Invest Northern Ireland

Building Locally
Competing Globally

Annual Report and Accounts

2005-06

Being **Entrepreneurial**

Being **Innovative**

Being **International**

Invest Northern Ireland

Building Locally
Competing Globally

INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

Laid before the Houses of Parliament by the Department of Enterprise, Trade and Investment in accordance with Paragraph 12 (2) and (4) 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.

23 November 2006

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.

23 November 2006

Ordered by the House of Commons to be printed

23 November 2006

HC 27

NIA 378/03

Invest Northern Ireland is working to
in Northern Ireland by focusing on

being entre
being innov
being inter

These drivers will help deliver the expertise and resources to accelerate the creation and growth of businesses. They are central to everything we do and form the core theme of this report. The visions they project reflect the forward-looking nature of our agency.

increase wealth and prosperity
three key economic drivers:

preneurial,
ative and
national.

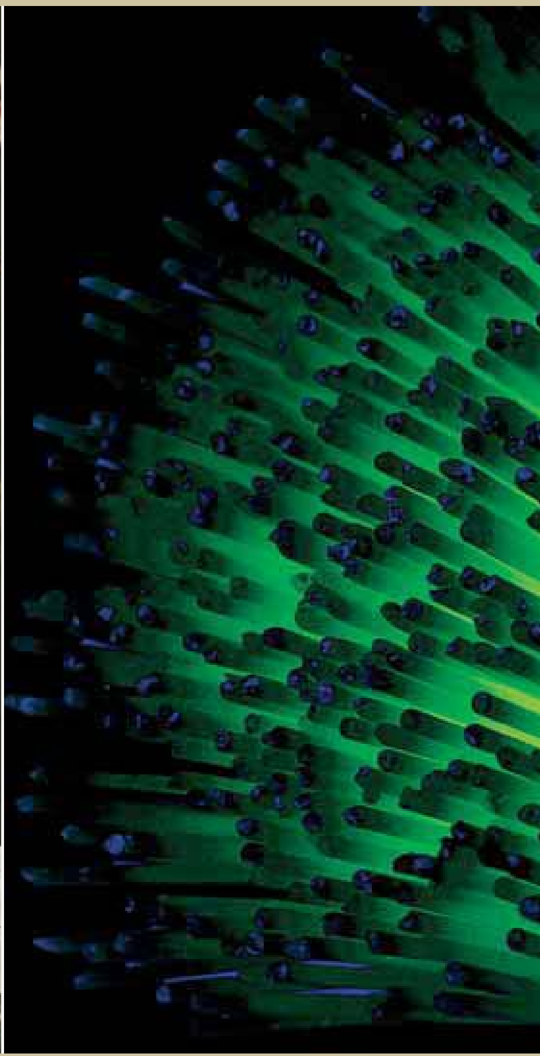

Being **Entrepreneurial**


Being **Innovative**


Being **International**

Contents

Annual Report



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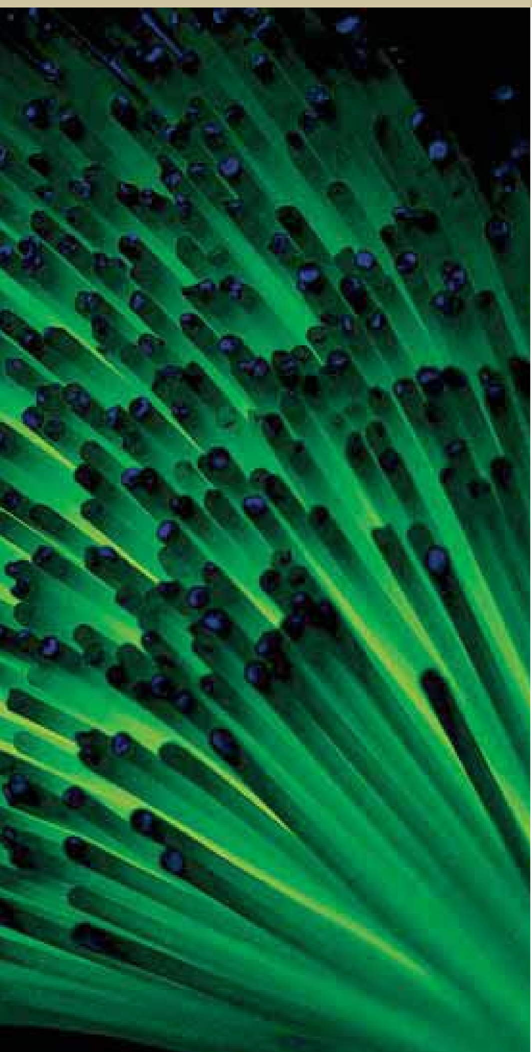
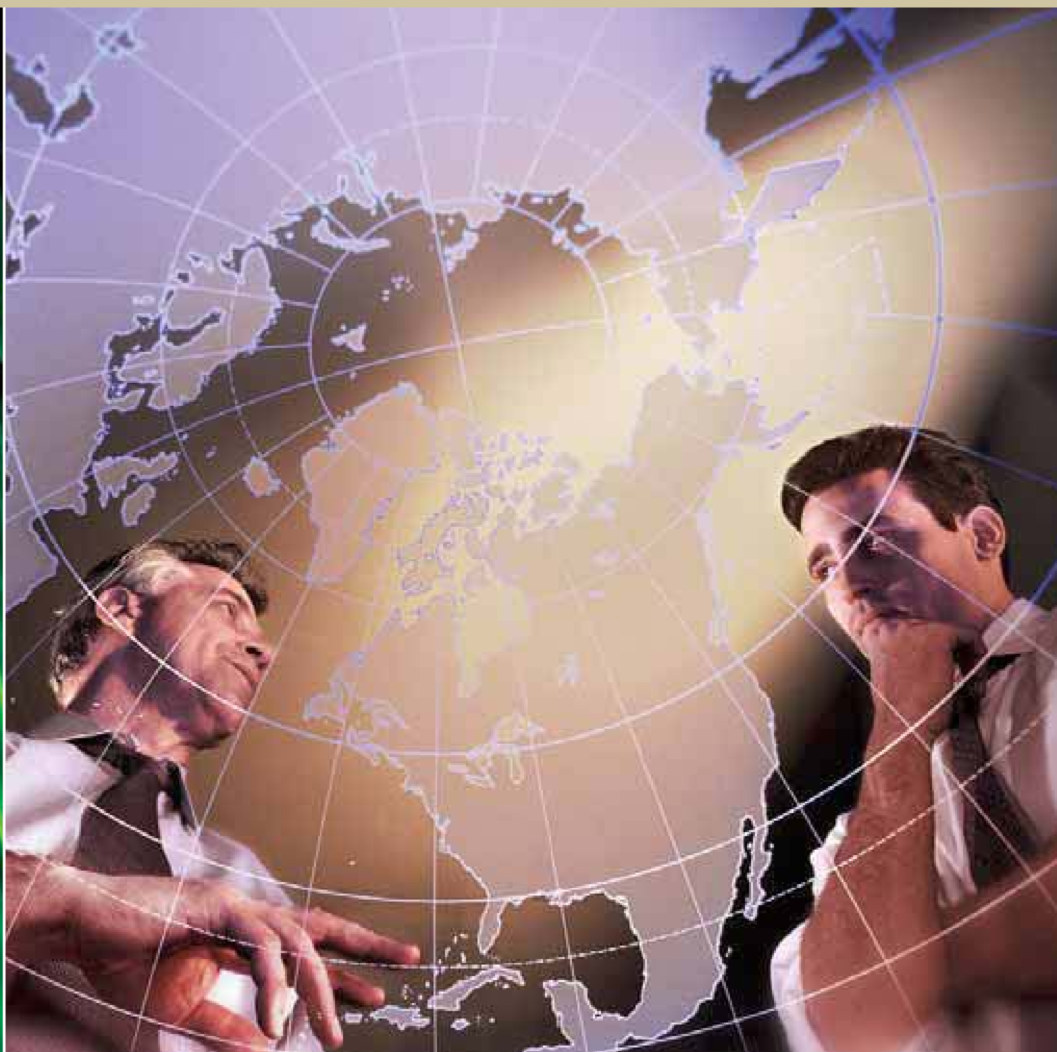




Being **Entrepreneurial**

Being **Innovative**

Being **International**

01

Introduction and Statutory Background

Introduction and Statutory Background

Invest NI Board Members; Front row (L-R) Stephen Kingon, Fabian Monds, Rotha Johnston. Middle row (L-R) Rosemary Peters-Gallagher, Frank Bunting, Leslie Morrison, Gilbert Little, Debra Jenkins. Back row (L-R) Alan McClure, Patrick Haren, Leslie Ross, Debra Johnson, Bill McGinnis, Tracy Meharg, Colin Lewis, Terri Scott, Bernie Hannigan.

The Board presents its annual report and the audited accounts for the year ended 31 March 2006.

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 & Investment (DETI) with the approval of the Department of Finance & Personnel (DFP) and the Financial Reporting Manual (FReM).

The accounting policies adopted in the preparation of these accounts are detailed in note 1 to the financial statements. In particular, the accounting policies adopted in relation to the pension scheme are detailed in note 9(iv) to the accounts. Further information on the pension scheme is also included in the Remuneration Report.

Statutory Background

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

Being **Entrepreneurial**

Being **Innovative**

Being **International**

02

Mission Statement and Objectives

Mission Statement and Objectives

Invest NI's mission is:
To deliver expertise and resources to accelerate the creation and growth of business committed to, and capable of, being entrepreneurial, innovative and international.

Our objectives are to achieve:

- improved competitiveness, increased skill levels and greater entrepreneurship amongst client companies;

- more positive attitudes towards enterprise that stimulate increased and better quality business starts;

- increased levels of research and development (R&D), innovation and commercialisation of research;

- a more internationally focused economy with increased value-added activities stimulating increased export sales;

- levels of new inward investment and reinvestment proportionally greater than the UK average.

Our clients

We focus our resources on helping our clients to be:

- Entrepreneurial
- Innovative
- International

Invest NI client companies are required to meet certain criteria and should be able to demonstrate that currently, or over the next three years, the business will:

- achieve total sales of over £100,000 a year;

- achieve sales outside Northern Ireland either greater than 25 per cent of turnover or greater than £250,000 a year; and

- be willing to, and capable of, working with Invest NI.

This report highlights how our activities helped our clients achieve success during the 2005-06 financial year.

Being **Entrepreneurial**

Being **Innovative**

Being **International**

03

Chairman's Introduction

Chairman's Introduction

I am very pleased to present my first report as Chairman of Invest NI, having taken over from Professor Fabian Monds who retired as Chairman at the end of December 2005.

Fabian played a crucial role in the establishment of Invest NI as the single economic development agency for Northern Ireland and his drive and determination as Chairman were reflected in a number of initiatives intended to improve Northern Ireland's global competitiveness through a sharper focus on innovation, enterprise and a more international approach to business development.

The leadership and guidance he provided contributed to the successful delivery of the first Corporate Plan, the formulation of our second Corporate Plan and the performance which the agency has reported against these plans.

Our performance for 2005-06 builds on these achievements and shows that we performed well against the challenging objectives and targets set. During the year, Invest NI's suite of support programmes facilitated client companies to make £616 million of investment commitments in the local economy. That brings the total investment supported by Invest NI to over £2 billion in the last four years, with the £200 million of new and recurring annual salaries to be generated by overseas and indigenous investment commitments made last year exceeding Invest NI's total budget.

We delivered one offer of support every six hours and we backed nine new business formations every day; and we did it at a cost per employee among the lowest of all the major economic development bodies in the British Isles.

Looking to the future, it is essential that we reinforce last year's performance with further advances intended to stimulate new business formation, greater commitment to international trade and the vigorous and unrelenting pursuit of foreign direct investment (FDI). For the first time since the 1970s, the global economy has expanded at an annual rate of more than 4 per cent for four consecutive years. Indeed, the International Monetary Fund (IMF) has increased its forecast for 2006 global economic growth to 5.1 per cent from a previous estimate of 4.9 per cent.

However, despite this positive backdrop, challenges remain. The IMF has raised its growth forecasts for the eurozone and China, but reduced its forecast growth for the United States economy, while forecast levels of global FDI are not expected to recover to their 2000 peak until 2010.

Global factors such as higher interest rates, high and volatile energy prices and increasing current account imbalances have the potential to impact negatively on the overall favourable economic conditions faced by local business, with the IMF cautioning that the risk of a severe global slowdown in 2007 is stronger than at any time since the 2001 terror attacks on the US.

Further challenges to international and domestic competitiveness are growing, particularly in the form of low-cost, low-tax competition from newly emerging regions, where unregulated economies with abundant cheap labour are dramatically increasing competition for previously profitable products and services.

Technically, Northern Ireland currently enjoys full employment, with unemployment significantly below that of the UK and EU. However, this conceals some serious structural weaknesses including uneven sub-regional growth, overdependence on the public sector, the lowest level of labour market participation and the highest levels of long-term and youth unemployment in the UK.

Collectively, we must address these if we are to create a rebalanced, modern economy where growth and prosperity are driven by a vibrant and globally competitive private sector, and dependency on disproportionately high levels of public expenditure is reduced.

Nevertheless, despite 30 years of civil unrest and continued political instability, Northern Ireland business has demonstrated remarkable resilience and the region has continued to have relatively high success in attracting overseas investment and reinvestment.

Our role is to improve Northern Ireland's relative competitiveness by providing effective support to clients; encouraging them to innovate for global markets, supporting their investment and reinvestment within Northern Ireland and by stimulating process excellence and broader entrepreneurial activity.

As this global competition intensifies, Invest NI must remain innovative, flexible and responsive to make the most efficient use of available resources, in order to help stimulate economic regeneration and encourage and facilitate further investment and competitiveness amongst our clients.

Achieving these objectives in a competitive and resource-constrained environment demands that we focus our resources on those companies that already add, or have the potential to add, the greatest value to the economy by trading internationally, generating quality employment opportunities and creating wealth.

Currently, our 2,500 clients represent about 4 per cent of Northern Ireland's total VAT registered business population and we are keen to support the investment and growth plans of more ambitious and entrepreneurial companies.

Regularly measuring delivery on our own and client expectations is a key element in measuring our performance. We have been encouraged by the positive results from our annual and monthly client satisfaction surveys and the feedback we receive from these will continue to improve our focus on client companies to ensure that we have the best products to add value to their operations, both at home and abroad.

We have already initiated plans to further improve communications, relationships and transparency with our stakeholders, and to reflect these internally and to Government, in order to ensure that the correct resources to drive economic development are in place.

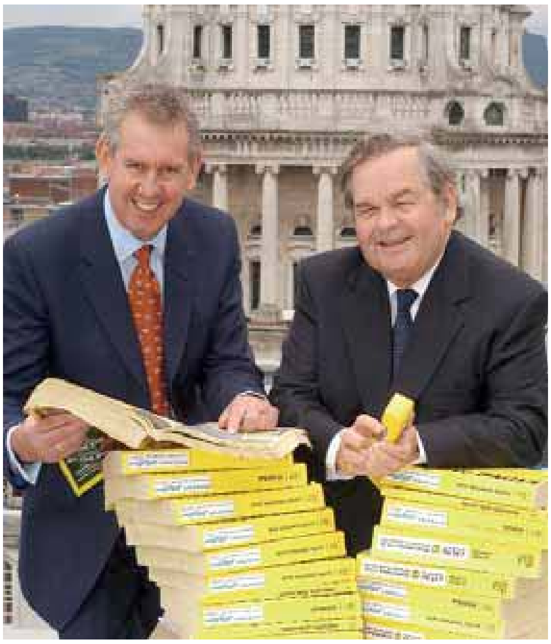
To support delivery of these objectives, four new Board sub committees have been established. These cover the areas of Strategy & Policy; Stakeholders; International; and Human Capital, and will ensure that we remain focused on our key objectives and challenges and will assist in channelling feedback from stakeholders and clients towards shaping and delivering robust and appropriate policies.

Shifting the Northern Ireland economy from public sector dependency to private sector leadership requires a partnership among the public, voluntary and private sectors and our politicians. Invest NI is a willing partner in that endeavour.

The results that we are presenting for 2005–06 could not have been achieved without support from the Department of Enterprise, Trade and Investment, the Minister and the Secretary of State and the commitment, enthusiasm, and professionalism of all of Invest NI's staff. On behalf of the Board, I would like to place on record our appreciation for their efforts to maximise the use of scarce resources and add significant value to our clients' operations.

