-05 Corporate Plan Targets	Progress at 31 March 2005	2004-05 Operating Plan Targets	Progress at 31 March 2005
Promote innovation, stimulate higher levels of R&D and design and improve knowledge transfer	Increase private sector investment in R&D by 25% (by March 2004)	To be provided in the Performance Information Report	Lever £20 million private sector R&D investments	£28.3 million levered
			40 new companies to participate in R&D programmes	28 companies
	Establish 20 new or enhanced Centres of Research Excellence	18 Centres established	Establish 2 Centres of Research Excellence	No Centres established but in advanced discussions with 2 projects
Achieve higher levels of growth by existing businesses	For larger manufacturing companies achieve export sales growth of 10% per year	To be provided in the Performance Information Report	Support 375 business development projects	396 business development projects supported
	Increase in net employment of over 0.5% over the 3-year period	To be provided in the Performance Information Report	1,000 companies to participate in trade missions and trade initiatives	1,322 companies participated
	For smaller growth companies achieve: <ul style="list-style-type: none"> <li>- external sales growth of 8% per year</li> <li>- increase in turnover of 7% per year</li> </ul>	To be provided in the Performance Information Report  To be provided in the Performance Information Report	100 companies to enter external markets for the first time  200 companies to diversify into new markets	131 companies entered external markets for first time  386 companies diversified into new markets

Key Objective	2002-05 Corporate Plan Targets	Progress at 31 March 2005	2004-05 Operating Plan Targets	Progress at 31 March 2005
	- increase in employment of 6% per year	To be provided in the Performance Information Report		
			680 business improvement interventions leading to a £10 million increase in profits	1,137 interventions: £16.2 million increase in profits
	330 companies to undertake skills improvement programmes	321 companies	100 Company Development Programme projects	101 Company Development Programme projects
	Increase numbers of recognised e-businesses from 10% in 2000-01 to 15% by March 2004	At 31 March 2005 the number had risen to 28%	600 companies engaged in improving use of ICT or e-business	606 companies improving use of ICT or e-business
			100 ICT emerging technologies demonstrated	418 emerging technologies demonstrated
Promote a more enterprising culture so as to raise the overall level and quality of business starts	Achieve 4,500 new locally focused businesses	8,532	2,750 locally-focused business starts	3,824
	Assist in the establishment of 420 high growth potential businesses (120 of which will come from the research base)	302  (61 from research base)	100 high growth potential start-ups  40 research-based spin-outs	97 high growth start-ups  28 spin-outs
Attract high quality, knowledge-based investment from outside Northern Ireland	Attract 60 externally owned knowledge-based investments	71 externally owned knowledge-based investments	140 inward visits  11 new externally-owned, knowledge-based investments promising 1,000 new jobs	157 inward visits  17 new externally owned investments  1,905 jobs promised
	75% of all new inward investments to be located in New Targeting Social Need (New TSN) areas	74% of the 38 new inward investments located in New TSN areas	75% of new inward investments to be located in New TSN areas	71% located in New TSN areas

## **SUMMARY OF INVEST NI ASSISTANCE AND INVESTMENT ACTIVITY DURING 2004-05**

This section of the Annual Report provides information relating to the amount of assistance offered by Invest NI. It provides an important indication of the activity of the Agency during the year. However, the information provided does not represent actual payments made by Invest NI in 2004-05. It constitutes the value of assistance offered, which in many cases is paid out over a number of years. Greater detail, including analysis by industrial sector, business type and geography can be accessed through the Invest NI website.

During the year ended 31 March 2005, Invest NI provided offers of assistance totalling almost £134 million towards the formation and development of businesses throughout Northern Ireland. This compares with £121 million offered during the previous year. During 2004-05 this contribution represented 27 per cent of the £497 million total planned investment associated with supported projects.

Combined with our activity during the previous two years, the total amount of planned investment, assisted by Invest NI during the period of its first Corporate Plan (2002-05) amounted to over £1.5 billion.

## **Investment by NI-owned Businesses**

Our sector-based client divisions and network of local offices provided almost 700 offers of support to existing locally owned businesses. This comprised £40 million of assistance, leveraging £150 million of investment within the local economy. These growing Northern Ireland owned businesses also received innovation and capability development support detailed below, amounting to an additional £28.9 million. This was associated with a planned investment of £68.8 million.

## **Inward Investment**

Externally owned businesses make a very significant contribution to the Northern Ireland economy. During the year there were 39 significant projects associated with externally owned clients. These accounted for £46 million of assistance, contributing towards a planned investment of £209 million, over 40 per cent of the total for the year.

The first component was 17 new FDI projects. These businesses were offered assistance totalling £19.7 million, contributing towards their planned investment of £58 million. Twelve are located within areas of greatest economic disadvantage - New Targeting Social Need (New TSN) areas. Secondly, Invest NI made 22 major offers of support, worth £26.6 million, towards expansion projects of existing externally owned clients. These offers levered planned investment of £151 million.

In addition, we made 227 offers of assistance to externally owned clients in the form of innovation and capability development support. These offers were worth over £12 million.

### **Investing in Innovation and Capability**

Invest NI provides a range of schemes and programmes of assistance to help clients develop innovative products and services. During the year over 200 research and development related projects were offered almost £20 million of assistance, contributing towards a planned investment of £48.2 million.

Assistance totalling £16 million was provided to businesses through a range of capability-building programmes. This contributed towards a planned investment by these clients of £52.4 million. A further £5.6 million assistance was offered in the form of trade development and knowledge management support.

### **Investing in Entrepreneurship**

Stimulating and supporting an entrepreneurship culture within Northern Ireland is an important part of Invest NI strategy. We deliver direct support and expertise to those start-ups with the potential to trade beyond Northern Ireland. In 2004-05, 97 high-growth start-ups were assisted by Invest NI, leveraging over £40 million investment. Of these, 15 (our global starts) were identified as having the potential for significant growth through the development of global markets. This reflects a very significant growth in companies addressing global market opportunities at an early stage.

The remaining 82 companies were assisted in growing their business outside Northern Ireland through the Export Start Programme, leveraging almost £17 million investment.

Invest NI continued to work in partnership with Enterprise Northern Ireland to deliver the Start a Business Programme, which assisted the formation of 3,803 new businesses across Northern Ireland. While locally focused, these businesses offer an opportunity for many individuals to embark on self-employment.

The Community Business Start-up Programme, which is part funded by the EU Special Programme for Peace and Reconciliation and the Department for Employment and Learning (DEL), provides a package of training, advice and funding to community and voluntary groups, who want to start a business that will help to meet a community need. During 2004-05, 18 businesses were offered £0.4 million of assistance through the programme.

## Performance Information Framework

Invest NI is committed to measuring and reporting its performance in a systematic and meaningful way. Following our establishment in 2002, we developed a Performance Information Framework setting out the measures and indicators that would be used to determine the organisation's performance and inform public debate.

The Performance Information Framework includes measures of activity and output in each of Invest NI's schemes and programmes (including public expenditure in these programmes), the outcomes from these schemes and programmes in terms of business performance and the subsequent outcomes for the Northern Ireland economy as a whole (see Figure 1).

Until now, Invest NI has largely reported on its own outputs. However, the end of Invest NI's first Corporate Plan period is an appropriate time to begin to measure the impact that the organisation has had on business performance and the Northern Ireland economy over a longer period.

Although some performance information is included in this Annual Report, much will become available after its publication. Therefore we intend to publish a more comprehensive performance measurement report by March 2006.

This will include measures relating to employment, sales and exports and will be supplemented by an analysis of expenditure on business research and development, and the value added by Invest NI clients.

We will also present a review of the quality of new jobs created by inward investors, along with measures of entrepreneurship within Northern Ireland, which will include an assessment of the volume and quality of business starts assisted during the period.

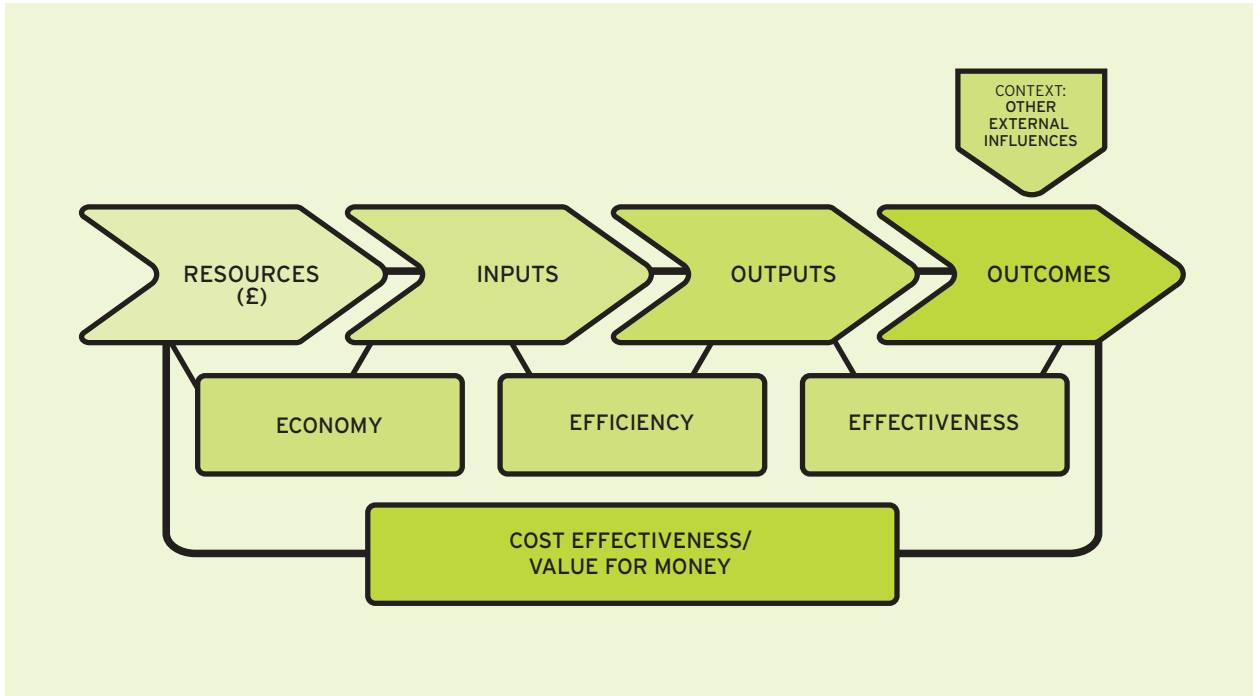
During 2005-06 we intend to investigate the spatial distribution of Invest NI assistance to include analysis by travel-to-work areas and the European defined NUTS III (Nomenclature of Units for Territorial Statistics) regions. This will involve an exploration of the relationship between investment and the economic benefits that transfer across areas in the form of salaries and, potentially, supply-chain procurement.

These are some of the metrics which we aim to influence against the wider economic context within which Invest NI has operated since its formation in April 2002.

The 2004-05 Report and Accounts therefore signals a significant change in approach, containing substantially reduced raw statistical data compared to previous years and supported by the publication, on our website, of comprehensive datasets.

Our aim is to improve over time the explanatory power of our Annual Report and to link it to other public documents. The 2004-05 Report should therefore be viewed as a transitional document.





**Figure 1: Structure of the Performance Information Framework**



F2

F3

F4

%

5

S

£

@ €

2

BEING ENTREPRENEURIAL

# Being Entrepreneurial

## BEING ENTREPRENEURIAL

Northern Ireland has some outstanding examples of successful entrepreneurs and Invest NI has a number of highly entrepreneurial client businesses that have achieved significant success.

The framework through which we provide support to companies is our Business Development Solutions. Our approach is to gear the provision of financial support to developing capability, placing less emphasis on assistance for increasing capacity.

While continuing to provide grant support to development projects, we are tying drawdown to the achievement of targets that are essential to the creation of added value. We are also managing a shift in emphasis from grant towards the use of repayable assistance, in addition to helping companies explore private sources of finance. In start-up and risky development cases, we take equity positions where this makes sense for the companies' capital structure and business development and for the public purse.

Our work to embed an entrepreneurial culture in Northern Ireland is wide-ranging and covers established companies, large firms and small and medium sized enterprises (SMEs), young growing companies, and new business starts. We are also developing initiatives that seek to strengthen individual sectors, particularly emerging areas in the ICT, creative, environmental, biotechnology and sustainable energy fields.

### **Accelerating Entrepreneurship Strategy**

Invest NI does not act alone in the drive to bring about long-term attitudinal change in Northern Ireland. Central to much of this work is our Accelerating Entrepreneurship Strategy (AES) which provides a framework for the public, private and voluntary sectors to work together.

A major initiative during the year was the launch of the second phase of the very successful communications campaign, Go for It. The campaign aims to break down barriers and encourage action from potential entrepreneurs.

### **Go for It**

Go for It generated over 13,000 enquiries through the telephone helpline and the Start A Business Shows in West Belfast and Londonderry, for the Start A Business Programme (SABP) which is delivered throughout Northern Ireland by Enterprise Northern Ireland.

Over 3,800 new local businesses were supported in the year, which has led to over 6,500 jobs. The value of the programme was recognised by the achievement of a National Training Award during the year.

### **Global Entrepreneurship Monitor**

The Global Entrepreneurship Monitor (GEM) report for 2004 demonstrates that the significant increase in entrepreneurial activity since 2002 has been consolidated with a rise in the percentage of the population involved in entrepreneurial activity from three per cent to five per cent.

To encourage female entrepreneurship, we organised a range of activities during the year involving a total of 4,000 women in networking events. This contributed to achieving an increase of female participation rates in the SABP from 29 per cent to 40 per cent.

Particular highlights during the year included Dr Peter Fitzgerald of Radox being named Entrepreneur of the Year and a team from Queen's University Belfast winning the All-Island Student Business Plan award.

## CASE STUDY

### The Global Entrepreneurship Monitor (GEM)

#### More Entrepreneurs Go for It

Leslie Morrison, Invest Northern Ireland Chief Executive, says: "The Global Entrepreneurship Monitor report demonstrates that we have made real progress in promoting entrepreneurship over the last three years but much more remains to be done."

#### Overview

The Global Entrepreneurship Monitor (GEM) measures the level of entrepreneurial activity in a global context and is highly valued as an indicator for entrepreneurial policy development.

#### Business Objective

To accelerate entrepreneurial activity throughout Northern Ireland by achieving a cultural shift so that people feel confident to start and grow successful businesses.

#### Business Solution

To highlight the importance of entrepreneurship, Invest NI contracted GEM to include Northern Ireland in its regular studies of international levels of entrepreneurial activity.

#### Business Benefits

The latest report shows that the level of entrepreneurial activity in Northern Ireland rose from 3.3 per cent in 2002 to 5.0 per cent in 2004 and is now higher than three other regions of the UK and a number of European countries including Germany and Italy. Invest NI's Go for It campaign resulted in 13,000 enquiries in 2004-05.

Pictured (l-r) Leslie Morrison, Chief Executive of Invest Northern Ireland, Bruce Robison, DETI Permanent Secretary, and Professor Bill Bygrave, Director of Entrepreneurship Studies, Babson College, US.



## **The Global Start Team**

The Global Start Team was established to provide fast track advice and support specifically to entrepreneurs seeking to establish high growth potential start-ups in Northern Ireland. Services offered include advice on finance and marketing and the team also provides signposting to venture capitalists, corporate finance houses and other sources of assistance.

During 2004-05, the team supported 15 new projects including three inward investments from the US. The team also managed several high profile training and networking events, a highlight being the Irish Tech Tour which provided 10 client companies with access to 50 international venture capitalists.

## **Local Office Network**

Invest NI's local office network worked with 104 client companies to undertake Business Health Checks, a diagnostic tool to identify areas for improving business performance, and made over 1,000 referrals to Invest NI's Innovation and Capability Development services.

The local offices provide financial support for companies seeking to grow in export markets. During the year, 138 such growth projects were negotiated involving investment of £27 million and attracting Invest NI offers of support totalling £4.6 million.

A further 82 new companies, leveraging over £17 million investment, were assisted through the Export Start Programme to develop their marketing capability and resources to maximise revenues from outside Northern Ireland.

## **Enterprise Week**

Invest NI delivered more than 20 events throughout Enterprise Week to a total audience of almost 3,000. Northern Ireland's involvement in this initiative included almost 50 participants

from private, voluntary and public sector organisations, contributing to a showpiece exhibition at the Waterfront Hall celebrating entrepreneurship.

The Belfast event had a youth audience drawn from schools, further education colleges and universities throughout Northern Ireland. A memorandum of understanding was formally launched in sharing resources with Enterprise NI, Shell LiveWIRE, the Prince's Trust and Young Enterprise NI.

## **Regional Activity**

Regional activity has been progressing through a number of major local initiatives. Invest NI has to date committed over £44 million since March 2003 to the north-west through the North West Action Plan. Significant progress was made this year across a number of major projects, including the North West Business Complex at Skeoge and Invest NI's speculative build project.

These projects are key elements of the North West Business and Technology Zone, a cross-border initiative in partnership with the IDA Ireland and supported by Interreg. This will involve the use of high-level telecommunications linking business and educational establishments on a cross-border basis.

Follow-up work on the West Belfast and Greater Shankill Taskforces included the processing of proposals for Integrated Development Fund Support. The first project to receive such assistance, workspace units at Lanark Way, was announced in February 2005.

In November, Dr. Martin Naughton, Executive Chairman of the Glen Dimplex Group, officially opened Invest NI's new Southern Local Office's premises in Drumalane Mill, Newry.

## CASE STUDY

### Farmwizard Ltd

#### SUPPORT THAT HELPS SMALL FIRMS GROW

Terry Canning, Director of Farmwizard Ltd says: "The support we received from Invest Northern Ireland has helped us to develop our business idea and secure a strong client base. Farmwizard Ltd is now rapidly building a strong reputation within the international farming community."

#### Overview

Farmwizard Ltd was formed in 2004 to develop an internet managed service to help farmers keep legislative records and provide business tools to make their enterprises become more profitable.

#### Business Objective

To develop the company's product range and market its services to potential clients across the world.

#### Business Solution

Farmwizard Ltd received SMART assistance from Invest NI to help develop its product range and a marketing grant to embark upon a comprehensive marketing campaign. The company also received revenue assistance to help cover its initial set up costs and a salary grant to help strengthen its management team.

#### Business Benefits

The company has developed a strong customer base and impressive sales in all of its initial target markets including the UK, Republic of Ireland and Poland.

Pictured (centre) Terry Canning, founder of Farmwizard Ltd is joined by two local customers.



BEING  
INNOVATIVE

Annual Report and  
Accounts 2004



Being Innovative

## BEING INNOVATIVE

To help achieve and maintain competitive advantage it is increasingly important that Northern Ireland companies incorporate innovation into all aspects of their business. Success requires companies to make a continuing commitment to business planning, product and process development, workforce and management capabilities, finance, marketing and sales. It is through commitment to innovation that Northern Ireland companies will achieve success in penetrating new international markets.

Invest NI invested almost £60 million during the three years of its first Corporate Plan period in supporting new and existing businesses to undertake research and development, in launching new programmes with the two universities to increase technology transfer, and through introducing programmes to embed innovation within businesses. We have also encouraged the uptake of new technology, particularly broadband. Northern Ireland will soon be the first region in the British Isles to have full broadband coverage.

Invest NI support over its first three years has made a crucial contribution to establishing the Northern Ireland Science Park and the network of Centres of Research Excellence. We play a central role in implementation of the Regional Innovation Strategy.

Investment in market-driven research and development is of fundamental importance. Research and development expenditure by Northern Ireland companies has been patchy and cyclical, the most recent survey indicating a fall in business research and development expenditure during 2003. This reflects a reduction by the ten largest research and development spenders during 2003, who accounted for 46 per cent of the total. If these top ten firms are excluded from the data, general business expenditure on research and development is seen to have actually increased by 3.6 per cent in the same period.

Consequently, the relative importance of medium-sized firms' expenditure increased to 43 per cent of total business expenditure in 2003 compared with 28 per cent in 2002. This indicates some success in diversifying the research and development base.

