Invest Northern Ireland

Building Locally
Competing Globally

Annual Report and Accounts

2007-08

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Helping local businesses grow
Invest Northern Ireland
Building Locally Competing Globally

Invest Northern Ireland

Annual Report and Accounts for the year ended 31 March 2008

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.

NIA 201/07-08


Dynamic and
innovative
economy
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Introduction, Mission Statement and Objectives

Introduction

The Board presents the annual report and audited accounts of Invest Northern Ireland (Invest NI) for the year ended 31 March 2008.

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

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

The accounting policies adopted in the preparation of these accounts are detailed in note 1 to the accounts, which includes the accounting treatment in relation to the pension scheme. Further information on the pension scheme is also included in note 7(iv) to the accounts and in the Remuneration report.

Mission Statement

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.

Objectives

Invest NI's objectives are to achieve:

- improved competitiveness, increased skill levels and greater entrepreneurship amongst client companies;
- a more positive attitude towards enterprise that stimulates 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; and
- levels of new inward investment and reinvestment proportionally greater than the UK average.

Board and Executive 2007-08

Board and Executive 2007-08

Board Members

Stephen Kingon Chairman

Rotha Johnston Deputy Chairman

Patrick Haren

Rosemary Peters-Gallagher

Ed Vernon

Bryan Keating

John Brady

Deborah Boyd (retired from office 31 March 2008)

Frank Bunting (retired from office 31 March 2008)

Bernie Hannigan (retired from office 31 March 2008)

Gilbert Little (retired from office 31 March 2008)

Bill McGinnis (retired from office 31 March 2008)

Chief Executive and Senior Management

Leslie Morrison Chief Executive

Tracy Meharg Managing Director, Innovation and Capability Development

Colin Lewis Managing Director, Corporate Services

Jeremy Fitch Managing Director, Clients Group and Business International

Ian Murphy Managing Director, Clients Group and Entrepreneurship

Organisation Structure

Organisation Structure

- **Stephen Kingon** – Chairman
  - **Leslie Morrison** – Chief Executive
    - **Jeremy Fitch** – Managing Director, Clients Group & Business International
      - **Kevin McCann** – Director, Transport, Construction & Tourism
      - **Brian Dolaghan** – Director, Electronics, General Manufacturing & Business Services
      - **Bill Montgomery** – Director, International Investment
    - **Ian Murphy** – Managing Director, Clients Group & Entrepreneurship
      - **Maynard Mawhinney** – Director, Food
      - **Graham Davis** – Director, Regional Economic Development
      - **Donal Durkan** – Director, Life Sciences and Creative
    - **Tracy Meharg** – Managing Director, Innovation and Capability Development
      - **Carol Keery*** – Director, Innovation, Research & Technology
      - **Victor Jordan**** – Director, Business Improvement Services
      - **Alan Hingston** – Director, Trade
      - **Olive Hill** – Director, Technology & Process Development
    - **Colin Lewis** – Managing Director, Corporate Services
      - **Damian McAuley** – Director, Strategic Management & Planning
      - **Liam Hagan** – Director, Human Resources
      - **Mel Chittock** – Director, Finance
      - **Charles Harding** – Director, Corporate Finance, Appraisal & Advisory
      - **Alison Gowdy** – Head of Corporate Communications & Marketing Unit
      - **Steve Chambers** – Head of Property Services Unit

John *Thompson resigned as Director of Innovation, Research & Technology on 31 December 2007.
Carol Keery was appointed to the post in April 2008.
Victor** Jordan retires as Director of Business Improvement Services in June 2008.
Niall Casey will take up the appointment at that date.

Chairman's Introduction

Chairman's Introduction

At the conclusion of last year's Annual Report, I stated that it had been "a good year for Invest NI in terms of outcomes. However, next year needs to be better and the year after better still if we are to continue to contribute effectively to addressing Northern Ireland's economic challenges."

I am delighted to report that 2007-08 has indeed been an even better year for Northern Ireland, the economy and also for Invest NI.

In advance of his attendance at the recent US NI Investment Conference in May, Mayor Bloomberg of New York said: "The future of Northern Ireland has never been brighter, because the commitment to peace has never been stronger." To that, I would add "and because the commitment to the economy has never been greater". Its prominence in the Programme for Government and the ambition that Ministers have shown in positioning Northern Ireland as open for business underscore it.

The first anniversary of devolved Government has recently passed and we are beginning to see a more confident Northern Ireland emerge to meet the challenges of increased competition arising from rapid globalisation.

The results presented in our Annual Report reflect not only the increasing ambition of our clients but also increased proactivity by Invest NI. Invest NI support over the past year has encouraged our clients to commit to investments totalling almost £700 million. Over 54 per cent of this support relates to existing locally-owned businesses.

The value of our advice, expertise and financial support, is reflected in the higher investment which this has stimulated. Last year, each pound of taxpayers' money we offered in support of our clients' growth plans, levered a total of £6.

The recent turmoil in global financial markets has not yet substantially impacted our clients. However, we remain vigilant since most companies will not escape its after-effects.

Northern Ireland continues to be one of the top performing regions in the UK in attracting foreign direct investment. It has a growing reputation as a location of choice, particularly in higher value-added sectors, such as financial services, ICT and niche manufacturing, which were targeted for the major May 2008 US NI Investment Conference.

This year marks the end of Invest NI's Corporate Plan for 2005-08. The significant results achieved in this period show that Invest NI is delivering on its remit to support higher-value economic activity and that our focus on client companies with the potential and ambition to export, to boost productivity and to become more internationally competitive, is the right path. This is reinforced by the consistently positive results from our client satisfaction surveys.


Transforming business processes
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This year's outturn provides a sound foundation on which to build our new Corporate Plan, covering the period 2008-11. The Plan sets out how Invest NI will support the development of a wealth-creating and skills-based export sector that can drive sustainable growth, influence the shift towards higher value-added sectors and nurture frontier businesses at the leading edge of innovation and technology.

I would like to thank Deborah Boyd, Frank Bunting, Professor Bernie Hannigan, Gilbert Little and Bill McGinnis whose term as Board members has come to an end, for their unstinting work and commitment to supporting economic development in Northern Ireland.

In addition I wish to welcome Roy Adair, Tim Brundle, Dr David Dobbin CBE, Mark Ennis, Frank Hewitt, Dr Alan Lennon OBE, Professor Gerry McCormac and Gerry McGinn to the Board. They are joining at a time of great importance for the local economy.
They bring with them a wide range of skills and experiences which will further enhance the ability of Invest NI to help Northern Ireland create a dynamic and innovative economy.

The close working relationship and support from our sponsor, the Department of Enterprise, Trade and Investment, has been instrumental in contributing to this year's excellent performance. Finally we could not have achieved the excellent outturn for the year without the commitment, enthusiasm and professionalism of the management team and staff at Invest NI.

Stephen Kingon
Chairman

Chief Executive's Overview

Chief Executive's Overview

During 2007-08 we continued to deliver high private-sector investment commitments to strong projects and have met or exceeded substantially all of our operating plan targets.

Invest NI support levered a total of £689 million of investment commitments by our clients, 54 per cent of which related to locally-owned businesses, either existing or new starts. The vast majority of our offers were for less than £10,000, with only some six per cent being for more than £100,000. However, these larger offers are expected to yield a total investment of almost £565 million. Most small offers are to locally-owned small and medium sized enterprises (SMEs) and their strong showing reflects, in particular, the performance of our Regional Office Network and Food division, which have high proportions of these clients.

New businesses benefited from our financial and advisory assistance. These included 103 enterprises with the potential to trade in markets outside Northern Ireland from an early stage. A further 3,348 individuals were assisted through the Start a Business Programme, which provides funding and advice for small local-market start-ups.

Our range of support programmes has been concentrated heavily on the creation and growth of businesses with strong export potential.

Invest NI's trade programmes continue to attract high levels of interest and a further 250 businesses demonstrated their commitment to exporting for the first time. For existing exporters seeking to enter new markets, market visits continue to be the main channel and almost half of the 800 companies who participated on trade missions were new to the markets visited.

Eighty of our clients also investigated opportunities to enter strategic alliances with potential international partners, in locations ranging from Poland to South Korea.

The development of the financial services sector in Northern Ireland progressed further as major new projects were announced by Bank of Ireland and Citi. Software testing and development is often closely allied to financial services carried out in Northern Ireland. New investments by software houses like Wombat, Fujitsu and 3ParData have enhanced our reputation as a location of choice for accessing such skills. These planned investments will result in the creation of quality employment opportunities, and will generate over £56 million of salaries each year.

Overall, inward investors pledged to invest some £256 million in 35 projects last year, comprising 20 first time investors and 15 reinvestments. At fruition, these projects anticipate creating 2,738 new jobs and almost £94 million annually in salaries.

As a result of our agreement to provide £12 million in funding over three years to Northern Ireland Screen, major productions including ***Closing the Ring*** and ***City of Ember*** were filmed in Northern Ireland. The ability to attract such productions gives our local film industry visibility on the world stage, opens up new opportunities and has attractive economic-multiplier effects.


Increasing
export sales
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In Life Sciences we have seen new and repeat investment from indigenous companies of the calibre of Northbrook Laboratories and Almac. These investments and the decision by the Continua Health Alliance, a group of 130 companies founded by Intel, to locate its European Centre for Connected Health in Northern Ireland, underline the potential of the science and skills available in the Northern Ireland health sector to create wealth.

In order for our clients to realise the full benefits of their investments and to develop a pipeline of world-class products and services, they need to constantly enhance their capability to innovate and to sell in overseas markets.

Through our Compete, START, Product and Process Development and Design programmes, a further 95 companies engaged in R&D activity for the first time. This is significant, given that these programmes target SMEs, a sector which continues to show significant increases in business-related R&D spend. These companies committed £30 million of private-sector investment to R&D during the year, slightly ahead of plan and below our new Corporate Plan target for future R&D delivery.

The business and academic infrastructure to support such innovation was further strengthened with the announcement of two new Centres of Excellence – in Intelligent Systems at the University of Ulster, Magee, and in Oral Healthcare at Warner Chilcott in Larne. An evaluation of Centres of Excellence supported to date concluded that the £35 million of funding provided has resulted in almost £200 million of total investment and in some £500 million of additional revenue, an outstanding result.

During the year, we received unprecedented requests from clients for advice and assistance on technical, energy and environmental issues. Our comprehensive website, www.nibusinessinfo.co.uk, was further developed; it received over 119,000 visits during the year and has provided one million pages of information since launch.

During the course of the year, Invest NI was awarded Investors in People accreditation, recognising our commitment to developing staff and ensuring that the ethos and priorities of the organisation are best adapted to supporting clients. This is reflected in: the consistently high levels of client satisfaction being reported in independent monthly and annual surveys; in the number of people identifying Invest NI as an employer of choice; and in our low levels of absenteeism. A total of 24 recruitment competitions last year attracted 1,866 applications, and absenteeism, at 2.9 per cent, is less than half the NI Civil Service average.