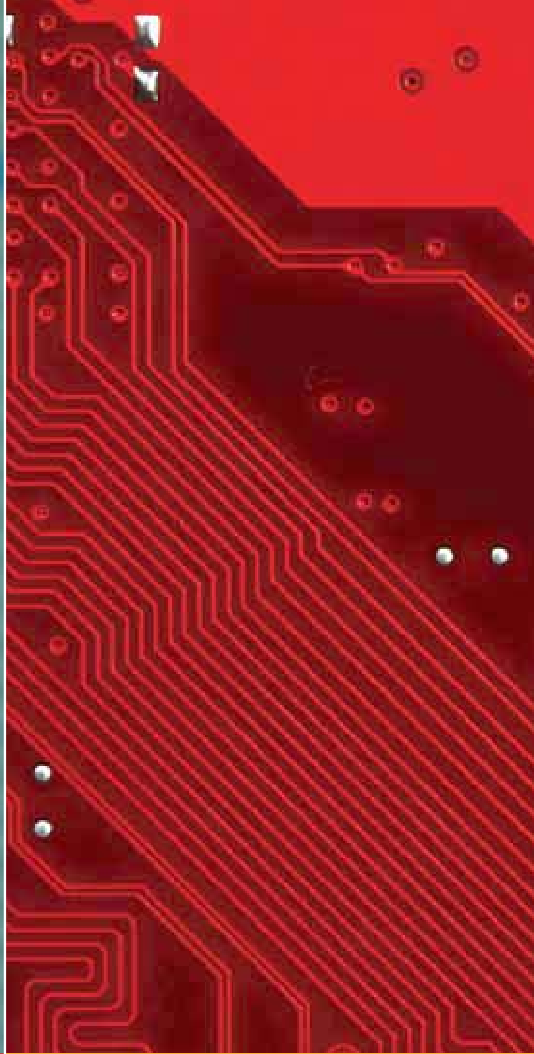
These results illustrate that, in the role we have been given by Government, we are fit for purpose. We will become even fitter and will work with all our stakeholders to maximise Invest NI's contribution to the vision of a private sector led economy.

Stephen Kingon



Steve Chambers, Yell UK's Chief Commercial Officer Pictured with **Professor Fabian Monds**, former Chairman of Invest Northern Ireland.

Being **Entrepreneurial**



Being **Innovative**

Being **International**

04

Chief Executive's Overview

Chief Executive's Overview

I am glad to report a further year of positive results for Invest NI, where we met, or exceeded, most targets.

Throughout the year, we have continued to apply high standards of corporate governance and imposed a robust system of financial controls.

Responding to high levels of demand for the bulk of our programmes and activities, effective management of our budget has focused interventions on adding value to our clients' operations and has maximised their return to the Northern Ireland economy.

To simplify our offering, we grouped our business development solutions into six solution areas with a central theme of innovation. The £616 million of investment commitments that we stimulated during the year have been increasingly directed towards promoting innovation and capability throughout our client base to ensure that it can compete more strongly in global markets.

Innovating for global markets

We have continued to embed innovation, to develop our innovation infrastructure, and to build on the valuable contribution which the universities and Centres of Excellence are making to knowledge and technology transfer.

Northern Ireland's future output of new goods and services will be boosted by the £12 million support we offered towards investment in R&D. We are encouraged by the quality of projects that promoters are bringing forward and by the 57 clients for whom we supported projects for the first time.

In 2006–07, through the provision of carefully tailored programmes, we will encourage existing R&D participants to invest, and will expand the number of companies that do so.

Innovation, of course, is much broader than R&D and our first Innovation Week, themed 'Think Different. Grow Fast', attracted over 1,000 business people to 16 events across the full innovation spectrum. This underpinned our encouragement for clients to apply world-class tools and techniques to improve processes, develop new products and explore opportunities for export.

Tangible outputs included £210 million worth of orders won by clients through our public-procurement service and £15 million in higher profits reported by companies involved in our Business Improvement Agent programme. Major initiatives such as our Energy and Environment Show and the launch of a free online information resource www.niwasteworks.com assisted businesses to adopt best practice in sustainable development.

Nearly 1,000 of our companies received practical advice on exploiting broadband and the Internet for business advantage, capitalising on Northern Ireland's achievement of being the first region in Europe to reach 100 per cent broadband coverage.

Many of these activities are preparing our clients to increase exports – a fundamental requirement to growing a small economy. Over 500 companies were supported last year through our Passport to Export programme in their efforts to become first-time exporters, or to broaden their export markets. While participating companies have so far reported new business valued at £189 million, there is still much to do to promote an export culture, particularly among our smaller companies. Languages training, selling and negotiating skills, provided to over 160 key sales personnel last year, were vital initiatives and they will be further developed in 2006–07.

Leslie Morrison, Chief Executive of Invest NI pictured with Secretary of State **Peter Hain** and Polaris Chairman and CEO **Arun Jain**.

The proximity of the Republic of Ireland offers Northern Ireland companies an early entry into exports. Beneficial relationships were further developed when Northern Ireland companies participated in an all-island trade mission with Enterprise Ireland to India during January.

Through our own trade activities, companies participated in 46 sectoral and multi-sectoral missions, including a strong delegation to China in November, led by the DETI Minister, and a very successful mission to India, led by the Secretary of State.

This secured new inward investment and forged strong trade links, illustrating that the rapid development of emerging economies offers great opportunity for local companies.

During the year, we also engaged successfully in delivering Northern Ireland's first comprehensive, industry led sectoral strategy directed at the food and drink industry. The 31 recommendations of the 'Fit for Market' strategy are being implemented in four key clusters focusing on marketing, innovation, capability and the supply chain. Through the work of the industry advisory body, the Food Strategy Implementation Partnership, a model of integrated partnership for this priority sector has been created.

Supporting investment and reinvestment

Our success in securing new inward investment, also a vital component of growing our economy, continues to reinforce Northern Ireland's image as a prime location for nearshore operations in internationally tradable services such as software development, network services and financial services.

Sponsors of the 14 new foreign direct investment (FDI) projects secured will invest nearly £155 million in the local economy and are expected to generate 1,756 new jobs and some £33 million in direct annual salaries.

While the US market continues to offer the greatest potential for new FDI, significant new projects are being won from the Republic of Ireland, the rest of Europe and India. Securing Polaris Software Lab, the first greenfield technology investment in the island of Ireland by an Indian company, has added to our emerging financial-services software sector.

The strength of our university research base is enhancing Northern Ireland's attraction for knowledge-intensive projects, as multinational research companies recognise that we are in a good place to create and safeguard intellectual property. Investments by companies of the calibre of Intelliden further contribute to upskilling the labour force, and show that we must focus on skills and innovation as the rationale for investment, as distinct from uniquely cost.

Overseas-owned companies which invest here have reinvested more often than in any other region in the British Isles, including the Republic of Ireland, further embedding these companies into the fabric of our society and growing our economy. Follow-on commitments made last year by externally owned companies, including Seagate, Canyon Europe and Caterpillar/ FG Wilson, will lead to investment of almost £208 million and are expected to create 1,344 new jobs, while safeguarding 2,956 others.

Equally importantly, over 320 existing locally owned companies were supported to initiate projects worth over £124 million in investment value. Confidence shown by companies such as Marlborough Engineering and MJM Marine, illustrate that Northern Ireland remains competitive in niche manufacturing, where new product development and greater added value provide a platform for export sales.

Stimulating entrepreneurial activity

Increasing awareness of the opportunities arising from self-employment was bolstered as Invest NI made a major contribution to National Enterprise Week in November. Two Start a Business Shows and the sustained Go for It campaign stimulated over 10,000 enquiries and led to 3,427 offers made through the Start a Business Programme.

L-R: FG Wilson's **Mark Sweeney** pictured with former Minister **Angela Smith** and **Jeremy Fitch**, Managing Director of Clients Group & Business International, Invest NI.

A wide-ranging consultation with stakeholders has begun and this will enable further refinements to the Programme to sharpen delivery and ensure maximum value for money.

Customer feedback is indicating high levels of satisfaction with delivery through the local office network which focuses on new and existing businesses with an export focus.

Invest NI local offices supported 110 existing and 44 new projects with export focused businesses and we shall continue to support businesses with high-growth potential, which generally develop leading-edge technologies based on the knowledge and intellectual property of their founders.

At a broader level, our efforts to create more positive attitudes towards enterprise included a range of initiatives delivered to over 50,000 individuals, with a particular focus on under-represented groups, including women and young people, work which will continue in the coming year. The new Hall of Fame profiled eleven of Northern Ireland's most celebrated entrepreneurs.

Clients and non-clients are now able to benefit from the recent launch of Invest NI's enterprise portal (www.nibusinessinfo.co.uk) which brings together critical information sources for all businesses, at no cost to them. In its first two weeks of operation, over 4,000 individual Northern Ireland businesses accessed this site, the first of its kind in the British Isles.

Working with a wide range of local economic development partners, stakeholders and business-service providers to support the growth of regional business communities and infrastructures, our local office network continues to ensure that businesses and individuals across Northern Ireland can easily access our complete range of products and services.

Resources and efficiencies

Increasing global competition, combined with a challenging business environment, means that Invest NI must continually improve its performance and prioritise scarce resources in order to achieve best value for money. Demand for our activities is currently outstripping the supply of available resources and this requires us to increasingly target activity towards higher value-added opportunities, placing a greater emphasis on quality projects, with higher salary levels, increased innovation and the ability to develop new skills.

Oonagh Hinds, Entrepreneurship and Development, **Irvine Abraham**, Association of NI Colleges and **Sophie Cassidy**, Victoria College at an Enterprise Week Youth Event, 14-20 November 2005.

The efficiency savings that we have delivered, while maintaining the highest standards of corporate governance and achieving many of the requirements outlined in the Government's Modernisation and Reform Agenda, result in Invest NI having running costs per head that are among the lowest of any economic development agency across the British Isles.

A contribution to this has been made by our new headquarters building in Bedford Street, an investment financed through a Public Private Partnership. In addition to direct cost savings, the enhanced communications and knowledge-sharing efficiencies are benefiting both staff and clients and will further improve service delivery.

We have continued to dispose of surplus land assets that have no foreseeable prospect of development. These realised £10 million of receipts which were passed back to Central Government for redistribution to other frontline services.

We recognise that annual results only provide a snapshot of activity and that measurement of their impact is impossible in the short term due to the timelag between activities and their outcomes.

Substantial work was undertaken to develop a Performance Information Framework which provides a transparent, systematic approach to measuring the impact of our activities on the Northern Ireland economy over time. This was published in September 2006.

Far Right: Tracy Meharg, Managing Director of Innovation and Capability Development, pictured at one of the youth events during Innovation Week, 21–24 March 06.

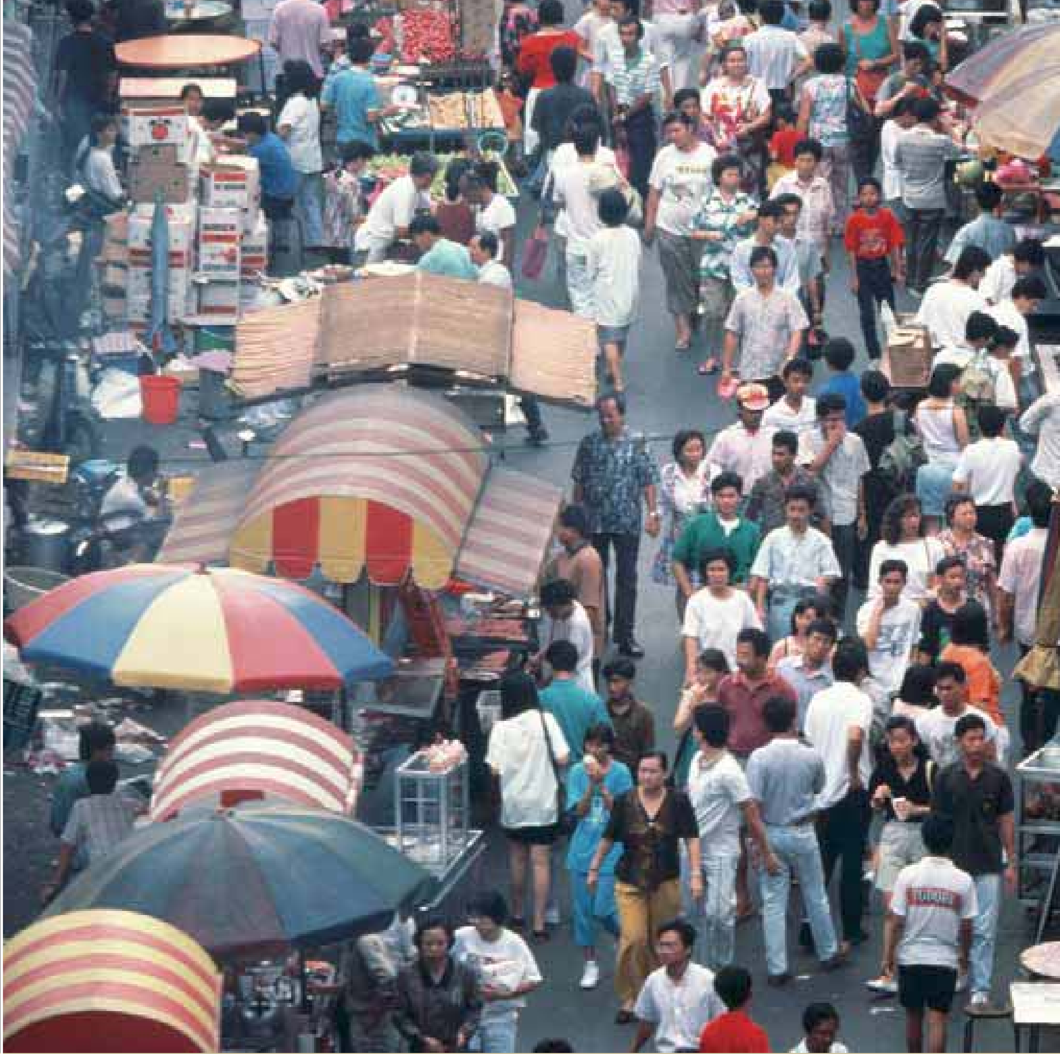
Over 75 per cent of our staff are engaged in roles which involve direct contact with clients, and we are acutely conscious that the requirement for Northern Ireland business to keep raising its game places a parallel demand on us.

In support of ongoing staff development, 2,302 training days were delivered, and a further 421 days were spent on organisational development events. Forty-four staff were supported through our further-education scheme. The commitment of our management and staff to world-class delivery is absolute and we continue to strengthen our client delivery, processes and programmes. No less than this is acceptable to Invest NI.

Leslie Morrison

Being **Entrepreneurial**

Being **Innovative**



Being **International**

05

Key Achievements

Key Achievements

The impact of our work

As a result of Invest NI's activities during the year:

- the local economy will benefit from over £616 million of investment commitments which will generate over £200 million a year in new salaries and wages;
- over 320 existing locally-owned companies are pledged to invest over £124 million to expand and develop;
- externally-owned companies have committed to 31 new projects, promoting or safeguarding almost 6,400 jobs and generating approximately £130 million annually in salaries;
- Invest NI helped create more than nine new businesses every day;
- the regional office network supported 110 existing and 44 new projects, helping client companies to achieve new external sales valued at over £55 million.

How we achieved this

- We made over 1,700 offers of support to businesses, totalling almost £134 million; £94 million of this was in the form of selective financial assistance (SFA) to attract new investments to Northern Ireland, and to encourage the start-up, growth and capability development of locally-owned businesses. The main elements of this included:

  (i) FDI projects secured which are expected to create 3,100 new jobs and safeguard 3,281 existing jobs. Of these:

    - 14 new internationally mobile projects won for Northern Ireland. The total amount of assistance offered was almost £20 million, which will leverage total planned investment of over £154 million.
    - 17 existing externally-owned clients were offered almost £52 million of assistance. This contributed 25 per cent of the total planned investment by these businesses, which will amount to almost £208 million.

  (ii) Over 320 offers to existing indigenous clients, through our sector based client divisions and local offices, representing assistance of over £20 million. An additional £7 million of assistance will be delivered through third sector organisations on behalf of Invest NI. The total planned investment associated with these projects is expected to be around £137 million.

  (iii) 43 new indigenous business start-ups were offered over £2 million of assistance towards a total planned investment of almost £14 million. These starts-ups were assisted because of their potential to demonstrate growth, primarily through the development of export markets outside Northern Ireland.

- We offered over £12 million of assistance through a range of schemes and programmes to help develop the innovation infrastructure within Northern Ireland, and to assist clients of all sizes develop innovative products and services. This support contributed towards innovation projects worth almost £30 million and covered the full range of sectors identified within the Northern Ireland Regional Innovation Strategy.

- These included major projects in the areas of nanotechnology and information communication technology (ICT) undertaken by Seagate, and health and life sciences by Galen and Almac Diagnostics. The Product and Process Development programme made almost £1 million available to 56 smaller companies seeking to break into new markets by exploring new technologies and adopting new process and production methodologies; these projects ranged from cricket-scoring software and floating barriers for watersports events, to retainerless valve development.

- The Energy and Environment Show, promoting environmental best practice and energy efficiency, enjoyed a record attendance of 1,532 delegates from 1,023 companies. The 70 exhibitors of energy and environmental technologies and services reported sales of more than £3 million. The launch of a free online information resource (www.niwasteworks.com) for businesses seeking to reduce, reuse and recycle their waste, continues to promote sustainable development and attracted over 6,000 visitors between October 2005 and the end of March 2006.