### **Business Improvement Services**

Business Improvement Services (BIS) helps Northern Ireland businesses improve their competitiveness by delivering a broad portfolio of programmes aimed at supporting capability development through five service areas - Process, People, Strategy, Innovation and Creativity and Networking.

Over 1,600 offers of support were made during the year across all business life-cycle stages, sizes and sectors, with the participating companies reporting in-year savings and benefits of over £16 million and new sales of around £14 million into new markets.

## Research and Development

Our three mainstream research and development programmes - Compete, SMART and Product and Process Development - are aimed at near-market research and development.

Compete contributed almost 40 per cent of the £28.3 million private sector investment in research and development leveraged by Invest NI in 2004-05, against a target of £20 million. This was a highly encouraging result for a programme which has succeeded in raising research and development investment in Northern Ireland businesses by some five per cent. It has impacted strongly across a range of business competitiveness factors and helped 80 per cent of firms to improve their profitability.

Additionally, we provided clients with assistance to help with design development, technology advice and CE marking. An example was the use by Powerhouse Clothing of the Design Development Programme to open up new markets for its range of rowing performance sportswear, developed with the help of a technical-textiles design.

Start programme take-up was the most significant for some years, leveraging over £11 million of private sector investment. Among the companies assisted, a relatively large number are conducting research for the first time and span strategically important sectors for Northern Ireland. While Start has a significant role to play in attracting new knowledge-based FDI, the programme also contributes to the success of small start-up companies. An example is Trace Assured, which is involved in research and traceability in food production.

## NITECH Growth Fund

The NITECH Growth Fund provided venture capital support to six Northern Ireland companies engaging in research and development activities during the year. Covering the cost of research and early commercialisation, the fund invested across diverse sectors including ICT, life and health sciences, energy and creative media.

## Foresight

The Foresight programme supported two successful university-based research projects and the Technical Textiles Forum in promoting nanotechnology in various industrial sectors. During the year a research project on innovation in Northern Ireland's agri-food sector was undertaken by Invest NI and the Department for Regional Development (CAFRE and Science Service). This research highlighted the barriers to innovation within the sector and identified areas for future research and product or process development.

## CASE STUDY

### Retail Systems Technology (RST)

#### INVEST NI HELPS NORTH WEST FIRM TO COMPETE

Neil Bradley, Managing Director of RST, says: "With support from Invest NI we have developed new software that can help our customers improve their customer service levels and maximise their profitability."

#### Overview

RST, based in Londonderry, has been trading for 28 years and has offices in Derry, Belfast and Dublin. Its core business is reselling supporting software developed by US software houses.

#### Business Objective

To develop an electronic point of sale (EPOS) system that will open new market opportunities for the company and allow it to expand.

#### Business Solution

The company took part in Invest NI's Compete programme which aims to help local companies become more competitive by helping them to develop innovative market-led products and manufacturing processes. The programme is part funded by the EU Building Sustainable Prosperity fund.

#### Business Benefits

With Compete assistance the company developed iTouch, a modular software product for hospitality and retail businesses. The product handles point of sale transactions and also provides a range of back office functions such as stock control.

Pictured (l-r) Neil Bradley, Managing Director with Retail Systems Technology and John Cooke, Compete Programme Manager of Invest NI.



## **Innovation Infrastructure**

In response to an historically low level of collaboration between universities and businesses in Northern Ireland, Invest NI has invested up to £22 million in the universities across a range of interventions, a significant increase over previous years.

A number of initiatives have been introduced to raise the level of commercial focus within the universities, including the Proof of Concept Fund, launched in December 2003.

This provides funding to support the pre-commercialisation of leading edge technologies emerging from the universities. During the year 31 projects were supported, representing over £4 million in investment.

Eighteen public and private sector Centres of Excellence are now established, enhancing Northern Ireland's innovation infrastructure. The initiative has already helped generate over £50 million of commercial income for the industrial Centres through new products and increased sales, and enabled the academic Centres to source almost £15 million worth of additional grant funding from various sources.

## **Higher Education Innovation Fund**

Collaboration between business and higher and further education enables innovative companies to gain crucial access to knowledge and technical know-how, and to exploit technology opportunities within their business area. Already 14 projects have been approved for funding.

## **Knowledge Transfer Partnership**

The Knowledge Transfer Partnership Programme is a key mechanism through which businesses can access practical help from the research base. During 2004-05, 24 new partnerships were supported in innovative and value added projects, across a range of sectors.

Additionally, and in partnership with the Defence Diversification Agency, Invest NI supported 16 businesses in Technology Opportunity Studies which aim to stimulate innovation through the injection of technology developed by the defence industry into local companies.

Two technology missions, involving leading academics within the broad area of nanotechnology, were undertaken to Asia, visiting Tokyo and Beijing, and Seoul and Taipei, and initiating a number of key collaborations which are now being actively pursued.

## **RTD Networking Programme**

The RTD Networking Programme provides support to local companies and research organisations to access state-of-the-art technologies, expertise and international R&D contacts. In 2004-05, Invest NI supported 63 Networking projects with assistance totalling more than £190,000.

Invest NI also participated fully in FP6, assisting Northern Ireland business and the Universities to access €9.5 million of European funding.

## **Innovation Relay Centre**

The Innovation Relay Centre continued to promote collaboration between local and European organisations and advised clients on innovative technologies and intellectual property matters. Six collaboration agreements were signed with European companies involving technologies ranging from bio-fuel to insurance software.

Invest NI continues to play an important role in the development of micro and nanotechnology (MNT) capability in the UK through membership of the UK MNT Network.

## **Knowledge Management**

Invest NI is increasing companies' awareness of energy-related issues and the adoption of energy-friendly design, technology and processes.

Funded by Invest NI, the Carbon Trust's programme in Northern Ireland was very successful in 2004-05 and almost 300 energy audits were completed, identifying over £20 million of potential energy savings. These focused particularly on large energy users. The Trust's Action Energy Loan scheme also offered support totalling £332,000 to energy-efficiency projects in 10 small and medium-sized enterprises.

Significant progress continued to be made by the Low Carbon Design Initiative, including the development of factsheets on what today's technologies, techniques and skills can achieve.

The Invest NI Combined Heat and Power Show, a major event attended by over 400 people, provided an opportunity to meet suppliers and attend seminars on this energy-saving technology.

During 2004-05, Invest NI undertook a major realignment of services by establishing a Technical Advisory Unit (TAU), to replace Scientific Services. The team of professionals in this new and targeted resource is equipped to deal with technical challenges encountered by NI businesses and to offer technical solutions to a diverse range of problems.

## **Sustainable Development**

In support of sustainable development, 11 companies, representing a range of local manufacturing capability, took part in an innovative pilot project, Building Blocks to a Better Business, to assess a new approach to developing Environmental Management Systems (EMS).

All 11 businesses successfully achieved Phases 1 to 3 of BS8555, four subsequently achieved ISO 14001 certification, the internationally recognised standard for an EMS, and a further five are working towards this end.

## Broadband

Broadband has been a key enabler in transforming traditional businesses into e-businesses and DETI has set an ambitious target for Northern Ireland to be the first UK region to make available 100 per cent broadband services to every household and business by December 2005.

The Invest NI Broadband SME Programme, launched in June 2003, exceeded all its targets, receiving applications from over 2,600 businesses which attracted Invest NI offers of support totalling over £840,000. Although the programme closed to new applications in December 2004, the team continues to provide free and impartial advisory support to businesses considering deploying broadband or interested in maximising its use.

## E-business

New technologies explored by the e-business team included search engine optimisation and Internet Protocol telephony. Over 80 visitors used the centre during the year, receiving impartial advice and demonstrations on a range of ICT technologies.

The e-business team ran 47 e-process workshops and visited over 600 companies, helping them to improve the use of ICT.

## Business Information Services and European Information Centre

The Business Information Team dealt with over 1,000 visitors and handled more than 10,000 enquiries. In the European Information Centre, our work to promote take-up of the public procurement service saw an increase to nearly 200 subscribers, with 49 companies winning contracts with an overall value of £125 million.

## Process Excellence

Invest NI's Process Excellence Programme encourages and supports businesses to improve competitiveness by enhancing their business processes and adopting world class techniques and practices such as Six Sigma, Balanced Scorecard, Theory of Constraints, Lean Manufacturing and Total Productive Maintenance. Over 100 businesses received support for projects to apply these techniques. In addition, 17 Business Improvement Agents were recruited, leading to company benefits of over £9 million during the year.

We launched two new initiatives - the Business Health Check (BHC) and the Capability Maturity Model Integration (CMMI) Programme.

The BHC provides an objective overview of the business, benchmarks performance across key areas and prioritises improvement needs. An Integrated Action Plan is produced to address these needs by engaging appropriate Invest NI resources.

The CMMI Programme, a major efficiency and effectiveness tool for the IT sector, was introduced in conjunction with Momentum, the Northern Ireland ICT federation. The Centre of Excellence for Software Process Technologies at the University of Ulster, partly funded by Invest NI, is participating in the delivery of the CMMI Programme.

## CASE STUDY

### Toughglass

#### ASSISTANCE TO IMPROVE PERFORMANCE

John Agnew, Toughglass Managing Director, says: "An effective workforce is the cornerstone of any successful business. Invest NI's Company Development Programme has provided us with a framework within which to do this and has enabled us to offer employees a wide range of training options which includes international benchmarking and best practice visits."

#### Overview

Toughglass of Killeel, Co Down is a leading manufacturer of toughened and curved safety glass for the British Isles and is currently developing into European markets. It employs 180 people.

#### Business Objective

To increase productivity, improve competitiveness and strengthen its overall reputation as a highly innovative and customer focused provider of safety glass solutions.

#### Business Solution

Invest NI's Company Development Programme enabled Toughglass to introduce a comprehensive training and skills development structure for employees at all levels of the business.

#### Business Benefits

Training has increased efficiency, reduced waste, improved health and safety, and led to cost savings. Over 80% of employees have achieved a nationally accredited qualification.

Pictured (l-r) Victor Jordan, Director of Business Improvement Services of Invest NI is joined by John Agnew, Managing Director of Toughglass.





## Company Development Programme

During the year we committed over £12 million in support of 101 new Company Development Programme agreements, leveraging private-sector investment of over £47 million.

## Strategic Excellence

Support for businesses seeking to acquire the skills to develop and implement business strategies became available with the launch of our Strategic Excellence Programme in January. There was excellent take-up, leading to 35 projects by clients and a total commitment of around £360,000. Invest NI organised a major strategy conference, 'Great Minds Think Differently', aimed at raising awareness of the importance of a strategic approach to business and attended by over 200 local companies.

A masterclass for the textile and clothing sector, attended by over 50 participants, was also arranged in conjunction with Skillfast UK to illustrate the importance of good design in the strategic development of textile companies faced with cheaper off-shore competition. The Explorers and Connections programmes, which assist companies to develop new markets, continued to generate excellent results with sales of over £4 million for the 2003-04 programmes.

## Innovation and Creativity

Invest NI's Innovation and Creativity Programme helps businesses develop and grow by identifying appropriate areas for focus and implementation. During the year 24 companies participated in the programme with five companies generating additional revenue to date of almost £10 million.

## Networking

Our networking service offers a range of mentoring support programmes to businesses. Demand was consistently strong throughout the year and over 460 assignments were carried out by mentors under the Northstar programme. A mentoring best practice workshop was arranged and the regionally based 'Best Practice Clubs' held 40 meetings in six locations.



Being International

## BEING INTERNATIONAL

For Invest NI, the challenge of being international lies in increasing technology-led investment in Northern Ireland and assisting established companies, particularly small to medium-sized businesses, to strengthen their competitiveness through trade and international networks.

Both FDI by new investors and follow-on investment by existing overseas investors bring significant benefits to the Northern Ireland economy.

Investment commitments made by such companies during the year totalled over £209 million, offering the prospect of 3,467 new jobs. This increases to £526 million the investment planned by overseas-owned companies during the three year period of our first Corporate Plan, to 30 March 2005, promoting an associated 6,653 jobs and safeguarding a further 6,997.

### **New Foreign Direct Investment**

Global competition for internationally mobile investment projects is intense and 2004-05 saw an increase in the scale and quantity of such investment opportunities. China and India were the largest recipients of global direct investment, accounting for almost one quarter of all projects.

Against this competitive background, Invest NI had its most successful year to date, winning 17 new FDI projects offering the potential of 1,905 jobs and representing a total investment of £58.2 million. In line with Invest NI's commitment

to supporting New TSN areas, 71 per cent of the new inward investment projects secured was promoted in these areas. The success in attracting international blue-chip companies such as Citigroup, Yell, Caterpillar and Oracle demonstrates the effectiveness of the competitive business solution which can be provided in Northern Ireland.

The US market continued to be one of the primary sources of new inward investment projects into Northern Ireland. Six such projects were secured and we established an office in New York to build on recent success in the financial services sector. Great Britain and the Republic of Ireland continued to offer an attractive source of inward investment, accounting for four and five projects respectively, with a further two projects secured from continental Europe.

Invest NI's international sales and marketing efforts are based around sector and sub-sector priorities which complement Northern Ireland's existing strengths and capabilities.

Although traditional FDI markets in Asia Pacific remained flat, we responded to the growing significance of the market in China by establishing representation in Shanghai.

Key events in the United States during the year included attendance by the Chief Executive and senior colleagues at international events such as the Waters Congress, CFO Rising, and CEO Dialogue, high-profile events aimed at senior executives and influencers in the financial-services sector.

## CASE STUDY

### Citigroup

#### A SPRINGBOARD FOR GLOBAL GROWTH

William J. Mills, Chairman and Chief Executive Officer, Europe, Middle East and Africa (EMEA) Corporate and Investment Banking, says: "Citigroup has ambitious growth plans and our competitive position depends on the continuing development of technology platforms to support the group's corporate and investment banking operations across EMEA. The Belfast Centre will play a significant role in allowing us to execute innovative transactions and serve our clients efficiently and it also offers the opportunity to grow resource levels quickly."

#### Overview

Citigroup, the leading global financial services company, has some 200 million customer accounts and does business in more than 100 countries.

#### Business Objective

To develop a resource of highly skilled and adaptable software professionals in a cost-efficient and accessible location to support the Corporate and Investment Bank's business across EMEA.

#### The Solution

Invest NI provided finance and advice to enable the company to access both experienced software staff and university graduates and develop a cost-effective location in Belfast.

#### Business Benefits

The company has been able to establish a technology centre of excellence rapidly in high specification premises and to attract quality staff for software development.

Pictured (l-r) Former Secretary of State Paul Murphy, with William Mills, Chief Executive of Citigroup's Global Corporate and Investment Bank and Leslie Morrison, Chief Executive of Invest NI.



Our overseas teams continued to be highly active in their efforts to attract new investors, making over 3,000 visits to influencers and potential investors around the world. We hosted visits to Northern Ireland by some 160 potential investors in addition to 27 high-profile delegations from Japan, China, Taiwan, the United States, Great Britain and Australia.

The Global Start team also demonstrated its contribution to FDI through the completion of three projects from the US - Swan Labs, Wombat Financial Software and Fighting Bull Broadcast Technologies - in addition to facilitating a total of 34 visits from overseas companies.

Since its establishment, Invest NI has taken an increasingly holistic and co-ordinated approach to service delivery in international markets. In addition to promoting new FDI investment projects, overseas office time and resources are allocated to a range of other activities to promote and support the Northern Ireland economy.

This has helped us to secure significant new FDI for Northern Ireland, including:

- the £8.7 million investment by Citibank, offering 375 software development jobs over the next five years, generating annual salaries of £13.5 million; and
- the direct marketing company LBM, which has committed to provide 750 new high quality call centre jobs and to invest over £21 million, representing Invest NI's largest FDI by job numbers to date.

## Sectoral Follow-on Investment

### ICT

The ICT and network services sectors include software development, contact centres and shared-service centres. Financial services companies are of particular importance to these sectors, as emphasised during the year by Citibank's investment.

The encouraging signs of growth seen by existing ICT businesses in 2003-04 continued through 2004-05, with US-owned Liberty IT reinvesting in its Belfast operation twice in the year, the projects collectively representing almost £4 million of investment and over 50 new jobs. Liberty's continuing expansion is testament to the success of the local operation and their confidence in Northern Ireland's talented workforce.

In support of continuing sectoral growth, we are also working with DEL to progress plans for new programmes to ensure continuing skills availability.

Following the successful pilot of the previous year, further Global Sales Training Programmes were run to help develop the sales and marketing capabilities of our clients. In particular, to help companies respond to opportunities in the growing public sector market, we organised a seminar in conjunction with the Central Procurement Directorate and Momentum, to introduce local ICT companies to the public sector procurement process.

## CASE STUDY

### Wombat

#### ATTRACTING GLOBAL SUCCESS STORIES

Danny Moore, Chief Operations Officer, Wombat Financial Software Inc, says: "Wombat intends to develop a world-class engineering centre of excellence in Belfast. Invest Northern Ireland's assistance has helped us invest in key staff, training and infrastructure early on in the process."

#### Overview

Wombat is a US-based financial services group. Its software transfers stock exchange data to remote trading floors in banks at high speed, improving the efficiency and accuracy of automated trading systems.

#### Business Objective

To establish a global centre of software engineering excellence within Belfast, with the longer term view of the Northern Ireland site emerging as a base for its European sales operation.

#### Business Solution

Invest NI provided financial assistance and business support advice to help the company set up its centre of excellence in Belfast.

#### Business Benefits

The support offered to Wombat has allowed the company to further enhance its growing customer base in Europe and the financial centres in the north east of the US. It has also helped the company deliver strategic product and engineering initiatives from its new Belfast site.

Pictured (l-r) Danny Moore, Chief Operating Officer with WOMBAT and Ian Murphy, Director of Creative and Design Industries of Invest NI.



## **Network Services**

Similarly, the network services sector continues to grow steadily. Most notable in 2004-05 was the local growth of the Indian-owned company, HCL, which committed to investing £15.2 million and promoting 850 new jobs through two separate projects. The second of the two projects included the acquisition of locally owned company Answercall Direct, the project committing to further growth in addition to safeguarding 140 jobs.

Northbrook has made excellent progress since announcing in October 2004 that it is setting up a call centre operation in Strabane and around 160 people had already been recruited by March 2005.

## **Aerospace**

Bombardier Aerospace's proposals for its new C-Series commercial aircraft provided an unprecedented opportunity to win a major investment for Northern Ireland. Invest NI committed considerable management resources to work alongside the company to develop the business proposal to secure substantial work packages for Belfast.

Other companies in the sector continuing to invest significantly including Thales Air Defence, Moyola Precision Engineering, Dontaur Engineering and Langford Lodge Engineering, which collectively initiated projects with a total investment of over £4 million.

## **Automotive**

Our work with the automotive sector to promote world-class skills development included supporting the establishment of a local spoke of the DTI-sponsored Automotive Academy. Our continuing sectoral support enabled key players including Wrightbus, Schrader Electronics, JMF and Crossland Tankers to make significant investments aimed at further improving their operational capabilities and strengthening their international competitiveness.

## **Construction and Forestry**

Invest NI has developed a strategy for the construction sector aimed at helping companies mainly involved in manufacturing value-added building products and components or providing services to the wider construction industry to develop opportunities in the UK and Republic of Ireland markets.

We focus on the development of new markets, supporting innovation and the enhancement of e-commerce capabilities. An example is the support for Balcas Ltd's £8 million project for a bio-fuel solution using sawmill residue as raw material to manufacture a new product with export potential and environmental benefits.

We also worked with the UK Forestry Products NI Association and the Department of Agriculture and Rural Development (DARD) to complete a market research report into the supply chain for value-added forest products.



## Tourism

We continued to support tourist accommodation projects which add to Northern Ireland's ability to compete internationally. Both business and tourism will benefit from our support, through Air Route Development (NI) Ltd (ARD), for the development of new air routes. The ARD scheme offered assistance to the three main local airports - Belfast (International and City) and City of Derry - for nine new routes to US, European and UK destinations.