A total of £32 million of receipts was realised for the Northern Ireland bloc, and industrial property sales to clients, a major component of such receipts, remain at high levels. To ensure an adequate future supply of affordable premises for Invest NI clients, we are seeking to acquire suitable sites for industrial development in strategic locations including Armagh, Newry, Omagh and Strabane.

The strong performance achieved by Invest NI during 2007-08 provides us with confidence that the thrust of the third Corporate Plan is correct and that we can deliver against it as fully as the weakening economic cycle will allow.

Leslie Morrison

Leslie Morrison
Chief Executive


Attracting
inward
investment
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Management Commentary

Statutory Background

Invest NI is a 'Non Departmental Public Body' (NDPB) established on 1 April 2002 under the Industrial Development Act (Northern Ireland) 2002, which operates under a Board which is the body corporate.

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

Invest NI's principal function is to provide government support for businesses by delivering the Government's economic strategies and making the most efficient use of available resources.

Invest NI offers the Northern Ireland business community a single organisation providing high quality services, programmes, support and expert advice.

The organisation's mission statement and overriding objectives are described on page 5. The detailed objectives and strategies are further outlined in this section.

Objectives and Strategic Direction

Government priorities were detailed in the 2005 Economic Vision for Northern Ireland, the aim of which was to place the economy at the heart of Northern Ireland's future through greater wealth creation and better employment opportunities for all. The Government's Economic Vision focused on four economic vision drivers:

- Increase investment in R&D and promote innovation and creativity.
- Promote and encourage enterprise.
- Ensure people have the right skills for future employment opportunities.
- Ensure a modern infrastructure is in place to support business and consumers.

The financial year 2007-08 represented the final year of the Invest NI 2005-08 Corporate Plan. The objectives set out in the Corporate Plan were based on the Government's Economic Vision and focused on the following three key economic priorities:

- Being Entrepreneurial
- Being Innovative
- Being International

2005-08 Corporate Plan Targets and Achievements

The targets for the 2005-08 Corporate Plan were set in the context of the three key economic priorities. Invest NI has achieved all the primary targets and the related outturn is as follows:

2005-08 Operating Target	2005-08 Outturn
1,500 people, process and innovation improvement intervention in companies, of which at least 300 will be skills-related	3,658 improvement interventions 2,185 major skills related
100 companies to undertake R&D for the first time	246 companies undertook R&D for the first time
1,500 businesses to improve their use of information and communications technology	2,189 companies have improved their use of information and communications technology
1,000 companies to enter new markets	1,095 companies have entered new markets
10,000 start-ups, of which 4,000 will be in new Targeting Social Need (nTSN) areas	9,991 total locally-owned* start-ups
500 new exporters	611 companies have begun to export
500 key sales personnel to improve sales and marketing skills	719 personnel have improved their sales and marketing skills
40 new inward investment projects (maintaining at least 75% in nTSN areas)	51 new inward investment projects (69% in nTSN areas)

* These start-ups only include start-ups that are locally-owned. New externally-owned start-ups are captured as new Foreign Direct Investment (FDI) projects.

2007-08 Operating Targets and Achievements

During the year, Invest NI met or exceeded the majority of its 2007-08 operating plan targets and the year-end achievement against each of the key operating targets is set out below:

Activity	2007-08 Operating Target	Year-end Achievement
Being Entrepreneurial		
Entrepreneurship in education	60,000 students to participate in entrepreneurship programmes	62,510
Social entrepreneurship	44 start-ups	63
Stimulating growth and capability development projects in locally-owned and existing externally-owned companies	£127.3m indigenous investment	£339.6m
	£55.6m annual salaries (indigenous)	£57m
	£265m external investment*	£299m
	£84.6m annual salaries (external)	£94.4m
Assisting indigenous business start-ups	3,500 local start-ups	3,348
	90 external starts	69
	13 global starts	11
Improving management and workforce capability	1,100 business improvement interventions	1,034
	75 BiTP projects	77
Female entrepreneurship	4,200 participants in women's networks	5,250
	47% of start-ups to be female	46%
Youth entrepreneurship	10,000 young people to be given advice through LiveWIRE	12,808
	5,000 registrations	5,257
	210 young entrepreneurs to be supported through Prince's Trust	180

* First time investment by externally-owned companies plus re-investments by externally-owned companies.

continued

Activity	2007-08 Operating Target	Year-end Achievement
Being Innovative		
Stimulating investment in innovation and R&D	£25m private sector investment	£30m
	90 new companies to engage in R&D	95
	4 NITech projects	4
	12 Proof of Concept projects	0
Assisting knowledge transfer	40 Knowledge Transfer Partnerships	29
Enhancing R&D support infrastructure	Establish 2 new Centres of Research Excellence	2
Promoting use of industrial design	35 participants on Design Development programme	27
Providing technical support and promoting use of new technology	500 technical assistance requests	596
	2,400 business information enquiries	2,609
	400 intellectual property searches for companies	542
	550 companies to improve their use of ICT	673
Being International		
Attracting new inward investments	1,800 visits to companies	1,971
	120 inward visits	122
	15 new inward investment projects	20
	1,750 new jobs	1,839
	£35m additional annual wages	£40.5m
Increasing exports	250 key sales personnel to improve sales and marketing skills	299
	200 new first time exporters	252
	400 existing exporters to enter new markets	382
	75 companies to explore overseas business alliances	80
Supporting tourism accommodation	8 projects	4

In addition to the key achievements set out above, 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.

Future Developments

During the year work was completed on the 2007 Comprehensive Spending Review (CSR) process with Invest NI submitting final budget requests for the three-year period from April 2008 to March 2011. The Invest NI submissions included bids to facilitate the delivery of government economic development objectives, while demonstrating operational efficiencies and other value for money considerations.

On 24 January 2008, the Northern Ireland Assembly announced the outcome of the CSR process. The allocation for Invest NI sees a significant increase in budget over the levels set in the 2005-08 period and will provide the resources required to deliver the targets set out in the 2008-11 draft Corporate Plan.

The main targets in the Invest NI draft Corporate Plan for 2008-11 have been developed in the context of DETI's Corporate Plan and the Programme for Government 2008-11 which, with its associated budget and Investment Strategy, identifies the economy as the number one priority of Government policy.

The key focus within the draft Invest NI Corporate Plan is to boost the gross value added (GVA) per employee within companies in the Invest NI client base. As outlined in the draft Plan, the priority actions for economic growth and to increase productivity are:

- to realise potential of existing businesses;
- to shift the sectoral focus towards higher value-added sectors; and
- to support frontier companies at the leading edge of innovation and technology.

Within the context of these priorities, expenditure on innovation programmes will be increased by almost one third, increased emphasis will be placed on the encouragement of new FDI within target industries of financial services, software and IT and increased resource will be allocated to investments which seek to commercialise intellectual property.

Invest NI acquires, develops and holds land exclusively for development by its client companies. The Invest NI Acquisition and Disposal Strategy was approved in 2006 and provided investment approval in principle for a first phase of acquisition of land. The next phase is currently being developed and will come forward for approval in 2008-09. During this next phase, Invest NI will continue to re-align its land holding with the Government's Regional Development Strategy (RDS), concentrating on the provision of property solutions at the RDS main hubs.

Although the recent global economic downturn has not substantially impacted our clients during 2007-08, Invest NI will continue throughout the Corporate Plan period, to work towards delivery of the objectives while taking account of any impact of the weakening economic cycle.

Key Financial Highlights for the Year:

- Programme expenditure was £130 million against an allocated budget of £135 million, a 96 per cent achievement against target.
- Receipts generated in the year totalled £32 million against an initial target of £11 million. These receipts related to the disposal of fixed assets and investments, and to the clawback of grant monies.
- The additional gross receipts generated above target, amounted to £21 million. 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 repayment, the total income of £7 million is repayable to Central Government.

Financial Performance

Income and Expenditure Account

Income of £6 million has been reported for the year, compared to £12 million in 2006-07. The decrease is largely due to a reduction of £4 million in grant clawback income.

In addition, a profit of £0.5 million on tangible assets disposal has been reported for the year. Despite the realisation of property sales in excess of £18 million, the profit of £0.5 million was a reduction of some £5 million on the restated 2006-07 amount. The valuation of the land and property portfolio was uplifted by over £30 million in 2006-07. The higher carrying base cost has resulted in a decrease in the current year profit reported.

Total expenditure for the year, excluding corporation tax, has decreased from £161 million to £153 million. The reduction is primarily due to the release of fixed investment and bad debt provisions. The grant expenditure and programme related costs have remained static at £116 million while administrative expenditure has been reduced by £1 million to £31 million. The organisation's administration budget (excluding HQ unitary charges) of £26 million was almost fully utilised. The corporation tax charge has increased from £0.8 million in 2006-07 to £1 million in 2007-08 as a result of the high level of property sales and other taxable income.

Balance Sheet

Total fixed assets including investments at the year end were £212 million, an increase of £45 million on 2006-07. This was primarily due to an increase of £50 million in the value of land and property holdings and a corresponding reduction of £5 million in investments, linked to the repayment of loans and shares and movement in provisions.

The increase in land and property value reflected an overall uplift in valuation per acre rather than an increase in land and property holdings. Overall the land stock available for resale fell from 861 acres at the beginning of the financial year to 780 acres at 31 March 2008. Given the recent trends in land sales, it is anticipated that the organisation's stock of land to support economic development will be largely expended in five to seven years. The requirement to continue to promote economic development through the provision of high quality serviced sites for Invest NI client companies will be addressed through the organisation's property acquisition strategy, which is aligned to the Executive's Investment Strategy for Northern Ireland.

Total creditors have remained constant at £55 million. The timing of grant claims and payments has resulted in an increase of £3 million in the accrued grant creditor. These liabilities will be met primarily from future DETI funding. The increase in accrued grant creditor has been largely offset by a reduction in the amount due to DETI in respect of income surrendered, following a repayment of more than £9 million by Invest NI.

Revaluation and general reserve balances at the year end have increased from £106 million to £153 million largely reflecting the increase in the value of tangible fixed assets.

All known current and future liabilities have been accounted for in the accounts through accruals or provisions. A number of contingent liabilities existed at the year end and these have been accounted for, except where the possibility of crystallisation is considered to be remote. Details of any contingent liabilities have been outlined in note 29 to the accounts.

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 to maximising their contribution to the continuous improvement of service delivery. During the year, Invest NI was awarded Investors in People accreditation, recognising our commitment to developing staff.

Staff attendance is actively managed, and the organisation's absence rate for the 2007-08 year, was 2.9 per cent, equating to 6.8 days per staff member including long-term sickness. This is better than the average within the NI Civil Service and also compares favourably with many of the better performing private sector organisations.