- Our ICT advisory service offered over £1.6 million to enable 130 businesses to improve their productivity and, in total, over 900 companies were assisted to improve their use of ICT.

- In order to focus training and development support specifically on improvements identified from the Business Health Check, the Company Development Programme was restructured to sharpen delivery, and was renamed the Business Improvement Training Programme.

- Our Business Information Services responded to 10,131 enquiries during the year – almost one enquiry every 10 minutes of the working day – including nearly 2,500 major enquiries for companies researching new markets and seeking other information to assist in the development of their business.

- Over £20 million of assistance was offered to support specific business improvement, trade development and knowledge management projects. This leveraged a total investment of over £72 million within the local economy.

- We supported the creation of 3,476 new businesses, with the potential to create 5,000 new jobs, with an increasing focus on projects with export or high growth potential. Our venture capital fund for high-technology start-ups (NITECH) and the Northern Ireland Business Angel Network, which is partly sponsored by Invest NI, helped several new companies that are targeting the global marketplace. Companies benefiting from this venture capital support included Axis Three, which licensed technology from Siemens Germany.

- Companies participating on the Passport to Export programme in 2005–06 have reported new business valued at £189 million to date, with many securing contracts as a result of exhibiting at, or visiting, prestigious international trade exhibitions. These included the European Seafood Exposition (Brussels), Cruise and Ferry (London), Nanotechnology Fair (California), Bio 2005 (Philadelphia), Plan Expo (Dublin), Medica 2005 (Düsseldorf) and 3GSM World Congress (Barcelona).

- The Northern Ireland Technology and Development Centres in Boston, Denver and Dubai continued to operate successfully providing serviced office facilities, mentoring and business development support for companies expanding into surrounding markets. Having taken office space in our Dubai Centre, Mivan formed a joint venture with DEPA, the Middle East's leading hotel interiors contractor. The company also won a multi-million US dollar contract to fit out the interior of the Museum of Islamic Art in Doha, Qatar.

- We helped place 83 graduates through the Explorers Programme to undertake export-market development work on behalf of Northern Ireland companies wanting to explore and develop new markets and worked with 77 companies actively seeking to identify strategic alliances. The University of Ulster signed a Memorandum of Understanding with the University of Madras as a result of contacts made on a trade mission to India in 2004, and six companies secured strategic partnerships.

- We sold 85 acres of fully serviced land to clients to allow them to develop new accommodation. We also developed an acquisition and disposal strategy in conjunction with the Strategic Investment Board which will guide the management of our property portfolio until 2013.

- We invested £1.8 million in developing site infrastructure across our property portfolio of 49 business parks, estates and stock of modern manufacturing and office-style business units including major works at Creagh, Carran, Whiterock Industrial Park and the Timber Quay office development in Londonderry. The Timber Quay development, along with the entrepreneurial business hub at Skeoge, both form part of the Virtual Cross Border Technology Zone which has been developed as a joint venture between the Industrial Development Agency (IDA Ireland) and Invest NI.

Launch of Continental Airlines' direct Belfast – New York service, May 2005

- In addition to supporting infrastructural development, initiatives such as the Western Innovation Network, the close working relationship with the South East Economic Development Partnership and support for three Integrated Development Fund projects, endorsed for support by the West Belfast and Greater Shankill Joint Working Group including two projects focused on the social economy, have ensured that our network of regional offices continued to adopt a partnership approach to addressing local economic needs.

- In delivering the recommendations of the 'Fit for Market' strategy, a wide range of initiatives was deployed to support the food sector, including the direct employment of specialist food marketing advisers in export markets, a first for public intervention in a Northern Ireland business sector.

- The Air Route Development Company continued to improve Northern Ireland's international connectivity and competitiveness and tourism potential through its support for new air routes to New York, Berlin, Geneva and Rome, which became operational in the early part of 2005–06. During the year the three domestic routes ceased to operate, as a result of commercial decisions taken by the airlines.

The key operational targets of the 2005–06 Operating Plan together with the year-end achievements are listed below:

Activity	2005–06 operating target	Year-end achievement
Stimulating formation and growth of companies through SFA support	£580m total investment £192m annual salaries	£500m £165.3m
Improving management and workforce capability	450 people, process and strategic excellence interventions, of which 75 will be skills related	396 plus 72 skills related
Encouraging collaboration between companies	10 supplier and supply chain projects	18
	30 Business to Business Bridge projects	38
'Go for it' campaign	5,000 enquiries	8,551
	2 Start a Business shows with 4,000 attendees	2
Stimulating investment in innovation and R&D	£25m total investment	£29.8m
	30 new companies to engage in R&D	57
	5 NITECH projects	6
	4 Proof of Concept projects	10
	Establish a Seedcorn Fund mechanism for university spin-out companies	Some delays; likely to be achieved during 2006-07
Assisting business start-ups	3,000 business start-ups	3,476
Female entrepreneurship	4,000 participants in women's networks	4,138
	43% of start-ups to be female	44.5%
Entrepreneurship in education	40,000 students to participate in entrepreneurship programmes	28,559
Youth entrepreneurship	7,000 young people to be given advice through LiveWIRE	7,369
	200 young entrepreneurs to be supported through Prince's Trust	200
Assisting knowledge transfer	30 Knowledge Transfer Partnerships	33
	2 technology missions	2
	15 technology opportunities studies	13

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Activity	2005–06 operating target	Year-end achievement
Enhancing R&D support infrastructure	Complement of 150 additional researchers to be maintained in commercial centres	252
	Commercial centres to generate £60m	£98.9m
	Academic centres to generate £6m additional research funding	£8m
	Promote the establishment of an industry-led research initiative in support of financial services sector by 30/12/05	Project delayed; likely to be achieved during 2006–07
	1 new Centre of Research Excellence	Project delayed; likely to be achieved during 2006–07
Promoting use of industrial design	35 participants on Design Development Programme	34
Attracting new inward investments	2,250 visits to companies	2,360
	150 inward visits	138
	25 group visits	56
	participate in 40 sectoral marketing events	73
	15 new inward investment projects	14
	1,500 new jobs	1,756
	£27m additional annual wages	£33m
Increasing exports	150 key sales personnel to improve sales and marketing skills	164
	150 new first time exporters	138
	270 existing exporters to enter new markets	271
	75 companies to explore overseas business alliances	77
Supporting tourism accommodation	22 projects	23

Being **Entrepreneurial**

Being **Innovative**

Being **International**

06

Board and Executive

Board and Executive

Board and Executive

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

To help deliver on these objectives, along with the existing sub committees, four new Board sub committees have been created to help focus on key challenges and assist in shaping policy in response to feedback from stakeholders and clients. Each of these committees includes up to six Board members and up to three representatives.

Board members and the Senior Management team are required to register all interest, 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, at Invest NI's Head Office.

Board Members

Mr Stephen Kingon, Chairman

(appointed 1 Jan 2006)
Stephen is the Managing Partner of PricewaterhouseCoopers LLP in Northern Ireland. A qualified chartered accountant and management consultant, Stephen is also Chairman of the Centre for Competitiveness in Northern Ireland and is co-chair of the cross-border Round Table group.

Mrs Rotha Johnston, Deputy Chairman

Rotha was previously a shareholder and Director of Variety Foods, a food service company that has operations in Northern Ireland and the Republic of Ireland. She previously worked in the textile industry and economic development. She is currently a Director of AIB UK plc and has a number of property interests.

Mrs Deborah Boyd

Deborah is the Director of the Would-u-Like Group, a waste management and environment consultancy. She is Chairperson of the Waste Management Advisory Board NI (DOE) and a panel member of the Industrial and Fair Employment Tribunal. Deborah has served as a member of the CBI Regional Council and has been a member of the IBEC/CBI Joint Council for 14 years.

Mr Frank Bunting

Frank is Honorary Secretary of the Northern Ireland Teachers Council, and a member of the Irish Congress of Trade Unions, Northern Ireland Committee. Previously he collaborated in the working group which developed the DETI 2010 Economic Policy document, chaired the Education and Training Committee of the Centre for Competitiveness and served on a range of education/industry groups seeking to promote business and enterprise in schools to enhance life opportunities for young people in Northern Ireland.

Professor Bernie Hannigan

Bernie is Pro Vice Chancellor for Research at the University of Ulster. She previously held the positions of Dean of Life and Health Sciences and Head of School of Biomedical Sciences. Bernie is a member of a number of local and national organisations and charities concerned with research and the support of economic regeneration through innovation. She is a Director of the Northern Ireland Science Park and Newry Greenshoots.

Dr Patrick Haren

Patrick is Group Chief Executive of Viridian Group plc, whose major subsidiary is Northern Ireland Electricity. He was formerly a member of the DETI's Economic Development Forum and a Steering Group Member for Strategy 2010. As Chairman of the Northern Ireland Growth Challenge and the Northern Ireland Quality Centre he initiated their merger under the new Centre for Competitiveness.

Ms Debra Jenkins

Debra is a founding member and Chief Executive Officer of Exus Energy, a renewable energy technology company. Prior to this she was employed by Du Pont (UK) Ltd as a Senior Engineer working in the UK and France. She is a Fellow of the Institute of Chemical Engineers and a council member of Trade Organisation British Biogen.

Mr Gilbert Little

Gilbert has been engaged in founding and developing a number of companies in the telecommunications and software sector. He is currently Chairman and shareholder of Aepona Ltd (Belfast), with shareholder interests in a number of other technology companies. Gilbert is an engineer and barrister with more than 25 years experience in international business.

Dr Alan McClure

Alan was founder Chairman of Ilex Urban Regeneration Company, which oversees the social and economic regeneration of the Derry City Council area. A former Chairman of the Northern Ireland Institute of Directors and President of Londonderry Chamber of Commerce, he is also a Londonderry Port & Harbour Commissioner and non-executive director of the Bank of Ireland, Bristol & West and the Northern Ireland Forensic Science Ministerial Advisory Board.

Mr Bill McGinnis

Bill is Chairman of the McAvoy Group, a manufacturer of modular and sectional buildings. He is Chairman of the Air Route Development Company, a subsidiary company of Invest NI, and non-executive Director of the Department of Employment and Learning. He is also a member of the National Employment Panel and the Sector Skills Development Agency. Bill is an Ambassador of the Prince's Trust, a member of the Board of the Management and Leadership Network and a past President of the Northern Ireland Chamber of Commerce and Industry.

Mrs Rosemary Peters-Gallagher

Rosemary is a Partner in Moore Stephens Chartered Accountants and Registered Auditors and Business Advisors. She is a member of the Council, Court and the Audit Committee of the University of Ulster. Rosemary is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Directors serving on the Professional Development Committee of the latter. She is a panel member of the Appropriate Authority, which administers criminal legal aid in Northern Ireland and a non-executive Director of the Northern Health and Social Services Board.

Professor Fabian Monds (retired as Chairman on 31 December 2005)

Fabian has been the BBC National Governor for Northern Ireland since 1999. He is Chair of the BBC Children in Need Trustees. He is a founding partner of Medical and Scientific Computer Services Ltd, Lisburn and of Western Connect Ltd, Londonderry. Fabian is Chairman of the Northern Ireland Centre for Trauma and Transformation in Omagh and a Trustee of the UK Teaching Awards.

Board sub-committees

Finance Control Committee

Responsible for budgetary management and the operation of effective financial controls, the committee reviews the financial performance of the organisation on a monthly basis, highlighting and reviewing variances between outturn and budget, and ensures implementation of decisions taken to enhance financial management.

Stephen Kingon
Rotha Johnston
Rosemary Peters-Gallagher

Audit Committee

Responsible for reviewing and advising on risk management and corporate governance processes, internal and compliance matters, and internal and external audit matters. The committee also reviews controls surrounding financial reporting and advises on the application of the latest reporting requirements.

Rosemary Peters-Gallagher – Chair
Deborah Boyd
Frank Bunting
Alan McClure
Bryan Keating – appointed to Board with effect from April 2006
Ed Vernon – appointed to Board with effect from April 2006

Remuneration & Performance Committee

To draft, on an annual basis, the targets and performance indicators against which the performance of the Chief Executive will be measured and to make recommendations on the annual pay increase and performance bonus of the Chief Executive.

Stephen Kingon - Chair
Rotha Johnston
Bernie Hannigan
Patrick Haren
Gilbert Little

Human Capital Committee

Reviews all aspects of the organisation structure and human resources of Invest NI with particular focus on their appropriateness for the delivery of its strategy and client service. Also reviews aspects of the people agenda for Invest NI, highlights any issues arising and brings forward recommendations and improvement suggestions.

Patrick Haren – Chair
Frank Bunting
Deborah Boyd
John Brady – appointed to Board with effect from April 2006

International Committee

Reviews and assesses the market for contestable FDI opportunities and Invest NI's FDI Marketing Strategy and Plan, including 'aftercare development' and the role and efficiency of overseas office network. Also reviews Invest NI's Trade Strategy, products and services and examines the linkages between FDI and trade.

Bill McGinnis – Chair
Bernie Hannigan
Debra Jenkins
John Brady – appointed to Board with effect from April 2006

Policy and Strategy Committee

Considers the general economic environment and context within which Invest NI operates, reviews market demands and client needs to ensure relevance of products and programmes and effective maximisation of budgets. Also assists in the development and appropriateness of linkages into wider regional economic strategies which impact on Invest NI.

Rotha Johnston - Chair
Patrick Haren
Bill McGinnis
Ed Vernon - appointed to Board with effect from April 2006

Stakeholder Committee

Assists in the development, implementation and monitoring of a PR and Communication Strategy for Invest NI to maximise appropriate interfaces with key stakeholder groups including business bodies, political parties, district councils etc. Also reviews the outputs from the Client Satisfaction Survey and other issues arising from client engagement and helps determine appropriate corrective actions.

Gilbert Little - Chair
Alan McClure
Debra Jenkins
Rosemary Peters-Gallagher
Bryan Keating - appointed to Board with effect from April 2006
Ed Vernon - appointed to Board with effect from April 2006

Invest NI Executive

Mr Leslie Morrison, Chief Executive

Prior to becoming Chief Executive of Invest NI, Leslie had a long career with JP Morgan. His last position with the company was as a Managing Director at Head Office in New York where he ran JP Morgan's business with global mining clients, the Canadian oil and gas industry and certain US industrials. In addition to mergers and acquisitions execution and marketing, Leslie has broad experience in equity and debt capital markets, financial derivatives and credit products. His early career was as an investment analyst and equity portfolio manager with the Airways Pension Fund. Leslie was educated at Queen's University Belfast, where he graduated in Modern Languages in 1971.

Ms Tracy Meharg, Managing Director, Innovation and Capability Development

Tracy has responsibility for the promotion of innovation in Northern Ireland companies across the spectrum of research, development and design, trade promotion, business improvement and knowledge management. Previously Tracy worked for thirteen years in the Industrial Development Board (IDB) in marketing and business development roles. Prior to joining IDB Tracy worked as a Public Relations Consultant.

Tracy has a BA from Trinity College Dublin and an MBA in International Business and Industrial Development from the University of Ulster. She also has a Diploma in Marketing from the Institute of Marketing.

Mr Colin Lewis, Managing Director, Corporate Services

Colin has responsibility for finance and accountancy services, human resources, strategy management and planning, communications and marketing, corporate finance and appraisal services and property services. An Arts graduate from Queen's University Belfast, Colin worked for KPMG Chartered Accountants and Management Consultants for 10 years where he specialised in the area of corporate recovery and insolvency. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Mr Jeremy Fitch, Managing Director, Clients Group and Business International

Jeremy has responsibility for inward investment and growth of existing clients in the ICT, electronics, tradeable services, engineering, transport, construction and tourism sectors. A first class honours and International MBA graduate from the University of Ulster, Jeremy worked for Marks and Spencer plc and KPMG Chartered Accountants before joining IDB in 1992. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Mr Leslie Ross, Managing Director, Clients Group and Business International (retired 30 September 2005)

An Arts graduate, Leslie was appointed as Managing Director of Business International of Invest NI at its establishment and held the post until his retirement in 2005. Before that he was Acting Chief Executive of IDB.

Professor Terri Scott, Managing Director, Clients Group and Entrepreneurship

Terri took up her post in 2002. Terri was educated at the University of Ulster and Queen's University Belfast and has held a number of visiting positions at universities abroad. Before joining Invest NI she was Head of the School of Computing at the University of Ulster and Dean of Regional Development. She was appointed to a personal Chair (Professor of Technology Transfer) in 1999.

Terri left Invest NI on 31 March 2006 to take up the post of Chief Executive Officer of the Ryan Academy at Dublin City University.