Five of the nine became operational by March 2005 with the remaining four due to begin later in the year, including Continental Airlines, which announced a direct service from Belfast to Newark beginning in May 2005.

## Biotech and Food

We formed an international advisory panel of distinguished individuals from the world of life and health sciences, whose work is already challenging conventional thinking in this key area.

The sector already includes some innovative companies such as ArraDx, formed as a spin-out from Queen's University and Belfast City Hospital Oncology Department. ArraDx develops novel platform technology to assist cancer diagnosis and prognosis.

Almac Sciences offers a range of customised synthesis services to pharmaceutical companies worldwide. Invest NI support during the year is helping the company to deliver a further 111 jobs, the vast majority at graduate level or above.

Within the food processing sector, support from Invest NI was instrumental in securing Coca-Cola's commitment to locate its £53 million, all-island state-of-the-art bottling facility in Northern Ireland.

Moy Park, the largest employer within the NI food sector, undertook a number of projects representing total investment of over £55 million. This substantial further investment is intended to ensure that Moy Park remains at the forefront of the European poultry sector.

In partnership with DARD, Invest NI began implementation of the Fit for Market food strategy, an important project for the development of the food sector. Company growth and investment in the sector has been significant with Invest NI supporting over 30 expansion projects. A number of key accounts were also developed with three major mobile projects secured, representing a £27 million investment by food companies.

## **Engineering and Plastics**

A range of initiatives in the pursuit of company development succeeded in leveraging major reinvestments by multi-nationals such as Copeland Corporation (Emerson Electric), Schlumberger and Radius Plastics. Local companies such as Creative Composites, Fleming Agricultural, NC Engineering and Clarehill Plastics also expanded significantly.

We developed strategies for a number of industrial sub-sectors including environmental, establishing the role to be played by Invest NI in strategy implementation. As a direct outcome of this work, the Electronics Forum was established, which has proved beneficial in bringing together key players in the sector to address common issues and themes.

## **Textiles and Clothing**

Despite the difficulties associated with restructuring the textiles and clothing sector, successful business development initiatives have emerged based on innovation and design. Companies such as O'Neills Sportswear and Cooneen Textiles have shown they can adapt and diversify in the face of intense competition.

## **Creative Media**

Digital media is an emerging, if disparate, sector and during the year primary research was undertaken to underpin the development of a sectoral strategy. Assistance for the film and TV sector is channelled through the

Northern Ireland Film and Television Commission (NIFTC), which is responsible for the sector's strategic development. Invest NI support enabled the NIFTC to attract two film productions to Northern Ireland in 2004-05 and three local film and TV production companies were supported to grow their sales in external markets.

## **Trade**

Invest NI's task is to help established exporters strengthen their position in existing markets, open opportunities in new markets and encourage companies to export for the first time.

Currently some 72 per cent of Northern Ireland's products and services are sold externally and, while Great Britain remains our largest market, major export targets include RoI, US, Netherlands, Germany and France. In addition to these markets, Invest NI is helping companies to explore opportunities in the developing markets of India, China, and the states that have recently joined the EU.

Support for companies is provided through Invest NI's Passport to Export programme, which is flexible and offers a range of tailored services. Invest NI's trade targets for 2004-05 were all exceeded, with 131 companies assisted to explore export markets for the first time, against a target of 100, and 386 companies helped to enter new markets, against a target of 200. Many of these new market entries were undertaken using Invest NI's market visits programme, with participating companies reporting new business worth £80 million.

## CASE STUDY

### Denman International BRUSHING UP ON EXPORTS

John Rainey, Denman International Managing Director, says:

“Invest NI trade missions have helped us to develop and to expand our international sales.”

#### Overview

Denman International of Bangor, Co Down, part of the Denroy Group, is a leading manufacturer of branded hair care products. Formed in 1972, Denroy exports to 60 countries and employs 75 people.

#### Business Objective

To expand global sales of its branded hairbrushes particularly to professional salons and the retail sectors in target markets including Scandinavia and South Africa.

#### Business Solution

Denman used Invest NI's Business Information Services for research and joined trade missions to both markets. In-Market Support was used to follow-up business in South Africa.

#### Business Benefits

The missions produced significant orders from Scandinavia and helped the company to restructure its distribution network, increase brand awareness and target key retailers in South Africa.

Pictured (l-r) Philip Steele, Sales and Marketing Director with Denman International is joined by Tracy Meharg, Managing Director of Innovation and Capability Development of Invest NI.



Trade missions involving 214 companies visited markets in the Far East, North America, the Gulf States, Australia, South Africa, Scandinavia, Holland and Belgium, the Czech Republic and Poland.

In addition, we supported 273 companies which exhibited at, or participated in, prestigious trade shows including the International Food & Drink Exhibition (London), Farnborough International Air Show, Bio 2004 (Washington), European Seafood Exposition (Brussels), Plan Expo (Dublin) and Seatrade Cruise Shipping Convention (Miami).

Northern Ireland Technology and Development Centres in Boston, Denver and Dubai provide serviced office facilities, mentoring and business development support for companies expanding into the US and Gulf States markets. Companies doing business with support from these Centres have reported new business in 2004-05 valued at £40 million. An example of this is TextHELP, which used the services of the Boston NI Technology Centre to undertake a US market launch of its Browsealoud product, which uses voice technology to read web sites to users.

A range of new services was introduced during the year under the Passport to Export programme. They included a very successful programme of Export Skills and Knowledge Workshops which began in October 2004 with 192 companies participating up to the year end. A further 36 companies were assisted with advisory projects to help identify and examine market opportunities and 17 companies have been assisted with specialist market research projects.

In addition 261 companies have been assisted on a one-to-one basis since the start of the year to develop their export plans.

Invest NI has placed an increased emphasis on identifying potential business alliances for local companies with partners in global markets, with the aim of stimulating international business growth. In 2004-05 we worked with 61 companies actively seeking to identify strategic alliances in international markets. A strategic partnership was signed with a major Indian corporation and a further three partnerships are at an advanced stage of negotiation.

Closer working relationships were developed with Invest NI offices in the USA to expand their trade remit and stronger partnerships were developed with UKTI and DTI's partnership programme, the NI Bureau in Washington, the Greater Washington Initiative and government agencies in Australia and the US.

## CASE STUDY

### TextHELP!

#### SUCCESS ON SHOW ON GLOBAL STAGE

Mark McCusker, TextHELP's Managing Director, says: "An Invest NI trade initiative enabled us to reach key IT professionals, especially those responsible for e-government programmes, across the broadest range of public bodies in North America."

#### Overview

TextHELP, based in Antrim, develops branded software products for those with learning and literacy difficulties. Established in 1996, TextHELP employs 50 people.

#### Business Objective

To expand sales of its Browsealoud product in the US by developing contacts with procurement executives in federal and state departments and agencies.

#### Business Solution

TextHELP joined an Invest NI organised visit to FOSE in Washington, the world's biggest IT show for public procurement bodies.

#### Business Benefits

The company attracted significant interest at FOSE and is now following up a large number of enquiries from its US base at Invest NI's Technology and Development Centre in Boston.

Pictured (l-r) Mark McCusker, Managing Director, TextHELP and Alan Hingston, Director of Trade of Invest NI.





CORPORATE

Annual Report  
count

Corporate

## CORPORATE

Invest NI's Corporate Services Group is responsible for a broad range of centralised functions and programmes spanning the entire organisation, providing resources and services which are available to client-facing teams to support their client businesses to be more entrepreneurial, innovative and international.

### Venture Capital

Invest NI has committed £7.5 million to a new £22.5 million venture capital fund that will help early stage technology companies to access vital financial support for development.

Managed by Crescent Capital, the fund, known as Crescent Capital II, is now the largest local source of venture capital available to companies in Northern Ireland. It represents a cornerstone of Invest NI's strategy to promote a vibrant and self-sustaining venture capital industry in Northern Ireland. It will have a particularly important role to play in closing the historical gap in the availability of equity funding for the deal size range of £250,000 to £1.5 million.

In addition to Invest NI, the biggest investor in the fund, major contributions have been provided by the European Investment Fund and the New York State Common Retirement Fund, America's second largest pension fund. Other significant investors include Queen's University Belfast, the University of Ulster, Ulster Bank, NILGOSC and Dr Martin Naughton of the Glen Dimplex Group.

### Property Solutions Unit

Invest NI provides a comprehensive property service to its clients through the Property Solutions Unit. This incorporates land acquisition, development of site infrastructure, marketing of Invest NI and privately owned commercial property and the support of clients in seeking suitable premises for their business. The Unit maintains a comprehensive up-to-date property database which can be accessed via the Invest NI website, covering both public and private sector availability and providing a user-friendly search facility.

Invest NI holds a property portfolio valued at approximately £102 million which includes ownership of 49 business parks and estates and a stock of modern manufacturing and office style business units ready for immediate occupation. During the year Invest NI sold 60 acres of industrial land generating almost £6.2 million of income against a target of £4.5 million.

During 2004-05 Invest NI invested £5.7 million in developing site infrastructure including work at Forth River, Global Point, Creagh, Balloo and Ballyharry. In addition, it invested £3.2 million in support of property provision for companies including Andor Technology Ltd, Quinn Direct Insurance Ltd and Boomer Industries.



A key element of Invest NI's North West Action Plan is to support the provision of office type accommodation in Londonderry city centre by a private sector developer. Approximately 40,000 square feet will be available for local partners engaged in economic development activities and the building will also house Invest NI's North-West Local Office.

### **Employee Resourcing**

The resourcing position remained complex throughout the year. The three-year option period for Northern Ireland Civil Service (NICS) staff ended on 31 March 2005. Considerable effort went into managing this process, with information sessions for the staff involved and close liaison with DETI and NIPSA.

In the event, the vast majority of NICS staff in senior grades and in client-facing functions opted to remain with Invest NI. This not only allowed us to retain their significant knowledge and expertise, but also facilitated continuity of service to our clients.

In recruitment, we advertised 39 competitions. These produced excellent results in terms of numbers and quality of applications and led to over 100 appointments.

Reviews of Scientific Services and Property Solutions Unit led to a strategic realignment of resources in these areas. Human Resources also worked closely with managers in other areas to maintain appropriate staffing levels and at the end of its third year, Invest NI staffing had

reduced from the initial complement in 2002 of 738 staff to a figure of 645. Further efficiencies will emerge when the organisation moves to its new headquarters building during 2005-06.

### **Learning and Development**

The Learning and Development Strategy for 2004-05 identified key corporate training priorities to support Invest NI's business and organisational aims, to ensure that staff have a clear understanding of Invest NI's remit and their individual roles within it, possess the core skills required for their job and have a sound working knowledge of corporate policies and procedures.

Implementation of this approach includes the development and delivery of a range of specific training and development programmes to support the change process.

In addition, a full suite of modular programmes was developed to include developing a strategic approach, business writing, presentation skills, leadership and management, and client relationship development. Our Further Education Scheme continued to support individuals in achieving business linked qualifications.

Organisational development focused largely on promoting implementation of Invest NI vision and values, moving integration to a new phase and ensuring continuity of approach. Detailed consultancy exercises provided managers with specific feedback and recommendations to support performance improvement.

These were supported by workshops on strategic planning, organisational analysis and application of the Invest NI values, together with the formation of improvement teams to develop specific action plans.

The total number of training days delivered was 2,793 with a further 482 days spent on organisational development events.

### **Change Management**

As part of Invest NI's ongoing change agenda, Human Resources initiated a number of reviews of key processes during the year. External consultants were engaged to review the current (NICS-based) remuneration and grading systems and to examine the possibility of a tailored system which would allow Invest NI to attract, retain and motivate skilled staff in the longer term.

The outcomes of the review, which involved extensive consultation with staff, union, management and other stakeholders, were endorsed by senior management and by the Board.

An implementation plan has been drawn up which will see the programmed introduction of changes over a two to three-year period beginning in 2005-06.

We also examined performance management using an internal, cross-functional team to conduct a review of the existing performance management system. Their recommendations reflected the feedback gathered from focus groups of staff, managers and others, benchmarked against best practice.

As a result, a new system was put in place which is considerably simpler, reflects Invest NI vision and values, has a much stronger development focus and is fully online.

### **Equality**

Invest NI is fully committed to its equality responsibilities. It has a team specifically responsible for ensuring that its Section 75 commitments are taken forward across all our activity fronts and during the year important outcomes were achieved in a number of areas:

- The Equality Team engaged with Senior Management, through involvement in the Equality Impact Assessment (EQIA) process, ensuring that Invest NI continues to view equality as a priority.
- The work of Invest NI's Equality and Diversity Advisory Group, established in 2003-04, gained momentum during the year with regular meetings to progress key issues including equality training and the appointment of Divisional Representatives.
- We have increased staff awareness of Section 75 issues through enhanced internal communications, in addition to their involvement in the preparation of EQIAs.

Externally, Invest NI has formed a number of partnerships to further Section 75 initiatives, including:

- working with Business in the Community and Invest NI client companies to establish support for migrant workers and their employers;

- commissioning research in conjunction with Ormeau Business Park into the minority ethnic community in south Belfast - this project commenced in the autumn of 2004 with the key aim of identifying better ways of engaging with the minority ethnic communities in relation to enterprise; and
- working closely with the Employers Forum on Disability and the Disability Unit of the Equality Commission, to raise awareness of legislative changes in the Disability Discrimination Act which came into force on 1 October 2004.

During 2004-05 Invest NI conducted its first EQIAs on both its Recruitment and Selection Policy and the Accelerating Entrepreneurship Strategy. These EQIAs have resulted in a number of recommendations to improve the delivery and access of the programmes.

Invest NI's Equality Unit has also developed and implemented guidelines on making information more accessible to all its clients.

### **Accommodation**

The major relocation of certain staff to Goodwood House marked an important change to our working practice through the provision of a modern, totally open-plan environment. The move was achieved with very little disruption to normal business. We were able to move the Corporate Communications and Entrepreneurship Development teams into Goodwood House - another important step in the integration process.

Throughout the year, detailed planning continued for the move to the new HQ building. We remain on target for occupation and co-location of staff from all our Belfast and Lisburn sites by November 2005.

### **New Targeting Social Need**

Invest NI continues to implement DETI's New TSN Action Plan which includes a number of targets on which Invest NI reports every six months.

Invest NI operates an enhanced monitoring system which collates client company data related to new employees, to increase both DETI's and Invest NI's knowledge on the impact of New TSN activity on the labour market as a result of government assistance.

Following implementation of the OFMDFM review of New TSN (New TSN - The Way Forward Towards an Anti-Poverty Strategy) Invest NI will work closely with DETI and other key organisations to ensure we continue to adopt an all inclusive approach to the New TSN policy.

### **Acknowledgement of contribution provided from European Funding**

Invest NI acknowledges the support it has received under the European Regional Development Fund (ERDF), Building Sustainable Prosperity and Peace II Programmes.



00	0.00	0.00
00	130.00	130.00
00	0.00	0.00
00	0.00	0.00
0	130.00	130.00
0	0.00	0.00
0	375.00	375.00
	0.00	0.00
	635.00	635.00
<b>Cost (ex VAT)</b>		

	375.00
	50.00
	0.00
	0.00
<b>1,725.00</b>	
<b>Cost (ex VAT)</b>	
	900.00

ACCOUNTS

Invest   
Northern  
Ireland

Building Locally  
Competing Globally

AR  
A

Invest Northern Ireland  
Accounts 31 March 2005



## CONTENTS

FOREWORD TO THE ACCOUNTS	62
STATEMENT OF INVEST NORTHERN IRELAND'S BOARD AND ACCOUNTING OFFICER'S RESPONSIBILITIES	74
STATEMENT ON INTERNAL CONTROL	76
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY	79
INCOME AND EXPENDITURE ACCOUNT	81
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	82
BALANCE SHEET	83
CASH FLOW STATEMENT	84
NOTES TO THE ACCOUNTS	85
APPENDIX A - SHARE INVESTMENTS IN CLIENT COMPANIES	122
APPENDIX B - REPORT ON THE 2004-05 FINANCIAL STATEMENTS	128

## FOREWORD TO THE ACCOUNTS

The Board present its annual report and the audited accounts for the year ended 31 March 2005.

These accounts have been prepared in accordance with applicable UK accounting standards.

The accounts are also in compliance with paragraph 17 of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by the Department of Enterprise, Trade and Investment (DETI) with the approval of the Department of Finance and Personnel (DFP).

### STATUTORY BACKGROUND

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 and Investment (DETI), under the Industrial Development Order (Northern Ireland) 1982 as amended by the Industrial Development Act (Northern Ireland) 2002.



## INVEST NI'S MISSION:

To deliver expertise and resources to accelerate the creation and growth of businesses committed to, and capable of, being entrepreneurial, innovative and international.

## INVEST NI'S OBJECTIVES:

To help strengthen the economy, we will assist companies in manufacturing and tradeable services to compete by improving productivity, increasing value-added, new product development and by developing new markets. Overall, Invest NI will focus on three key economic priorities:

- **Being Entrepreneurial**
- **Being Innovative**
- **Being International**

## THE BOARD

The Board Members who served during the year to 31 March 2005 were as follows:

Professor Fabian Monds	Chairman, reappointed to 31 December 2005
Mrs Rotha Johnston	Deputy Chairman, reappointed to 31 March 2008
Ms Deborah Boyd	reappointed to 31 March 2007
Mr Frank Bunting	reappointed to 31 March 2007
Professor Bernie Hannigan	reappointed to 31 March 2007
Dr Patrick Haren	reappointed to 31 March 2008
Mrs Debra Jenkins	reappointed to 31 March 2007
Mr Gilbert Little	reappointed to 31 March 2007
Mr Bill McGinnis	reappointed to 31 March 2007
Dr Alan McClure	reappointed to 31 March 2007
Mr Stephen Kingon	reappointed to 31 March 2008
Mrs Rosemary Peters-Gallagher	reappointed to 31 March 2008
Professor Roy Crawford	retired from office 31 December 2004

All Board Members who served at the financial year end were reappointed in accordance with the Office of the Commissioner for Public Appointments for Northern Ireland Code of Practice.

Under the Industrial Development Act (Northern Ireland) 2002, the Board of Invest NI shall consist of a Chairman and not fewer than 10 nor more than 20 other members. Current membership stands at 12 (Chairman and 11 other members).

## THE BOARD AUDIT COMMITTEE

The members of the Board Audit Committee during the year to 31 March 2005 were as follows:

Mr Stephen Kingon                      Chairman

Ms Deborah Boyd

Mr Frank Bunting

Mrs Rosemary Peters-Gallagher

Dr Alan McClure

Other attendees of the meetings included representatives from DETI, Internal Audit Service, Invest NI's Chief Executive and Invest NI Finance Division.

## THE SENIOR MANAGEMENT TEAM

Invest NI's Senior Management Team who served during the year were as follows:

Mr Leslie Morrison                      Chief Executive and Designated Accounting Officer

Ms Tracy Meharg                          Managing Director, Innovation and Capability Development

Mr Leslie Ross                              Managing Director, Clients Group and Business International

Professor Terri Scott                      Managing Director, Clients Group and Entrepreneurship

Mr Colin Lewis                              Managing Director, Corporate Services

Mr Colin Lewis was appointed as a Managing Director at the start of the 2004-05 financial year.

Mr Leslie Ross will retire from office during 2005-06 and a successor, Mr Jeremy Fitch (currently Director of Invest NI's International Information, Communication and Technology Division) has been appointed in his place.

## THE INTERNAL AUDIT COMMITTEE

The members of the Invest NI Internal Audit Committee during the year to 31 March 2005 were as follows:

Mr Colin Lewis	Chairman
Ms Tracy Meharg	
Professor Terri Scott	
Mr Leslie Ross	
Mr Mel Chittock	Director of Finance, Invest NI

Other attendees of the meetings included representatives from Internal Audit Service.