Invest NI's equality policy in respect of employment practices is described in the Corporate Governance Statement.

Other Policies

Specific Acts and policies governing Invest NI are described in the Corporate Governance Statement.

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 95 per cent (2007: 97 per cent) of bills were paid within this standard.

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 online information resource and the work done to stimulate entrepreneurial and innovative activities. As in previous years, the organisation continues to implement DETI's nTSN Action Plan.

Post Balance Sheet Events

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

Eight Board members, Roy Adair, Tim Brundle, David Dobbin, Mark Ennis, Frank Hewitt, Alan Lennon, Gerry McCormac and Gerry McGinn were appointed to the Invest NI Board in April 2008.

Since the balance sheet date a number of client companies have made announcements concerning their activities. Several companies have announced expansion plans but a number of client companies in specific sectors are affected by the state of the global economy and changes in market demand. Invest NI continues to work closely with client companies to provide the appropriate support, particularly for 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.

Auditors

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

Leslie Morrison
Accounting Officer
24 June 2008

Remuneration Report

Remuneration Report

Chairman and Board

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 a bonus.

Neither the Chairman nor any Board members receive pension contributions 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.

The remuneration of the Chairman and Board members is as follows (the information in the table below has been subject to audit):

Chairman and Board Members Remuneration

	Salary 2007-08 £'000	Benefits in kind 2007-08 £	Salary 2006-07 £'000	Benefits in kind 2006-07 £
Stephen Kingon	40	-	39	-
Rotha Johnston	11	-	11	-
Patrick Haren	11	-	11	-
Rosemary Peters-Gallagher	11	-	11	-
John Brady	11	-	11	-
Bryan Keating	11	-	11	-
Ed Vernon	11	-	11	-
Deborah Boyd (retired from office 31 March 2008)	11	-	11	-
Frank Bunting (retired from office 31 March 2008)	11	-	11	-
Bernie Hannigan (retired from office 31 March 2008)	11	-	11	-
Gilbert Little (retired from office 31 March 2008)	11	-	11	-
Bill McGinnis (retired from office 31 March 2008)	11	-	11	-
Debra Jenkins (retired from office 31 March 2007)	-	-	11	-
Alan McClure (retired from office 31 March 2007)	-	-	11	-

Eight new Board members were appointed in April 2008 but did not receive any remuneration in the current or previous financial years. At that date, the appointments of Rotha Johnston, Patrick Haren and Rosemary Peters-Gallagher were extended for a further one-year period.

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, which are open-ended. The normal retiring age is 65, although, in line with the provision of the Principal Civil Service Scheme (NI), staff may retire at any time after age 60 with no diminution of earned pension benefits. The policy relating to notice periods is contained in the Invest NI Staff Handbook.

The Chief Executive's remuneration package contains a provision for a performance related bonus of up to 15 per cent of salary, 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 Remuneration Committee is chaired by Stephen Kingon. Committee members during 2007-08 included Rotha Johnston, Patrick Haren, Bernie Hannigan and Gilbert Little. 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 comprise a base uplift and a performance based non-consolidated bonus in accordance with the arrangements recommended by the Civil Service Senior Salaries Review Body.

The remuneration of the Chief Executive and Senior Management Team is as follows (the information in the table below has been subject to audit):

Chief Executive and Senior Management Team Remuneration

	Salary 2007-08 £'000	Benefits in kind 2007-08 £	Salary 2006-07 £'000	Benefits in kind 2006-07 £
Chief Executive: Leslie Morrison	160 - 165	-	160 - 165	-
Managing Directors: Tracy Meharg	90 - 95	-	90 - 95	-
Colin Lewis	85 - 90	-	85 - 90	-
Jeremy Fitch	85 - 90	-	85 - 90	-
Ian Murphy (appointed 1 June 2006)	90 - 95	-	65 - 70	-

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 during the year and thus reflected in these accounts.

Included in the Chief Executive's remuneration is £26,000 (2007: £25,000) of contribution in lieu of pension provision, and a performance related bonus of £8,000 (2007: £8,000).

The 2006-07 salary disclosure for Ian Murphy represents 10 months of his full year salary, following his appointment as Managing Director on 1 June 2006. The full year equivalent salary was in the region of £75,000 to £80,000.

Benefits in Kind

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

Pension

With the exception of the Chief Executive, pension benefits for Senior Management Team members are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements 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 Price Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the Nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3 per cent. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and Nuvos. 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 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 three 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).


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The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of Nuvos.

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

Pension details of the Senior Management Team as at 31 March 2008 are as follows (the information in the table below has been subject to audit):

Pension Details

	Real increase in pension and related lump sum at age 60 £'000	Accrued pension at age 60 at 31 March 2008 and related lump sum £'000	CETV at 31 March 2008 £'000	CETV at 31 March 2007 £'000	Real increase in CETV £'000
Tracy Meharg	0 - 2.5 plus 0 - 2.5 lump sum	15 - 20 plus 55 - 60 lump sum	336	289	8
Colin Lewis	0 - 2.5 plus 0 - 2.5 lump sum	15 - 20 plus 45 - 50 lump sum	280	241	7
Jeremy Fitch	0 - 2.5 plus 0 - 2.5 lump sum	15 - 20 plus 45 - 50 lump sum	313	203	4
Ian Murphy	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 80 - 85 lump sum	526	401	19

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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Leslie Morrison
Accounting Officer
24 June 2008

Corporate Governance Statement

Corporate Governance Statement

The Combined Code

Invest NI is committed to the highest standards of corporate governance and supports the Combined Code published in July 2003 by the Financial Reporting Council (FRC). The Code is primarily focused on guidance for public listed companies, and therefore is not entirely applicable to Invest NI. However, Invest NI is committed to implementing any guidance in the Code that is appropriate for an NDPB. This report describes how the organisation has applied and supported the principles in the interests of best practice.

Invest NI is an NDPB set up under the Industrial Development Act (Northern Ireland) 2002, and is sponsored by DETI. Under the provisions of the Act, Invest NI is responsible for the delivery of programmes and activities designed to meet the economic development policy objectives established by DETI. Invest NI is responsible for reporting on its activities to the Minister for Enterprise, Trade and Investment. Invest NI is required to comply with stringent requirements relating to all key areas of its functions and activities as determined by 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 the Data Protection Act.

Responsibilities of the Board and Chairman

Invest NI has an executive Board comprising a Chairman and not fewer than 10, or more than 20 other members, appointed by DETI. DETI ensures that each member appointed to the Board has experience relevant to the discharge of the functions of Invest NI, and that as far as is practical they are representative of the community in Northern Ireland. The Board meetings are held monthly and attended by the Chief Executive and Managing Directors.

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

The main role of the Chairman is to provide leadership, strategic support, corporate governance direction, and to represent Invest NI in the local and international business communities. The Chairman is personally responsible to the Departmental Minister for ensuring that Invest NI's strategies are compatible with those of the Department, that Invest NI meets its agreed objectives and targets, and for probity in the conduct of the organisation's affairs.

Board Committees

The discharge of the Board's responsibilities is delegated to a number of Committees, listed as follows:

- Board Audit Committee
- Remuneration and Performance Committee
- Human Capital Committee
- International Committee
- Policy and Strategy Committee
- Stakeholder Committee
- Finance Control Committee
- Casework Committee

The following Committees have a specific role for ensuring high standards of corporate governance and control are exercised:

Board Audit Committee

The Board Audit Committee is responsible for reviewing and advising on risk management and corporate governance processes, compliance matters and internal and external audit issues. The Committee reviews the financial reporting controls and advises on the application of the latest reporting requirements. The Committee meets on a quarterly basis and is chaired by Rosemary Peters-Gallagher. It comprises five other Board members and is attended by the Chief Executive, Finance Director, representatives from DETI, Northern Ireland Audit Office and DETI Internal Audit Service (IAS).

Internal Audit Committee

The Internal Audit Committee is responsible for reviewing internal compliance issues, implementing action plans and audit recommendations, developing internal control systems and providing advice to the Board Audit Committee. The Committee meets on a quarterly basis and is chaired by the Corporate Services Managing Director. It comprises the Managing Directors, Finance Director, and representatives from IAS.

Remuneration and Performance Committee

The Remuneration and Performance Committee is responsible for agreeing the performance indicators against which the Chief Executive is measured, and for presenting recommendations to DETI on the annual pay increase and performance bonus of the Chief Executive. The Committee meets on an annual basis and comprises the Chairman, four other Board Members and the Human Resources Director.

Finance Control Committee

The Finance Control Committee is responsible for operating and promoting an effective financial control and budgetary management framework in the organisation. The Committee reviews the financial performance of the organisation, monitors budget requirements, focuses on variances between outturn and budget, and ensures implementation of agreed actions to achieve Invest NI's operational and financial objectives. The Committee meets on a monthly basis and is chaired by the Finance Director and comprises the Chairman, Chief Executive, Managing Directors, and representatives from the Board, Finance and Strategic Management and Planning Divisions.

Risk Management

The Board, Chief Executive and Managing Directors have overall responsibility for determining risk management policy. This includes designing, implementing and maintaining risk management systems. While these systems and procedures do not provide absolute assurance against material misstatements or loss, they are designed to identify and manage those risks that could adversely impact the achievement of the organisation's objectives.

Each Division has assessed the potential risks relevant to the operation, by likelihood of occurrence and financial impact, and recorded the results in the risk register. The Managing Directors and Divisional Directors are responsible for ensuring that the risk register is updated on a regular basis, analysing the results, overseeing subsequent action plans and reporting to the Board and Chief Executive of any significant matters.

Code of Ethics and Conduct

Invest NI operates a robust Code of Ethics procedure applicable to all staff members. The code sets out in particular the obligations of staff in respect of private interests and possible conflict with public duty, the disclosure of official information, and political activities. Members of staff have responsibility to ensure that any possible conflicts of interest are identified and reported at an early stage. The Senior Management Team is required to ensure that timely and appropriate action is taken to resolve any such matters.

Management of Conflicts of Interest

Invest NI's policy on handling and managing possible conflicts of interest is stated in its staff handbook. Invest NI operates a policy whereby staff have a responsibility not to misuse information acquired in their official duties or their official position to further their private interests or those of others. To reinforce this, staff at all levels who have the authority to make or influence decisions are required to declare their interests and adhere to the gift and hospitality procedures. Staff who have a potential conflict of interest are not involved in the casework evaluation or tendering assessment processes. All gifts and hospitality given and received are registered and monitored by the Directors.

Relationships with Arm's Length Bodies

Invest NI's relationships with its two subsidiaries, Northern Ireland Public Sector Enterprises (NI-CO) and Air Route Development (NI) Limited (ARD) are set out in Management Statements and Financial Memorandums. The Management Statements and Financial Memorandums list the responsibilities and reporting requirements between the companies, Invest NI and DETI.