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07

Organisation Structure

Organisation Structure

ORGANISATION STRUCTURE

Stephen Kingon
Chairman

Leslie Morrison
Chief Executive

Jeremy Fitch
Managing Director
Clients Group and Business International

- Kevin McCann – Transport, Construction & Tourism
- Brian Dolaghan – Engineering & Business Services
- Bill Montgomery* – International Investment

Ian Murphy*
Managing Director
Clients Group and Entrepreneurship

- Donal Durkan – Creative & Design Based Industries
- Maynard Mawhinney – Life Sciences & Food
- Graham Davis – Local Economic Development

Tracy Meharg
Managing Director
Innovation and Capability Development

- John Thompson – Innovation, Research & Technology
- Alan Hingston – Trade Development Services
- Victor Jordan – Business Improvement Services
- Alan Neville – Knowledge Management

Colin Lewis
Managing Director
Corporate Services

- Liam Hagan – Human Resources
- Mel Chittock – Finance
- Charles Harding – Corporate Finance Appraisal & Advisory
- Damian McAuley – Strategic Management & Planning
- Alison Gowdy – Corporate Communications & Marketing
- Steve Chambers – Property Solutions Unit

* Appointed in 2006–07

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08
Corporate Governance

Corporate Governance

Invest NI is a Non-Departmental Public Body (NDPB) set up under the Industrial Development Act (Northern Ireland) 2002, and sponsored by DETI.

It is responsible, under the provisions of the Act, for the service delivery of programmes and activities developed to meet the overall economic development policy objectives established by DETI.

Invest NI is responsible for reporting on its activities to DETI and, in turn, the Minister for Enterprise, Trade and Investment.

Invest NI is required to comply with stringent corporate governance obligations relating to all key areas of its functions and activities. These requirements are set out in a wide range of instruments, including the 2002 Act; Government Accounting Northern Ireland (GANI); Human Rights and Employment law; the Equality provisions of the Northern Ireland Act 2000; the Freedom of Information Act and Data Protection Act.

Financial

The Chief Executive is designated by DETI as Accounting Officer for Invest NI. The agency has established both a Board Audit Committee and an Internal Audit Committee to ensure the satisfactory operation of Invest NI's financial planning and risk management functions. Members of the Board and Senior Management team are required to register all interests which may reasonably be thought could influence their judgement. Further information is provided in the Statement on Internal Control which forms part of the Accounts.

Equality

Invest NI is committed to a policy of equality of opportunity in its employment practices and aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. Each person shall have equal opportunity for employment, training and advancement in Invest NI on the basis of ability, qualifications and performance.

Safety, Health and Welfare

In accordance with the Health and Safety at Work (NI) Order 1978, Invest NI continues to implement appropriate measures to protect the safety, health and welfare of all employees and visitors within its offices. Invest NI ensures that all staff are aware of its policy, procedures and provisions for Health and Safety.

Energy Efficiency

Issues of sustainability have been addressed in the new Invest NI HQ building in recognition of new thinking on energy conservation and global warming. With the advice of the Carbon Trust, Invest NI's new HQ building has been built as an exemplar of low carbon design, through its reuse of water and its contribution to the energy equation through solar panels on the roof. Through active management of its energy usage, Invest NI is committed to minimising the economic burden to the organisation of energy costs and reducing carbon emissions.

Code of Ethics and Conduct

Invest NI has a robust Code of Ethics procedure to which all staff are required to adhere. The code sets out in particular the obligations of staff in respect of private interest and possible conflict with public duty; the disclosure of official information; and political activities. Key members of senior staff such as Managing Directors, Directors, Heads of Divisions, Team Managers and staff working with clients and on programme contracts have responsibility to ensure that any possible conflicts of interest are identified at an early stage and that appropriate action is taken to resolve them.

Freedom of Information

As a public body operating in Northern Ireland, Invest NI has been required to comply with the provisions of the Freedom of Information Act 2000 with effect from 1 January 2005. Invest NI is committed to acting within the spirit and letter of the legislation and requests for information under the Act should be addressed to the Information Manager, Invest NI, Bedford Street, Belfast BT2 7ES or emailed to foi@investni.com

Data Protection

Invest NI processes a significant amount of personal information relating to individuals as part of its operations and in doing so is classed as a Data Controller under the terms of the Data Protection Act 1998. Invest NI is registered with the Information Commissioner's Office as a Data Controller and is committed to adhering to the eight principles of data protection in its management of personal information.

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09

Management Commentary

Management Commentary

Statutory background, business activities and key performance indicators

Invest NI is an NDPB sponsored by DETI. The statutory background, organisation's aims and objectives are described on pages nine to thirteen. Specific policies and acts governing Invest NI are described in the 'Corporate Governance' section. Key performance targets and achievements are described in the 'Key Achievements" section.

In addition, the 'Chairman's Introduction' and 'Chief Executive's Overview' highlight the main trends and factors which have influenced the development and performance of the organisation in the year and going forward.

Key highlights for the year

- Programme expenditure was £144 million against an allocated budget of £148.5 million, a 97 per cent achievement against target.
- Almost 100 per cent of the administration expenditure budget of £26.3 million was utilised.
- Receipts generated in the year totalled £33.1 million against an initial target of £10 million. These receipts related to the disposal of fixed investments and assets, and to the clawback of grant monies.
- The additional gross receipts generated above target, amounting to £23.1 million, were paid over to Central Government. This enabled funds to be released for financial planning purposes in the wider public sector.
- In addition to the budgeted receipts outlined above, Invest NI generates income relating to property rental, dividends, and loan interest. Along with VAT repayments, this was payable over to Central Government in 2005–06 and amounted to £7.2 million.

Financial statements

Income and Expenditure Account

The total income for the year was £154.4 million, an increase of £21.4 million (16 per cent) on the previous year. Income reported in the accounts comprises direct cash funding from DETI, and income generated by Invest NI.

The total expenditure has increased by almost 16 per cent to £186.7 million. This is due to an increase in grants and programme related expenditure, particularly industrial development grants.

Results for the Year

The deficit for the financial year, after accounting for notional costs, was £27.5 million. This result does not relate to a loss on operating activities, but can be explained by various accounting treatments as follows:

- Capital receipts amounting to £16.8 million were utilised instead of DETI cash funding, and reported in the Balance Sheet instead of the Income and Expenditure account.
- An increase in grant and other debt provisions amounting to £8.2 million that is not matched by a corresponding funding entry in the Income and Expenditure account.
- An increase in working capital amounting to £2.5 million which will be funded in subsequent years.

Balance Sheet

Total fixed assets including investments at the year-end was £144.5 million, a decrease of £15.4 million, (9.6 per cent) on the previous year. This was due to a reduction in tangible fixed assets as a result of the transfer of the Lisburn premises to Environment and Heritage Service and the sale of land and property. The reduction in investments was due to the repayment of loans and shares and movement in provisions.

Total creditors have increased to £46.7 million at the year end compared to £37.9 million in the previous year. This was due to an increase in accrued grant creditors primarily as a result of the adoption of an improved method of calculation and outstanding payments due to DETI in respect of income surrendered. This increase was offset by a reduction in a number of other areas including the bank overdraft. The bank overdraft is a book overdraft only.

Capital and reserves balances at the year-end have reduced from £114.8 million to £90.1 million reflecting the deficit presented in the Income and Expenditure account and the reduction in fixed assets and investments referred to above.

Other financial considerations

- The consolidation of office accommodation into the Bedford Square headquarters has resulted in both the Lisburn and Galwally sites being surplus to requirements. During the year the Lisburn site was transferred into the ownership of Environment and Heritage Services and it is planned that the lease at Galwally will be reassigned.

  The relocation to a single headquarters will continue to deliver administrative savings, and reinforces Invest NI's position amongst the most cost-efficient economic development organisations in the British Isles.

- During the year final DETI and DFP approval was granted to write off almost £60 million debt in relation to De Lorean. This had no impact on the financial results for the year as full provision for this debt of £60 million was made by the legacy agency IDB prior to the inception of Invest NI.

- 2005-06 has been another successful year for Invest NI. Under the direction and management of the Board, Chief Executive and the Senior Management Team, the organisation continues to strive for improvements in financial control and corporate governance in support of its objectives and priorities.

Prompt Payment Policy

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

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

Regular reviews conducted to measure how promptly Invest NI pays its bills found that 97 per cent (2005: 99 per cent) of bills were paid within this standard.

Employee Development and Communication

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, active involvement and communication with employees is conducted both directly and through the recognised Trade Union (NIPSA) in all relevant matters. The organisation is also committed to the continuing development of its staff and maximising their contribution to the continuous improvement of service delivery.

Environmental, Social and Community Responsibility

Invest NI is committed to the promotion of environmental, social and community responsibility. A number of successful programmes and initiatives were undertaken in the year which effectively promoted awareness of these areas.

These included the launch of the free online information resource, **nibusinessinfo.co.uk**, the Energy and Environmental Show, and the work done to stimulate entrepreneurial activities all of which have been described in greater detail in the 'Chief Executive's Overview' and the 'Key Achievements' section. As in previous years, the organisation continues to implement DETI's New Targeting Social Need (NTSN) action plan.

Post Balance Sheet Events

Three Board Members, Mr John Brady, Dr Bryan Keating and Mr Ed Vernon were appointed to the Invest NI Board in April 2006.

Further to the resignation of Professor Terri Scott, Mr Ian Murphy, previously the Director of Invest NI's International Information, Communication and Technology division, was appointed as the Managing Director of Clients Group and Entrepreneurship.

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.

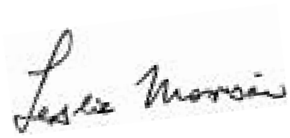
Invest NI is working closely with client companies to provide the appropriate support, particularly to those experiencing difficult trading conditions. The impact of the performance of these companies on Invest NI may subsequently be reflected in future accounts, depending on the particular circumstances in each company concerned.

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

Auditors

The Comptroller and Auditor General is the external auditor of Invest NI. There were no payments made in the year to the Northern Ireland Audit Office in respect of non audit work.

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



Leslie Morrison
Accounting Officer

Date: 6 October 2006

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10

Remuneration Report

Remuneration Report

Chairman and Board Members

The Chairman and Board Members are appointed in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments for Northern Ireland.

The Chairman and Board Members are appointed for a fixed period of up to three years. Thereafter they may be re-appointed in accordance with the Code of Practice.

The remuneration of the Chairman and Board is set by DETI. Increases are calculated in line with the recommendations of the Senior Salaries Review Body. There are no arrangements in place for the payment of bonus.

Neither the Chairman nor any Board Member receives pension contribution from Invest NI or DETI. Invest NI reimburses the Chairman and Board Members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

Details of remuneration of the Chairman and Board Members:

	Salary 2005–06 £'000	Benefits in kind 2005–06 £	Salary 2004–05 £'000	Benefits in kind 2004–05 £
Mr Stephen Kingon (Chairman, from 1 January 2006)	18	–	11	–
Prof Fabian Monds (Chairman, to 31 December 2005)	29	–	37	–
Mrs Rotha Johnston (Vice Chairman)	11	–	11	–
Mrs Deborah Boyd	11	–	11	–
Mr Frank Bunting	11	–	11	–
Prof Bernie Hannigan	11	–	11	–
Dr Patrick Haren	11	–	11	–
Ms Debra Jenkins	11	–	11	–
Mr Gilbert Little	11	–	11	–
Mr Bill McGinnis	11	–	11	–
Dr Alan McClure	11	–	11	–
Mrs Rosemary Peters-Gallagher	11	–	11	–

The salary of Stephen Kingon is paid directly to his employer as reimbursement of salary costs incurred. Up to December 2005, the salary of Frank Bunting was also paid directly to his employer.

Chief Executive and Senior Management team

The Chief Executive and the Senior Management team appointments are made in accordance with Invest NI's recruitment policy. The policy requires appointments to be made on merit on the basis of fair and open competition.

the Chief Executive and Senior Management team hold permanent appointments. The normal retiring age is 65, although staff may retire at any time after age 60 with no diminution of earned pension benefits. Policy relating to notice periods is contained in Invest NI's Staff Handbook.

The Chief Executive's remuneration package contains a provision for a performance related bonus up to 15 per cent of salary, to be determined according to the achievement of targets and performance indicators, which are set by the Board on an annual basis.

Performance against these targets is assessed each year by the Remuneration Committee which makes a recommendation, ultimately for Ministerial approval, on the amount of bonus to be paid. The Chief Executive is not a member of the Civil Service Pension Scheme and Invest NI makes a contribution equivalent to 19.5 per cent of his annual salary in lieu of pension provision.

The other members of the Senior Management team are paid on the same arrangements which apply to the Senior Civil Service. Their performance against previously agreed targets is assessed annually by the Chief Executive. Pay increases are entirely performance-based and the arrangements include a provision for the payment of performance based non-consolidated bonus.

Remuneration of the Chief Executive and Senior Management team

	Salary 2005–06 £'000	Benefits in kind 2005–06 £	Salary 2004–05 £'000	Benefits in kind 2004–05 £
Chief Executive: Mr. Leslie Morrison	160 - 165	–	155 - 160	–
Ms. Tracy Meharg	80 - 85	–	80 - 85	–
Mr. Colin Lewis	80 - 85	–	75 - 80	–
Mr. Jeremy Fitch	65 - 70	–	n/a	n/a
Prof. Terri Scott (resigned 31st March 2006)	80 - 85	–	80 - 85	–
Mr. Leslie Ross (retired 30th September 2005)	Consent Withheld	–	Consent 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. This report is based on payments made by Invest NI and thus recorded in these accounts.

Included in the Chief Executive's remuneration is £25,000 (2005: £24,000) of contribution in lieu of pension provision, and a performance related bonus of £11,000 (2005: £12,000).

Following Leslie Ross's retirement, Jeremy Fitch was appointed as his replacement. Prior to his appointment, Jeremy was Director of Invest NI's International Information, Communication and Technology division.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

Pension

With the exception of the Chief Executive, pension benefits for other Senior Management team members are provided through the Principal Civil Service Pension scheme (Northern Ireland) (PCSPSNI). From 1 October 2002, members of PCSPSNI 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 website **www.civilservicepensions-ni.gov.uk**

Pension details of Senior Management team as at 31 March 2006:

	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2006 £'000	CETV at 31 March 2006 nearest £'000	CETV at 31 March 2005 nearest £'000	Real increase in CETV nearest £'000
Tracy Meharg	0 - 2.5 Plus 2.5 - 5 Lump sum	15 - 20	222	195	17
Colin Lewis	0 - 2.5 Plus 2.5 - 5 Lump sum	10 - 15	172	150	13
Jeremy Fitch	2.5 - 5 Plus 5 - 7.5 Lump sum	10 - 15	136	103	27
Terri Scott (resigned 31st March 2006)	0 - 2.5 Plus 2.5 - 5 Lump sum	20 - 25	295	262	15

A **Cash Equivalent Transfer Value** (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.

The **real increase in CETV** reflects the increase in CETV effectively bound 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 user common market valuation factors for the start and end of the period.

Intelliden: **Alan Black**, Intelliden's President and Chief Executive Officer pictured with **Leslie Morrison**, Chief Executive, Invest NI.

Leslie Morrison
Accounting Officer

Date: 6 October 2006

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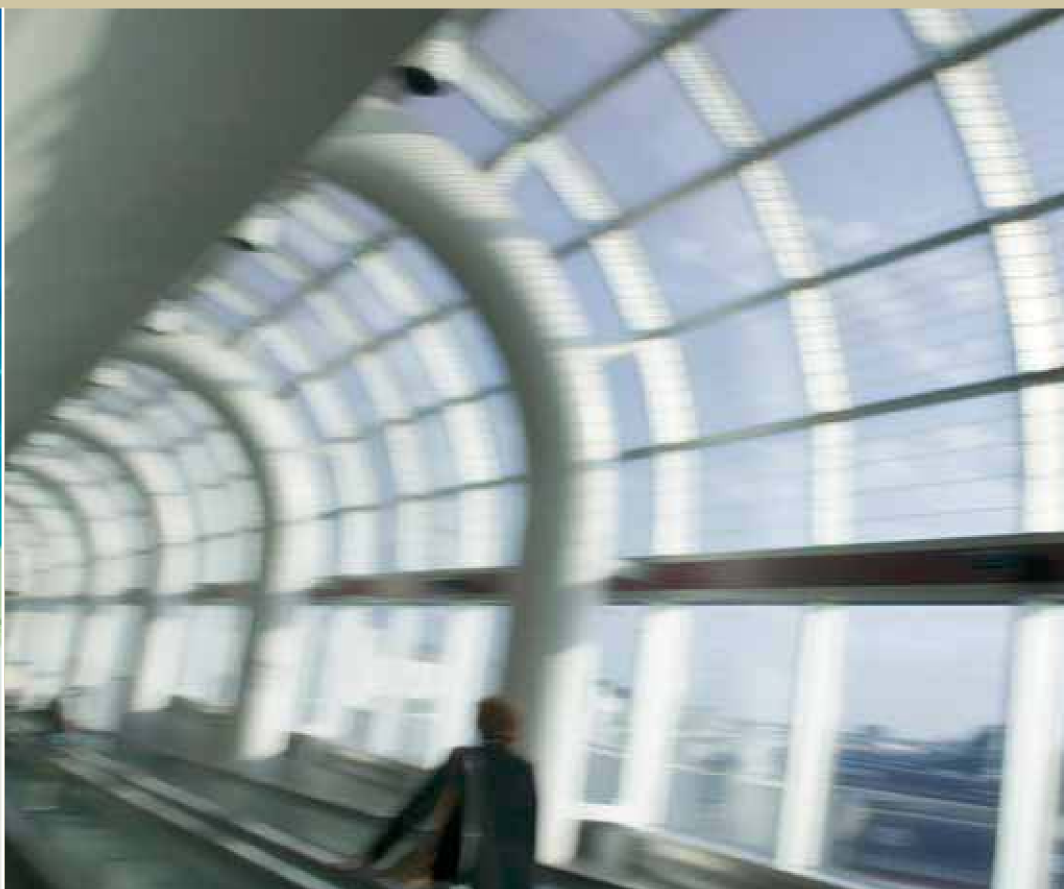
Contents

Accounts


40
35
30
25
20
15



Statement of Accounting Officer's Responsibilities

Under the Industrial Development Act (Northern Ireland) 2002, DETI (with approval from DFP) has directed Invest NI to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an 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, the Accounting Officer is required to comply with the requirements of the **Government Financial Reporting Manual** and in particular to:

- observe the Accounts Direction issued by DETI with the approval of DFP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that Invest NI will continue in operation.