## REGISTER OF INTERESTS OF BOARD MEMBERS AND SENIOR MANAGEMENT TEAMS

Board Members and the Senior Management Team 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 by contacting the Strategic Management and Planning Team, Invest NI, Bedford Square, Bedford Street, Belfast BT2 7EH.

## OPERATING AND FINANCIAL REVIEW

### (i) Corporate Plan

Invest NI's second Corporate Plan covering the period 2005-08 was prepared and issued for consultation in February 2005. Those who responded to this consultation exercise supported the strategic direction of the Plan. The three themes of being entrepreneurial, being innovative and being international and the need for successful companies to display all three of these attributes were unanimously accepted as being the proper focus of Invest NI's efforts in the coming three years. Within each of the strategic themes, Invest NI has refined its approach, thanks to the comments received.

Under **Being Entrepreneurial**, Invest NI will build on the Go for It campaign, linking it to the growth and development of companies up the value chain from local to export and to globally-focused.

Under **Being Innovative**, Invest NI will work to increase productive R&D and the commercialisation of company-based and academic research, particularly in priority sectors such as nanotechnology, information communication technology (ICT), life sciences, aerospace, agri-food and financial services, where the organisation has growing strengths.

Under **Being International**, Invest NI will work on the skills base for marketing and selling. In addition, the organisation will develop synergies between its foreign direct investment (FDI) and trade activities, increasing in-market support in foreign markets to help new companies successfully establish their presence.

The Corporate Plan and the associated Operating Plan for 2005-06 are fully consistent with The Northern Ireland Economic Vision and DETI's Corporate and Operating Plans.

## (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 2004-05 Operating Plan together with the year-end achievements are listed below.

### Innovation

Key Actions	31 March 2005 Target	Year End Achievement
Stimulate investment in R&D	Lever <b>£20m</b> private sector R&D investment	<b>£28.3m</b>
Increase number of companies performing R&D	<b>40</b> new companies to participate in R&D programmes	<b>28</b>
Enhance technological infrastructure	Establish <b>2</b> additional Centres of Research Excellence  From established Centres of Excellence: <ul style="list-style-type: none"> <li>• undertake commercial research to the value of <b>£0.5m</b></li> <li>• Secure additional research funding of <b>£3.0m</b></li> </ul>	No Centres of Excellence established but in advanced discussions with 2 projects  <b>£0.7m</b> <b>£7.9m</b>
Promote industrial design	<b>35</b> companies to complete Design Development Programme	<b>26</b>

### Inward Investment

Key Actions	31 March 2005 Target	Year End Achievement
Promote NI as an attractive and viable location for new inward investment opportunities	<b>2,500</b> face to face visits with investment leads  <b>150</b> inward visits from prospective investors  <b>30</b> visits from influencer groups  <b>11</b> new externally owned knowledge-based investments promising <b>1,000</b> jobs  <b>75%</b> of new inward projects to be located in New TSN areas	<b>2,316</b> face to face visits  <b>157</b> inward visits  <b>27</b> visits  <b>17</b> new externally owned investments secured, promising <b>1,905</b> jobs  <b>71%</b>

## Growth by Existing Business

Key Actions	31 March 2005 Target	Year End Achievement
Support development projects by client companies	Support <b>375</b> projects leveraging <b>£405m</b> private sector investment	<b>396</b> projects supported, leveraging <b>£267m</b> private sector investment
Encourage clients to increase external sales and diversify into new markets	<b>500</b> companies to participate in trade visits	<b>560</b>
	<b>500</b> companies to participate in trade initiatives	<b>762</b>
	<b>100</b> companies to explore export markets for the first time	<b>131</b>
	<b>200</b> existing exporters to enter new markets	<b>386</b>
Establish <b>4</b> dedicated trade support facilities	<b>1</b> centre established	
Encourage innovation and capability development	<b>680</b> business improvement interventions resulting in <b>£10m</b> increase in profits	<b>1,137</b> interventions resulting in <b>£16.2m</b> increase in profits
Encourage companies to improve their use of ICT / e-business	<b>600</b> companies to be engaged in ICT improvement	<b>606</b>
Promote energy efficiency	Generate energy savings of <b>35,000</b> GJs	<b>45,656</b> GJs

## Business Start-ups

Key Actions	31 March 2005 Target	Year End Achievement
Go for It campaign	<b>6</b> major enterprise road shows with <b>6,000</b> participants	<b>3</b> road shows with <b>1,015</b> participants
Assist business start-ups	<b>2,750</b> locally focused start-ups	<b>3,824</b>
	<b>105</b> externally focused start-ups	<b>82</b>
	<b>15</b> global start-ups	<b>15</b>
Support community business	<b>30</b> projects funded under Community Business Programme	<b>18</b>

### (iii) Other achievements

A significant body of work was completed across some 40 plus key initiatives, most of which flow directly from Invest NI's corporate priorities of strategic direction, client delivery, staff development and communications.

### Strategic Direction

A rolling programme of programme evaluations and research work, in line with the DETI Research Agenda and Policy Evaluation protocol, was implemented. These informed the corporate planning process. Corporate governance and public accountability has been strengthened and more rigorous finance control and budget management functions have been developed. Significant improvements have also been made to the timeliness and quality of the strategic, operating and financial reporting to the Board and Senior Management Team.

## **Client Delivery**

The re-organisation of sector teams within Invest NI has bedded down well and reduced client executive turnover has impacted positively on clients. A comprehensive Operating Manual was completed and a Change Control Committee put in place; this, coupled with a comprehensive programme of client executive training, has improved client executive confidence and consistency in decision making. Key initiatives on casework quality assurance and processing and third party organisations (TPO) governance have been taken forward; an agreement with DETI to streamline processing of Ministerial casework was a significant step forward.

## **Staff**

A Training Strategy and Plan was delivered, incorporating modular training programmes for key skills. Programmes to client facing staff covering the areas of Situational Analysis, Casework, Financial Analysis, Key Account Management were also implemented and an induction module was introduced for all new staff.

The new Vision and Values was embedded, through the introduction and management of Phase 2 of the Change Management programme. The Northern Ireland Civil Service (NICS) option process was managed with minimum disruption to business continuity.

The Invest NI staffing model developed and the associated recruitment programme was effectively managed. A Pay & Grading Review was completed and an action plan developed for implementation through 2005-08. A Performance Appraisal review was completed and recommendations for change in 2005-06 were agreed.

## **Communications**

A pilot Marketing & Communications Plan was developed, incorporating key Invest NI messages, and improvements continued to be achieved in media handling and gaining a better awareness of key messages. Regular meetings were held with companies at Board, Chief Executive Officer (CEO) and Managing Director (MD) levels and a programme of CEO lunches and visits was undertaken, which generated meaningful two-way communication. A series of meetings with political parties also took place and improvements were made to the frequency, quality and relevance of internal communications.

During Invest NI's second year of operation considerable work was undertaken to build solidly on the new cross-functional structure put in place along with other key organisational changes made in the previous year. An important development during the year was the re-organisation of the Business International and Enterprise Groups into a single, sectorally-based clients group. A new Global Start-Up team was also put in place with the remit of identifying and supporting companies with the potential to trade in global markets. Further rationalisation took place in the network of overseas offices.

The simplification of Invest NI's programmes and services continued and the portfolio of some 180 programmes that were inherited from previous legacy agencies were reduced and grouped with a small number of themes: Capability, R&D, Trade, Knowledge and Growth. These were rebranded and launched as Business Development Solutions. Work was also taken forward on the harmonisation of business processes, particularly those relating to casework and other areas impacting on customer delivery. A wide range of training was also undertaken to ensure that client-facing staff are fully familiar with the policies and basis on which Invest NI support is offered.

Customer delivery continued to be a central focus and a Customer Charter with an associated Customer Feedback framework were put in place. A first Customer Survey was also undertaken. Following a 12 week consultation period and approval by the Equality Commission, the Invest NI Equality Scheme was published and a programme of Equality Impact Assessments was completed.

Although still in its infancy, Invest NI's Accelerating Entrepreneurship Strategy and, in particular, the Go for It marketing campaign significantly heightened awareness of entrepreneurship and increased the number of referrals to the rebranded Start a Business Programme. Embracing entrepreneurship fully will require significant cultural change in Northern Ireland and we have been working closely with the Department for Employment and Learning (DEL) and the wider education sector to ensure that individuals are suitably equipped for self-employment and to embed entrepreneurship skills more widely into the curricula.

During the year, there was a restructuring which involved the transfer of the Scientific Services functions and related staff out of Invest NI. The Occupational Hygiene Unit transferred to the Health and Safety Executive (HSENI) and the Air Pollution Unit transferred to the Environment and Heritage Service (EHS). The restructuring has been conducted in full consultation with NIPSA.

In April 2004, Invest NI temporarily relocated its headquarters from Chichester Street to May Street. A significant amount of work took place on the preparatory arrangements for acquiring a single headquarters site and in the same month, preferred bidder status was awarded to MRDE Ltd for the development of a new building at Bedford Street in Belfast city centre. The final contract was signed in November 2004. Construction work is progressing well and on schedule.

#### **(iv) Research**

Invest NI works closely with its parent Department, DETI, on the commissioning of economic research which will inform the activities and programmes required to carry out its aims and objectives. During 2004-05 a number of key research projects were carried out, including the Global Entrepreneurship Monitor, which examined levels of entrepreneurship activity and provided clear evidence of an improving entrepreneurial climate in NI. Research was also undertaken into the performance and characteristics of small and medium sized enterprises (SMEs) in Northern Ireland. The results will be used to improve Invest NI's understanding of SME growth dynamics with a particular focus on the areas of funding, collaboration, innovation and management.

#### **(v) Future developments**

Looking ahead, Invest NI faces both existing and new challenges. In order to assist clients to be creative, enterprising and globally aware, Invest NI itself needs to display these characteristics. In seeking to achieve this, the Board has identified a number of priorities that will overlay Invest NI's work in the coming years. These are:

- Strong strategic direction, built on experience and a sound evidence base of research, and in collaboration with the sponsor Department.
- Efficient and responsive customer delivery.
- High levels of staff performance.
- Effective internal and external communications.

The next few years will mark a significant shift in emphasis in Human Resource Management in Invest NI. All civil servants now have exercised their option to remain with Invest NI or to return to NICS. This will further assist in the development of Invest NI as a fully integrated and focused organisation. A further major milestone will be the relocation of all Invest NI's staff from separate locations in Belfast City Centre, Lisburn and Galwally to a new single Headquarters in Bedford Street, Belfast by November 2005. This final step in Invest NI's physical integration will unlock a number of efficiencies and will pave the way towards a more cohesive and flexible approach to service delivery. Building upon these developments, and the substantial progress already made through the change management programme, Invest NI will continue to develop its flexible and highly-skilled workforce, ensuring they are equipped to react constructively to the needs of clients.

With the recent enlargement of the European Union (EU), it is possible that revision of the EU Regional Aid Guidelines will have a significant impact on the type and levels of assistance that Invest NI can offer to large companies. Invest NI has been working closely with DETI, Department of Trade and Industry (DTI), the European Commission (EC) and local politicians in this regard and it will be of the utmost importance that the best possible outcome is attained. Any changes to existing arrangements will mean that Invest NI's use of financial resources may change significantly in the future.

#### **(vi) Results and financial review**

Results for the year are set out in detail in the Income and Expenditure account.

Invest NI is predominantly funded by grant in aid from DETI. The overall level of DETI gross grant in aid has increased by over £4 million from the previous year to £160 million (note 3 to the accounts). The increase in resource has been utilised to support new assistance packages and development activities, and to meet commitments from previous and new offers in year. Details of operating performance for the year are outlined in the 'Operating Performance in the Year' section above. In the year to 31 March 2005, Invest NI committed a total of £132 million (2004: £123 million) to client companies based on 3,704 (2004: 3,224) direct offers, most of which will be paid over future years.

Despite the increased gross DETI funding, a deficit of less than £23 million arising from operations has been recorded in the Income and Expenditure account. This is due to the fact that DETI funding recognised in the Income section is on a cash basis and is used by Invest NI to meet commitments and obligations. Funding is not received from DETI for items of a 'non cash' nature such as debtors and grant provisions. In the absence of either funding or corresponding credit entry in the Income and Expenditure account, some of these 'non cash' costs have contributed to the deficit position.

In summary, of the 'non cash' costs:

- depreciation charge, profit/(loss) on disposal, fixed asset impairment and fixed investments provision movement are matched by the corresponding government grant reserve release; and
- notional cost of capital and notional administrative costs are reversed in the accounts.

The remaining 'non cash' items with no corresponding funding or credit entry comprise other debt provision (£2.4 million in note 10) and grant and other provision movement (£7.8 million in note 21). These, accompanied with revaluation gains of £10.1 million reflected in the Statement of Total Recognised Gains and Losses, are accountable for the majority of the deficit of £23 million in the current year account.



Investments in land and property and disposals are relatively static compared to last year. Fixed investments remain high, which is in line with the policy to utilise a higher level of repayable forms of assistance since Invest NI's incorporation. Also, during the year, following consultation with DETI, three share investments were transferred from NITB to Invest NI under the provision of the Industrial Development Act (Northern Ireland) 2002. Despite the increase in grant accruals and provisions, the overall net asset position has improved by £2 million over last year to £115 million due to increased fixed investments and asset valuation.

The net current liability position has decreased from £27 million in 2003-04 to £25 million. This, however, is not a true reflection of liquidity as current commitments are to be met primarily by future cash funding requirements from DETI.

The cash flow position for the year ended 31 March 2005 reflects an increased cash requirement to meet previous and new grant and other operational commitments. A bank overdraft of £4.8 million was recorded. In March 2004, the bank and cash position was healthier due to a large repayment received towards the end of that financial year.

The full-time and permanent part-time Invest NI staff totalled 644 as at 31 March 2005 (2004: 681), measured on a full-time equivalent basis.

## **FIXED ASSETS**

The movement in fixed assets in the year is given in note 16.

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.

## **PAYMENTS TO DETI IN RESPECT OF INCOME SURRENDERABLE**

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 £4,114k (2004: £5,205k) to DETI in relation to these types of income.

## **POST BALANCE SHEET EVENTS**

The option for civil servants returning to the civil service expired on 31 March 2005. Invest NI continues to maintain a thorough communication and consultation process with the staff involved, DETI and NICS, to organise a phased return. Management has put in place a resourcing and recruitment strategy to facilitate a smooth transition and minimise business disruption going forward.

Air Route Development (NI) Limited (ARD), a subsidiary of Invest NI, has met its operational target and resources have been committed to air routes assisted by the 'Northern Ireland Air Route Development Scheme'. Most notably, a direct service from Belfast to Newark airport in New York commenced in May 2005 and received positive response.

Construction work for the new headquarters in Bedford Street is expected to complete on schedule for occupation by autumn 2005. Discussions are ongoing to transfer the Lisburn site to EHS, a division within the Department of Environment in Northern Ireland. The property leases for the Galwally site and other city centre locations are also under review.

Since the balance sheet date a number of client companies have made announcements concerning their activities. Several companies have announced expansion plans reflecting an upturn in some economic sectors. However, client companies in a number of specific sectors are affected by the state of the global economy and changes in market demand, and are experiencing difficult trading conditions. Invest NI is working closely with client companies to provide the appropriate support, particularly those experiencing difficult trading conditions. The impact of the performance of these companies on Invest NI may subsequently be reflected in future Invest NI annual accounts, depending on the particular circumstances in each company concerned. Due to finalisation of previous and current closures, further claims in respect of grant recoverable totalling £1.6 million were confirmed and made against 15 companies and another 10 cases totalling £229k were waived. Any elements of the new claims which are not met in due course will be noted as losses in future accounts.

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

## **CHARITABLE DONATIONS**

Charitable donations made in the year amounted to £nil (2004: £nil).

## **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 99 per cent (2004: 90 per cent) of bills were paid within this standard.

## **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, new Targeting Social Need (New TSN) and Human Rights requirements and will fulfil those responsibilities to the utmost within the organisation, in dealing with client customers and 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 NICS 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  
**Accounting Officer**

28 October 2005

## STATEMENT OF INVEST NORTHERN IRELAND'S 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 Chairman 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 Chairman 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 Chairman 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  
**Accounting Officer**

28 October 2005

## STATEMENT ON INTERNAL CONTROL

### **Scope of Responsibility**

As 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 whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

Invest NI is an NDPB sponsored by DETI. The Board of Invest NI has corporate responsibility for ensuring that Invest NI fulfils the aims and objectives set by DETI and for promoting the efficient and effective use of resources by the organisation. I, as Accounting Officer, in agreement with DETI, establish the organisation's corporate and business plans in light of the Department's wider strategic aims. I advise the Board on Invest NI's operating and financial performance compared with its aims and objectives and ensure that its governance responsibilities can be discharged in accordance with established criteria. The inter-relationship between Invest NI and DETI is codified in formal documents, such as the Management Statement and Financial Memorandum, in addition to being informed by relevant Dear Accounting Officer letters.

### **The Purpose of the System of Internal Control**

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

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Invest NI for the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts, and accords with Department of Finance and Personnel guidance.

### **Capacity to Handle Risk**

Invest NI has an established Internal Audit Committee and a Board Audit Committee which comprise representatives from Invest NI's Senior Management Team, its Board, DETI, Internal Audit Service and the Northern Ireland Audit Office. The Board Audit Committee, on behalf of the Board, provides leadership on the risk management and governance process. The Corporate and Group Risk Registers, with allocated Risk Owners, are regularly reviewed, updated and reported on at the end of each quarter.

With increasing emphasis on a proper corporate governance framework, key procedures are continually reviewed and revised in order to strengthen and improve controls. Proper guidance and revised delegated limits have been in place since 2003 to ensure control and consistency in decision making across Invest NI's activities. Risk Owners and their staff are kept informed of new guidance or requirements on an ongoing basis in a way appropriate to their authority and duties. I will be looking into maintaining and improving awareness of corporate governance in the coming years by providing further structural training and update sessions.

### **The Risk and Control Framework**

The Board Audit Committee and the Internal Audit Committee meet on a quarterly basis to review and advise on the risk management processes, system and control procedures and issues (including potential issues) arising during the period including the monitoring of key projects. Regular reports are sent to the sponsoring Department, DETI for monitoring. In addition, risk management is continually being incorporated into the corporate planning and decision-making processes of the organisation. Through these processes, the Board and Senior Management Team ensure that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

DETI's Internal Audit Service (IAS) is the internal auditor of Invest NI and operates to standards defined in the Government Internal Audit Manual. The work of IAS has been informed by an analysis of the operational risks to which Invest NI is exposed. The analysis of risks and the internal audit plans and reports are endorsed by the Internal Audit Committee and the Board Audit Committee. IAS submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Invest NI's system of internal control and the management of key business risks, together with recommendations for improvements.

### **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The IAS programme of audits undertaken in 2004-05 represented the second year of the agreed four year Audit Strategy. Amongst others, the IAS audit programme covered Invest NI's risk management processes and activities associated with Air Route Development (NI) Limited. A number of key regional and European funded programmes and the related controls surrounding these programmes were also reviewed. Of the completed work and audit reports, all but one of the audit opinions within the individual reports were satisfactory.

Follow up work by IAS in respect of the 2003-04 audit findings has revealed significant improvements in the procedural weaknesses identified. Whilst in 2004-05, IAS has continued to highlight similar findings such as audit trail, tendering and purchase ordering non compliance issues, these have not been as prevalent as those reported in 2003-04. IAS is content that positive steps have been taken to reinforce the adherence to appropriate procedures.

Although there were many positive findings in 2004-05, IAS provided a limited overall opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes. The limitation is on the grounds of the potential risks associated with non-compliance with a number of European Union (EU) regulations in respect of claims (in relation to grants) verification and monitoring processes. However, IAS is content that senior management is adequately informed of the matter and took remedial actions which involved the establishment of a dedicated European Commission (EC) Compliance Unit, in partnership with DETI, to progress urgently the corrective actions needed to mitigate existing weaknesses. In the period leading up to the year end and to the date of approval of the accounts, revised Financial Assistance agreement clauses have been issued and a substantial amount of rectification work has been performed. Although some risks associated with non-compliance with EC regulations remains, the management and I are confident that ongoing monitoring work under the revised guidelines is sufficient to meet the EC requirements.