Furthermore, written contractual or partnership agreements are in place with Third Sector Organisations or Service providers who deliver specific services or activities on behalf of Invest NI. These agreements also set out the performance and reporting requirements, which in turn are monitored by designated Client Executives and Managers within Invest NI.

Fraud Prevention

Invest NI operates a zero tolerance approach in relation to fraud and is resolved to take all practical steps to eradicate it. Invest NI requires all staff to act honestly and with integrity and to safeguard the public resources for which they are responsible. Invest NI procedures stipulate that any suspected fraud or allegations (anonymous or otherwise) must be investigated and, where appropriate, referred to the police at the earliest juncture. Invest NI continues to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud.

A fraud response plan has been developed to provide guidance and an action checklist in the event of a fraud being suspected. The objective of the fraud response plan is to promote and ensure timely and effective action.

Equality

Invest NI applies an equality of opportunity policy in its employment practices which 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.

Statement of Accounting Officer's Responsibilities

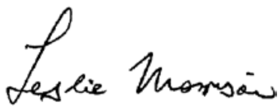
Statement of Accounting Officer's Responsibilities

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 the state of affairs of Invest NI and of its income and expenditure, 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 a going concern basis.

The Accounting Officer of DETI has designated the Chief Executive as the Accounting Officer of 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 and published in Government Accounting Northern Ireland.



Leslie Morrison
Accounting Officer

Statement on Internal Control

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 Invest NI 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 2008 and up to the date of approval of the Annual Report and Accounts, and accords with DFP 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, and DETI. Representatives from the Internal Audit Service (IAS) attend both these Committees and the Northern Ireland Audit Office (NIAO) representatives attend the Board Audit Committee. 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 by management, 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. Appropriate guidance and delegated limits are established to promote control and consistency in decision making across Invest NI's activities. Risk owners and staff are kept informed of new guidance or requirements on an ongoing basis, as appropriate.

The Risk and Control Framework

The Board Audit Committee and the Internal Audit Committee meet on a quarterly basis to review and advise on the risk management, 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 increasingly integrated into the corporate-planning and decision-making processes of the organisation. During the year, internal assurance statements were submitted to DETI each quarter, providing an account of the internal control matters arising in each of the reporting periods. Through these processes, the Board and Senior Management Team demonstrate that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

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 improvement.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness 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 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year, Invest NI has continued to adopt the revised methodology for grant provision calculations, taking into consideration a comprehensive analysis of each type of grant offer and historical payment data. I remain satisfied that the application of this provisioning methodology has helped to improve the reliability of information presented in these accounts and facilitated an improved level of budgetary control across the organisation.

Risk management has been built into Invest NI's planning and decision-making processes, and procedures and documentation are evolving in line with best practice. The Internal Audit Committee and Board Audit Committee met regularly during 2007-08. The 2007-08 IAS programme of audits represented a combination of the further outworking of the agreed Audit Strategy for Invest NI, management's priorities and topics identified from Risk Management Plans. All areas that were originally identified as high priority within Invest NI have now been subject to two audits (and follow-up work) or coverage on a thematic basis. The audit need will be formally re-assessed in 2008-09.

All audit opinions provided by IAS in respect of 2007-08 audits were either satisfactory or better. IAS also acknowledged improvements had been made in various areas across the organisation.

The most significant work undertaken by IAS related to the extensive compliance testing of remedial work undertaken by Invest NI as part of a formal EC Regulatory Compliance Project. IAS also conducted compliance testing on selective Financial Assistance Agreements and Letters of Offer within the Entrepreneurship and Business International Clients Groups, and noted positive results in respect of adherence to financial and project monitoring procedures and the policing of pre-conditions, general conditions and specific conditions. Other key aspects of work included a review of Invest NI Third Sector Organisation (TSO) sponsor control reviews and inspection work; two important programmes within the Innovation and Capability Development Group; and a review of two of our operating offices in Europe. In addition, IAS conducted follow-up reviews which included Invest NI's risk management process, payroll, Trade Division activities and operations associated with a number of Invest NI's overseas offices.

Despite the retention of the limited opinion relating to the ongoing EC compliance work, the management and I are pleased that IAS has provided an overall satisfactory audit opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes for the 2007-08 year. IAS's overall audit opinion reflects the progress made to date with regard to the EC compliance issues and the overall generally positive results from the audit work undertaken in the year.

Significant Internal Control Problems

Under my direction and with guidance received from DETI, we embarked on an EC Regulatory Compliance project aimed at addressing a range of non-compliance and administrative issues. IAS testing revealed that the majority of the compliance aspects had improved in accordance with the EC Regulatory framework. However, a number of recording and associated matters had not been fully addressed. The project team has commenced a second phase of the work required to address the remaining issues. With respect to the ongoing EC compliance work, IAS has retained a 'limited opinion' in this area pending the completion of the required work. I am content that the ongoing monitoring work is sufficient to meet the specific EC requirements.

In March 2008, DETI provided a progress report to the Assembly Public Accounts Committee on investigations into three public bodies which had been established between 1990 and 1998 with the assistance of public funds. Two of these investigations are continuing. In the third case appropriate disciplinary action has been taken and aspects of the investigation have been referred to the Police Service of Northern Ireland (PSNI). Further reports will be provided to the Committee by the Department at the conclusion of the investigations.

Leslie Morrison

Leslie Morrison
Accounting Officer
24 June 2008

Certificate of the Comptroller and Auditor General

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2008 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration 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 and the part of the Remuneration Report to be audited 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 report to you whether, in my opinion, the information, which comprises the Chief Executive's Overview and the Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you 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 the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Invest Northern Ireland's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers 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 the Introduction, Mission Statement and Objectives, Board and Executive, Organisation Structure, Chairman's Introduction, the unaudited part of the Remuneration Report and the Corporate Governance Statement. 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 Opinions

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 Invest Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements 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 the Assembly 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.

Opinions

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 and Investment, of the state of Invest Northern Ireland's affairs as at 31 March 2008 and of its net expenditure after taxation, cash flows and recognised gains and losses 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 and Investment directions made thereunder; and

- information, which comprises the Chief Executive's Overview and the Management Commentary, included within the Annual Report is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly 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 19 and 20 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 £20.2 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.

Report

In February 2006, the Committee of Public Accounts (PAC) considered significant conflict of interest issues relating to the establishment and management of Emerging Business Trust, the standards of corporate governance in the Local Enterprise and Development Unit, and the Department of Enterprise, Trade and Investment's stewardship of its NDPBs.

In April 2007, the Department's Insolvency Service completed its investigation into the conduct of the directors of Emerging Business Trust Ltd and Emerging Business Trust Venture Fund Ltd. It was decided not to commence disqualification proceedings against any of the company directors.

The Department agreed, in the Memorandum of Reply[1] to PAC published in July 2006, that it would provide an update to the committee and provided a progress report in November 2006 and would report further, later in the year, to the local PAC. The Department issued this further progress report in March 2008.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
25 June 2008

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

Income and Expenditure Account
Year ended 31 March 2008

	Note	2008 £'000	2007 £'000 Restated (note 2)
Income			
Income from operating activities			
non surrenderable income	3	602	531
income surrenderable to DETI but retained	4	5,594	11,367
income surrendered to DETI	5	-	-
profit on fixed asset disposals		528	5,957
(loss)/profit on fixed investment disposals		(142)	193
Total income		**6,582**	**18,048**
Expenditure			
Grants and programme related costs			
grants and programme related costs	6	(115,845)	(116,897)
asset development, maintenance and related costs		(1,004)	(3,027)
Administrative expenses			
staff costs	7	(21,050)	(20,570)
other	8	(9,425)	(11,033)
notional costs	9	(509)	(473)
Debt and fixed investments provision release/(charge)	10	1,332	(4,292)
Asset depreciation and amortisation	11	(1,412)	(1,339)
Asset impairment	11	(228)	(304)
Notional cost of capital	9	(4,532)	(3,431)
Total expenditure		**(152,673)**	**(161,366)**
Net expenditure before taxation		**(146,091)**	**(143,318)**
Tax on ordinary activities	12	(1,100)	(770)
Net expenditure after taxation		**(147,191)**	**(144,088)**
Credit reversal of notional costs	9	5,041	3,904
Net expenditure for the financial year	**22**	**(142,150)**	**(140,184)**

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

Statement of Recognised Gains and Losses
Year ended 31 March 2008

	2008 £'000	2007 £'000
Net gain on revaluation of tangible fixed assets (note 21)	66,057	30,772
Total recognised gains relating to the year	66,057	30,772

Balance Sheet
Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible fixed assets	13	178,120	128,230
Intangible fixed assets	14	139	-
Investments	15	200	200
Fixed investments	16	33,960	39,095
		212,419	167,525
Current Assets			
Debtors	17	19,276	17,836
Cash at bank and in hand		372	103
		19,648	17,939
Creditors:			
amounts falling due within one year	18	(54,769)	(55,350)
Net Current Liabilities		(35,121)	(37,411)
Total Assets less Current Liabilities		177,298	130,114
Creditors:			
amounts falling due after more than one year			
Provision for liabilities and charges	19	(24,259)	(24,202)
		153,039	105,912
Reserves			
Revaluation reserve	21	107,698	51,133
General reserve	22	45,341	54,779
		153,039	105,912

Approved by the Board and signed on its behalf by:

Leslie Morrison

Leslie Morrison
Accounting Officer
24 June 2008

Cash Flow Statement
Year ended 31 March 2008

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash outflow from operating activities		(132,076)		(134,934)
Returns on investments and servicing of finance				
Loan interest received	1,044		806	
Dividend received	1,113		959	
Net cash inflow from returns on investments and servicing of finance		2,157		1,765
Taxation				
Corporation tax paid		(780)		(800)
Capital expenditure and financial investment				
Payments to acquire intangible fixed assets	(60)		-	
Payments to acquire tangible fixed assets	(3,010)		(3,177)	
Receipts from sales of tangible fixed assets	17,290		14,837	
Share repayment received	2,879		1,858	
Loan repayment received	4,924		5,188	
Amortisation repayment received	1,560		1,729	
Investment in venture capital fund	(1,620)		(132)	
Investment in share capital	(1,560)		(558)	
Loans made to client companies	(1,693)		(3,809)	
Net cash inflow from capital expenditure and investment		18,710		15,936
Cash outflow before financing		(111,989)		(118,033)
Financing				
Financing from DETI	123,220		125,206	
Consolidated Fund payments to DETI	(9,499)		(7,594)	
Net cash inflow from financing		113,721		117,612
Increase/(decrease) in cash		1,732		(421)

The Cash Flow Statement should be read in conjunction with note 23.


Meeting
customer
needs

Notes to the Accounts Year ended 31 March 2008

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.

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

Tangible Fixed Assets

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.

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

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 and website development)	3 years
Laboratory equipment	15 years
Plant and machinery	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.