The Accounting Officer of DETI has designated the Chief Executive as the Accounting Officer for Invest NI. The responsibilities as an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Invest NI's assets, are set out in the 'Non Departmental Public Body' Accounting Officer's Memorandum issued by DFP.

Leslie Morrison
Accounting Officer

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 ongoing 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 2006 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 Board Audit Committee and Internal Audit Committee which comprise representatives from Invest NI's Senior Management team, its Board, DETI, Internal Audit Service (IAS) and attended by 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.

Reflecting 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 are established 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.

The risk and control framework

The Board Audit Committee and the Internal Audit Committee meet on a quarterly basis to review and advise on risk management, control and governance arrangements. These include audit issues arising during the period, key projects, ongoing operational matters and investigations. Regular reports are sent to the sponsoring Department, DETI, for monitoring. In addition, risk management is continually 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.

Internal Audit Service (IAS), the internal auditor of Invest NI, 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 reviewed by the Board Audit Committee and Internal 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 Invest NI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committees. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Since the incorporation of Invest NI, IAS has conducted at least one audit, or a review on a thematic basis, of all systems and procedures identified as high priority. The IAS programme of audits undertaken in 2005–06 represented the third year of an agreed four-year Audit Strategy. Key aspects of the IAS audit programme included Invest NI's risk management processes, client monitoring and associated activities within the Client Groups, financial controls and a number of annual compliance reviews. In addition, IAS undertook a quality assurance review of a sample of evaluations associated with the Third Sector Organisation (previously known as Third Party Organisation) inspection exercise conducted by Invest NI.

IAS provided two limited audit opinions in 2005–06 in respect of finalised work. All other audit opinions were satisfactory. One of the areas where a limited opinion was reported was in the Corporate Communications division. Comprehensive revised procedures have been put in place and a guidance manual made available to staff following the review. The other limited opinion related to the remedial work associated with European Commission (EC) regulations.

While IAS acknowledged that considerable progress had been made from 2004–05 in bringing about greater compliance, a substantial amount of the remedial work was ongoing and therefore some risk remained.

For 2005–06, IAS has provided an overall satisfactory opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes.

Many positive findings were identified as a result of improved operational and financial controls across the organisation. In contrast to the IAS overall limited opinion provided for the previous year, the current year's satisfactory opinion recognises that considerable progress has been made in connection with remedial EC issues. In order to bring about full compliance with the EC regulations, and given the residual financial risks which remain, management and I accept the importance of completing the outstanding work in 2006–07.

During the year, Invest NI has reviewed the methodology for grant provision calculations. This review has involved a comprehensive analysis of each type of grant offer, and an assessment of the various options to improve the grant accrual and provisions calculation. The Northern Ireland Audit Office (NIAO) was kept informed of the review. Following this exercise, the calculation methodology was updated or revised where appropriate for the 2005–06 year-end. I am satisfied that the development of a more accurate assessment of provisioning methodology should improve the reliability of information presented in these accounts and facilitate an improved level of budgetary control across the organisation. In light of the diversity and complexity of the financial assistance packages provided by Invest NI, management and I will review, monitor and improve the calculation methodology on an ongoing basis.

In February 2006, officials from DETI and Invest NI provided evidence to the Committee of Public Accounts on an NIAO report entitled "Governance Issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit: In Relation to the Establishment and Oversight of the Emerging Business Trust Loan and Venture Funds."

The Public Accounts Committee (PAC) hearing arose as a result of a forensic accountancy investigation commissioned by Invest NI into the Emerging Business Trust Loan and Venture Funds (EBT). The findings of the investigation subsequently formed the basis of the Northern Ireland Audit Office report which covered issues largely relating to the period between 1996 and the abolition of LEDU in 2002. EBT was a Third Party Organisation (TPO): that is, an organisation which is not part of government but is involved in the delivery of public policy.

The PAC hearing considered significant conflict of interest issues relating to the establishment and management of EBT, the standards of corporate governance in LEDU, and the Department's stewardship of its NDPBs. Invest NI undertook a review of its TPO relationships and this was reported in the 2004-05 Accounts. Reference was made, in the NIAO report and in the PAC hearing, to investigations being carried out by Invest NI and DETI into three bodies, established between 1990 and 1998. These investigations are still in progress. Further guidance has been issued to staff as a result of the PAC hearing and we continue to refine our processes, which now require the personal approval of the Permanent Secretary of DETI before a new TPO can be established.

Leslie Morrison
Accounting Officer

Date: 6 October 2006

Certificate and Report of the Comptroller and Auditor General

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 of Invest Northern Ireland for the year ended 31 March 2006 under the Industrial Development (Northern Ireland) Act 2002. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report and 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. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if Invest Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 75 to 77 reflects Invest Northern Ireland's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of Invest Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Introduction and Statutory background, Mission Statement and Objectives, Chairman's Introduction, Chief Executive's Overview, Key Achievements, Board and Executives 2005-06, Organisation Structure, Corporate Governance, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Invest Northern Ireland 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Development (Northern Ireland) Act 2002 and directions made thereunder by the Department of Enterprise, Trade & Investment, of the state of Invest Northern Ireland affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and the Department of Enterprise, Trade & Investment directions made thereunder;
- 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.

Emphasis of Matter:
Material Uncertainty on Provisions

Without qualifying my opinion, I draw attention to notes 20 and 21 to the financial statements. This refers to the existence of significant uncertainty over the adequacy or excessiveness of the provision on unsubmitted grant claims of £24.1 million. Details of the circumstances relating to the uncertainty over the accuracy of this provision are described in the Statement on Internal Control. The ultimate outcome of the matter cannot presently be accurately determined.

Details of my observations on the issues arising from the Emerging Business Trust and other investigations can be found in my report at Appendix B.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Date: 18th October 2006

The maintenance and integrity of the Invest Northern Ireland's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Income and Expenditure Account

Income and Expenditure Account

For the year ended 31 March 2006

	Note	2006 £'000	2005 £'000 Restated (note 2)
INCOME			
Grant in aid from DETI	3	131,876	115,055
Income from operating activities			
Non surrenderable income	4	569	642
Income surrenderable to DETI but retained	5	11,460	8,510
Income surrendered to DETI	6	–	–
Government grant reserve credit	7	10,651	8,943
Total income		154,556	133,150
EXPENDITURE			
Grants and programme related costs			
grants and programme related costs	8	(138,221)	(115,495)
asset development, maintenance and related costs		(709)	(955)
Administrative expenses			
staff costs	9	(21,436)	(21,185)
other	10	(7,315)	(5,734)
notional costs	11	(1,856)	(2,232)
Debt provisions and charges	12	(5,350)	(4,421)
Depreciation		(1,381)	(1,467)
Asset impairment	13	(6,686)	(5,216)
Loss on disposal of tangible fixed assets		(173)	(236)
Notional cost of capital	11	(3,585)	(3,986)
Total expenditure		(186,712)	(160,927)
Deficit on activities before taxation		(32,156)	(27,777)
Tax on ordinary activities	14	(800)	(960)
Deficit for the financial year		(32,956)	(28,737)
Credit reversal of notional costs	11	5,441	6,218
Amount transferred to general reserve	23	(27,515)	(22,519)

All activities derive from continuing operations. Notes 1 to 34 form part of these accounts.

Statement of Total Recognised Gains and Losses

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2006

	2006 £'000	2005 £'000
Results for the year before credit reversal of notional costs	(32,956)	(28,737)
Surplus on revaluation of tangible fixed assests (note 22)	9,688	10,132
Total recognised losses relating to the year	(23,268)	(18,605)

Balance Sheet

Balance Sheet
For the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible fixed assests	15	100,460	110,848
Investments	16	200	200
Fixed Investments	17	43,806	48,798
		144,466	159,846
CURRENT ASSETS			
Debtors	18	17,959	12,997
Cash at bank and in hand		242	63
		18,201	13,060
CREDITORS			
Amounts falling due within one year	19	(46,728)	(37,948)
NET CURRENT LIABILITIES		(28,527)	(24,888)
TOTAL ASSETS LESS CURRENT LIABILITIES		115,939	134,958
CREDITORS			
Amounts falling due after more than one year			
Provisions for liabilities and charges	20	(25,820)	(20,207)
		90,119	114,751
CAPITAL AND RESERVES			
Government grant reserve	22	149,841	163,798
General reserve	23	(59,722)	(49,047)
		90,119	114,751

Approved by the Board and signed on its behalf by:

Leslie Morrison

Leslie Morrison
Accounting Officer

Date: 6 October 2006

Cash Flow Statement

Cash Flow Statement

For the year ended 31 March 2006

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash outflow from operating activities		(9,695)		(16,474)
Returns on investments and servicing of finance				
Loan interest received	748		1,197	
Dividend received	729		264	
Net cash inflow from returns on investments and servicing of finance		1,477		1,461
Taxation				
Corporation tax paid		(1,151)		(800)
Capital Expenditure				
Payments to acquire tangible fixed assets	(3,525)		(6,450)	
Receipts from sales of tangible fixed assets	9,991		5,363	
Loan repayment received	4,854		6,040	
Share redemption received	1,995		2,610	
Loans made to client companies	(1,828)		(8,657)	
Investment in share capital of client companies	(2,625)		(4,168)	
Investment in venture capital fund	(181)		(1,535)	
Net cash outflow from capital expenditure and investment		8,681		(6,797)
Cash outflow before financing		(688)		(22,610)
Financing				
Capital funding received from DETI				
UK Grants	8,159		20,810	
Payments made to DETI	(4,791)		(4,114)	
Net cash inflow from financing		3,368		16,696
Increase/(decrease) in cash		2,680		(5,914)

The cash flow statement should be read in conjunction with note 24.

Notes to the Accounts

Year ended 31 March 2006

1. Accounting Policies

Statement of accounting policies
The accounts of Invest NI have been prepared in a form directed by DETI, and in accordance with the Government Financial Reporting Manual (FReM) issued by DFP. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the organisation, for the purpose of giving a true and fair view, has been selected.

The particular accounting policies adopted by Invest NI are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting conventions

These 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.

Tangible fixed assets, in particular, land and buildings which are identified for disposal within the next year are classified as Current Assets and are valued at net realisable value.

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.

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 differs from each other; and
- the cost of consolidation outweighs the benefit.

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 limit 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 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 type of expenditure.

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.

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 accrual 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 charged to the Income and Expenditure account when incurred.

Income

Grant in aid income represents gross funding from DETI. This comprises funding received in cash terms and income that is surrenderable to DETI but is retained by Invest NI for utilisation in accordance with the Financial Memorandum Agreement.

Income from operating activities represents:

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

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).

Invest NI generates income which it is permitted to keep and use up to an agreed budget level. As with income surrendered to DETI, a charge is made to the Income and Expenditure account which forms part of the gross grant in aid income from DETI. Any income above the budget level is treated as 'Excess' and it is paid over to DETI (same treatment as income surrendered).

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 the 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.

Leases

Operating lease rentals are charged to the Income and Expenditure account over the period of the lease. There are no finance leases.

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 (2005: 3.5 per cent) in real terms on assets less liabilities.

2. Restatement of Comparatives

In 2005-06, the consultancy and staff secondment income is reflected as a deduction from staff costs. In accordance with the requirement of Financial Reporting Standard 18 (FRS 18) and for consistency purposes, prior year comparatives have been restated accordingly as follows:

	Non surrenderable income £'000	Staff costs £'000
As previously reported	804	(21,347)
Amount reclassified	(162)	162
Restated amount	642	(21,185)

The above restatements do not have any impact to the Income and Expenditure account or the Balance Sheet.

The following disclosure notes have also been restated on grounds of consistency:

- in disclosure note 8 'Grants and programme related costs', the comparatives for note 8(ii) 'Segmental analysis' have been restated as the responsibility for an operating division changed from the Clients Group & Entrepreneurship to Corporate Services Group in 2005-06; and

- in disclosure note 29 'Other financial commitments', the parameters for outstanding financial assistance commitment were redefined during the year. The prior year comparatives have been restated from £179,125,000 to £158,193,000 accordingly.

3. Grant in Aid from DETI

Grant in aid is represented by:	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Amount received from DETI*		139,468		137,163
Add: Utilisation of income surrenderable to DETI but retained (note 5)	11,460		8,510	
Add: Capital receipts from tangible fixed assets and fixed investments (note 23)	16,840		14,012	
		28,300		22,522
Gross grant in aid allocation		167,768		159,685
Less: debit entry in respect of income and capital receipts surrenderable but retained		(28,300)		(22,522)
Less: capital funding transferred to government grant reserve (note 22):				
Capital expenditure spending (note 15(ii))	(2,959)		(6,896)	
Investment in loans (note 17(i))	(1,828)		(9,084)	
Investment in shares (note 17(i))	(2,625)		(4,168)	
Investment in venture capital (note 17(i))	(180)		(1,960)	
		(7,592)		(22,108)
		131,876		115,055

*Amount received from DETI differs by £80,000 as compared to £139,548,000 disclosed in DETI's 2005–06 books. The difference is due to a funding adjustment in Invest NI's books in respect of a previous year ring-fenced project.

4. Non Surrenderable Income

	2006 £'000	2005 £'000 Restated (note 2)
Management fee income	–	151
Recoupment of programme related administrative costs from client companies and third parties	140	164
Recoupment of other programme expenditure	270	280
Other	159	47
	569	642

5. Income Surrenderable to DETI but Retained

	2006 £'000	2005 £'000 Restated (note 2)
Grant clawback	15,440	7,720
Property rent income in respect of the Lisburn site	371	457
Market access visits receipts and other related income	202	327
Recoupment of maintenance and property expenditure costs from client companies	250	222
Scientific services fees and other	2	195
Gross Income Surrenderable	16,265	8,921
Less: Excess grant in aid transferred to income surrendered (note 6)	(4,805)	(411)
	11, 460	8,510

6. Income Surrendered to DETI

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Property rent	1,764		2,115	
Decrease/(Increase) in provision	33		(45)	
		1,797		2,070
Loan interest	1,238		1,286	
Amount written off	(143)		(17)	
Increase in provision	(382)		(599)	
		713		670
Amortisation loan interest	524		674	
Increase in provision	(225)		(272)	
		299		402
Dividend	1,065		1,338	
Amount written off	(511)		–	
(Increase)/decrease in provision	(175)		309	
		379		1,647
Other share income		392		–
Other property income		480		124
VAT repayment		3,013		–
Bank interest		20		10
Other income*		78		51
Total excluding excess grant in aid		7,171		4,974
Excess grant in aid (note 5)	4,805		411	
Less: provision (note 12)	(2,545)		–	
		2,260		411
Amount transferred to DETI creditor		9,431		5,385
(note 19(ii))		(9,431)		(5,385)
		–		–

* includes an amount transferred from General Fund of £76,000 relating to asset disposal proceeds (note 23).