In respect of issues surrounding third party organisations (TPOs) identified in the previous years, revised procedures in respect of new contracts were issued and a specific Audit and Control function was set up to manage the budgets for TPOs. In 2004-05, the review on Emerging Business Trust Loan and Venture Fund was undertaken and Invest NI is considering the next appropriate steps. In addition, a formal review of existing TPO relationships and risk assessment processes has taken place. Of the 28 organisations which warranted inspections, 27 inspections are now complete with the remaining one subject to more analysis. All completed reports and the associated findings have been discussed internally with the respective client teams. It is envisaged that revised guidance, to strengthen further specific governance and monitoring of these relationships will be issued. A structural inspection programme is now in place. With these ongoing inspections and improved procedures, Invest NI is confident that the future risk of any irregularity surrounding funds provided to TPOs is substantially reduced.

The challenge of ascertaining a proper grant provisioning basis remains. During 2004-05, a review of all existing financial assistance commitments was undertaken and the management will continue to develop this work. In addition to the diversity and complexity of financial assistance packages, terms and conditions that would trigger liability to pay under offers vary from client to client. Therefore, the provision for unclaimed grant has so far been calculated using a basis which includes estimates from client companies, input from client executives, claims and payment patterns in previous years, and forecasts of future grant expenditure. As a result, the area of grant provision in these accounts carries an element of uncertainty and we will continue to review and monitor the basis for this calculation until a final system is in place.

Leslie Morrison  
**Accounting Officer**

28 October 2005



## 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 81 to 121 under the Industrial Development (Northern Ireland) Act 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 85 to 89.

### **Respective responsibilities of the Board, the Accounting Officer and Auditor**

As described on pages 74 and 75, the Board and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder and for ensuring the regularity of financial transactions. The Board and Accounting Officer are also responsible for the preparation of 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 and Investment directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by 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 76 to 78 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 Northern Ireland'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. 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, the Board and Accounting Officer 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 Parliament and the financial transactions conform to the authorities which govern them. 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 of the disclosures made in the financial statements concerning the fundamental uncertainty over the adequacy or excessiveness of the provision on unsubmitted grant claims of £19.6 million.

Details of the circumstances relating to the fundamental uncertainty over the accuracy of this provision are described in the Statement on Internal Control and in notes 21 and 22 to the financial statements. My opinion is not qualified in this respect.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Invest Northern Ireland at 31 March 2005 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 and Investment; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of my observations on the issues arising from Invest NI's structured inspection programme of Third Party Organisations can be found in my report on these financial statements on pages 128 to 131.



J M Dowdall CB  
Comptroller and Auditor General

8 November 2005

Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2005

	Note	2005	2005	2004	2004
		£'000	£'000	Restated (note 2) £'000	Restated (note 2) £'000
<b>INCOME</b>					
Grant in aid from the Department of Enterprise, Trade and Investment (DETI)	3		115,055		108,388
Income from operating activities					
Non-surrenderable income	4		804		1,715
Income surrenderable to DETI but retained	5		8,510		6,396
Income surrenderable to DETI	6	5,385		4,750	
Less: amount surrendered to DETI	6	(5,385)	-	(4,750)	-
Government grant reserve credit	23(iii)		8,943		13,791
<b>Total income</b>			<b>133,312</b>		<b>130,290</b>
<b>EXPENDITURE</b>					
Grants and programme related costs					
grants and programme related costs	8		(115,495)		(93,383)
asset development, maintenance and related costs			(955)		(1,532)
Loss on disposal of tangible fixed assets and fixed investment	7		(236)		(351)
Depreciation	9(i)		(1,467)		(1,524)
Asset impairment	9(ii)		(5,216)		(7,568)
Debt provisions	10		(4,421)		(7,243)
Administrative expenses					
staff costs	13(ii)		(21,347)		(21,138)
other	11		(5,734)		(5,496)
notional costs	12(i)		(2,232)		(2,397)
Notional cost of capital	12(ii)		(3,986)		(3,694)
<b>Total expenditure</b>			<b>(161,089)</b>		<b>(144,326)</b>
<b>Deficit on activities before taxation</b>			<b>(27,777)</b>		<b>(14,036)</b>
Tax on ordinary activities	15		(960)		(680)
<b>Deficit for the financial year</b>			<b>(28,737)</b>		<b>(14,716)</b>
Credit reversal of notional costs	12(iii)		6,218		6,091
<b>Amount transferred to general reserve</b>	<b>24</b>		<b>(22,519)</b>		<b>(8,625)</b>

All activities derive from continuing operations.  
Notes 1 to 30 form part of these accounts.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Results for the year before credit reversal of notional costs		(28,737)	(14,716)
Surplus on revaluation of tangible fixed assets and fixed investment included in government grant reserve	23(i)	(10,132)	9,647
<b>Total recognised losses relating to the year</b>		<b>(18,605)</b>	<b>(5,069)</b>

## BALANCE SHEET

### Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	16(i)	110,848	109,654
Investments	17	200	200
Fixed investments	18(i)	48,798	42,412
		159,846	152,266
<b>CURRENT ASSETS</b>			
Debtors	19(i)	12,997	8,848
Cash at bank and in hand		63	1,190
		13,060	10,038
<b>CREDITORS: amounts falling due within one year</b>	20	(37,948)	(36,786)
<b>NET CURRENT LIABILITIES</b>		(24,888)	(26,748)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		134,958	125,518
<b>CREDITORS: amounts falling due after more than one year Provision for liabilities and charges</b>	21	(20,207)	(12,482)
		114,751	113,036
<b>CAPITAL AND RESERVES</b>			
Government grant reserve	23(i)	163,798	153,576
General reserve	24	(49,047)	(40,540)
		<b>114,751</b>	<b>113,036</b>

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



Leslie Morrison  
Accounting Officer

28 October 2005

## CASH FLOW STATEMENT

### Year ended 31 March 2005

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Net cash outflow from operating activities</b>		(16,474)		(5,270)
<b>Returns on investments and servicing of finance</b>				
Loan interest received	1,197		1,302	
Dividend received	264		148	
<b>Net cash inflow from returns on investments and servicing of finance</b>		1,461		1,450
<b>Taxation</b>				
Corporation tax paid		(800)		(1,450)
<b>Capital Expenditure</b>				
Payments to acquire tangible fixed assets	(6,450)		(6,008)	
Receipts from sales of tangible fixed assets	5,363		5,264	
Loan repayment received	6,040		8,211	
Share redemption received	2,610		574	
Loans made to client companies	(8,689)		(8,582)	
Interest element included in loans to client companies	(18)		(17)	
Investment in share capital of client companies	(4,168)		(11,232)	
Investment in venture capital fund	(1,535)		(1,690)	
<b>Net cash outflow from capital expenditure and investment</b>		(6,797)		(13,480)
<b>Cash outflow before financing</b>		(22,610)		(18,750)
<b>Financing</b>				
Capital funding received from DETI				
UK Grants	20,810		26,519	
EU Grants	-		1,010	
Payments made to DETI	(4,114)		(5,205)	
<b>Net cash inflow from financing</b>		16,696		22,324
<b>(Decrease)/increase in cash</b>		<b>(5,914)</b>		<b>3,574</b>

The cash flow statement should be read in conjunction with note 25.

# NOTES TO THE ACCOUNTS

## Year ended 31 March 2005

### 1. ACCOUNTING POLICIES

#### Statement of Accounting Policies

The accounts have been prepared in accordance with applicable UK accounting standards. The accounts are also in compliance with the accounting principles and disclosure requirements of the Accounts Direction given by the Department of Enterprise, Trade and 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 to 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.

#### 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.

Tangible fixed assets, in particular, land and buildings that are surplus to requirements or held with the intention for immediate sale, are valued at net realisable value and classified as current assets in the accounts.

## 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 are valued at cost less impairment.

## Investments in Subsidiaries

Investments in subsidiaries are 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. Revaluation movement is reflected through the government grant reserve. 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 per cent 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 in accordance with internal delegation limits, or DETI.

### **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 HM Revenue and Customs.

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.

### **Consolidation**

The accounts of the wholly owned limited companies, Northern Ireland Public Sector Enterprises Limited (NI-CO) and Air Route Development (NI) Limited (a company limited by guarantee, with nil share capital), are not included by way of consolidation on the following grounds:

- they have no material effect on the accounts of Invest NI;
- the businesses of each organisation differ from each other; and
- the cost of consolidation outweighs the benefit.

### **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 3.5 per cent (2004: 3.5 per cent) in real terms on assets less liabilities.

### **Income**

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

Income from operating activities represents:

- funding received and receivable from other funding organisations. Such income is matched against the programme expenditure wherever possible;
- other income received and receivable, principally, fees and charges for services provided, including secondments to client companies, clawback and other recoveries; and
- loan interest, share dividend and property rent received and receivable.

### **Income Payable/Surrenderable to DETI**

In accordance with the Financial Memorandum Agreement, income from operating activities is further classified into the following categories:

- (i) income that 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) income that is surrenderable but can be retained by Invest NI for further utilisation (equivalent to grant in aid income from DETI).

These are reflected accordingly in the Income and Expenditure account, which forms part of the gross grant in aid income from DETI, i.e. the funds that Invest NI generates and has been permitted to use. As with income surrendered to DETI, a charge is made to the Income and Expenditure account. The amount above the agreed funding level is considered as 'Excess' and it is paid over to DETI (same treatment as income surrendered). Except for any 'Excess' amount, the movement in bad debts provision is separately shown in the Income and Expenditure account.

- (iii) any other income that does not fall within category (i) and (ii) comprising non-surrenderable income which Invest NI can retain. The majority of this income represents contribution to programmes and income towards certain expenditure for which Invest NI has a net budget agreed with DETI.

### **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.

### **Programme Expenditure**

Programme expenditure comprises the costs of operating various economic development schemes and support packages, and associated activities attributable to discharging Invest NI's responsibilities. These components are defined under the programme budgetary framework as agreed with DETI and accounted for on an accrual basis.

### **Administration Expenditure**

Administration expenditure reflects the costs of running Invest NI, as defined under the administrative budgetary framework as agreed with DETI and accounted for on an accrual basis.

### **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 3.5 per cent.

### **Government Grant Reserve**

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

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

The asset depreciation charge, impairment loss and provision on fixed 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. RESTATEMENT OF COMPARATIVES

In accordance with the requirement of Financial Reporting Standard 18 (FRS 18) and for consistency purposes, prior year comparatives have been restated for the following presentation changes which do not have any impact on the Income and Expenditure Account or the Balance Sheet:

### a) DETI Grant in aid funding and income

To simplify accounts presentation, the charge to the Income and Expenditure account associated with income surrenderable to DETI included in DETI funding is disclosed in note 3 to the accounts instead of on the face of the Income and Expenditure account. A summary of the restatement impact to the face of 2003-04 Income and Expenditure account is as follows:

	Grant in aid from DETI £'000	Income surrenderable but retained £'000	Total £'000
As previously reported	128,833	(20,445)	108,388
Presentation change in grant in aid from DETI	(20,445)	20,445	-
Restated amount	108,388	-	108,388

In addition, income has been categorised into 'non surrendered', 'surrenderable but retained' and 'surrenderable'. A presentational adjustment in respect of £716k of provision associated with 'Excess' grant in aid was made between income 'surrenderable' and the associated debit entry in the Income and Expenditure account. A summary of the restatement impact is as follows:

	Income from operating activities £'000	Other operating income £'000	Total £'000
As previously reported	5,007	8,570	13,577
Represented in 2004-05 by:			
Non surrenderable	-	1,715	1,715
Surrenderable but retained	442	5,954	6,396
Surrenderable	4,565	901	5,466
	5,007	8,570	13,577
	Income surrenderable £'000	Income surrendered £'000	
As previously reported	5,466	(5,466)	
Related provision previously taken to DETI creditors now presented in Income and Expenditure account	(716)	716	
Restated amount	4,750	(4,750)	

### b) Reclassification of expenditure disclosure

In 2004-05, the Property Services Division was transferred from the Clients Group and Entrepreneurship to the Corporate Services Group. In addition, seconded and temporary staff costs are presented under Employee Related Costs. Comparatives in notes 8, 11 and 13 have been restated accordingly.

### 3. GRANT IN AID FROM THE DEPARTMENT OF ENTERPRISE, TRADE & INVESTMENT

	2005	2005	2004	2004
	£'000	£'000	Restated (note 2) £'000	Restated (note 2) £'000
<b>Grant in aid is represented by:</b>				
Amount received from DETI		137,163	6,396	135,108
Add: utilisation of income surrenderable to DETI but retained (note 5)	8,510			
Add: capital receipts from tangible fixed assets and fixed investments (notes 23(i) and 24)	14,012		14,049	
		22,522		20,445
Gross grant in aid allocation		159,685		155,553
Less: debit entry in respect of income and capital receipts surrenderable but retained		(22,522)		(20,445)
Less: capital funding transferred to government grant reserve (note 23(i)):				
Capital expenditure (note 16(ii))	(6,896)		(5,199)	
Interest element on ex LEDU loans (note 18(i))	(18)		(17)	
Investment in loans (note 18(i))	(9,066)		(8,582)	
Investment in shares (note 18(i))	(4,168)		(11,232)	
Investment in venture capital fund (note 18(i))	(1,960)		(1,690)	
		(22,108)		(26,720)
<b>Total</b>		<b>115,055</b>		<b>108,388</b>

### 4. NON-SURRENDERABLE INCOME

	2005	2004
	£'000	Restated (note 2) £'000
Management fee income	151	284
Recoupment of programme related administrative costs from client companies and third parties	164	216
Consultancy and secondment fees	162	104
Market access receipts and other related income	280	468
Recoupment from loan scheme closure	-	600
Other	47	43
	804	1,715

## 5. INCOME SURRENDERABLE TO DETI BUT RETAINED

### (i) Analysis

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>Restated (note 2)</b> <b>£'000</b>
Grant clawback	7,720	5,932
Property rent (EHS)	457	442
Scientific services fees	195	312
Market access visits receipts and other related income	327	239
Recoupment of maintenance and property expenditure costs from client companies	222	195
Other	-	72
	8,921	7,192
Less: Excess grant in aid (note 6)	(411)	(796)
	8,510	6,396

### (ii) Scientific Services - Cost Recovery

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:	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Income:</b>		
Fees charged for work carried out for the private and public sectors	195	312
Notional charges for work carried out	1,179	1,688
	1,374	2,000
<b>Expenditure:</b>		
Gross operating expenditure	(1,513)	(2,136)
Interest on capital	(43)	(52)
	(1,556)	(2,188)
<b>Net deficit for the year</b>	<b>(182)</b>	<b>(188)</b>
<b>Cost recovery</b>	<b>88%</b>	<b>91%</b>

This information is provided to meet DFP requirements on fees and charges disclosure. The Scientific Services function was transferred to EHS during the financial year.

## 6. INCOME SURRENDERABLE TO DETI

	2005 £'000	2005 £'000	2004 Restated (note 2) £'000	2004 Restated (note 2) £'000
Property rent Less: increase in provision (note 10)	2,115 (45)	2,070	2,383 (118)	2,265
Loan interest Less: loan interest written off Less: increase in provision	1,286 (17) (599)	670	1,272 - (47)	1,225
Amortisation loan interest Less: increase in provision	674 (272)	402	1,073 (523)	550
Dividend Less: dividend written off Add/(less): decrease/(increase) in provision	1,338 - 309	1,647	811 (76) (317)	418
Other property income Bank interest Other income		124 10 51		139 1 72
Excess grant in aid (note 5) Less: increase in provision (note 10)	411 -	411	796 (716)	80
Amount transferred to DETI creditor (note 25(iv))		5,385 (5,385)		4,750 (4,750)
		-		-

The amount of income surrenderable to DETI of £5,385k differs from the figure of £5,132k recorded in DETI's books. This is primarily due to adjustments in relation to items contained in the balance brought forward, and £69k of dividend receivable transferred from NITB effected through the general reserve (notes 19(ii), 24 and 25 (iv)).

## 7. PROFIT AND LOSS ON FIXED ASSETS AND INVESTMENTS DISPOSAL

	2005 £'000	2004 £'000
(Loss) on disposal of tangible fixed assets	(236)	(107)
(Loss) on disposal of fixed investments	-	(244)
	(236)	(351)

The loss on tangible fixed assets represents assets which were removed from the fixed asset register following an ongoing review of physical assets which was carried out in accordance with the organisation's capitalisation policy.

The loss on fixed investment disposal in 2003-04 related to transactions which involved client companies' restructuring and appropriate approval was granted internally and by DETI/DFP.

## 8. GRANTS AND PROGRAMME RELATED COSTS

	2005	2004
	£'000	Restated (note 2) £'000
<b>(i) Analysis:</b>		
Industrial development grants	41,629	29,828
Research and development grants	14,436	13,478
Enterprise grants	13,087	6,246
Company development programme	15,293	10,139
Business support grants	3,656	2,213
Promotion and marketing support	5,167	8,405
Property support	2,495	3,714
Property development scheme	3,330	2,212
Third party grants	4,387	3,865
Tourism grants	1,085	428
Market access support	1,459	1,919
Overseas operation support	2,159	2,088
Project consultancy and appraisal	2,009	1,948
Board related expenditure (note 14(i))	224	226
Other*	5,079	6,674
	115,495	93,383

\*Other expenditure primarily includes programme support activities (training, legal, advertising etc.), special market initiatives, market awareness programme, export and trade operations, e-business and broadband business support and HQ project related costs.

	2005	2004
	£'000	Restated (note 2) £'000
<b>(ii) Segmental analysis:</b>		
Innovation & Capability Development	36,180	27,815
Clients Group & Entrepreneurship	36,016	21,044
Clients Group & Business International	36,810	37,052
Corporate Services Group (including the Board)	6,489	7,472
	115,495	93,383

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

## 9. DEPRECIATION AND ASSET IMPAIRMENT

	2005	2004
	£'000	£'000
<b>(i) Depreciation</b>		
Tangible fixed asset depreciation charge for the year (notes 16(i), 23(iii))	1,467	1,524
<b>(ii) Asset impairment</b>		
Tangible fixed asset impairment charge for the year (note 23(iii))	5,256	8,625
(Decrease) in asset vesting provision	(40)	(1,057)
	5,216	7,568



## 10. DEBT PROVISIONS

Movement in provision and write off:	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Loan investment: (decrease)/increase in provision (notes 18(i) and 23(iii)) amount written off (notes 18(i) and 23(iii))	(998) 9	(989)	1,455 11	1,466
(Decrease) in amortisation provision (notes 18(i) and 23(iii))		(55)		(54)
Share investment: increase in provision for shares (notes 18(i) and 23(iii)) amount written off (notes 18(i) and 23(iii))	2,298 40	2,338	1,692 -	1,692
Increase in provision for venture capital fund (notes 18(i) and 23(iii))		690		187
Increases in other bad debts provisions Less amount transferred to income surrenderable: property rent (note 6) excess grant in aid (note 6)	2,482 (45) -	2,437	4,786 (118) (716)	3,952
		4,421		7,243

The above represents the net movement in provisions. Following a recovery review exercise and other in year developments, a number of investment transactions which were previously provided for are considered recoverable. This has resulted in an overall reduction in the current year investment provision charges, in particular loans, as the associated provisions have been released.