Revaluation of Land and Buildings

Land and buildings are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the Income and Expenditure account. A deficit which represents a clear consumption of economic benefits is charged to the Income and Expenditure account regardless of any such previous surplus.

On disposal of an asset which has been previously revalued, the gain or loss recorded in the Income and Expenditure account is based on the net carrying amount rather than the historical cost. Any previously revalued amounts are realised and transferred to the general reserve account as a reserve movement.

Intangible Fixed Assets

Computer licences for internal recording and reporting systems are capitalised as intangible assets. The minimum level of capitalisation of an intangible asset is £1,000.

Licences are stated at current cost using appropriate indices to account for the effect of inflation. They are amortised over a period of three to five years.

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 revaluation 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. Invest NI does not hold the right to exercise a dominant influence over the undertaking of the client companies and has limited voting rights. For these reasons, 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.

Investments in Subsidiaries

Investments in subsidiaries are valued at cost less impairment.

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 the internal delegation limits.

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 the 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.

Financing from DETI

Financing represents net funding received from DETI and is credited to the general reserve.

Income

Income from operating activities represents:

- funding receivable from other organisations, including funding from the European Union (EU) for core programme expenditure. Such income is matched against 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 or organisations. 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) EU income

The issuance of DAO (DFP) 16/06 in 2006-07 resulted in a change in the budgeting treatment in relation to EU receipts from 1 April 2006. All EU receipts relating to core expenditure are treated as accruing resources in support of expenditure incurred i.e. budgeted receipts or income surrenderable but retained. Prior to this change DETI funding was used to fund Invest NI programmes, including EU related expenditure, and EU receipts were dealt with at the Department level.

iii) income that is surrenderable but can be retained by Invest NI for further utilisation

Invest NI generates income which it is permitted to keep and use up to an agreed budget level thus reducing the gross funding received from DETI. This income includes EU receipts used for funding the core programme expenditure. Any income above the budget level is treated as ‘Excess receipts’ and it is paid over to DETI (same treatment as income surrendered).

iv) any other income that does not fall within category (i), (ii) and (iii) comprising non surrenderable income which Invest NI can retain

The majority of this income represents programme contributions received for, and recovery of costs of, 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.

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.

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 (2007: 3.5 per cent) in real terms on assets less liabilities.

2. RESTATEMENT OF COMPARATIVES

In 2006-07, the profit on fixed asset disposal reported in the Income and Expenditure account was overstated by £3,166,000 of revaluation reserves realised. On disposal, the revaluation reserves realised should have been transferred from the revaluation reserve to the general reserve rather than being included in the profit on disposal. To ensure proper accounting treatment and for consistency purposes, the 2006-07 comparatives have been restated. A summary of the restatement impact to the 2006-07 Income and Expenditure account is as follows:

	Profit on fixed asset disposals £'000	Net expenditure for the year £'000
As previously reported	9,123	(137,018)
Reversal of revaluation reserve realised on disposal	(3,166)	(3,166)
	5,957	(140,184)

The overall 2006-07 Balance Sheet position reported of £105,912,000 is unaffected. As outlined in notes 21 and 22 to the accounts, the revaluation reserves realised on disposal are transferred from revaluation reserve to general reserve. This offsets the increase in restated expenditure reported for the year.

Although the above restatement has no impact on the 2006-07 Cash Flow Statement reported, the net expenditure after tax and profit on fixed asset disposal in supporting note 23(i) has been restated accordingly.

3. NON SURRENDERABLE INCOME

	2008 £'000	2007 £'000
Recoupment of programme expenditure and related costs from client companies and third parties	500	440
Other	102	91
	602	531

4. INCOME SURRENDERABLE TO DETI BUT RETAINED

	2008 £'000	2007 £'000
Grant clawback	3,861	8,062
Core programme receipts from EU	2,208	3,305
Gross income surrenderable	6,069	11,367
Less: Excess receipts transferred to income surrendered (note 5)	(475)	-
	5,594	11,367

5. INCOME SURRENDERED TO DETI

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Property rent	1,693		1,595	
(increase)/decrease in provision	(51)		132	
		1,642		1,727
Loan interest	1,105		1,475	
amount written off	(301)		(612)	
increase in provision	(163)		(124)	
		641		739
Amortisation loan interest	381		463	
increase in provision	(254)		(238)	
		127		225
Share dividend	910		804	
amount written off	(393)		(218)	
decrease/(increase) in provision	143		(59)	
		660		527
Other share income		25		121
Other property income		662		243
VAT repayment		3,008		772
Bank interest		37		6
Other income		22		304
Total excluding excess and EU receipts		6,824		4,664
Excess receipts surrendered to DETI (note 4)		475		-
Total excluding EU receipts		7,299		4,664
Core programme receipts from EU	(1)		8,320	
increase in provision	-		(3,511)	
	(1)		4,809	
EU balance provision adjustment* (note 18(ii))	-		232	
		(1)		5,041
Total including EU receipts		7,298		9,705
Amount transferred to DETI creditor		(7,298)		(9,705)
		-		-

* In respect of opening EU balance transferred from DETI in 2006-07.

6. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis:	**2008 £'000**	**2007 £'000**
Industrial development grants	43,960	44,165
Research and development programme including grants	17,579	18,888
Enterprise grants	10,287	7,712
Company development programme	10,493	12,064
Business support grants	3,794	3,682
Promotion and marketing support	5,321	4,707
Property support	1,889	3,488
Property development scheme	730	1,124
Third party grants	7,748	9,078
Tourism grants	3,742	3,354
Trade and market access support	4,011	1,252
Overseas operation support	1,968	2,118
Project consultancy and appraisal	1,514	1,304
Board related expenditure	207	228
Other	2,602	3,733
	115,845	116,897

Other expenditure primarily includes programme support activities (training, legal, project evaluation, advertising, management fees etc.), special market initiatives, e-business and broadband business support costs.

(ii) Segmental analysis:	**2008 £'000**	**2007 £'000**
Innovation and Capability Development	35,894	36,235
Clients Group and Entrepreneurship	32,022	30,128
Clients Group and Business International	40,774	41,500
Corporate Services Group (including Board related expenditure)	7,155	9,034
	115,845	116,897

7. STAFF COSTS AND EMPLOYEE INFORMATION

(i) The average number employed, including divisional directors but excluding Board members and staff on career break, within each category of group was:

	2008 No.	2007 No.
Chief Executive and Managing Directors	5	5
Innovation and Capability Development	145	154
Clients Group and Entrepreneurship	140	134
Clients Group and Business International	88	89
Corporate Services Group (including internal IT Division)	198	197
Total	576	579

The above includes civil servants seconded from DETI (2008: 9, 2007: 18), temporary staff and external secondees (2008: 24, 2007: 18).

In 2008, the internal IT division is reported within the Corporate Services Group. It was reflected in the Innovation and Capability Development Group in the 2007 financial year. For consistency purposes, the average of 25 IT staff members has been reclassified accordingly in the 2007 comparative above.

(ii) The total administrative staff costs, including senior management team and divisional directors but excluding Board members was:

	2008 £'000	2007 £'000
Salaries and wages	16,722	16,483
Social security costs	1,329	1,351
	18,051	17,834
Pension scheme contribution	2,977	2,942
Early retirement cost	12	7
Total costs in respect of permanent and long term contract employees*	21,040	20,783
Less: recoveries in respect of outward secondments and others	(48)	(112)
Less: staff costs treated as programme expenditure	(560)	(621)
	20,432	20,050
External secondees and temporary staff costs including irrecoverable VAT	618	520
Total administrative staff costs	21,050	20,570

* 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 34 (2007: 35). 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 3 'Non surrenderable income' or reflected in note 6 'Grants and programme related costs'.

(iv) Pension costs

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme 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 2007-08, employers' contributions of £2,965,000 (2007: £2,929,000) were payable to the PCSPS (NI) at one of four rates in the range 16.5 to 23.5 per cent (2007: 16.5 to 23.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £12,000 (2007: £13,000) were paid to one or more of a panel of three 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 three 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. At the balance sheet date, there were no contributions due to the partnership pension providers (2007: £13,000). There were no contributions prepaid at that date (2007: nil).

Two (2007: 2) staff members retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £2,000 (2007: £2,000).

The early retirement cost of £12,000 (2007: £7,000) represents the recharge of employer pension contribution costs, from DETI, in relation to two civil servants (2007: 1) who retired early.

8. ADMINISTRATIVE EXPENSES

	2008 £'000	2007 £'000
Travel and subsistence	735	783
Overseas offices costs	193	174
Equipment rental and maintenance	1	6
Vehicle costs	9	8
Telephone, mobile costs and data communications	255	483
Stationery and postage	67	82
Printing and publications	21	20
Training and conference costs	318	296
Computer maintenance and related costs	733	551
Advertising and recruitment costs	97	251
Office consumables and related costs	56	59
Professional fees	140	184
Headquarters PFI service and related charges	5,023	5,091
Other admin property rental, maintenance and related expenses	915	2,222
Light, heat and power	14	23
Rates	655	609
Security costs	11	9
Contract cleaning	14	11
Insurance and subscription	35	24
Canteen costs	1	1
Hospitality	93	83
Other employee related costs	19	14
Bank charges	4	13
Exchange difference	12	22
Miscellaneous expenses	4	14
Total administrative expenditure excluding notional costs	9,425	11,033
Other administrative expenditure	4,402	5,942
Headquarters PFI service and related charges	5,023	5,091
Total administrative expenditure excluding notional costs	9,425	11,033
Notional administrative costs (note 9(i))	509	473
Total administrative expenditure including notional costs	9,934	11,506

9. NOTIONAL COSTS

(i) Notional administrative costs	2008 £'000	2007 £'000
Personnel and training services	5	14
External Audit	112	116
Internal Audit	239	242
Land and Property Services	153	101
	509	473
(ii) Credit reversal of notional costs		
Notional administrative costs	509	473
Interest on capital employed at 3.5% (2007: 3.5%)	4,532	3,431
	5,041	3,904

10. DEBT AND FIXED INVESTMENT PROVISION (RELEASE)/CHARGE

Movement in provision and write off:	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Increase in provision for venture capital fund*		800		236
Share investment:				
(decrease) in provision for shares*	(2,062)		(943)	
amount written off*	2,157		1,123	
		95		180
Loan investment:				
(decrease) in provision*	(1,319)		(660)	
amount written off*	662		1,160	
		(657)		500
Amortisation:				
(decrease) in amortisation provision*		(219)		(288)
		19		628
(Decrease)/increase provision on core programme receipts from EU (note 23(ii))		(277)		742
(Decrease)/increase in other bad debts provisions (note 23(ii))		(1,074)		2,922
		(1,332)		4,292

* Note 16(i).