7. Government Grant Reserve Credit

Application of government grant reserve release:	2006 £'000	2005 £'000
Depreciation (note 15(i))	1,381	1,467
Asset impairment including value written down (note 13)	6,321	5,256
Provision on loan including write off (note 12)	58	(989)
Provision on amortisation (note 12)	(155)	(55)
Provision on shares including write off (note 12)	2,824	2,338
Provision on venture capital fund (note 12)	49	690
	10,478	8,707
Loss on disposal of fixed assets	173	236
	10,651	8,943

8. Grants and Programme Related Costs

(i) Analysis:	2006 £'000	2005 £'000
Industrial development grants	63,078	41,629
Research and development programme including grants	20,225	14,436
Enterprise grants	11,868	13,087
Company development programme	13,172	15,293
Business support grants	4,244	3,656
Promotion and marketing support	4,412	5,167
Property support	2,205	2,495
Property development scheme	1,257	3,330
Third party grants	6,633	4,387
Tourism grants	1,308	1,085
Market access support	1,116	1,459
Overseas operation support	2,204	2,159
Project consultancy and appraisal	1,333	2,009
Board related expenditure	224	224
Other*	4,942	5,079
	138,221	115,495

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

(ii) Segmental analysis:	2006 £'000	2005 £'000 (Restated note 2)
Innovation & Capability Development	40,239	36,180
Clients Group & Entrepreneurship	31,037	31,457
Clients Group & Business International	59,748	36,810
Corporate Services Group (including the Board)	7,197	11,048
	138,221	115,495

9. Staff Costs and Employee Information

(i) The average number employed, including divisional directors but excluding staff on career break, within each category of group was:	2006 No.	2005 No.
Senior Management team including Chief Executive	5	5
Innovation & Capability Development	186	195
Clients Group & Entrepreneurship	132	163
Clients Group & Business International	94	98
Corporate Services Group	200	213
Total*	617	674

*including average of 20 (2005: 18) temporary staff and external secondees.

(ii) The total administrative staff costs, including senior management team and divisional directors but excluding board members was:	2006 £'000	2005 £'000 Restated (note 2)
Salaries and wages Social security costs	17,309 1,386	17,709 1,418
	18,695	19,127
Pension scheme contribution Early retirement cost	3,042 22	2,258 35
Total costs in respect of permanent and long term contract employees**	21,759	21,420
Less: recoveries in respect of outward secondments and others Less: staff costs treated as programme expenditure (note 9(iii))	(237) (594)	(162) (534)
	20,928	20,724
External secondees and temporary staff costs including irrecoverable VAT	508	461
Total administrative staff costs	21,436	21,185

**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 35 (2005: 32). These staff members are separately funded, except for direct recoveries reflected in the above. The associated recoupment of admin costs or expenditure is either separately disclosed in note 4 'Non surrenderable income' or reflected in note 8 'Grants 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 2005–06, employers' contributions of £3,042,000 (2005: £2,258,000) were payable to the PCSPS(NI) at one of four rates in the range 16.5 to 23.5 per cent (2005: 12 to 18 per cent) of pensionable pay, based on salary bands.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, 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.

Three (2005: five) staff members retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £2,000 (2005: £9,000).

The early retirement cost of £22,000 (2005: £35,000) represents the recharge of employer pension contribution costs, from DETI, in relation to two (2005: three) civil servants who retired early.

10. Administrative Expenses

	2006 £'000	2005 £'000
Travel and subsistence	704	1,085
Overseas offices costs	187	243
Equipment rental and maintenance	12	40
Vehicle costs	4	7
Telephone and mobile costs	204	287
Stationery and postage	115	200
Printing and publications	39	59
Training and conference costs	353	406
Data communications	302	220
Computer maintenance and related costs	567	463
Advertising and recruitment costs	235	216
Office consumables and related costs	60	36
Legal and professional fees	107	182
Headquarters PFI service charges	2,240	–
Other admin property rental	908	743
Admin property maintenance and related expenses	279	538
Light, heat and power	88	137
Rates	482	321
Security costs	150	105
Contract cleaning	114	180
Insurance and subscription	15	93
Canteen costs	64	98
Hospitality	47	31
Other employee related costs	17	21
Bank charges	16	21
Miscellaneous	6	2
Total administrative expenditure excluding notional costs	7,315	5,734
Administrative expenditure	7,315	5,734
Notional administrative costs (note 11(i))	1,856	2,232
Total administrative expenditure including notional costs	9,171	7,966

11. Notional Costs

(i) Notional administrative costs:	2006 £'000	2005 £'000
Finance	–	178
Personnel and training services	16	43
Accommodation	1,394	1,485
External Audit	124	126
Internal Audit	242	195
Government Purchasing Agency	–	105
Valuation and Lands Agency	80	100
	1,856	2,232
(ii) Credit reversal of notional costs:		
Notional administrative costs	1,856	2,232
Interest on capital employed at 3.5% (2005: 3.5%)	3,585	3,986
	5,441	6,218

12. Debt Provisions and Charges

Movement in provision and write off:	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Loan investment: (decrease)/increase in provision* amount written off *	 (13,156) 13,214		 (998) 9	
		58		(989)
(Decrease) in amortisation provision*		(155)		(55)
Share investment: (decrease)/increase in provision for shares* amount written off*	 (16,918) 19,742		 2,298 40	
		2,824		2,338
Increase in provision for venture capital fund*		49		690
Increase in other bad debts provisions (note 24(iii)) Less: amount transferred to income surrendered in respect of excess grant in aid (note 6)	5,119 (2,545)		2,437 –	
		2,574		2,437
		5,350		4,421

* notes 7 & 17(i)

Most of the trade debtor provision relates to grant clawback and other recoveries due from client companies. The loans and shares written off relate primarily to transactions prior to Invest NI's incorporation, in particular investments made by a predecessor legacy agency in the 70s and 80s.

13. Asset Impairment

	2006 £'000	2005 £'000
Tangible fixed asset impairment charge for the year (note 7)	6,321	5,256
Increase/(decrease) in asset vesting provision	365	(40)
	6,686	5,216

14. Taxation

(i) Taxation charge in the year

Analysis of charge in year (estimate)	2006 £'000	2005 £'000
Current tax: UK corporation tax on taxable income for the current year	800	960
Total current tax	800	960

(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 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 2006 and 2005 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 2006 and for previous financial years.

15. Tangible Fixed Assets

(i) Total Tangible Fixed Assets

	Land and Property £'000	Plant and Machinery (including motor vehicles) £'000	Fixtures, Fittings, Tools and Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost / Valuation:					
At 1 April 2005	107,445	214	5,534	4,630	117,823
Additions	2,008	–	951	–	2,959
Disposals	(10,307)	(151)	(2,791)	–	(13,249)
Reclassification	4,630	–	–	(4,630)	–
Transfer from current asset (note 18)	4,143	–	–	–	4,143
Transfer to current asset (note 18)	(5,607)	–	–	–	(5,607)
Transfer to other government bodies (note 15(iv))	(3,844)	(27)	(146)	–	(4,017)
Revaluation	9,853	–	(102)	–	9,751
Amount written down	(6,063)	–	–	–	(6,063)
At 31 March 2006	102,258	36	3,446	–	105,740
Depreciation:					
At 1 April 2005	3,333	183	3,459	–	6,975
Charge for year (note 7)	361	11	1,009	–	1,381
Disposals	(298)	(142)	(2,569)	–	(3,009)
Transfer from current asset (note 18)	191	–	–	–	191
Transfer to current asset (note 18)	(232)	–	–	–	(232)
Revaluation	355	–	(34)	–	321
Transfer to other government bodies (note 15(iv))	(245)	(16)	(86)	–	(347)
At 31 March 2006	3,465	36	1,779	–	5,280
Net Book Value:					
1 April 2005	104,112	31	2,075	4,630	110,848
31 March 2006	98,793	–	1,667	–	100,460

(ii) Additions are represented by

	2006 £'000	2005 £'000
UK grants (notes 3 & 22)	2,959	6,896

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

	2006 Land £'000	2006 Property £'000	2006 Total £'000	2005 Land £'000	2005 Property £'000	2005 Total £'000
Administrative	65	140	205	62	98	160
Occupied	61,925	10,493	72,418	63,120	11,872	74,992
Unoccupied	21,153	5,017	26,170	24,850	4,110	28,960
Included in fixed assets	83,143	15,650	98,793	88,032	16,080	104,112
Included in current assets (note 18)	4,550	825	5,375	2,452	1,500	3,952
	87,693	16,475	104,168	90,484	17,580	108,064

Land and property was revalued by Valuation and Lands Agency on 31 March 2006 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 the organisation's accounting policy, land and buildings which are identified for disposal within the next year are classified as Current Assets (note 18).

A recent review of Invest NI's Property Solutions Unit indicated that the current land and property holdings reflect past priorities and market conditions. The review recommended a change in strategic direction (including the need to dispose of those holdings which no longer meet the revised strategy) and a focus on demand led acquisitions. As a part of its response to this review, Invest NI has developed and agreed an Acquisition and Disposal Strategy.

Work has started during the year on detailing the exact land which is to be acquired and exact land and buildings to be disposed of and spans over 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 the Environmental Heritage Service (EHS)

Legal title of the Lisburn site rests with the Department of Environment (DOE). As approved by DFP, the Lisburn site (together with some other assets) was transferred to EHS, a division of DOE, in December 2005. The net book value of assets transferred is £3,670,000, which is effected by Dr. General Reserve, Cr. Fixed Assets, followed by an opposite entry between General Reserve and Government Grant Reserve (notes 22 & 23).

16. Investments

Unlisted (Gross amount):	2006 £'000	2005 £'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 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:

	2006 £'000	2005 £'000
Turnover	3,325	2,821
Profit after tax	62	15
Net assets	977	915
Capital commitments	–	–
Financial commitments	–	–
Contingent liabilities	–	–

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:

	2006 £'000	2005 £'000
Gross grant in aid from DETI	1,529	637
Surplus/(deficit) before and after tax	–	–
Net assets	–	–
Capital commitments	–	–
Financial commitments	2,043	4,047
Contingent liabilities	–	–

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

17. Fixed Investments

(i) Total Fixed Asset Investments

	Venture Capital £'000	Share Capital £'000	Loans £'000	Amortisation £'000	Total £'000
Gross amount:					
At 1 April 2005	3,650	54,675	43,401	12,029	113,755
Additions (notes 3 & 22)	180	2,625	1,828	–	4,633
Repayments	–	(1,995)	(4,015)	(839)	(6,849)
Amount waived and written off (note 12)	–	(19,742)	(13,214)	–	(32,956)
At 31 March 2006	3,830	35,563	28,000	11,190	78,583
Provision:					
At 1 April 2005	877	36,179	22,168	5,733	64,957
Charge/(credit) for year (note 12)	49	(16,918)	(13,156)	(155)	(30,180)
At 31 March 2006	926	19,261	9,012	5,578	34,777
Net balance:					
1 April 2005	2,773	18,496	21,233	6,296	48,798
31 March 2006	2,904	16,302	18,988	5,612	43,806

(ii) Loans and amortisation repayment analysis (net balance):

	2006 Loans £'000	2006 Amortisation £'000	2006 Total £'000	2005 Loans £'000	2005 Amortisation £'000	2005 Total £'000
Amount due:						
Within one year	5,353	1,049	6,402	3,524	1,275	4,799
Within two to five years	10,230	3,291	13,521	15,132	3,598	18,730
Greater than five years	3,405	1,272	4,677	2,577	1,423	4,000
	18,988	5,612	24,600	21,233	6,296	27,529
Secured	14,760	5,612	20,372	16,876	6,296	23,172
Unsecured	4,228	–	4,228	4,357	–	4,357
	18,988	5,612	24,600	21,233	6,296	27,529

(iii) Loans investments and repayments exceeding £250,000 each

During the year, Invest NI invested and paid 14 (2005: 17) different companies a total of £1,828,000 (2005: £9,084,000) in the form of repayable loans, of which 1 transaction (2005: 5) exceeds £250,000.

Invest NI received 47 loan repayments totalling £4,015,000 (2005: 43 repayments totalling £2,884,000), of which five loan repayments exceeded £250,000 each (2005: 3).

(iv) Action Energy Loan Scheme (AELS)

During the year, Invest NI contributed £490,000 (2005: £299,000) to AELS. At the year end, cumulative contribution of £1,216,000 (2005: £726,000) is included in the loan balance. AELS is a Government backed initiative providing energy loans. The Scheme is managed by the Carbon Trust. Small and medium sized enterprises (SMEs) 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 £5,000 and £50,000.

(v) Share investments and repayments exceeding £250,000 each

During the year, Invest NI invested and paid 13 (2005: 21) different companies a total of £2,625,000 (2005: £4,168,000) in the form of either ordinary or preference shares of which 2 transactions (2005: 5) are exceeding £250,000 each.

Invest NI received 15 share repayments totalling £1,995,000 (2005: 6 share repayments totalling £2,610,000), of which 1 share repayment exceeded £250,000 (2005: 3).

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

(vi) Amortisation

Invest NI received 6 amortisation repayments totalling £839,000 (2005: 7 repayments totalling £3,156,000), of which no individual repayment exceeded £250,000 (2005: 1).

(vii) Venture capital investment

NITECH Growth Fund Limited Partnership (NITECH)

Invest NI is the primary partner of the NITECH Growth Fund. The Fund is managed by Clarendon Fund Managers Limited and Angle Technology Limited 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 SMEs in the Northern Ireland region.

During the year, Invest NI made a gross contribution of £150,000 (2005: £685,000) to NITECH. At the balance sheet date, after accounting for management charges (including an adjustment for previous year management charges capitalised), Invest NI has made a cumulative capital loan contribution of £2,331,000 (2005: £2,375,000 cumulative) to the Fund. Also, a cumulative provision of £732,000 (2005: £677,000 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 service-based industrial SMEs located in Northern Ireland.

During the year, Invest NI made a gross contribution of £600,000 (2005: £1,275,000) to CC. At the balance sheet date, after accounting for management charges (including an adjustment for previous year management charges capitalised), Invest NI has made a cumulative capital loan contribution of £1,499,000 (2005: £1,275,000) to CC. Also, a cumulative provision of £194,000 (2005: £200,000) has been made to reduce the gross amount invested to its net realisable value.

The investments made by NITECH and CC are disclosed in their annual accounts which can be obtained from the Companies Registry, Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3LX.

18. Debtors

Amounts due within one year:	2006 £'000	2005 £'000
Trade debtors	2,752	3,326
Other debtors	6,397	1,829
Amounts due from DETI	13	69
Prepayments	630	854
Accrued income		
loan interest and dividend	2,636	2,796
other	156	171
Other assets (net book value basis)		
land and property held as current (notes 15(i) & (iii), 22)	5,375	3,952
	17,959	12,997

19. Creditors

(i) Amounts due within one year:	2006 £'000	2005 £'000
Bank overdraft	2,286	4,787
Trade creditors and accruals	4,886	5,680
Accrued grant creditors	29,804	20,705
Corporation tax	39	390
Other taxes and social security	12	–
Other creditors	905	1,898
Amounts due to DETI in respect of income surrendered	8,510	3,870
Deferred income	286	618
	46,728	37,948

(ii) Movement in DETI creditor in respect of income surrendered:	£'000
Balance at 1 April 2005	3,870
Total income surrendered (note 6)	9,431
Amount paid by Invest NI	(4,791)
Balance at 31 March 2006	8,510

20. Provisions for Liabilities and Charges

	Grants £'000 (note 21)	Others £'000	Total £'000
As at 1 April 2005	19,613	594	20,207
Under provision from previous year	6,328	165	6,493
Charge to Income & Expenditure account	24,059	1,002	25,061
Paid	(25,941)	–	(25,941)
As at 31 March 2006	24,059	1,761	25,820

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 to be immaterial.

Included in other provisions are estimated final payments (similar to retirement payments) to employees in overseas offices when employment contracts are terminated in the future. It also includes an amount in respect of land and property purchases and potential repayments due to other grant authorities.

21. 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.

The grant accruals under financial assistance agreements 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 takes into consideration the following factors:

- enterprise, capital and revenue grants are derived from various internal statistics and financial analysis;
- for other grants such as business support and R&D related grants, the estimation of liability for unclaimed grants is calculated based on:

  (i) a review of claims paid post year end relating to the prior year; and
  (ii) trend analysis of claims.

- grant commitments existing at the year end; and
- claims and payment profile.

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.