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

## 11. ADMINISTRATIVE EXPENSES

	2005 £'000	2004 Restated (note 2) £'000
Travel and subsistence	1,085	1,123
Overseas offices costs	243	257
Equipment rental and maintenance	40	41
Vehicle costs	7	14
Telephone and mobile costs	287	502
Stationery and postage	200	243
Printing and publications	59	72
Training costs	393	354
Conference costs	13	77
Data communications	220	146
Computer maintenance and related costs	463	271
Advertising and recruitment costs	216	178
Office consumables and related costs	36	40
Legal and professional fees	182	274
Admin property maintenance and related expenses	538	239
Admin property rental	743	636
Light, heat and power	137	142
Rates	321	346
Security costs	105	135
Contract cleaning	180	193
Insurance and subscription	93	54
Canteen costs	98	81
Hospitality	31	28
Other employee related costs	21	25
Bank charges	21	20
Miscellaneous	2	5
<b>Total administrative expenditure excluding notional costs</b>	<b>5,734</b>	<b>5,496</b>

## 12. NOTIONAL COSTS

	2005 £'000	2004 £'000
<b>(i) Notional administrative costs</b>		
Finance	178	316
Personnel and training services	43	279
Accommodation	1,485	1,325
External Audit	126	126
Internal Audit	195	208
Government Purchasing Agency	105	72
Valuation and Land Agency	100	71
	<b>2,232</b>	<b>2,397</b>
<b>(ii) Notional costs of capital</b>		
Interest on capital employed at 3.5% (2004: 3.5%)	3,986	3,694
<b>(iii) Credit reversal of notional costs</b>		
Notional administrative costs	2,232	2,397
Interest on capital employed	3,986	3,694
	<b>6,218</b>	<b>6,091</b>

### 13. EMPLOYEES INFORMATION AND RELATED EXPENDITURE

**(i) The average number employed, including divisional directors but excluding staff on career break and students on work experience scheme, within each category of persons was:**

	2005 No	2004 No
Senior Management Team (note14(ii))	5	5
Innovation and Capability Development	195	213
Clients Group and Entrepreneurship	163	175
Clients Group and Business International	98	92
Corporate Services Group	213	235
Total including average of 35 (2004:38) temporary staff and secondees	674	720

**(ii) The total administrative staff costs, including Senior Management Team and Divisional Directors but excluding Board Members was:**

	2005 £'000	2004 Restated (note 2) £'000
Wages and salaries	17,709	17,339
Social security costs	1,418	1,366
	19,127	18,705
Pension scheme contribution	2,258	2,196
Early retirement cost	35	21
Total costs in respect of permanent and long term contract employees*	21,420	20,922
Less: staff costs treated as programme expenditure (note 13(iii))	(534)	(388)
	20,886	20,534
Seconded and temporary staff cost including irrecoverable VAT	461	604
Total administrative staff costs	21,347	21,138

\*including civil servants seconded from DETI.

#### **(iii) Contracted and programme related staff**

In addition to the above, Invest NI engages a varying number of contracted staff, in its overseas offices and to deliver specific programmes in Northern Ireland. The average number of such staff is 32 (2004: 51). These staff members are separately funded. The associated income or recoupment of costs (including management fee) is either separately disclosed in note 4, 'non-surrenderable income' or reflected in note 8 'Grant and programme related costs'.

#### **(iv) 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 Invest NI 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 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2004-05, employers' contributions of £2,258k (2004: £2,196k) were payable to the PCSPS(NI) at one of four rates in the range 12 to 18 per cent of pensionable pay, based on salary bands. From 1 April 2005, these rates have increased as a result of the latest actuarial valuation to between 16.5 per cent and 23.5 per cent. 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 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable 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.

Five (2004: three) staff members retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £9k (2004: £4k). The early retirement cost of £35k (2004: £21k) represents the recharge of employer pension contribution costs from DETI, in relation to three (2004: two) civil servants who retired early.

## 14. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT TEAM

(i) Remuneration of the Board members of Invest NI as at 31 March 2005 was as follows:

Name and title	Age 31 March 2005	Remuneration 31 March 2005 £'000	Remuneration 31 March 2004 £'000
<b>The Board</b>			
Professor Fabian Monds (Chairman)	65	37	37
Mrs Rotha Johnston (Vice Chairman)	45	11	10
Ms Deborah Boyd	45	11	10
Mr Frank Bunting	55	11	10
Professor Bernie Hannigan	46	11	10
Dr Patrick Haren	54	11	10
Mrs Debra Jenkins-Devine	39	11	10
Mr Gilbert Little	56	11	10
Mr Bill McGinnis	56	11	10
Dr Alan McClure	56	11	10
Mr Stephen Kingon	58	11	10
Mrs Rosemary Peters-Gallagher	45	11	10
Professor Roy Crawford (retired from office 31 December 2004)	56	-	10
Mr Derek Shaw (retired from office by rotation 31 March 2004)	64	-	10
Mrs Teresa Townsley (retired from office by rotation 31 March 2004)	48	-	10

### 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 (2004: nil).

Professor Roy Crawford's remuneration is in line with other Board members at £11k. Salary payments totalling £8k were made to Professor Roy Crawford for his services from April 2004 to December 2004.

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 Managing Directors of Invest NI was as follows:

	Column 1 Salary, including performance pay	Column 2 Benefits in kind	Column 3 Real increase in pension at age 60	Column 4 Total accrued pension at age 60 at 31/03/05	Column 5 CETV at 31 March 2005	Column 6 CETV at 31 March 2004	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors	Column 8 Employer contribution to partnership pension account including risk benefit cover
	£'000	rounded to nearest £100	£'000	£'000	nearest £'000	nearest £'000	nearest £'000	nearest £'000
<b>Chief Executive:</b> Mr L Morrison	133	nil	N/a	N/a	N/a	N/a	N/a	N/a
<b>Managing Director:</b> Professor T Scott	75 - 80	nil	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20	262	233	13	-
Ms T Meharg	75 - 80	nil	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20	195	171	13	-
Mr C Lewis	70 - 75	nil	2.5 - 5 plus 10 - 12.5 lump sum	10 - 15	150	99	46	-
Mr L Ross								

Consent for disclosure withheld

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Mr Leslie Morrison's remuneration package is set by the Remuneration Committee. The package contains a provision for a performance related bonus up to 15 per cent 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 2004-05, Mr Leslie Morrison was awarded a bonus of £11k (2004:£12k) equivalent to nine per cent (2004: 10 per cent) of full salary.

The other members of Senior Management Team 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.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the Senior Management Team members received any benefits in kind (2004: nil).

## Pension

Mr Leslie Morrison is not a member of the PCS (NI). Invest NI makes a contribution equivalent to 19.5 per cent (2005: £24k, 2004: £23k) of his remuneration in lieu of pension provision.

For other Senior Management Team members, pension benefits are provided through the PCS (NI) arrangements.

Pension benefits are provided through the Civil Service Pensions (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Further details about the CSP arrangements can be found at the web-site [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk).

Columns 5 and 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## 15. TAXATION

### (i) Taxation charge in the year

Analysis of charge in year (estimate)	2005 £'000	2004 £'000
Current tax:		
UK corporation tax on taxable income for the current year	960	855
Prior year overstatement	-	(175)
Total current tax	960	680

### (ii) 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 HM Revenue and Customs 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 years 31 March 2005 and 2004 is an estimate of potential tax payable on these sources of income.

### (iii) Deferred tax

No provision for deferred tax has been made as at 31 March 2005 and for previous financial years.



## 16. TANGIBLE FIXED ASSETS

### (i) Total tangible fixed assets

	Land and Property £'000	Plant and Machinery (including motor vehicles) £'000	Fixtures, Fittings, Tools & Equipment £'000	Asset in the Course of Construction £'000	Total £'000
<b>Cost / Valuation:</b>					
At 1 April 2004	106,673	858	6,284	3,427	117,242
Additions	1,811	-	1,176	3,909	6,896
Disposals	(5,431)	(299)	(1,320)	-	(7,050)
Reclassification	2,810	(56)	(48)	(2,706)	-
Transfer from current asset (note 19(i))	1,381	-	-	-	1,381
Transfer to current asset (note 19(i))	(4,143)	-	-	-	(4,143)
Revaluation	4,344	5	(385)	-	3,964
Transfer to other government bodies (notes 16(iv) & 23(i))	-	(294)	(173)	-	(467)
At 31 March 2005	107,445	214	5,534	4,630	117,823
<b>Depreciation:</b>					
At 1 April 2004	3,023	593	3,972	-	7,588
Charge for year (note 9(ii))	435	39	993	-	1,467
Disposals	(69)	(188)	(1,195)	-	(1,452)
Reclassification	47	(19)	(28)	-	-
Transfer from current asset (note 19(i))	71	-	-	-	71
Transfer to current asset (note 19(i))	(191)	-	-	-	(191)
Revaluation	17	4	(255)	-	(234)
Transfer to other government bodies (notes 16(iv) & 23(i))	-	(246)	(28)	-	(274)
At 31 March 2005	3,333	183	3,459	-	6,975
<b>Net Book Value:</b>					
1 April 2004	103,650	265	2,312	3,427	109,654
31 March 2005	104,112	31	2,075	4,630	110,848

### (ii) Additions are represented by:

	2005 £'000	2004 £'000
UK grants (notes 3 & 23(i))	6,896	5,199
EU grants (notes 23(iv))	-	1,010
	6,896	6,209

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

	2005 Land £'000	2005 Property £'000	2005 Total £'000	2004 Land £'000	2004 Property £'000	2004 Total £'000
Administrative	62	98	160	2,055	1,455	3,510
Occupied	63,120	11,872	74,992	60,861	12,979	73,840
Unoccupied	24,850	4,110	28,960	22,055	4,245	26,300
Included in fixed assets	88,032	16,080	104,112	84,971	18,679	103,650
Included in current assets (note 19(i))	2,452	1,500	3,952	1,110	200	1,310
	90,484	17,580	108,064	86,081	18,879	104,960

Land and property was revalued by Valuation and Lands Agency on 31 March 2005 and in previous financial years on the basis of open market value for existing use.

With the exception of assets held by Invest NI for its own use, the majority of the land and property portfolio are used to facilitate the region's long term strategic economic development. In accordance with our accounting policy, land and buildings which are identified for disposal within the next year are classified as 'Current Assets' (note 19(i)).

During 2004-05, a review of Invest NI's Property Services Unit was undertaken by external consultants. This review indicated that Invest NI's current land and property holdings reflect past priorities and market conditions and recommended a change in strategic direction, including the need to dispose of those holdings which no longer meet the revised strategy and very focused demand led acquisitions. As part of its response to the review, Invest NI has developed and agreed an Acquisition and Disposal Strategy. Work on detailing the exact land which is to be acquired and exact land and buildings to be disposed of will start in November 2005 and span a number of years. As a result, any assets which may form part of the future disposal programme remain classified within 'Fixed Assets' in the note above.

**(iv) Assets transferred to EHS and HSENI**

During the year, the Scientific Services function and Air Pollution Unit were transferred to EHS. In addition, the Occupational Hygiene Unit was transferred to HSENI. Along with this process and following consultation with DETI, a number of associated assets have been transferred through the General Reserve to the receiving agency or unit. The net book value of assets transferred is £193k, which is effected by Dr. General Reserve, Cr. Fixed Assets, followed by an opposite entry between General Reserve and Government Grant Reserve (note 23(i)).

**17. INVESTMENTS**

Unlisted (gross amount)	2005 £'000	2004 £'000
Northern Ireland Public Sector Enterprises Limited (NI-CO)	200	200
Air Route Development (NI) Limited (ARD)	-	-
	200	200

**Northern Ireland Public Sector Enterprises Limited (NI-CO)**

Invest NI holds 100 per cent of the ordinary share capital of NI-CO, which comprises of 200,000 ordinary shares of £1 each.

NI-CO 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 does not differ significantly from the market value at the year end. Extracts from the most recent audited accounts of NI-CO:

	2005 £'000	2004 £'000
Turnover	2,821	2,617
Profit after tax	15	52
Net assets	915	900

### Air Route Development (NI) Limited (ARD)

In July 2003, ARD was established by Invest NI under Article 8(3) of the Industrial Development (Northern Ireland) Order 1982. It is a company limited by guarantee that does not have a share capital. Therefore there was no investment cost to Invest NI.

ARD is incorporated in Northern Ireland and its principal activities are the development and administration of the 'Northern Ireland Air Route Development Scheme'. Grant in aid is received directly from DETI. Extracts from the most recent audited accounts of ARD:

	2005 £'000	2004 £'000
Gross grant in aid from DETI	637	142
Surplus/(deficit) before and after tax	-	-
Net assets	-	-

Copies of the NI-CO and ARD accounts can be obtained from the Companies Registry, Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3LX.

## 18. FIXED ASSET INVESTMENTS

### (i) Total fixed asset investments

	Venture Capital £'000	Share Capital £'000	Loans £'000	Amortisation £'000	Total £'000
<b>Gross amount:</b>					
At 1 April 2004	1,690	51,349	37,210	15,185	105,434
Additions (notes 3 & 23(i))	1,960	4,168	8,639	-	14,767
Transfer from other debtor (notes 3, 19 and 23(i))	-	-	427	-	427
Transfer from NITB	-	1,130	-	-	1,130
Repayments	-	(2,610)	(2,884)	(3,156)	(8,650)
Revaluation	-	678	-	-	678
Amount waived and written off (note 10)	-	(40)	(9)	-	(49)
Interest* (notes 3 & 23(i))	-	-	18	-	18
At 31 March 2005	3,650	54,675	43,401	12,029	113,755
<b>Provision:</b>					
At 1 April 2004	187	33,881	23,166	5,788	63,022
Charge/(credit) for year (note 10)	690	2,298	(998)	(55)	1,935
At 31 March 2005	877	36,179	22,168	5,733	64,957
<b>Net balance:</b>					
1 April 2004	1,503	17,468	14,044	9,397	42,412
31 March 2005	2,773	18,496	21,233	6,296	48,798

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

**(ii) Fixed Investments transferred from the Northern Ireland Tourist Board (NITB)**

Three share investments (each exceeding £100k) with a total net book value of £1,130k were transferred to Invest NI from NITB (another NDPB under DETI's sponsorship), under the provision of Industrial Development Act (Northern Ireland) 2002. This transfer is effected by Dr. Investment, Cr. General Reserve, followed by an opposite entry between General Reserve and Government Grant Reserve (note 23(i)).

**(iii) Repayment analysis of fixed asset investments (net balance):**

	2005 Loans £'000	2005 Amortisation £'000	2005 Total £'000	2004 Loans £'000	2004 Amortisation £'000	2004 Total £'000
<b>Amount due:</b>						
Within 1 year	3,524	1,275	4,799	5,441	1,540	6,981
Within 2 to 5 years	15,132	3,598	18,730	8,603	5,517	14,120
Greater than 5 years	2,577	1,423	4,000	-	2,340	2,340
	21,233	6,296	27,529	14,044	9,397	23,441

**(iv) Loan analysis (net balance):**

	2005 Loans £'000	2005 Amortisation £'000	2005 Total £'000	2004 Loans £'000	2004 Amortisation £'000	2004 Total £'000
Secured	16,876	6,296	23,172	11,239	9,397	20,636
Unsecured	4,357	-	4,357	2,805	-	2,805
	21,233	6,296	27,529	14,044	9,397	23,441

**(v) Loans exceeding £100,000 each**

During the year, Invest NI entered into 5 (2004: 13) loan agreements each exceeding £100k with 4 (2004: 12) different companies. Details are as follows:

	2005 Loans Amounts offered in year £'000	2005 Loans Paid in year £'000	2004 Loans Amounts offered in year £'000	2004 Loans Paid in year £'000
	150	150	110	110
	309	309	150	150
	448	448	170	170
	500	500	200	200
	3,700	3,700	300	300
		725*	360	360
		2,000*	622	622
			800	800
			1,525	1,000
			1,900	1,900
			2,000	2,000
			2,000	-
			200	-
	5,107	7,832	10,337	7,612

\*offers made in previous financial year but paid in 2004-05.

During the year, as part of an acquisition, there was loan reassignment transaction (circa £3 million) from one client company to another.

**(vi) Action Energy Loan Scheme**

Included in the loan balance is a cumulative contribution of £726k (2004: £427k) to Action Energy Loan Scheme (AELS) which is part of a Government backed initiative, Energy Loan Programme. AELS is managed by the Carbon Trust. Small and medium-sized enterprises based in Northern Ireland who wish to invest in energy saving equipment, either to upgrade or replace existing facilities, may qualify for interest free loans of between £5k and £50k.

**(vii) Share investments 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 (2004: 20) different companies a total of £4,168k (2004: £11,232k) in the form of either ordinary or preference shares of which 11 transactions (2004: 15) are exceeding £100k each.

In 2004-05, a company (in receivership, based in USA) in which Invest NI had a shareholding was bought over by another company. Invest NI was offered cash and share options in the new company. Invest NI intends to exercise the option in 2005-06. Appropriate provision has been made to reduce the share valuation at the year end to the net realisable value.

**(viii) Venture Capital Investment****NITECH Growth Fund Limited Partnership (NITECH)**

Invest NI is a partner of the NITECH Growth Fund. The fund is managed by Clarendon Fund Managers Limited and Angle Technology Limited (C&A) and the principal place of business is in Belfast. The partnership has a term of 10 years.

The objectives of NITECH are primarily to carry on the business of an investor, provide support and funding resources to assist in bringing research discoveries and early stage technologies to the point where they can be transformed into viable businesses through the formation of small and medium-sized enterprises (SMEs) in the Northern Ireland region.

At the balance sheet date, Invest NI has made a cumulative capital loan contribution of £2,375k (2004: £1,690k cumulative) to the Fund. A cumulative provision of £677k (2004: £187k cumulative) has been made to reduce the gross amount invested to its net realisable value.

**Crescent Capital II (CC)**

Invest NI is a partner of Crescent Capital II LP, a Limited Partnership registered with the Registrar of Limited Partnerships under the Limited Partnership Act 1907 on 31 March 2004. Its principal place of business is in Belfast and it is managed by Crescent Capital II GP Limited. The partnership has a term of 10 years.

The purpose of the partnership is to carry on the business of an investor by arranging purchases/sales, or through investing in manufacturing and tradable services based industrial SMEs located in Northern Ireland.

During the year, Invest NI made a capital loan contribution of £1,275k (2004: £nil) to CC. A provision of £200k (2004: £nil) has been made to reduce the gross amount invested to its net realisable value.

## 19. DEBTORS

### (i) Analysis

	2005 £'000	2004 £'000
<b>Amount due within one year:</b>		
Trade debtors	3,326	1,556
Other debtors		
EU	-	20
other	1,829	1,785
Amounts due from DETI	69	869
Prepayments	854	1,318
Accrued income		
loan interest and dividend (note 19(ii))	2,796	1,488
other	171	75
Other assets (net book value basis)		
land and property held as current (notes 16(i), (iii) and 23 (ii))	3,952	1,310
	12,997	8,421
<b>Amount due in more than 1 year:</b>		
Other debtor (notes 18(i) and (vi))	-	427
	12,997	8,848

### (ii) Accrued income transferred from Northern Ireland Tourist Board (NITB)

Accrued dividend income with a net book value of £69k was transferred from NITB to Invest NI during the year. This transfer of accrued income is effected by Dr. Accrued income, Cr. General Reserve and an opposite entry between General Reserve and DETI creditor in respect of income surrendered (notes 24 and 25(iv)).

## 20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Bank overdraft	4,787	-
Trade creditors and accruals	5,680	7,024
Accrued grant creditors	20,705	19,993
Corporation tax	390	230
Other taxes and social security	-	25
Other creditors	1,898	2,739
Amounts due to DETI		
income surrendered	3,870	2,530
other	-	3,778
Deferred income	618	467
	37,948	36,786

## 21. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Grants (note 22) £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>
As at 1 April 2004	11,952	530	12,482
Under/(over) provision from previous year	7,985	(40)	7,945
Charge to Income & Expenditure account	19,411	104	19,515
Paid	(19,735)	-	(19,735)
As at 31 March 2005	19,613	594	20,207

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 increase in provision for grants is a reflection of crystallisation of past and existing financial assistance obligations as reflected in the related activities undertaken by client companies.