11. ASSET DEPRECIATION, AMORTISATION AND IMPAIRMENT

(i) Depreciation and amortisation	2008 £'000	2007 £'000
Fixed asset depreciation (note 13(i))	1,208	1,339
Intangible asset amortisation (note 14)	204	-
	1,412	1,339
(ii) Impairment		
Fixed asset (note 13(i))	217	304
Intangible asset (note 14)	11	-
	228	304

12. TAXATION

(i) Taxation charge in the year Analysis of charge in year (estimate)	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on taxable income for the current year	2,000	770
Adjustments to tax charge in respect of previous periods	(900)	-
	1,100	770

(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 ongoing with HM Revenue and Customs (HMRC) 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 2008 and 2007 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 2008 and for previous financial years.

13. TANGIBLE FIXED ASSETS

(i) Total Tangible Fixed Assets	Land & Property £'000	Plant & Machinery (including motor vehicles) £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2007	129,521	37	4,166	374	134,098
Additions*	2,209	11	960	12	3,192
Disposals	(18,114)	(35)	-	-	(18,149)
Reclassification***	-	-	(620)	-	(620)
Transfer from current asset**	622	-	-	-	622
Transfer to current asset**	(425)	-	-	-	(425)
Revaluation gain (note 21)	66,057	-	-	-	66,057
Amount written down/indexation (note 11(ii))	(180)	-	(138)	17	(301)
At 31 March 2008	179,690	13	4,368	403	184,474
Depreciation:					
At 1 April 2007	3,261	37	2,396	174	5,868
Charge for year (note 11(i))	357	-	813	38	1,208
Disposals	(275)	(35)	-	-	(310)
Reclassification***	-	-	(325)	-	(325)
Transfer from current asset**	47	-	-	-	47
Transfer to current asset**	(50)	-	-	-	(50)
Backlog/indexation (note 11(ii))	-	-	(93)	9	(84)
At 31 March 2008	3,340	2	2,791	221	6,354
Net Book Value:					
1 April 2007	126,260	-	1,770	200	128,230
31 March 2008	176,350	11	1,577	182	178,120

* Additions are funded by financing received from DETI.

** Note 17.

*** Assets with a total net book value of £295,000 have been reclassified as intangible fixed assets (note 14).

(ii) Analysis of land and property balance (net book value):	2008 Land £'000	2008 Property £'000	2008 Total £'000	2007 Land £'000	2007 Property £'000	2007 Total £'000
Administrative	80	320	400	75	265	340
Occupied	114,398	11,982	126,380	84,032	14,008	98,040
Unoccupied	47,937	1,633	49,570	26,205	1,675	27,880
Included in fixed assets	162,415	13,935	176,350	110,312	15,948	126,260
Included in current assets	275	100	375	475	100	575
	162,690	14,035	176,725	110,787	16,048	126,835

Land and property was re-valued by Land and Property Services (previously known as the 'Valuation and Lands Agency') on 31 March 2008, 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, most of the land and property portfolio is 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 17).

14. INTANGIBLE FIXED ASSETS

	Software Licences £'000
Cost/Valuation:	
At 1 April 2007	-
Reclassification from tangible fixed asset (note 13(i))	620
Additions	59
Amount written down/indexation (note 11(ii))	(28)
At 31 March 2008	651
Amortisation:	
At 1 April 2007	-
Reclassification from tangible fixed asset (note 13(i))	325
Charge for year (note 11(i))	204
Backlog/indexation (note 11(ii))	(17)
At 31 March 2008	512
Net book value:	
1 April 2007	-
31 March 2008	139

15. INVESTMENTS

Unlisted (Gross amount)	**2008 £'000**	**2007 £'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 are as follows:

	2008 £'000	**2007 £'000**
Turnover	8,911	8,428
Profit after tax	232	159
Net assets	1,369	1,137
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 are as follows:

	2008 £'000	**2007 £'000**
Income	-	-
Net expenditure before and after tax	220	857
Net assets	-	-
Capital commitments	-	-
Financial commitments	284	768
Contingent liabilities	-	-

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

16. FIXED INVESTMENTS

(i) Total Fixed Asset Investments	Venture Capital £'000	Share Capital £'000	Loans £'000	Amort-isation £'000	Total £'000
Gross amount:					
At 1 April 2007	3,962	33,311	25,461	9,483	72,217
Additions	1,620	1,693	1,560	-	4,873
Repayments and disposals	-	(3,505)	(4,924)	(1,560)	(9,989)
Amount waived and written off (note 10)	-	(2,157)	(662)	-	(2,819)
Adjustment*	376	-	-	-	376
At 31 March 2008	5,958	29,342	21,435	7,923	64,658
Provision:					
At 1 April 2007	1,162	18,318	8,352	5,290	33,122
Charge/(credit) for year (note 10)	800	(2,062)	(1,319)	(219)	(2,800)
Adjustment*	376	-	-	-	376
At 31 March 2008	2,338	16,256	7,033	5,071	30,698
Net balance:					
1 April 2007	2,800	14,993	17,109	4,193	39,095
31 March 2008	3,620	13,086	14,402	2,852	33,960

* A book entry of £376,000 has been made to re-align the opening cost/valuation and accumulated provision balances. This adjustment does not have any impact on the net balance reported.

(ii) Loans and amortisation repayment analysis (net balance):	2008 Loans £'000	2008 Amort-isation £'000	2008 Total £'000	2007 Loans £'000	2007 Amort-isation £'000	2007 Total £'000
Amount due:						
Within 1 year	5,622	461	6,083	8,072	838	8,910
Within 2 to 5 years	2,895	1,400	4,295	3,251	2,356	5,607
Greater than 5 years	5,885	991	6,876	5,786	999	6,785
	14,402	2,852	17,254	17,109	4,193	21,302
Secured	9,336	2,852	12,188	12,026	4,193	16,219
Unsecured	5,066	-	5,066	5,083	-	5,083
	14,402	2,852	17,254	17,109	4,193	21,302

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

During the year, Invest NI invested and paid five (2007: 13) different companies a total of £710,000 (2007: £3,809,000) in the form of repayable loans, of which one transaction (2007: 1) exceeded £250,000.

Invest NI received 38 loan principal repayments totalling £4,924,000 (2007: 46 repayments totalling £5,188,000), of which six loan repayments (2007: 3) exceeded £250,000 each.

(iv) Action Energy Loan Scheme (AELS)

During the year, Invest NI contributed £850,000 (2007: £2,605,000) to AELS. At the year end, a cumulative gross contribution of £4,671,000 (2007: £3,821,000) to AELS 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 eight (2007: 6) different companies a total of £1,693,000 (2007: £558,000) in the form of either ordinary or preference shares of which two transactions (2007: nil) exceeded £250,000.

Invest NI received 15 share capital repayments totalling £3,505,000 (2007: 9 share repayments totalling £1,687,000), of which four share repayments (2007: 2) exceeded £250,000 each. One of these transactions related to a share disposal for which a consideration of £484,000 was outstanding at the balance sheet date.

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 five amortisation principal repayments totalling £1,560,000 (2007: 5 repayments totalling £1,707,000), of which one repayment (2007: 2) exceeded £250,000.

(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 of which just less than five years remain from the year end. 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 £120,000 (2007: £132,000) to NITECH. At the balance sheet date, Invest NI has made a cumulative capital loan contribution of £2,583,000 (2007: £2,463,000) to the Fund. Also, a cumulative provision of £1,233,000 (2007: £763,000) 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 (CC) 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 of which six years remain from the year end. The purpose of the partnership is to carry on the business of an investor by arranging purchases/sales, or through investing in manufacturing and tradable services based industrial SMEs located in Northern Ireland.

During the year, Invest NI made a gross contribution of £1,500,000 (2007: nil) to CC. At the balance sheet date, Invest NI has made a cumulative capital loan contribution of £3,375,000 (2007: £1,875,000) to CC. Also, a cumulative provision of £1,105,000 (2007: £775,000) 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.

17. DEBTORS

	2008 £'000	2007 £'000
Amounts due within one year:		
Trade debtors	6,373	4,708
Other debtors	3,404	3,366
EU debtors	6,403	5,957
Prepayments	1,016	845
Accrued income		
loan interest and dividend	1,614	2,342
other	91	43
Other assets (net book value)		
land and property held as current (note 13)	375	575
	19,276	17,836

18. CREDITORS

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
(i) Amounts due within one year:				
Bank overdraft (note 23(iii))		1,105		2,568
Trade creditors and accruals		8,523		8,750
Accrued grant creditors		35,157		31,674
Corporation tax		329		9
Other taxes and social security		11		1
Other creditors		920		1,705
Deferred income		536		254
Amounts due to DETI (note 18(ii))				
other income surrendered	5,082		5,580	
EU receipts surrendered	3,106		4,809	
		8,188		10,389
		54,769		55,350
(ii) Movement in DETI creditor balance in respect of total income surrendered:				
At 1 April		10,389		8,510
Other income surrendered (note 5)		7,299		4,664
EU receipts surrendered (note 5)		(1)		4,809
EU receipts balance transferred from DETI (note 22)	-		4,247	
Provision adjustment (note 5)	-		232	
	-		4,479	
Amount allocated to Consolidated Fund through general reserve (note 22)	-		(4,479)	
		-		-
Amount paid by Invest NI		(9,499)		(7,594)
At 31 March		8,188		10,389

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Grants (note 20) £'000	Land & Property £'000	Others £'000	Total £'000
At 1 April 2007	19,090	4,050	1,062	24,202
Charge to Income and Expenditure account	17,997	296	-	18,293
Release of provisions not required	(905)	(244)	(2)	(1,151)
Utilised in year	(6,017)	(615)	(298)	(6,930)
Amount transferred to accrued grant creditors	(9,975)	-	-	(9,975)
Amount transferred to trade creditors	-	(180)	-	(180)
At 31 March 2008	20,190	3,307	762	24,259

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.

Provision has been made for potential liabilities in respect of land transactions undertaken in the early 2000s by a predecessor agency. The amount provided is based on professional advice in respect of the anticipated settlements. In addition, provisions have been made for estimated future expenditure in respect of a number of vacant properties. Information usually disclosed under the requirements of Financial Reporting Standard 12 is not provided on the grounds of commercial sensitivity, as to do so may seriously prejudice the outcome of the negotiation and settlement process.

Included in other provisions are potential funding repayments due to other grant authorities.

20. 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 are 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; and
- for other grants such as business support and R&D related grants, the estimation of liability for unclaimed grants is calculated based on:
  - a review of claims paid post year end relating to the prior year;
  - trend analysis of claims;
  - grant commitments existing at the year end; and
  - claims and payment profile.

The diverse range of grants offered by Invest NI requires a variety of methodologies to be used in order to calculate the provision amounts. Whilst it is recognised that this involves an element of estimation, the accuracy of the provisions is assessed annually.