22. Government Grant Reserve

	Unlisted Investment £'000 UK Grants	Fixed Investments £'000 UK Grants	Tangible Fixed Assets £'000 UK Grants	Tangible Fixed Assets £'000 EU Grants	Total £'000 All Grants
At 1 April 2005	200	48,798	111,561	3,239	163,798
Received in year					
UK grants (notes 3, 15(ii) & 17(i))	–	4,633	2,959	–	7,592
Release to Income and Expenditure account (note 7)	–	(2,776)	(7,231)	(471)	(10,478)
Revaluation surplus	–	–	9,584	104	9,688
Repayment, redemption and disposal proceeds (note 23)	–	(6,849)	(10,067)	–	(16,916)
(Loss) on disposal (note 7)	–	–	(173)	–	(173)
Transfer to other government bodies (note 15 (iv))	–	–	(3,670)	–	(3,670)
At 31 March 2006	200	43,806	102,963	2,872	149,841

(i) The above balance is represented by:	2006 £'000	2005 £'000
Net book value of tangible fixed assets (note 15(i))	100,460	110,848
Net book value of other current assets (note 18)	5,375	3,952
Total tangible fixed and other assets	105,835	114,800
Net book value of unlisted investment (note 16)	200	200
Net book value of fixed investments (note 17(i))	43,806	48,798
	149,841	163,798

23. General Reserve

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
At 1 April – deficit		(49,047)		(40,540)
Net cost of operations – deficit		(27,515)		(22,519)
Tangible fixed assets transferred to other government bodies (note 15(iv))		–		–
Transfer from government grant reserve:				
land and property	9,991		5,362	
other assets	76		–	
fixed investments	6,849		8,650	
Total (note 22)	16,916		14,012	
Less: amount transferred to income surrendered	(76)		–	
		16,840		14,012
At 31 March – deficit		(59,722)		(49,047)

24. Cash Flow Statement

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

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Deficit for the year before credit reversal of notional costs		(32,956)		(28,737)
Adjustments for non-cash transactions				
Notional costs	1,856		2,232	
Notional cost of capital	3,585		3,986	
Depreciation	1,381		1,467	
Loss on disposal of fixed assets	173		236	
Asset impairment	6,321		5,256	
Total bad debt and provision movement (note 24(iii))	9,331		5,000	
Grant provision charged	30,387		27,396	
Other provision charged	1,167		64	
Government grant reserve credit	(10,651)		(8,943)	
Total non-cash transactions movement		43,550		36,694
Adjustments for movement in working capital other than cash				
(a) (Increase)/decrease in debtors (excluding fixed assets held as current):				
Trade debtor (net of provision)	(4,545)		(4,208)	
Amounts due from DETI	56		800	
EU debtor	-		20	
Other debtors	(4,568)		383	
Prepayment	224		464	
Accrued loan interest and dividend income (net of provision)	(2,753)		(3,348)	
Other accrued income	15		(96)	
Increase in debtors		(11,571)		(5,985)

(b) Increase/(decrease) in creditors:				
Trade creditors and accruals	(794)		(1,344)	
Corporation tax	800		960	
Other taxes and social security	12		(25)	
Amounts due to DETI:				
income surrendered (note 19(ii))	9,431		5,454	
Other	-		(3,778)	
Other creditors	(993)		(841)	
Deferred income	(332)		151	
Accrued grant creditors	9,099		712	
Decrease in creditors		17,223		1,289
Use of provisions				
Grant provision	(25,941)		(19,735)	
Other provision	-		-	
Total use of provisions		(25,941)		(19,735)
Net cash outflow from operating activities		(9,695)		(16,474)

(ii) Fixed assets and investments 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.

(iii) Analysis of bad debt provision charge

	2006 £'000	2005 £'000
Increase in provision against accrued loan interest and dividend income including write off (note 6)	1,436	579
Increase in provision for loans and shares including amount waived / written off (note 12)	2,776	1,984
Increase in other debts provisions prior to excess transfer (note 12)	5,119	2,437
	9,331	5,000

(iv) Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
Increase/(decrease) in cash in the year	2,680	(5,914)
Change in net funds resulting from cash flows – increase/(decrease)	2,680	(5,914)
Net funds at start of year – (deficit)/surplus	(4,724)	1,190
Net funds at end of year – (deficit)	(2,044)	(4,724)
Net funds comprise of:		
Cash at bank and in hand	242	63
Bank overdraft	(2,286)	(4,787)
Net funds at end of year	(2,044)	(4,724)

25. 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 Parliament/Assembly through DETI, as largely is its capital expenditure. The organisation is therefore not exposed to significant liquidity risks.

Interest rate risk

80 (2005: 81) per cent of Invest NI's financial assets and 100 (2005: 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 organisation's operation.

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):

	2006 £'000	2005 £'000
Cash	242	63
Loans	18,988	21,233
Amortisation	5,612	6,296
Shares	16,302	18,496
Venture capital	2,904	2,773
	44,048	48,861

Currency (Sterling)	Floating rate £'000	Fixed rate cases	Non-interest bearing £'000	Total cases
At 31 March 2006:	9,004	13,517	21,527	44,048
At 31 March 2005:	9,469	15,913	23,479	48,861

Foreign currency risk

Invest NI's exposure to foreign currency risk is not significant in the current and previous financial years.

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:

Primary financial instruments	2006 Book value £'000	2006 Fair value £'000	2005 Book value cases	2005 Fair value £'000	Basis of fair valuation Notes
Financial assets					
Loans	18,988	18,988	21,233	21,233	A
Amortisation	5,612	5,612	6,296	6,296	B
Shares	16,302	16,302	18,496	18,496	C
Venture capital	2,904	2,904	2,773	2,773	A
Financial liabilities					
Provisions	25,820	25,820	20,207	20,207	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.

26. Capital Commitments

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

	2006 £'000	2005 £'000
Contracted	891	3,103

27. Commitments Under Leases

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

	2006 £'000	2005 £'000
Within one year	31	367
In the second to fifth years	246	26
After five years	553	165
	830	558

28. Commitments Under PFI Contract

The contract for the Bedford Square headquarters Private Finance Initiative (PFI) project was signed in November 2004. Invest NI is committed to the terms and conditions in the final contract. The Bedford Square headquarters is not an asset of Invest NI and it is an off balance sheet property.

The contract is on a 25 year basis from October 2005. The service charge payable by Invest NI includes the following unitary charges: facility (property and car parking), reprographic and catering. Invest NI occupies part of the building. The estimated capital value information was not available at the date of these accounts. At the year end, the annual fixed service charge due under this PFI contract is as follows:

	2006 £'000	2005 £'000
Within one year	4,633	2,047
In the second to fifth years	18,954	18,993
After five years	89,578	94,172
	113,165	115,212

The above is exclusive of VAT and subject to annual inflationary and service performance review adjustments. Invest NI may avail of other services at an additional cost and reduced service requirements in accordance with the provisions set out in the contract.

29. Other Financial Commitments

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

Segmental analysis:	2006 £'000	2005 £'000 (Restated note 2)
Innovation & Capability Development	42,270	56,594
Clients Group & Entrepreneurship	17,143	23,072
Clients Group & Business International	79,698	77,959
Corporate Services	1,257	568
	140,368	158,193

30. Contingent Liabilities

- 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 £1.2m as at 31 March 2006 (2005: £1.7m). There were no payments made in relation to this in the year (2005: nil). Historic information has shown that any payment is likely to be insignificant.

- No other guarantees have been given in respect of client companies at 31 March 2006 (2005: nil).

- There are potential liabilities in respect of a number of land and property transactions previously undertaken (purchases and vesting claims).

- 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. 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 remain, as Invest NI has continued to carry out the administrative role.

- 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 tax treatments with HMRC. The provision for corporation tax in these accounts is therefore a best estimate based on recent discussions with the authority.

- 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 (2005: none).

31. Contingent Assets

- In relation to fixed investments and recovery of financial assistance previously paid, Invest NI may be entitled to additional income which is not currently recognised in these accounts. The crystallisation of these transactions is contingent upon subsequent events. Due to their uncertain nature, these entitlements are disclosed as contingent.
- Following ongoing discussions with HM Revenue and Customs (HMRC), positive progress has been made. However, the VAT position has not yet been finalised in particular treatment for a number of specific activities. At the year end, there may be potential input VAT recoverable relating to the financial years 2004-05 and 2005-06. Although it is considered to be potentially receivable, on grounds of uncertainty, the amount has not been reflected in these accounts but it is disclosed as contingent.

32. 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

	2006 Losses £'000	2006 No. of cases	2005 Losses £'000	2005 No. of cases
West Belfast Enterprise Board Limited	-	-	8	1
Aspire Micro Loans for Business Limited	-	-	23	13
The Prince's Trust	7	10	12	6
Women in Enterprise	8	4	6	4
NITECH	20	1	-	-

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 and the International Fund for Ireland and Peace and Reconciliation (Peace I & 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 number of years and no losses have been reported to date. Emerging Business Trust received financial support from LEDU and went into creditor's voluntary liquidation in 2004-05. The final position has not yet been established.

(ii) Other losses

Waiver / Write off	2006 Losses £'000	2006 No. of cases >£250k	2006 No. of cases <£250k	2005 Losses £'000	2005 No. of cases >£250k	2005 No. of cases <£250k
Others:						
Grants recoverable	5,985	3	64	3,242	1	17
Others including investments and accrued income	3,870	5	23	120	-	11
De Lorean:						
Grants recoverable	18,695	1	-	-	-	-
Others including investments and accrued income	40,800	1	1	-	-	-

All the waiver or write off cases were either approved by Invest NI in accordance with internal delegated limits, or by DETI or DFP where appropriate. The losses reported in 2005-06 include a number of large cases which existed prior to Invest NI's incorporation.

At the balance sheet date, there are ten cases of potential losses totalling £18,289,000 which are under management review. The review process is ongoing and approvals for waivers have not yet been sought. However, these cases have been notified to DETI and DFP as potential losses.

Since the year end, following the Department's approval, a further twenty-three cases, totalling £5,213,000 were waived.

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

(iii) Constructive losses

	2006 Losses £'000	2006 No. of cases >£250k	2006 No. of cases <£250k	2005 Losses £'000	2005 No. of cases >£250k	2005 No. of cases <£250k
Total	237	-	4	163	-	2

Invest NI acquires and leases properties for the long term benefit of economic development and for the use of existing and potential clients. Properties may remain vacant for a period of time. A small number of existing leased properties have not yet been leased to client companies within the expected period. Invest NI is continuing to actively market these properties and will keep their status under constant review.

(iv) Special payment

There was one special payment (2005: none) made during the year totalling £13,000, relating to a legal claim.

33. Related Party Transactions

Transactions with the Parent and other Government Departments

Invest NI is a NDPB of DETI. DETI is regarded as a related party. During the year, Invest NI has had various material transactions with DETI. In addition, Invest NI has had various transactions with other government departments and their agencies, and other central government bodies.

Most of these transactions have been with DFP (including Pension Branch), (DRD, DSD, DOE, DEL), 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):

	2006 £'000	2005 £'000
Debtors (amounts due within one year (note 18)): Balances with other central government bodies	13	69
Creditors (amounts due within one year (note 19)): Balances with other central government bodies	8,510	3,870

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

Register of interest

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 7ES.

Transactions involving Chief Executive and Senior Management Team

Leslie Ross, a Managing Director, retired during the year. Invest NI has subsequently entered into a fixed term service contract totalling £20,000 with Leslie. This is designed to ensure a smooth transition of relationships with major overseas investors and Invest NI's external marketing and networking efforts.

Except for the above, there were no other material related party transactions involving the Chief Executive and Senior Management Team during the year.

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 Board members may have a beneficiary or non beneficiary interest.

Transactions with these related companies are conducted on an arm's length basis. Financial assistance packages are subject to normal project and programme rules and internal appraisal procedures; and purchase of goods and professional engagements are subject to normal tendering processes and in accordance with the organisation's procurement policy that conforms to DFP guidelines. All proposals and transactions are to be approved in line with the delegation policies approved by DETI.

During the year, the following payments were made to companies related to Board members:

- Ex-Chairman Fabian Monds is a shareholder of Western Connect Limited which was paid £4,000 (2005: nil) by Invest NI for services provided.

- Chairman Stephen Kingon is the Managing Partner of PricewaterhouseCoopers LLP (PWC) in Northern Ireland. The company was paid £537,000 (2005: £915,000) by Invest NI for various professional engagements. The fee for Mr. Kingon's services as Chairman and a Board member was also paid to PWC.

- Stephen Kingon is an Ambassador for the Prince's Trust, which received £586,000 (2005: nil) of financial assistance payments from Invest NI.

- Stephen Kingon is Chairman of the Centre for Competitiveness, which received £227,000 (2005: £438,000) of financial assistance payments from Invest NI. This organisation was also paid £344,000 (2005: £307,000) for services provided and offered a new financial assistance package totalling £49,000 (2005: £99,000).

- For part of the year Stephen Kingon acted as a Research Advisor to Business in the Community, which received £69,000 (2005: £17,000) of financial assistance payments from Invest NI. The organisation was also paid £52,000 (2005: £15,000) for services provided.

- Patrick Haren is a Director of Northern Ireland Electricity Plc which was paid £297,000 (2005: £287,000) by Invest NI for electricity supply.

- Patrick Haren resigned as a director of Service and Systems Solutions Ltd in April 2005. During the year, the company received £35,000 (2005: £208,000) of financial assistance payments from Invest NI. The company was also paid £36,000 (2005: £123,000) for services provided to Invest NI.

- Bill McGinnis is a Director and Chairman of the McAvoy Group, which received £256,000 (2005: £252,000) of financial assistance payments from Invest NI.

- Memsis Ltd went into liquidation and triggered clawback clauses in the Financial Assistance Agreements. The liquidator had confirmed insufficient funds for distribution to the unsecured creditors. With approval from DFP and DETI, claims against the company totalling £226,000 were waived by Invest NI. The majority of the financial assistance was offered in the '90s. Bill McGinnis was a shareholder of the company.

- Deborah Boyd was a Board member of Enterprising Women Network (Armagh and Portadown) to September 2005, which received £8,000 (2005: nil) of financial assistance payments from Invest NI.

- Gilbert Little is an Executive Director and Chairman of Aepona Telecoms Ltd, which received £234,000 (2005: £115,000) of financial assistance payments. A new financial assistance package totalling £250,000 (2005: £52,000) was also offered by Invest NI.

- Alan McClure is Chairman of Alpha Environmental Systems Ltd, Precision Industrial Services Limited and NU Print Trimmings Limited. These companies received £77,000 (2005: £26,000), £45,000 (2005: £36,000) and £73,000 (2005: £56,000) of financial assistance payments respectively. Precision Industrial Services Limited was offered a new financial assistance package totalling £61,000 (2005: nil).

- Debra Jenkins is a Director of Exus Energy Ltd, which received £6,000 (2005: £112,000) of financial assistance payments. A new financial assistance package totalling £18,000 (2005: nil) was also offered by Invest NI.

- Frank Bunting is the Northern Secretary to the Irish National Teachers Organisation (INTO). The fee for Mr Bunting's services as a Board Member to December 2005 was paid to INTO.

- Bernie Hannigan is a Director of UUSRP Ltd which was paid £6,000 (2005: £10,000) for services provided to Invest NI.

- Bernie Hannigan is a Pro Vice-Chancellor (Research and Innovation) of the University of Ulster. Mrs Rosemary Peters-Gallagher is a member of council and court of the University. This academic body received £1,813,000 (2005: £417,000) of financial assistance payments and paid £14,000 (2005: £37,000) for services provided to Invest NI. New financial assistance packages totalling £674,000 (2005: £3,919,000) were offered by Invest NI.

- Ex Board member Roy Crawford was a Professor and Pro Vice-Chancellor of Queens University of Belfast. Bernie Hannigan is also connected to the University via family relations. This academic body received £3,478,000 (2005: £1,286,000) of financial assistance payments and was paid £21,000 (2005: £52,000) for services provided to Invest NI. New financial assistance packages totalling £1,739,000 (2005: £3,937,000) was also offered by Invest NI.

- Roy Crawford was a Director of Investment Belfast, which received £81,000 (2005: £79,000) of financial assistance payments and was offered a new financial assistance package totalling £70,000 (2005: nil).

34. 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

During the year Invest NI acted as a managing agent for a number of programmes, with no balances held in the books of Invest NI. The programmes approved by Invest NI were the Radiane Scheme (2006: £277,000, 2005: £280,000), Information Age Initiative (2006: £1,812,000, 2005: £1,861,000), Economic Revitalisation (2006: nil, 2005: £474,000) and Centres of Excellence (2006: £4,230,000, 2005: £7,972,000).

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

Programmes funded by DEL

Community Business Start-Up Programme: Invest NI received £461,000 in the year (2005: £487,000), and the amount due from DEL at the year end is £490,000 (2005: £305,000).

Investing in Women Programme: Invest NI received £533,000 in the year (2005: nil). There are no amounts due from DEL at the year end (2005: £500,000).

Programme partially funded by the local councils

Start a Business Programme: Invest NI received £106,000 in the year (2005: £1,228,000), and the amount due from the councils at the year end is £208,000 (2005: creditor £178,000).

Programme funded by DOE

Waste Management Programme: Invest NI received £29,000 in the year (2005: £282,000). There are no amounts due from DOE at the year end (2005: £7,000).

Programmes partially funded by EU

Western Innovation Network Programme:
No funding was received in the year (2005: nil). The amount due to the EU at the year end is £346,000 (2005: £717,000).

Innovation Relay Centre: Invest NI received £101,000 in the year (2005: £88,000). The amount due from the EU at the year end is £27,000 (2005: £65,000).

Era-net Programmes: Invest NI received £76,000 (2005: nil). The amount due to the EU at the year end is £29,000 (2005: nil).

Interreg Programme: Invest NI received £649,000 in the year (2005: nil). The amount due from the EU at the year end is £158,000 (2005: nil). European Information Centre: Invest NI received £5,000 in the year (2005: £23,000).