Other provisions of £0.6 million (2004: £0.5 million) comprise:

- £0.3 million (2004: £0.1 million) of estimated final payments (similar to retirement payments) to employees in overseas offices when employment contracts are terminated in the future, as required by the local employment regulations; and
- £0.3 million (2004: £0.4 million) of provisions in respect of land and property purchases and vested by Invest NI.

## 22. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE

Grants are paid by Invest NI to 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.

During the year, the estimation methodology to calculate grant accruals under financial assistance agreements was revised. The revised methodology is based on a review of claims existing at the year-end and claims paid post year-end, to determine which period the claims relate to.

The estimation methodology to calculate grant provisions has remained unchanged:

- enterprise, capital and revenue grants are derived from various internal statistics and financial analysis; and
- for other grants such as business support and R&D related grants, the estimation of liability for unclaimed grants is calculated by taking into consideration the following main factors:
  - (i) review of claims paid post year end relating to the prior year; and
  - (ii) trend analysis of claims.

Given the complexity and diversity of grants and variations in the estimation methodologies, the provision carries an element of uncertainty. The methodologies remain to be reviewed on an ongoing basis.

## 23. GOVERNMENT GRANT RESERVE

### (i) Total government grant reserve

	Investment - unlisted	Fixed investment	Tangible fixed assets	Tangible fixed assets	Total
	UK Grants £'000	UK Grants £'000	UK Grants £'000	EU Grants (note 23(iv)) £'000	All Grants £'000
At 1 April 2004	200	42,412	107,475	3,489	153,576
Received in year UK grants (notes 3, 16(ii) & 18(i))	-	15,212	6,896	-	22,108
Release to Income and Expenditure account (note 23(iii))	-	(1,984)	(6,473)	(250)	(8,707)
Revaluation surplus	-	678	9,454	-	10,132
Repayment, redemption and disposal proceeds (notes 24 & 3)	-	(8,650)	(5,362)	-	(14,012)
(Loss) on disposal (note 23(iii))	-	-	(236)	-	(236)
Transfer from NITB (note 18(ii))	-	1,130	-	-	1,130
Transfer to other government bodies (notes 16(i) and (iv))	-	-	(193)	-	(193)
At 31 March 2005	200	48,798	111,561	3,239	163,798

### (ii) The above balance is represented by:

	2005 £'000	2004 £'000
Net book value of tangible fixed assets (note 16(i))	110,848	109,654
Net book value of other current assets (note 19(i))	3,952	1,310
Total of tangible and other assets	114,800	110,964
Net book value of unlisted investment (note 17)	200	200
Net book value of fixed investment (note 18(i))	48,798	42,412
	163,798	153,576

### (iii) Application of government grant reserve release

	2005 £'000	2004 £'000
Depreciation (note 9(i))	1,467	1,524
Asset impairment (note 9(ii))	5,256	8,625
Provision on loan including write-off (note 10)	(989)	1,466
Provision on amortisation (note 10)	(55)	(54)
Provision on shares including write-off (note 10)	2,338	1,692
Provision on venture capital fund (note 10)	690	187
	8,707	13,440
Loss on disposal of fixed assets and investment (note 7)	236	351
	8,943	13,791



**(iv) Assets financed by EU Grants**

EU grants and the related funding are rerouted through DETI to Invest NI. They are not reflected in the Income and Expenditure account as funding received and receivable. When money is received or costs are incurred, it is reflected as an addition to fixed assets and EU Government Grant reserve. During the year, there were no projects funded by EU Grants (2004: £1,010k, relating to three projects).

**24. GENERAL RESERVE**

	<b>2005 £'000</b>	<b>2004 £'000</b>
At 1 April - deficit	(40,540)	(45,964)
Net cost of operations - deficit	(22,519)	(8,625)
Tangible fixed assets transferred to other government bodies (note 16(iv))	-	-
Fixed investment and related income transferred from NITB (notes 18(ii) and 19(ii))	-	-
Transfer from government grant reserve (note 23(i))	14,012	14,049
At 31 March - deficit	(49,047)	(40,540)

## 25. CASH FLOW STATEMENT

### (i) Reconciliation of results for the year to net cash outflow from operating activities

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Deficit for the year before credit reversal of notional costs		(28,737)		(14,716)
<b>Adjustments for non-cash transactions</b>				
Notional costs	2,232		2,397	
Notional cost of capital	3,986		3,694	
Depreciation	1,467		1,524	
Loss/(profit) on disposal of fixed assets	236		107	
Loss on disposal of fixed investment	-		244	
Asset impairment	5,256		8,625	
Total bad debt and provision movement (note 25(v))	5,000		8,134	
Grant provision charged	27,396		10,326	
Other provision charged/(released)	64		(1,049)	
Release of government grant reserve credit (note 23(iii))	(8,943)		(13,791)	
Total non-cash transactions movement		36,694		20,211
<b>Adjustments for movement in working capital other than cash</b>				
<b>(a) (Increase)/decrease in debtors</b> <b>(excluding fixed assets held as current):</b>				
Trade debtor (net of provision)	(4,208)		(4,250)	
Amounts due from DETI	800		1,457	
EU debtor	20		339	
Other debtors (amount due within and more than 1 year) (net of provision)	(383)		(427)	
Prepayment	464		(769)	
Accrued income - loan interest and dividend (net of provision)	(3,348)		(3,137)	
Accrued income - other	(96)		(75)	
Increase in debtors		(5,985)		(6,862)
<b>(b) Increase/(decrease) in creditors:</b>				
Trade creditors and accruals	(1,344)		2,174	
Corporation tax	960		680	
Other taxes and social security	(25)		(200)	
Amounts due to DETI:				
income surrendered (note 25(iv))	5,454		4,393	
other	(3,778)		3,778	
Other creditors	(841)		(33)	
Deferred income	151		(88)	
Accrued grant creditors	712		1,978	
Decrease in creditors		1,289		12,682
<b>Use of provisions</b>				
Grant provision	(19,735)		(16,585)	
Total use of provisions		(19,735)		(16,585)
Net cash outflow from operating activities		(16,474)		(5,270)

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

	<b>2005 £'000</b>	<b>2004 £'000</b>
(Decrease)/increase in cash in the year	(5,914)	3,574
Change in net funds resulting from cash flows - (decrease)/increase	(5,914)	3,574
Net funds at start of year - surplus/(deficit)	1,190	(2,384)
Net funds at end of year -(deficit)/surplus	(4,724)	1,190
<b>Net funds comprise of:</b>		
Cash at bank and in hand	63	1,190
Bank overdraft	(4,787)	-
Net funds at end of year - (deficit)/surplus	(4,724)	1,190

**(iii) Fixed assets and investment movements**

The upward movement in tangible fixed assets including assets classified as current, and investments in loans, shares and venture capital is matched with a downward movement in the government grant reserve account, and vice versa.

**(iv) Movement in DETI creditor in respect of income surrendered**

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>a) Movement:</b>		
Increase/(decrease) in balance sheet total	1,340	(812)
Amount paid by Invest NI in year	4,114	5,205
Total movement	5,454	4,393
<b>b) Represented by the following operating income surrendered to DETI:</b>		
Income surrenderable (note 6)	5,385	4,750
Transfer from NITB (note 19(ii))	69	-
Credit balance release to the Income and Expenditure account	-	(357)
Total	5,454	4,393

**(v) Analysis of bad debt provision charge**

	<b>2005 £'000</b>	<b>2004 £'000</b>
(Decrease) in provision against management fee	-	(72)
Increase in provision against accrued loan interest and dividend income including write off (note 6)	579	963
Increase in provision for loans, shares and trade debtors including amount waived / written off (note 10)	4,421	7,243
	5,000	8,134

## 26. 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 through DETI, as largely is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### Interest Rate Risk

81 (2004: 72) per cent of Invest NI's financial assets and 100 (2004: 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. If an actual bank overdraft arose, it would be subject to interest at commercial rates.

### Financial Assets

The financial assets of Invest NI comprised (net book value):

	2005 £'000	2004 £'000
Cash	63	1,190
Loans (note 18(i))	21,233	14,044
Amortisation (note 18(i))	6,296	9,397
Shares (note 18(i))	18,496	17,468
Venture capital (note 18(i))	2,773	1,503
	48,861	43,602

Currency (Sterling)	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
At 31 March 2005:	9,469	15,913	23,479	48,861
At 31 March 2004:	12,236	10,723	20,643	43,602

### Foreign Currency Risk

Invest NI's exposure to foreign currency risk is not significant in both financial years 2005 and 2004.

### 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 the year end:

	2005 Book value £'000	2005 Fair value £'000	2004 Book value £'000	2004 Fair value £'000	Basis of fair valuation Note below
<b>Primary financial instruments</b>					
<b>Financial assets</b>					
Loans	21,233	21,233	14,044	14,044	A
Amortisation	6,296	6,296	9,397	9,397	B
Shares	18,496	18,496	17,468	17,468	C
Venture capital	2,773	2,773	1,503	1,503	A
<b>Financial liabilities</b>					
Provisions	20,207	20,207	12,482	12,482	D

Notes:

- A. The book value is based on estimates of the likely recoverable amount and therefore does not differ significantly from the fair 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.

## 27. COMMITMENTS AND CONTINGENCIES

a) Operating commitments comprising unclaimed grants under existing financial assistance offers and agreements at the year-end comprised:

<b>Segmental analysis:</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Innovation and Capability Development	78,094	40,997
Clients Group and Entrepreneurship	23,072	29,526
Clients Group and Business International	77,959	136,974
	179,125	207,497

b) 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 had a maximum potential liability of £1.7 million as at 31 March 2005 (2004: £1.9 million). There were no payments made in relation to this in the year (2004: £nil). Historic information has shown that any payment is likely to be insignificant.

c) In both financial years, Invest NI had potential liabilities in respect of land purchases and vested land.

d) Invest NI receives EU grants and administers programmes that are funded by EU financial assistance, including those inherited from the previous legacy agencies. Therefore Invest NI is bound by the appropriate EC regulations and requirements. On this basis, Invest NI has a potential liability to repay EU grants if the relevant EC regulations and requirements are not met or complied with. At the end of the financial year, the maximum amount of potential liability is not quantifiable but the inherent risks remains as Invest NI has continued to carry out the administrative role.

e) Other than mentioned in (b) above, no other guarantees have been given in respect of client companies at 31 March 2005 (2004: nil).

f) Except for (b), (c) and (d), 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 (2004: none).

g) At the year end, the amount of capital commitments for which for no provision has been made is as follows:

	<b>2005 £'000</b>	<b>2004 £'000</b>
Contracted	3,103	5,030

h) Commitments existed at the year-end under property leases, excluding the new headquarters, in respect of annual rentals which expire:

	<b>2005 £'000</b>	<b>2004 £'000</b>
Within one year	367	-
In the second to fifth years	26	106
After five years	165	443
	558	549

- i) The contract for the new headquarters Private Finance Initiative (PFI) project was signed in November 2004 following completion of a comprehensive negotiation process. Invest NI is committed to the terms and conditions in the final contract. The contract is on a 25 year basis.

There were no payments due or paid under this specific contract during the year (2004:nil).

Subject to inflationary adjustments, commitments existed at the March 2005 year-end under this contract in respect of the annual fixed sum payable are in the region of £4.1 million to £4.5 million. Invest NI may avail of a range of additional services and amounts payable will be subject to the services consumed.

- j) Invest NI has been in discussion with HM Revenue & Customs in respect of its corporation tax and VAT status since prior to incorporation. While progress has been made with establishing the organisation's corporation tax position, there could be potential corporation tax liability payable pending the finalisation of a number of areas under review. The provision for corporation tax in these accounts is therefore a best estimate based on recent discussions with the authority.

The position of VAT has not been finalised by the authority. Final ruling as regards VAT treatment in a number of specific areas has been under on-going consideration. Invest NI has filed a voluntary disclosure in respect of input VAT potentially recoverable in these areas, in the sum of circa £1.4 million, covering transactions since incorporation to 31 March 2005. As this claim is pending the authority's review which could lead to further discussion, it is considered to be potentially receivable, therefore the amount has not been reflected in these accounts but it is disclosed as contingent.

- k) In relation to fixed asset investments, Invest NI may be entitled to future additional income and assets which are not currently recognised in these accounts. Due to their uncertain nature, these entitlements are disclosed as contingent.

## 28. 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) Operating loan / investment grants

	2005 Losses £'000	2005 No. of cases	2004 Losses £'000	2004 No. of cases
Emerging Business Trust (EBT)	See below	See below	7	2
West Belfast Enterprise Board Limited	8	1	64	3
Aspire Micro Loans for Business Limited	23	13	30	17
The Prince's Trust	12	6	6	3
Women in Enterprise	6	4	5	4

EBT went into creditor's voluntary liquidation during 2004-05 and final accounts are not yet made available.

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

### (ii) Other losses

Waived / Written off	2005 Losses £'000	2005 No. of cases > £100k	2005 No. of cases < £100k	2004 Losses £'000	2004 No. of cases > £100k	2004 No. of cases < £100k
Grants recoverable	3,242	2	16	274	1	5
Others including investments and accrued income	120	-	12	989	3	5

All the waiver or write-off cases were either approved by Invest NI in accordance with internal delegated limits and guidelines, or by DETI or DFP where appropriate.

At the balance sheet date, there are 19 cases in respect of grant recoverable totalling £16,597,00 which are under management review. The majority of these cases existed prior to Invest NI's incorporation. The review process is ongoing and approvals for waivers have not yet been sought. However, these cases have been notified to both DETI and DFP as potential losses.

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

### (iii) Special payment

During the year, there were no special payments. In 2004, one special payment of £673k was made to Roads Service of the Department of Regional Development (DRD) for access service to a business park, for which the related expenditure is reflected in the Income and Expenditure account under 'asset development, maintenance and related costs'.

## 29. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING BOARD MEMBERS AND SENIOR MANAGEMENT TEAM

### (i) Transactions with the Parent and other Government Departments

Invest NI is an NDPB sponsored by DETI. DETI is regarded as a related party. During the year, Invest NI has had various material transactions with DETI.

In addition, Invest NI also transacts and conducts business with many UK government departments and their agencies, primarily DFP, DRD, DOE, DEL and the local councils in Northern Ireland and HM Revenue and Customs.



At the year-end, Invest NI has the following material outstanding balances (predominantly comprising of DETI):

	2005 £'000	2004 £'000
Debtors (amount falling due within one year (note 19)): Balances with other central government bodies	69	869
Creditors (amount falling due within one year (note 20)): Balances with other central government bodies	3,870	6,308

There were no material balances outstanding with local authorities, HSS Trust, public corporations and trading funds.

#### **(ii) Transactions involving the Chief Executive and Senior Management Team**

There were no material related party transactions involving the Chief Executive and Senior Management Team during the year.

#### **(iii) Transactions involving Board Members**

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 may have an interest.

##### **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:

##### **Investment in client companies:**

Board Member	Company	Amount offered 2005 £'000	Amount paid 2005 £'000	Amount offered 2004 £'000	Amount paid 2004 £'000
Mrs Debra Jenkins-Devine	Exus Energy Limited	40	40	80	80
Mr Gilbert Little	Aepona Limited	-	-	325	325

### Grant assistance paid to the companies:

Board Member	Company	Amount offered 2005 £'000	Amount paid 2005 £'000	Amount offered 2004 £'000	Amount paid 2004 £'000
Professor Fabian Monds	Western Connect Limited	-	-	-	40
Dr Patrick Haren	Service and Systems Solutions Limited (SX3)	-	208	-	192
Mrs Debra Jenkins-Devine	Exus Energy Limited	-	112	177	56
	B9 Energy Biomass Limited	n/a	n/a	-	4
Mr Gilbert Little	Aepona Limited	52	115	372	224
Mr Bill McGinnis	The McAvoy Group Limited	98	252	685	488
	Memsis Limited	-	87	140	65
Dr Alan McClure	Alpha Environmental Systems Limited	109	26	-	7
	Precision Industrial Services Limited	-	36	-	86
	NU Print Trimmings Limited	-	56	n/a	n/a
	Clear Water Technologies	14	-	n/a	n/a
Mrs Rotha Johnston	Variety Foods Limited	-	-	-	10
Ms Deborah Boyd	Would-U-Like-Group	-	-	-	1
Professor Ray Crawford#	Investment Belfast	-	79	n/a	n/a

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

Board Member	Company	Amount paid 2005 £'000	Amount paid 2004 £'000
Dr Patrick Haren	NIE Plc	287	694
	Service & Systems Solutions Limited (SX3)	123	92
Mr Stephen Kingon	PricewaterhouseCoopers LLP (UK)*	915	1,439
Dr Alan McClure	Precision Industrial Services Limited	-	18
Professor Fabian Monds	Western Connect Limited	10	-
Professor Ray Crawford#	Investment Belfast	9	-
Mr Gilbert Little	Aepona Limited	1	-

### 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	Company / organisation	Position held
Mrs Rosemary Peters-Gallagher	University of Ulster	Member of Council and Member of Court
Mr Stephen Kingon	Centre for Competitiveness Princes Trust	Chairman Ambassador
Professor Bernie Hannigan	Queen's University of Belfast University of Ulster UUSR Ltd	Connected via family relations Professor, Dean Non- remunerated Director
Professor Roy Crawford#	Queen's University of Belfast	Professor, Pro Vice-Chancellor

N/a - no interest held at 31 March 2005. Payments made during the year are either nil or insignificant.

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

# Professor Roy Crawford retired from office in December 2004. On 31 March 2004, Mrs Teresa Townsley and Mr Derek Shaw retired as board members of Invest NI. Details of transactions in previous years with companies in which these board members had an interest in are disclosed in prior year accounts.

### 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:

Sponsoring organisation	Programme / Scheme	Amount approved by Invest NI 2005 £'000	Amount approved by Invest NI 2004 £'000
International Fund for Ireland (IFI)	Radiane Scheme	280	2,300
European Commission (Peace II)	Information Age Initiative	1,861	3,604
	Economic Revitalisation	474	901
	Research and Technological Development - Centres of Excellence	7,972	7,953

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

	Invest NI's contribution		External funding received		Total payments by Invest NI		Debtor (included in note 19)/ (Creditor) (included in note 20)	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
a) CBSUP	-	-	487	290	731	566	305	62
b) SABP	3,549	3,000	1,228	2,200	5,460	4,600	(178)	(862)
c) WIN	-	-	-	717	-	-	(717)	(717)
d) IIW	149	-	-	-	649	-	500	-
e) WMP	-	-	282	-	267	22	7	22

- a) Community Business Start Up Programme (CBSUP): funded by DEL
- b) Start a Business Programme (SABP): funded by Invest NI and local councils
- c) Western Innovation Network (WIN): funded by Invest NI and EC
- d) Investing in Women (IIW): funded by DEL
- e) Waste Management Programme (WMP): funded by DOE

In addition to the above, Invest NI also manages the Business Improvement Agents and Broadband TV programmes, the Regional Action Plan programme, the European Seafood Exposition programme, Innovation West and the Cross Border Technology Enterprise Start Up programme. At the end of the year, there was a total outstanding balance of £206k (2004: £123k) relating to these programmes, which is included in the other debtors figure of £1,829k in note 19 (2004: £1,785k in note 19).