21. REVALUATION RESERVE

	2008 £'000	2007 £'000
At 1 April	51,133	23,527
Revaluation gain (note 13)	66,057	30,772
Release on disposal	(9,492)	(3,166)
At 31 March	107,698	51,133

22. GENERAL RESERVE

	2008 £'000	2008 £'000	2007 £'000 Restated (note 2)	2007 £'000 Restated (note 2)
At 1 April		54,779		66,592
Net expenditure for the financial year		(142,150)		(140,184)
Financing received from DETI		123,220		125,205
Revaluation reserve realised on fixed asset disposal		9,492		3,166
EU receipts balance transferred from DETI (note 18(ii))	-		4,247	
Provision adjustment (note 18(ii))	-		232	
	-		4,479	
Amount allocated to Consolidated Fund via general reserve (note 18(ii))	-		(4,479)	
		-		-
At 31 March		45,341		54,779

23. CASH FLOW STATEMENT

	2008 £'000	2008 £'000	2007 £'000 Restated (note 2)	2007 £'000 Restated (note 2)
i) Reconciliation of results for the year to net cash outflow from operating activities				
Net expenditure after taxation		(147,191)		(144,088)
Adjustments for non-cash transactions				
Notional costs	509		473	
Notional cost of capital	4,532		3,431	
Asset depreciation and amortisation	1,412		1,339	
Profit on fixed asset disposal	(528)		(5,957)	
Loss/(profit) on fixed investment disposal	142		(193)	
Tangible and intangible fixed asset impairment	228		304	
Total fixed investment, bad debt and provision movement (note 23(ii))	(364)		5,543	
Grant provision charged	17,092		11,851	
Land & property and other provision charged	50		3,351	
Total non-cash transactions movement		23,073		20,142
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)	485		(4,470)	
Other debtors	446		3,031	
EU debtor	(169)		(6,699)	
Amounts due from DETI	-		13	
Prepayment	(171)		(215)	
Accrued loan interest and dividend income (net of provision)	(2,396)		(2,722)	
Other accrued income	(48)		113	
Increase in debtors		(1,853)		(10,949)
(b) Increase/(decrease) in creditors:				
Trade creditors and accruals	(408)		3,911	
Accrued grant creditors	3,483		1,870	
Corporation tax	1,100		770	
Other taxes and social security	10		(11)	
Amounts due to DETI (note 18(ii)):				
income surrendered	7,299		4,664	
programme receipts from EU	(1)		4,809	
Other creditors	(785)		800	
Deferred income	282		(32)	
Increase in creditors		10,980		16,781

continued

	2008 £'000	2008 £'000	2007 £'000 Restated (note 2)	2007 £'000 Restated (note 2)
Use of provisions				
Grant provision	(15,992)		(16,820)	
Land & property and other provision	(1,093)		-	
Total use of provisions		(17,085)		(16,820)
Net cash outflow from operating activities		(132,076)		(134,934)
(ii) Analysis of bad debt provision charge				
Increase in provision against accrued loan interest and dividend income including write off (note 5)			968	1,251
(Decrease)/increase in provision for loans and shares including amount waived / written off (note 10)			19	628
(Decrease)/increase in provision on core programme receipts from EU (note 10)			(277)	742
(Decrease)/increase in other debts provisions (note 10)			(1,074)	2,922
			(364)	5,543
(iii) Reconciliation of net cash flow to movement in net funds				
Increase/(decrease) in cash in the year			1,732	(421)
Change in net funds resulting from cash flows – increase/(decrease)			1,732	(421)
Net funds at start of year – (deficit)			(2,465)	(2,044)
Net funds at end of year – (deficit)			(733)	(2,465)
Net funds comprise:				
cash at bank and in hand			372	103
bank overdraft (note 18(i))			(1,105)	(2,568)
Net funds at end of year – (deficit)			(733)	(2,465)

24. 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 resource requirements are financed by resources voted by the Parliament/Assembly through DETI. The organisation is therefore not exposed to significant liquidity risks.

Interest Rate Risk

Eighty-nine per cent (2007: 87 per cent) of Invest NI's financial assets and 100 per cent (2007: 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

At the year end, the financial assets of Invest NI comprised (net book/realisable value):

	2008 £'000	2007 £'000
Cash	372	103
Venture capital investments	3,620	2,800
Shares	13,086	14,993
Loans	14,402	17,109
Amortisation	2,852	4,193
	34,332	39,198

Currency (Sterling)	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
At 31 March 2008:	3,812	8,513	22,007	34,332
At 31 March 2007:	5,116	11,820	22,262	39,198

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:

	2008 Book value £'000	2008 Fair value £'000	2007 Book value £'000	2007 Fair value £'000	Basis of fair valuation Notes
Financial assets					
Venture capital investments	3,620	3,620	2,800	2,800	A
Shares	13,086	13,086	14,993	14,993	B
Loans	14,402	14,402	17,109	17,109	A
Amortisation	2,852	2,852	4,193	4,193	C
Financial liabilities					
Provisions	24,259	24,259	24,202	24,202	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. The fair value and book value are both based on market value or estimates of the likely sales or realisable proceeds.

C. Amortisations to client companies are at floating rate so fair value is not significantly different from book value.

D. Fair value is not significantly different from book value since provisions are based on reasonable estimates of the likely liability.

25. CAPITAL COMMITMENTS

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

	2008 £'000	2007 £'000
Contracted	1,691	213

26. COMMITMENTS UNDER LEASES

Annual commitments at year end under operating leases are as follows:

	2008 £'000	2007 £'000
Property leases		
Expiry date:		
within one year	157	139
between two and five years	523	496
after five years	608	677
	1,288	1,312
Other leases		
Expiry date:		
within two and five years	11	-
	11	-

27. OTHER FINANCIAL COMMITMENTS

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

Segmental analysis:	2008 £'000	2007 £'000
Innovation and Capability Development	50,687	44,860
Clients Group and Entrepreneurship	14,971	14,672
Clients Group and Business International	54,820	71,977
Corporate Services	-	-
	120,478	131,509

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 contract is on a 25 year basis from October 2005. The service charge payable by Invest NI includes unitary charges for facility (property and car parking), reprographic and catering. The Bedford Square headquarters is not an asset of Invest NI and it is an off balance sheet property.

Invest NI occupies part of the property. The estimated capital value information is not available at the date of these accounts. At the year end, the annual fixed service charge due under this PFI contract is as shown in the table below.

The amount below 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.

	2008 £'000	2007 £'000
Within one year	4,518	4,636
In the second to fifth years	17,350	17,283
After five years	76,092	79,283
	97,960	101,202

29. 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 £0.2 million as at 31 March 2008 (2007: £0.4 million). There were no payments made in relation to this in the year (2007: 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 2008 (2007: nil).

There are potential liabilities in respect of a number of land and property transactions previously undertaken (property development schemes, 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 (2007: none).

30. 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.

Ongoing discussions have been held with HMRC in respect of Invest NI's VAT position. However, the VAT treatment for a number of specific activities has not yet been finalised. At the year end, there may potentially be input VAT recoverable relating to the financial years 2006-07 and 2007-08.

31. 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

There are a number of organisations operating loan and investment grants that have received support from LEDU (pre 1 April 2002) and Invest NI alongside funding from other government departments, the International Fund for Ireland, and Peace and Reconciliation (Peace I & II). These organisations include: The Prince's Trust, Women in Enterprise, West Belfast Enterprise Board Limited (WBEB); Aspire Micro Loans for Business Limited (Aspire); Enterprise Northern Ireland Limited - Small Business Loan Fund (ENI); Ulster Community Investment Trust Limited (UCIT); Northern Ireland Screen (NIS).

There have been no losses reported by WBEB and UCIT in the current and previous financial years. Other organisations which received funding from Invest NI have reported the following losses:

- Aspire Micro loans: £20,000 relating to one case (2007: no losses reported)
- NIS: £18,000 relating to one case (2007: no losses reported)
- The Prince's Trust: £92,000 relating to two cases (2007: £29,000 relating to 13 cases)
- Women in Enterprise: £2,000 relating to three cases (2007: £7,000 relating to five cases).

There are potential losses in the ENI loan fund. In addition, Emerging Business Trust received financial support from LEDU and went into creditor's voluntary liquidation in 2004-05. The final position of the potential losses in the ENI loan fund and EBT has not yet been established at the date of these accounts.

NITECH, Crescent Capital II and Action Energy Loan (AEL) received operating loans and grants assistance from Invest NI. Whilst a provision on investments is reported in their accounts, no actual amount has been written off.

(ii) Other losses

Waiver/Write off	2008 Losses £'000	2008 No. of cases >£250k	2008 No. of cases <£250k	2007 Losses £'000	2007 No. of cases >£250k	2007 No. of cases <£250k
Others: Grants recoverable	3,608	6	24	5,195	5	32
Others including investments and accrued income	3,130	5	98	3,918	7	10

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.

At the balance sheet date, there are 12 cases of potential losses totalling £17,317,000 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, four of these cases totalling £1,861,000 have been waived.

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

(iii) Constructive losses

	2008 Losses £'000	2008 No. of cases >£250k	2008 No. of cases <£250k	2007 Losses £'000	2007 No. of cases >£250k	2007 No. of cases <£250k
Total	656	-	4	651	-	5

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. Since the year end, one of the property agreements has been settled for a sum of circa £200,000.

(iv) Special payment

There were no special payments made during the year (2007: one special payment of £12,000 in respect of a legal claim).

32. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments

Invest NI is an NDPB of DETI. DETI is regarded as a related party. During the year, Invest NI has had various material transactions with DETI. At the year end, Invest NI had the following material outstanding balances with DETI:

	2008 £'000	2007 £'000
Debtors (amounts due within one year (note 17)): Balances with other central government bodies	-	-
Creditors (amounts due within one year (note 18)): Balances with other central government bodies	8,188	10,389

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

Register of interests

The Chairman, Board members, Chief Executive and Senior Management Team are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgment. The register of interests 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

During 2006-07, Invest NI entered into a service contract totalling £14,000 p.a. with Leslie Ross, a Managing Director who retired in 2005-06. This contract was awarded through an open tender for the provision of services in implementing Invest NI European Aerospace strategy. Invest NI has taken the option to extend the contract for a further period of one year.

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 beneficial or non beneficial 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. The purchase of goods and services are subject to normal tendering processes, and the organisation's procurement policy which complies with DFP guidelines. All proposals and transactions are approved in line with the delegation policies approved by DETI.

During the year, the following payments (inclusive of VAT where applicable and aggregate value in excess of £1,000) were made to companies related to Board members:

- In June 2007, Chairman Stephen Kingon retired from the position of Managing Partner of PricewaterhouseCoopers LLP (PWC) in Northern Ireland. The company was paid £378,000 (2007: £317,000) by Invest NI for various professional engagements. The fee for Mr. Kingon's services as Chairman and a Board member to June 2007 was also paid to PWC.

- Stephen Kingon is a Director of Stephen Kingon Associates, which was paid £23,000 for his services as Chairman of Invest NI. There were no other transactions during the year or in previous years.