Programme funded by DARD

European Seafood Exhibition: Invest NI received £85,000 in the year (2005: nil). There are no amounts due from DARD at the year end (2005: £47,000).

Programmes funded by IFI

Innovation West, Innovation North West, Regional Action Plan and Cross Border Technology Enterprise Start Up Programmes: Invest NI received £109,000 in the year (2005: nil). The amount due from IFI at the year end is £66,000 (2005: £159,000).

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 2006	No of shares 2005
Activity Breaks*	£1 cumulative redeemable preference shares	150,000	-
Aepona Ltd	£1 redeemable preference shares	325,000	325,000
Anderson Manning Associates Ltd	£1 5.5% non cumulative redeemable preference shares	150,000	150,000
Adamsez (NI) Ltd	£1 redeemable preference shares	100,000	150,000
A P Galgorm Ltd (Adria Ltd)	£1 "A" 11% cumulative redeemable preference shares	424,736	424,736
Aerospace Metal Finishers Ltd	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Alta Systems Ltd	£1 7% convertible cumulative redeemable preference shares	100,000	100,000
Amacis Holdings Ltd	£0.01 ordinary shares	250,000	250,000
Andronics Ltd	£1 8.5% cumulative preference shares	225,000	225,000
Andronics Ltd	£1 ordinary shares	375,000	375,000
Antrim Hills Spring Water Company Ltd	£1 redeemable preference shares	-	50,000
Arca Technologies Ltd	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Aromet Group Ltd	£1 non cumulative convertible redeemable preference shares	-	30,000
Aromet Group Ltd	£1 redeemable non cumulative preference shares	34,500	105,000
Authentica Ltd	Redeemable preference shares	30,000	30,000
Avalon Instruments*	£1 preference shares	150,000	-
AXIS Three Ltd	Convertible redeemable preference shares	74,000	74,000
AXIS Three Ltd*	Ordinary shares	175,000	-
BL Manufacturing Ltd	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Ltd	£1 redeemable cumulative preference shares	500,000	500,000
Balcas Ltd	£1 "C" preferred ordinary shares	1,500,000	1,500,000

Company	Type of shares	No of shares 2006	No of shares 2005
Belleek Pottery Ltd	Redeemable cumulative preference shares	300,000	300,000
Biznet Solutions Ltd	£1 8% redeemable cumulative preference shares	75,000	75,000
Bluechip Technologies Holdings Ltd	£1 6% redeemable cumulative preference shares	65,000	65,000
Causeway Data Communications Ltd	5.5% non cumulative redeemable preference shares	25,000	25,000
Chieftain Trailers Ltd	5.5% non cumulative redeemable preference shares	150,000	150,000
CNC Components (UK) Ltd	£1 redeemable non cumulative preference shares	220,000	220,000
Country Inns (Ulster) Ltd	£1 8% "A" redeemable cumulative preference shares	250,000	250,000
Cunningham Stone Ltd	£1 8% redeemable cumulative preference shares	140,000	140,000
D Hopkins & Sons Ltd	Ordinary shares	13,400	13,400
D Hopkins & Sons Ltd	£1 redeemable non cumulative preference shares	11,600	11,600
Datactics Ltd	£1 redeemable cumulative preference shares	100,000	100,000
Delta Print & Packaging Ltd	£1 redeemable cumulative preference shares	187,500	187,500
Dunsilly Hotel	£1 6% redeemable cumulative preference shares	100,000	100,000
Duromould Ltd	£1 5% redeemable cumulative preference shares	50,000	50,000
Eventmap	£1 4% redeemable cumulative preference shares	81,000	81,000
Embedded Monitoring Systems Ltd	£1 7.5% convertible redeemable cumulative preference shares	75,000	75,000
Finisco Ltd	£1 7.5% redeemable cumulative preference shares	76,000	76,000
Fighting Bull Technologies Ltd*	£1 7.5% convertible redeemable cumulative preference shares	200,000	100,000
Fighting Bull Technologies Ltd	£1 ordinary shares	500	500
FM Environmental Ltd	£1 redeemable preference shares	-	12,500
Fin Engineering Group Ltd	£1 redeemable non cumulative preference shares	45,000	45,000

Company	Type of shares	No of shares 2006	No of shares 2005
Fintec Crushing & Screening Ltd	£1 redeemable cumulative preference shares	250,000	250,000
Global Email Company Ltd	£0.00001 "B" ordinary shares	57,173,148	57,173,148
Gendel Ltd	Redeemable cumulative preference shares	378,000	378,000
Gendel Ltd*	£0.0211 preferred ordinary shares	2,365,577	-
Glenaden Shirts Ltd	£1 redeemable preference shares	250,000	250,000
Hartstone Group plc	£0.10 ordinary shares	121,043	121,043
Heartsine Technologies Ltd	Series "C2" preferred stock	142,857	142,857
Heartsine Technologies Ltd*	Series "D" preferred shares	232,192	-
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
IceMOS Technology Corporation (USA)**	£0.01 Series "B" convertible preferred stock	5,000,000	-
Iconi Software Ltd*	£1 cumulative redeemable preference shares	25,000	-
International Net & Twine Ltd	£1 "A" redeemable cumulative preference shares	125,000	125,000
JP Corry Holdings Ltd	£1 redeemable cumulative preference shares	-	225,000
Kelman Ltd**	150,000 cumulative redeemable preference shares	150,000	-
Killyhevlin Hotel	£1 redeemable cumulative preference shares	245,000	245,000
Lagan Technologies Ltd	£1 preferred "A" ordinary shares	195,694	195,694
Lagan Technologies Ltd	£1 preferred "B" ordinary shares	167,316	167,316
Lagan Technologies Ltd	£1 redeemable non cumulative preference shares	250,000	250,000
Latens Systems Ltd	Ordinary shares	25,806	25,806
Leaf Plastics Ltd	£1 redeemable non cumulative preference shares	45,000	45,000
Linden Foods Ltd	£1 redeemable cumulative preference shares	500,000	500,000
Manor House Country Hotel	£1 3% redeemable cumulative preference shares	220,000	330,000
McAvoy Group Ltd	£1 cumulative redeemable preference shares	350,000	350,000

Company	Type of shares	No of shares 2006	No of shares 2005
Medevol Ltd	3% cumulative redeemable preference shares	100,000	100,000
Meridio Holdings Ltd	£0.025 "A" preferred ordinary shares	1,588,235	1,588,235
Mobile Cohesion Ltd	£1 redeemable cumulative preference shares	400,000	400,000
MRB Creative Ltd*	10% cumulative redeemable preference shares	63,300	-
Naturelle Consumer Products Ltd	£1 redeemable non cumulative preference shares	161,000	161,000
Newry Building Supplies Ltd	£1 redeemable cumulative preference shares	-	80,000
Nisoft (UK) Ltd	Cumulative redeemable preference shares	-	200,000
Northern Whig Ltd	£1 redeemable cumulative preference shares	50,000	50,000
Pressfold Ltd	£1 redeemable non cumulative preference shares	80,000	80,000
Primus Holdings (USA)	$0.025 common stock	170,943	170,943
Provita Eurotech Ltd	£1 redeemable non cumulative preference shares	60,000	60,000
Quality Additives Ltd	£1 redeemable preference shares	-	60,000
Randox Laboratories Ltd	£1 5% cumulative redeemable preference shares	4,000,000	4,000,000
Roe Park Holdings Ltd	£1 5% "A" redeemable cumulative preference shares	-	550,000
Sensor Technology & Devices Ltd*	Ordinary shares	100,000	-
Serpico Software Ltd	£1 10% cumulative redeemable preference shares	135,000	135,000
Smiley & Monroe Ltd	£1 redeemable non cumulative preference shares	129,000	135,000
SMTEK International Inc. (USA)	$0.01 common stock	17,042	17,042
Specialist Joinery Fittings Ltd	£1 redeemable non cumulative preference shares	-	80,000
Springfarm Architectural Mouldings Ltd	£1 redeemable non cumulative preference shares	330,000	330,000
Telestack Ltd	£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. Ltd	£1 redeemable preference shares	25,000	25,000

Company	Type of shares	No of shares 2006	No of shares 2005
The Slimmers Network Ltd	£1 redeemable cumulative preference shares	75,000	75,000
Tough Glass Ltd	£1 redeemable non cumulative preference shares	180,000	180,000
Traced Assured Ltd	£1 7% "A" cumulative redeemable preference shares	50,000	50,000
Traced Assured Ltd**	£1 7% "B" cumulative redeemable preference shares	540,000	100,000
Traced Assured Ltd	£1 ordinary shares	7,000	7,000
Tri-met Engineering Ltd	£1 redeemable non cumulative preference shares	75,000	75,000
Tudor Journals Ltd	£1 redeemable non cumulative preference shares	60,000	60,000
Ulster Development Capital	£1 ordinary shares	15,000	15,000
Ulster Engineering Ltd	£1 redeemable non cumulative preference shares	100,000	100,000
Unibase Cabinet Systems Ltd	£1 redeemable non cumulative preference shares	40,000	40,000
UPU Industries Ltd	£1 redeemable cumulative preference shares	-	250,000
Valence Technology Inc. (USA)	$0.001 common stock	474,019	539,416
Viking Cycles Ltd	£1 redeemable preference shares	150,000	150,000
Western Connect Ltd	5.5% cumulative redeemable preference shares	100,000	100,000
William Clark & Sons Ltd	£1 redeemable ordinary shares	750,000	750,000
William Ross & Co. Ltd	£1 "C" redeemable cumulative preference shares	-	100,000
William Taylor (Import/Export) Ltd	£1 redeemable non cumulative preference shares	15,000	15,000
Woodlock Joinery Ltd	£1 redeemable cumulative preference shares	200,000	200,000
Woodmarque Arch Joinery Ltd	£1 redeemable non cumulative preference shares	160,000	160,000

* Share investment 2005-06, each £250,000 and below

** Share investment 2005-06, exceeding £250,000 each

(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 2006	No of shares 2005
Answercall Direct Ltd	£1 5% redeemable preference shares	200,000	200,000
Adamshill Ltd	£1 redeemable cumulative preference shares	250,000	250,000
Aunt Mollies Foods Ltd	£1 redeemable preference shares	-	75,000
Avalanche Technology Holdings Ltd	£0.01 ordinary shares	-	500,000
Bespoke Shirt Company Ltd	£1 redeemable cumulative preference shares	-	44,702
British Textiles Manufacturing Company Ltd	£1 5% redeemable cumulative preference shares	307,026	307,026
Broad Fittings Ltd	£1 redeemable cumulative preference shares	-	125,000
Buchanan Wire Mesh Ltd	5.5% cumulative redeemable preference shares	75,000	75,000
Coulter Windows Ltd	£1 5% redeemable cumulative preference shares	250,000	250,000
DSQ Property Co. Ltd	£1 "A" redeemable preference shares	-	17,757,000
Elizabeth Alexandra Ltd	£1 redeemable cumulative preference shares	-	90,000
Energy Conservation Systems (NI) Ltd	£1 redeemable preference shares	260,000	260,000
Elastic Olympian Ltd	£1 "A" redeemable cumulative preference shares	70,000	70,000
Elastic Olympian Ltd	£1 "C" redeemable cumulative preference shares	100,000	100,000
E-link Software Ltd	£1 cumulative redeemable preference shares	-	60,000
Erinwood Manufacturing Ltd	£1 "A" redeemable cumulative preference shares	-	10,000
Erinwood Manufacturing Ltd	£1 redeemable non cumulative preference shares	-	70,000
Exus Energy Ltd	£1 5.5% preference shares	120,000	120,000
Global Club Ltd	£1 redeemable preference shares	100,000	100,000
Herdman Holdings Ltd	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Ltd	Ordinary shares	10,000	10,000

Company	Type of shares	No of shares 2006	No of shares 2005
In4mation Online Ltd	£1 redeemable cumulative preference shares	-	50,000
International Leathers (NI) Ltd	£1 "C" redeemable cumulative preference shares	200,000	200,001
James Dunlop (NI) Ltd	£1 "A" redeemable non cumulative preference shares	150,000	150,000
John Compton (Glenanne) Ltd	£1 redeemable preference shares	-	50,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000	149,000
K-Hub.com Ltd	£1 redeemable non cumulative preference shares	50,000	50,000
Kathrina Fashions Ltd	£1 redeemable preference shares	25,000	25,000
Langford Joinery Ltd	£1 "A" redeemable cumulative preferences shares	-	130,000
Langford Joinery Ltd	£1 "C" redeemable cumulative preference shares	-	90,000
Linian Knitwear Ltd	Ordinary shares	3,265	3,265
Leaf Mecatronics Ltd	£1 "A" redeemable cumulative preference shares	-	210,000
Leaf Mecatronics Ltd	£1 redeemable preference shares	50,000	50,000
Loch Rainbow Fisheries Ltd	£1 redeemable preference shares	60,000	60,000
Mallon Bros Ltd	£1 redeemable preference shares	27,000	27,000
Maximum IP Ltd	£1 5.5% cumulative redeemable preference shares	50,000	50,000
McCleery Technical Yarns Ltd	£1 5% "A" cumulative redeemable preference shares	50,000	50,000
McDowell, J C	£1 ordinary shares	-	60,000
Memsis Ltd	£1 8% cumulative redeemable preference shares	-	60,000
Modac (NI) Ltd	£1 redeemable non cumulative preference shares	35,000	35,000
Mopack Systems Ltd	£1 redeemable non cumulative preference shares	70,000	70,000
Mineit Software Ltd	£1 redeemable preference shares	-	250,000
Northern Ireland Export Company Ltd	£1 redeemable non cumulative preference shares	102,000	102,000

Company	Type of shares	No of shares 2006	No of shares 2005
Northern Ireland Export Company Ltd	Ordinary shares	98,000	98,000
Northland Computer Services Ltd	£1 redeemable preference shares	-	100,000
North West Independent Clinic Ltd	£1 redeemable non cumulative preference shares	100,000	100,000
Oberon Enterprises Ltd	£1 redeemable non cumulative preference shares	90,000	90,000
PAM Electronic Ltd	Ordinary shares	10,000	10,000
Pacific Tooling Ltd	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick (Manufacturing) Ltd	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Ltd	£1 redeemable cumulative preference shares	45,000	45,000
Sarcon (No 19) Ltd (GK)	"B" redeemable cumulative preference shares	70,000	70,000
Sarcon (no 150) Ltd	£0.10 "A" ordinary shares	500,000	500,000
Sarcon (no 150) Ltd (Donaghadee Carpets)	£1 8% cumulative redeemable preference shares	1,500,000	1,500,000
Sheelin Products Ltd	£1 redeemable preference shares	40,000	40,000
Softcom Ltd	£1 redeemable preference shares	50,000	50,000
Smartlight Devices Ireland Ltd	£1 "A" redeemable preference shares	750,000	750,000
Smartlight Devices Ireland Ltd	£1 10% "B" cumulative redeemable preference shares	470,000	470,000
SMTEK Europe Ltd	£1 redeemable preference shares	200,000	200,000
The Data Warehousing Practice (NI) Ltd	5.5% non cumulative redeemable preference shares	-	35,000
The Shirtmakers Guild Ltd	£1 redeemable cumulative preference shares	150,000	150,000
Ulster Partitions Ltd	£1 redeemable non cumulative preference shares	35,000	35,000
Ulster Weavers Apparel Ltd	5% redeemable preference shares	692,500	692,500
United Fashion (Strelitz)	£1 "A" redeemable preference shares	250,000	250,000
Waveline Ltd	£1 redeemable preference shares	-	100,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000

APPENDIX B
Report on the 2005-06 Financial Statements

Emerging Business Trust (EBT) and other Investigations

1) In my report on the 2004-05 accounts I advised that I was 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. This report was published on 9th February 2006.[1] In February 2006 officials from DETI and Invest NI provided evidence to the Committee of Public Accounts (PAC) on the NIAO report. The PAC hearing considered significant conflict of interest issues relating to the establishment and management of EBT; the standards of corporate governance in LEDU, and the Department's stewardship of its NDPBs.

2) In one of the recommendations of the subsequent PAC[2] report published on 10th May 2006, the Committee concluded that "the department has taken a long time to deal with EBT and the other investigations. It is important that the three ongoing investigations are brought to a conclusion as soon as possible so that lessons can be learnt and applied throughout departments."

It was also recommended that the Department should provide a report on the outcome of each investigation as it is concluded together with the findings of the liquidators report into EBT. In order to be satisfied that incomplete investigations are being expedited, PAC required that a progress report should be provided in six months.

3) The Department agreed, in the Memorandum of Reply[3] to PAC published in July 2006, that it would provide an update to the committee and expects to provide a progress report in November 2006.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Date: 18th October 2006

1 Governance issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit. (HC 817)

2 46th report of session 2005-06 'Governance issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit' (HC918)

3 Northern Ireland Department of Finance and Personnel Memorandum on the 46th Report from the Public Accounts Committee Session 2005-06. (CM 6879)

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