## APPENDIX A

### Share Investments in Client Companies

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

Company	Type of shares	No of shares 2005	No of shares 2004
Aepona Limited	£1 redeemable preference shares	325,000	325,000
Amphion Semi Conductor Limited	Preferred ordinary shares	-	6,000,190
Anderson Manning Associates Limited	£1 redeemable preference shares	-	125,000
Anderson Manning Associates Limited**	£1 5.5% non cumulative redeemable preference shares	150,000	-
Adamsez (NI) Limited	£1 redeemable preference shares	150,000	150,000
A P Galgorm Limited (Adria Limited)	£1 "A" 11% cumulative redeemable preference shares	424,736	1,080,000
A P Galgorm Limited (Adria Limited)	£1 ordinary shares	-	270,000
Aerospace Metal Finishers Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Alta Systems Limited*	£1 7% convertible cumulative redeemable preference shares	100,000	-
Amacis Holdings Limited	£0.01 Ordinary shares	250,000	250,000
Andronics Limited	£1 8.5% cumulative preference shares	225,000	225,000
Andronics Limited**	£1 ordinary shares	375,000	-
Antrim Hills Spring Water Co Limited	£1 redeemable preference shares	50,000	50,000
Arca Technologies Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Aromet Group Limited	£1 non cumulative convertible redeemable preference shares	30,000	30,000
Aromet Group Limited	£1 redeemable non cumulative preference shares	105,000	105,000
Authentica Limited	Redeemable preference shares	30,000	30,000
AXIS three Limited	Convertible redeemable preference shares	74,000	74,000
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Limited	£1 redeemable cumulative preference shares	500,000	500,000
Balcas Limited	£1 "C" preferred ordinary shares	1,500,000	1,500,000
Belleek Pottery Ltd	Redeemable cumulative preference shares	300,000	300,000
Biznet Solutions Limited*	£1 8% redeemable cumulative preference shares	75,000	-
Bluechip Technologies Holdings Limited*	£1 6% redeemable cumulative preference shares	65,000	-
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
British Textiles Manufacturing Co Limited**	£1 5% redeemable cumulative preference shares	307,026	-
Causeway Data Communications Limited	5.5% non cumulative redeemable preference shares	25,000	25,000
Chieftain Trailers Limited	5.5% non cumulative redeemable preference shares	150,000	150,000

Company	Type of shares	No of shares 2005	No of shares 2004
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000	220,000
Country Inns (Ulster) Limited***	£1 8% "A" redeemable cumulative preference shares	250,000	-
Coulter Windows Ltd	£1 5% redeemable cumulative preference shares	250,000	250,000
Cunningham Stone Limited**	£1 8% redeemable cumulative preference shares	140,000	-
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Datactics Limited*	£1 redeemable cumulative preference shares	100,000	80,000
Delta Print & Packaging Limited	£1 redeemable cumulative preference shares	187,500	187,500
Dunsilly Hotel*	£1 6% redeemable cumulative preference shares	100,000	-
Duromould Limited	£1 5.0% redeemable cumulative preference shares	50,000	50,000
Eventmap	£1 4% redeemable cumulative preference shares	81,000	81,000
Exus Energy Limited*	£1 5.5% preference shares	120,000	80,000
Embedded Monitoring Systems Limited*	£1 7.5% convertible redeemable preference shares	75,000	-
Finisco Limited*	£1 7.5% redeemable cumulative preference shares	76,000	-
Fighting Bull Technologies Limited*	£1 7.5% convertible redeemable preference shares	100,000	-
Fighting Bull Technologies Limited*	£1 ordinary shares	500	-
F M Environmental Limited	£1 redeemable preference shares	12,500	42,500
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Finlay BME Limited	£1 redeemable cumulative preference shares	250,000	250,000
Franklins International Limited (Franklins Textiles Limited)	£1 redeemable cumulative preference shares	-	200,000
Global Club Limited	£1 redeemable preference shares	100,000	100,000
Global Email company	£0.00001 "B" ordinary shares	57,173,148	57,173,148
Gendel Limited	Redeemable cumulative preference shares	378,000	378,000
Glenaden Shirts Limited	£1 redeemable preference shares	250,000	250,000
Hartstone Group plc	10p Ordinary share	121,043	121,043
Heartsine Technologies Limited	Ordinary shares	142,857	142,857
IceMOS Technology Corporation (USA)	Series "A1" preferred stock	2,500	2,500
IceMOS Technology Corporation (USA)	Series "A2" preferred stock	9,997,500	9,997,500
In4mation Online Limited	£1 redeemable cumulative preference shares	50,000	50,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,001	200,001

Company	Type of shares	No of shares 2005	No of shares 2004
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
J P Corry Holdings Limited	£1 redeemable cumulative preference shares	225,000	225,000
Killyhelvin Hotel**	£1 redeemable cumulative preference shares	245,000	-
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000	50,000
Lagan Technologies Limited	£1 preferred "A" ordinary shares	195,694	195,694
Lagan Technologies Limited**	£1 "A" convertible preference shares	163,221	-
Lagan Technologies Limited	£1 redeemable non cumulative preference shares	250,000	250,000
Latens Systems Limited	Ordinary shares	25,806	25,806
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Linden Foods Limited	£1 redeemable cumulative preference shares	500,000	500,000
Linian Knitwear Limited	Ordinary shares	3,265	3,265
McCleery Technical Yarns Limited*	£1 5% "A" cumulative redeemable preference shares	50,000	-
Manor House Country Hotel***	£1 3% redeemable cumulative preference shares	330,000	-
McAvoy Group Limited	£1 cumulative redeemable preference shares	350,000	350,000
Medevol Limited	3.0% cumulative redeemable preference shares	100,000	100,000
Meridio Holdings Limited	£0.025 "A" preferred ordinary shares	1,588,235	1,588,235
Memsis Limited*	£1 8% cumulative redeemable preference shares	60,000	-
Mobile Cohesion Limited	£1 redeemable cumulative preference shares	400,000	400,000
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	161,000	161,000
Newry Building Supplies Limited	£1 redeemable cumulative preference shares	80,000	80,000
Nisoft (UK) Limited	Cumulative redeemable preference shares	200,000	200,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000	50,000
Pressfold Limited	£1 redeemable non cumulative preference shares	80,000	80,000
Primus Holdings (USA)	\$0.025 common stock	170,943	170,943
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
PWS Ireland Limited	£1 redeemable preference shares	-	20,000
Quality Additives Limited	£1 redeemable preference shares	60,000	60,000
Randox Laboratories Limited	£1 5% Cumulative Redeemable preference shares	4,000,000	4,000,000
Roe Park Holdings Limited***	£1 5% "A" redeemable cumulative preference shares	550,000	-
Serpico Software Limited	£1 10.0% cumulative redeemable preference shares	135,000	135,000

Company	Type of shares	No of shares 2005	No of shares 2004
Smiley & Monroe Limited	£1 redeemable non cumulative preference shares	135,000	135,000
SMTEK International Inc. (USA)	\$0.01 common stock	17,042	17,042
Specialist Joinery Fittings Limited	£1 redeemable non cumulative preference shares	80,000	80,000
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000	330,000
Telestack Limited	£1 5.5% non cumulative preference shares	100,000	100,000
The Grant Group	"B" £1 redeemable preference shares	100,000	100,000
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000	25,000
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000	75,000
Tough Glass Limited	£1 redeemable non cumulative preference shares	180,000	180,000
Traced Assured Limited*	£1 7% "A" cumulative redeemable preference shares	50,000	-
Traced Assured Limited*	£1 7% "B" cumulative redeemable preference shares	100,000	-
Traced Assured Limited*	£1 ordinary shares	7,000	-
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000	75,000
Tudor Journals Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Ulster Development Capital	£1 ordinary Shares	15,000	15,000
Ulster Engineering Limited	£1 redeemable non cumulative preference shares	100,000	100,000
Ulster Weavers Apparel Limited	5% redeemable preference shares	692,500	692,500
Unibase Cabinet Systems Ltd	£1 redeemable non cumulative preference shares	40,000	40,000
UPU Industries Limited	£1 redeemable cumulative preference shares	250,000	250,000
Valence Technology Inc. (USA)**	\$0.001 common stock	539,416	-
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
Western Connect Limited	5.5% cumulative redeemable preference shares	100,000	100,000
William Clark & Sons Limited	£1 redeemable ordinary shares	750,000	750,000
William Ross & Co. Limited	£1 "C" redeemable cumulative preference shares	100,000	100,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000
Woodlock Joinery Limited	£1 redeemable cumulative preference shares	200,000	200,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000

\* Share investments 2004-05, each £100,000 and below

\*\* Share investments 2004-05, exceeding £100,000 each

\*\*\* Transferred from Northern Ireland Tourist Board in 2004-05

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

Company	Type of shares	No of shares 2005	No of shares 2004
Answercall Direct Limited	£1 5% redeemable preference shares	200,000	200,000
Advance Precision Tooling Limited	£1 redeemable preference shares	-	40,000
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Aunt Mollies Foods Limited	£1 preference shares	75,000	75,000
Avalanche Technology Holdings Limited	1p ordinary shares	500,000	500,000
Bespoke Shirt Company Limited	£1 redeemable cumulative preference shares	44,702	44,702
Broad Fittings Limited	£1 redeemable cumulative preference shares	125,000	125,000
DSQ Property Co. Limited	£1 "A" redeemable preference shares	17,757,000	17,757,000
Elizabeth Alexandra Limited	£1 redeemable cumulative preference shares	90,000	90,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Elastic Olympian Limited	£1 "A" redeemable cumulative preference shares	70,000	70,000
Elastic Olympian Limited	£1 "C" redeemable cumulative preference shares	100,000	100,000
E-link Software Limited	£1 cumulative redeemable preference shares	60,000	60,000
Erinwood Manufacturing Limited	£1 "A" redeemable cumulative preference shares	10,000	10,000
Erinwood Manufacturing Limited	£1 redeemable non cumulative preference shares	70,000	70,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000	150,000
John Compton (Glenane) Limited	£1 redeemable preference shares	50,000	50,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000	149,000
Herdman Holdings Limited	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Limited	Ordinary shares	10,000	10,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000
Langford Joinery Limited	£1 "A" redeemable cumulative preferences shares	130,000	130,000
Langford Joinery Limited	£1 "C" redeemable cumulative preference shares	90,000	90,000
Leaf Mecatronics Limited	£1 "A" redeemable cumulative preference shares	210,000	210,000
Leaf Mecatronics Limited	£1 redeemable preference shares	50,000	50,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000
McDowell, J C	£1 ordinary shares	60,000	60,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Mopack Systems Limited	£1 redeemable non cumulative preference shares	70,000	70,000
Mineit Software Limited	£1 redeemable preference shares	250,000	250,000



Company	Type of shares	No of shares 2005	No of shares 2004
Maximum IP Limited	£1 5.5% cumulative redeemable preference shares	50,000	50,000
Northern Ireland Export Co. Limited	£1 redeemable non cumulative preference shares	102,000	102,000
Northern Ireland Export Co. Limited	Ordinary Shares	98,000	98,000
Northland Computers Services Limited	£1 redeemable preference shares	100,000	100,000
North West Independent Clinic Limited	£1 redeemable non cumulative preference shares	100,000	100,000
Oberon Enterprises Limited	£1 redeemable non cumulative preference shares	90,000	90,000
PAM Electronic Limited	Ordinary shares	10,000	10,000
Pacific Tooling Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick (Manufacturing) Limited	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preferences shares	45,000	45,000
Sarcon (No 19) Limited (GK)	"B" redeemable cumulative preference shares	70,000	77,000
Sarcon (No 150) Limited (Donaghadee Carpets)	£0.1 "A" ordinary shares	500,000	500,000
Sarcon (No 150) Limited (Donaghadee Carpets)**	£1 8% cumulative redeemable preference shares	1,500,000	1,350,000
Sheelin Products Limited	£1 redeemable preference shares	40,000	40,000
Softcom Limited	£1 redeemable preference shares	50,000	50,000
Smartlight Devices Ireland Limited	£1 "A" redeemable preference shares	750,000	750,000
Smartlight Devices Ireland Limited**	£1 10% "B" redeemable preference shares	470,000	-
SMTEK Europe Limited	£1 Redeemable preference shares	200,000	200,000
The Data Warehousing Practice (NI) Limited	5.5% non cumulative redeemable preference shares	35,000	35,000
The Shirtmakers Guild Limited	£1 redeemable cumulative preference shares	150,000	150,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000	35,000
United Fashion (Strelitz)	£1 "A" Redeemable Preference Shares	250,000	250,000
Waveline Limited	£1 redeemable preference shares	100,000	100,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000

\*\* Share investments 2004-05, exceeding £100,000 each

## APPENDIX B

# Report on the 2004-05 Financial Statements

### Purpose of Report

1. In 2002-03 and 2003-04, I qualified my opinion on Invest Northern Ireland's financial statements as insufficient evidence was available to me in relation to the recording and use of funds by Third Party Organisations (TPOs). Many of these contracts were inherited from Invest NI's predecessor organisations and some were not supported by an adequate system of controls.
2. I have not qualified my opinion on the 2004-05 accounts in respect of this matter as Invest NI has now introduced a structured inspection programme of TPO books and records as I recommended in my 2002-03 report. This has provided me with sufficient evidence to conclude that funds provided in 2004-05 to TPOs have been used for the purpose intended. Invest NI paid some £9.7 million (2003-04: £4 million) to 49 TPOs in 2004-05.
3. In my report on the 2003-04 qualification, I noted that I would review the outcome of these investigations during my audit of the 2004-05 accounts. The results of my review are detailed in paragraphs 12 to 18 below.
4. In response to the NIAO recommendation, Invest NI carried out a wide review of all types of contractual relationships and undertook a structured and risk based inspection programme. The inspection programme focused on 28 organisations which were assessed with the highest risk and funding since Invest NI was established. These included 16 TPOs accounting for £9.1 million of the 2004-05 spend. In total these 16 TPOs have accounted for 96 per cent of the funds which Invest NI provided to TPOs over the past three years.

### Background

5. 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.
6. TPOs are therefore organisations which have the ability to make funding decisions or have responsibility over public funds. This responsibility can extend to the disbursement of public funds, payment collection or the management of publicly owned assets. TPOs include bodies which have a strategic partnership with Invest NI for which they are provided with core funding. They also include a number of financial institutions which operate loan funds using funding provided by Invest NI.
7. TPOs do not include organisations which are mainly involved in service delivery or which provide strategic advice and which have limited or no funding decision capability.
8. In 2002 Invest NI commissioned consultants to conduct a review of the TPO contractual relationships inherited from the Local Enterprise Development Unit (LEDU). 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 NI with assurance that TPOs were complying with the terms and conditions of the contracts.

In response to these findings, Invest NI introduced revised procedures over new contracts in 2003-04. Further guidance was issued in February 2004 and an Audit and Control function set up to manage the budget to TPOs.

9. These monitoring arrangements did not include the structured inspection programme of TPO books and records which I recommended in my report on the 2002-03 accounts. They also did not address the contractual and other weaknesses in existing arrangements.
10. To ensure completeness of the scope of the inspections, a review was carried out by Invest NI of the extent and adequacy of its contractual relationships in respect of 247 separate initiatives identified as potential TPOs, some 49 of which were confirmed as TPOs, as defined above. A risk assessment exercise then identified 28 organisations for inspection. A programme of work was designed to be carried out by external consultants on each of the 28 organisations. This programme covered corporate governance, financial controls, related parties, as well as compliance with the funding agreement and proper use of funds.

### **Results of my review of Invest NI Inspections**

11. All of these 28 inspections have been undertaken and initial or final reports drafted. This exercise has identified a number of issues including compliance with conditions in funding agreements, and provision of adequate supporting information.
12. In all but one of the 28 organisations reviewed to date, the overall conclusion of the Invest NI assessment was that funds had been used for the purpose intended. However a range of problems were identified by the inspections. These included:
  - contractual outputs need to be more carefully monitored before funding payments are made, and particular care taken that payments are not in advance of need;
  - a small number of organisations had inadequate systems of control over issuing grants or loans using funding provided by Invest NI. As a result agreed project expenditure by these organisations was not always adequately supported by documentation;
  - there are questions over the viability of five of the organisations which may cease operation if Invest NI funding is not continued;
  - there is scope for improvement in the corporate governance arrangements to assist organisations in demonstrating that funding was managed to the standard of probity required by publicly funded bodies; and
  - there are still instances where Invest NI staff members are on the Boards or other decision making committees of external organisations. This can lead to the risk of perceived or actual conflict of interest.

13. I asked Invest NI what steps were being taken to address the issues arising from the inspections and they advised me that:
- as existing contracts expire, the future of the initiative is reviewed and if appropriate, new contracts are put into place updating Invest NI's contractual position. These new contracts follow Invest NI's revised guidelines which will be periodically reviewed;
  - the information gathered during the review and Invest NI inspections has been used to develop a new framework for classifying and dealing with TPO relationships;
  - where specific weaknesses have been identified these have been highlighted to the TPO concerned and action plans drawn up to deal with them;
  - new guidance and template documents are being prepared for wider use throughout Invest NI;
  - new contracts have been drafted which will be used as a basis for these templates; and
  - Invest NI's operating manual will be updated and training will be provided to all relevant staff.
14. In one organisation, which is a strategic partnership arrangement originally funded by LEDU, more significant concerns were noted during the inspection. These included difficulties in obtaining the necessary evidence to confirm that the core funding provided by Invest NI had been spent appropriately. There were inconsistencies and lack of clarity in the documentation which has led to the original inspection being superseded by a wider forensic investigation. This investigation is currently ongoing to determine whether any impropriety has occurred. £1.7 million of public funds has been made available to this company over a period of nine years. Total funding was approximately £350,000 in the year 2004-05.
15. I am pleased to note the actions being taken by Invest NI as a result of the evidence gathered as part of the Invest NI inspections exercise. This, of course, was one of the main reasons for my recommending the need for this exercise in my 2002-03 report. The 2002-03 and 2003-04 accounts were qualified because these reviews had not been conducted and evidence on the proper use of funds was not available to me at that time.
16. As noted in paragraph 10 above, the scope of the Invest NI review covers all organisations with which it had a significant contractual relationship when Invest NI was established in April 2002 or since that time. Contracts with LEDU, IRTU or IDB which expired prior to the existence of Invest NI were not included in the review. This approach ensures the use of Invest NI funding is subject to review. It does not identify organisations which received funding prior to that date and continue to deliver a service based on previous arrangements or which may hold assets funded by the previous organisations.
17. I have since noted one further organisation, funded some years ago by LEDU which was not included as a TPO in the scope of Invest NI's investigation where there are allegations of irregularity. There has been no funding since Invest NI was established and these allegations are currently being investigated.

### **Emerging Business Trust**

18. Invest NI, in January 2003, commissioned a separate 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 of public money on behalf of LEDU and the International Fund for Ireland. The Trust assisted in the financing of emerging businesses from disadvantaged areas in Northern Ireland.
19. In my report on the 2002-03 accounts (issued in July 2004) I noted that the Invest NI investigation was still in progress and significant governance and regularity issues including LEDU's handling of potential conflicts of interest were still being explored. I received a final report from Invest NI into the establishment and management of EBT on 4 April 2005. Both EBT Loan Fund and EBT Venture Fund went into Creditors Voluntary Liquidation on 11 April 2005. Invest NI told me that it continues to take all necessary steps to maximise recovery of funds previously provided.
20. I am preparing a separate report on the matters arising out of Invest NI's own investigation into the EBT Loan Fund and the EBT Venture Fund, which should be presented to Parliament in the near future.

### **Conclusion**

21. In my opinion the structured programme of inspection introduced by Invest NI has provided me with sufficient evidence upon which to conclude on the use of funds in 2004-05. While a number of issues have been raised as a result of the inspection programme undertaken by Invest NI, these predominately reflect problems with previous years' funding. Where concerns have been raised in relation to the current years funding, in my view, these are not sufficiently material to warrant qualification.
22. Most of the problems noted by the inspections in paragraph 12 above and the ongoing investigations relate to bodies which received funding from LEDU. This body ceased to exist in 2002 when its functions and staff became part of Invest NI. I will continue to monitor the outcome of these investigations.
23. I have not qualified my opinion on the 2004-05 accounts as, in my view, I have now obtained sufficient evidence on the recording and use of funds paid to TPOs during the year.



J M Dowdall CB  
Comptroller and Auditor General

8 November 2005

Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU



If you require an executive summary of this brochure in an alternative format (including Braille, disk, audio cassette or in minority languages to meet the needs of those whose first language is not English) then please contact:

**Invest NI's Equality Team**

T : 028 9069 8315

E-mail : [equality@investni.com](mailto:equality@investni.com)



Building Locally  
Competing Globally

Bedford Square  
Bedford Street  
Belfast BT2 7EH  
T : 028 9023 9090  
F : 028 9043 6536

[www.investni.com](http://www.investni.com)