- Stephen Kingon was appointed to the position of Non Executive Director of Mivan (UK) Limited during the year. The company received £1,000 of financial assistance payments from Invest NI.

- Stephen Kingon is an Advisor for the Royal National Institute for the Deaf, which was paid £1,000 (2007: nil) for services provided.

- Stephen Kingon and Bill McGinnis are Ambassadors for the Prince's Trust, which was paid £2,000 (2007: nil) for services provided by Invest NI and received £286,000 (2007: £789,000) of financial assistance payments.

- Stephen Kingon is the Chairman and Bernie Hannigan is a Board member of Centre for Competitiveness, which was paid £374,000 (2007: £461,000) for services provided and received £37,000 (2007: nil) of financial assistance payments.

- Bill McGinnis is Chairman and a Director of the McAvoy Group, which received £52,000 (2007: £110,000) of financial assistance payments from Invest NI and offered a new financial assistance package totalling £15,000 (2007: £213,000).

- Bill McGinnis is a Board Member of Management & Leadership Network, which received £15,000 (2007: nil) of financial assistance payments.

- Bill McGinnis is Chairman and Director of Federal Electronic Security Limited, which received £7,000 (2007: nil) of financial assistance payments.

- Patrick Haren is a Director of Northern Ireland Electricity Plc, which was paid £207,000 (2007: £505,000) by Invest NI for electricity supply, provision of new cable infrastructure and related services.

- Gilbert Little is an Executive Director and Chairman of Aepona Telecoms Limited, which received £1,000 (2007: £171,000) of financial assistance payments.

- Bernie Hannigan is a Director of Northern Ireland Science Park (Holdings) Limited, which was paid £6,000 (2007: £5,000) for services provided and received £20,000 (2007: nil) of financial assistance payments.

- Bernie Hannigan is a Director of Northern UUSRP Limited, which was paid £9,000 (2007: £3,000) for services provided.

- Bernie Hannigan is a Director of UU Tech Limited, which was paid £17,000 (2007: £1,000) for services provided and received £3,000 (2007: nil) of financial assistance payments. New financial assistance packages totalling £1,211,000 (2007: nil) were also offered.

- Bernie Hannigan is a Director of Greenshoots Newry Limited. There was no new financial assistance package offered during the year (2007: £100,000).

- Bernie Hannigan is a Pro Vice-Chancellor (Research and Innovation) of the University of Ulster. Rosemary Peters-Gallagher is a member of council and court of the University. This academic body received £2,551,000 (2007: £2,700,000) of financial assistance payments and was paid £321,000 (2007: £2,000) for services provided to Invest NI. A new financial assistance package totalling £9,000 (2007: £7,243,000) was offered.

- Rosemary Peters-Gallagher is connected to the Northern Bank via family relations. This financial institution received £nil (2007: £63,000) of financial assistance payments from Invest NI.

- Ed Vernon is a Board Member of Queen's University Foundation. Bernie Hannigan is also connected to the University via family relations. Rotha Johnston is Pro-Chancellor of Queen's University Belfast. This academic body received £1,946,000 (2007: £5,286,000) of financial assistance payments from Invest NI and was paid £118,000 (2007: £16,000) for services provided. New financial assistance packages totalling £2,583,000 (2007: £730,000) were offered.

- Bryan Keating is a Non Executive Chairman and Shareholder of Andor Technology Plc, which received £241,000 (2007: £154,000) of financial assistance payments. There was no new financial assistance package offered during the year (2007: £62,000).

- Bryan Keating is a Non Executive Director and Chairman of Mail Distiller Limited, which was paid £37,000 (2007: nil) for services provided, received £nil (2007: £2,000) of financial assistance payments and was offered a new financial assistance package totalling £14,000 (2007: £25,000).

- Bryan Keating is a Non Executive Director of Investment Belfast, which received nil (2007: £48,000) of financial assistance payments and was paid £8,000 (2007: nil) for services provided.

- Bryan Keating is a Shareholder in Datactics Limited, which received £2,000 (2007: £10,000) of financial assistance payments.

- Ex-Board Member Alan McClure is Chairman of Alpha Environmental Systems Limited, Precision Industrial Services Limited, NU Print Trimmings Limited and Sepha Holdings Limited. These companies received £23,000 (2007: £45,000), £12,000 (2007: £2,000), £56,000 (2007: £148,000) and £57,000 (2007: £26,000) of financial assistance payments respectively. Also, NU Print Trimmings Limited and Sepha Holdings Limited received new financial assistance packages totalling £27,000 (2007: £150,000) and £41,000 (2007: £30,000) respectively.

33. 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 (2008: £21,000, 2007: £58,000) and Information Age Initiative (2008: nil, 2007: £1,714,000).

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

Programmes funded by DEL

Community Business Start-Up Programme:
No funding was received in the year (2007: £563,000), and the amount due from DEL at the year end is £176,000 (2007: £193,000).

Investing in Women Programme:
Invest NI received £115,000 funding in the year (2007: £73,000). The amount due from DEL at the year end is £65,000 (2007: £4,000).

Programme funded by DOE

Waste Management Programme: Invest NI received £25,000 in the year (2007: £182,000). There are no amounts due from DOE at the year end (2007: nil).

Programme funded by DETI

Peace II Social Entrepreneurship Programme: Invest NI received a separate funding of £304,000 from DETI in the year (2007: nil). There are no amounts due from DETI at the year end (2007: nil).

Programme partially funded by the local councils

Start a Business Programme:
No funding was received in the year (2007: £220,000). The balance of advanced councils funding at the year end is £nil (2007: £12,000).

Programme partially funded by NIE

SME Energy Efficiency Grant Scheme:
Invest NI received £46,000 in the year (2007: £25,000). The balance of advanced NIE funding at the year end is £nil (2007: £6,000).

Programme partially funded by Enterprise Ireland

Transform Scheme: Invest NI received £41,000 in the year (2007: nil). The balance due from Enterprise Ireland at the year end is £4,000 (2007: nil).

Programmes partially funded by EU (non core EU programmes)

Western Innovation Network Programme: No funding was received in the year (2007: £426,000). The amount due from EU at the year end is £184,000 (2007: £486,000 creditor).

Innovation Relay Centre: Invest NI received £48,000 in the year (2007: £57,000). The amount due from the EU at the year end is £94,000 (2007: £40,000).

Era-net Programmes: Invest NI received £63,000 (2007: £13,000). The balance of advanced EU funding at the year end is £10,000 (2007: £5,000 debtor).

Interreg III, North West Business and Technologies Zone at Skeoge: Invest NI received £54,000 in the year (2007: £433,000). There are no amounts due from the EU at the year end (2007: nil).

Interreg III, Regional Initiatives: No funding was received in the year (2007: nil). The amount due from the EU at the year end is £21,000 (2007: nil).

European Information Centre: Invest NI received £22,000 in the year (2007: £18,000). There are no amounts due from the EU at the year end (2007: nil).

Enterprise Europe Network (Module A): No funding was received in the year (2007: nil). The amount due from the EU at the year end is £13,000 (2007: nil).

34. INVEST NI OFFICE NETWORK

In addition to the Bedford Square headquarters, Invest NI has offices in Northern Ireland, Great Britain, Republic of Ireland, Continental Europe, North America, South Asia, Middle East and the Far East. The Northern Ireland Technology and Development Centres (NITDCs) are located in Boston, Denver and Dubai.

The activities of the overseas offices are to support a wide range of Invest NI's economic development objectives, by promoting Northern Ireland as a prime location for investment and developing trade opportunities for Northern Ireland's companies. These overseas offices (including NITDCs) have the status of Invest NI's branches or representative offices. Subject to the rules and regulations of the country, most of the offices operate under a trade or governance licences, or equivalent. The Dubai NITDC has a legal status of a 'Free Zone Limited Liability Company' and is registered as 'Invest Northern Ireland FZ-LLC'.

The activities and expenditure relating to these offices are incorporated in the Income and Expenditure account and the Balance Sheet.

Appendix A


Developing business strategy
Invest Northern Ireland
Building Locally
Competing Globally

Share Investments in Client Companies

(i) Invest NI holds shares in the following companies at 31 March:

Company	Type of shares	No. of shares 2008	No. of shares 2007
Activity Breaks	£1 cumulative redeemable preference shares	150,000	150,000
Aepona Limited	£1 redeemable preference shares	325,000	325,000
Anderson Manning Associates Limited	£1 5.5% non cumulative redeemable preference shares	150,000	150,000
Aerospace Metal Finishers Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Alta Systems Limited	£1 7% convertible cumulative redeemable preference shares	100,000	100,000
Andronics Limited	£1 8.5% cumulative preference shares	225,000	225,000
Andronics Limited	£1 ordinary shares	375,000	375,000
ART Technology Group	Common Stock	235,783	235,783
Autonomy Corporation**	Ordinary shares	56,935	-
AXIS Three Limited*	'A' ordinary shares	54,405	34,405
AXIS Three Limited	Ordinary Shares	81,364	81,364
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Limited	£1 redeemable cumulative preference shares	-	250,000
Balcas Limited	£1 "C" preferred ordinary shares	1,350,000	1,500,000
Belleek Pottery Limited	Redeemable cumulative preference shares	300,000	300,000
BiancaMed Limited*	£1 7.5% 'A' preference shares	250,000	-
Biznet Solutions Limited	£1 8% redeemable cumulative preference shares	75,000	75,000
Bluechip Technologies Holdings Limited	£1 6% redeemable cumulative preference shares	65,000	65,000
Causeway Data Communications Limited	5.5% non cumulative redeemable preference shares	25,000	25,000
Chieftain Trailers Limited	5.5% non cumulative redeemable preference shares	150,000	150,000
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000	220,000
Conexant	$0.01 Common Stock	60,716	60,716
Country Inns (Ulster) Limited	£1 8% "A" redeemable cumulative preference shares	250,000	250,000
Cunningham Stone Limited	£1 8% redeemable cumulative preference shares	140,000	140,000

continued

Company	Type of shares	No. of shares 2008	No. of shares 2007
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Dark Water Studios*	Ordinary shares	8,696	-
Datactics Limited	£1 redeemable cumulative preference shares	100,000	100,000
Delta Print & Packaging Limited	£1 redeemable cumulative preference shares	-	187,000
Dunsilly Hotel	£1 6% redeemable cumulative preference shares	100,000	100,000
Eventmap Limited	£1 4% redeemable cumulative preference shares	81,000	81,000
Embedded Monitoring Systems Limited	£1 7.5% convertible redeemable cumulative preference shares	75,000	75,000
Finisco Limited	£1 7.5% redeemable cumulative preference shares	76,000	76,000
Fighting Bull Technologies Limited	£1 7.5% convertible redeemable cumulative preference shares	200,000	200,000
Fighting Bull Technologies Limited	£1 ordinary shares	1,000	1,000
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Fintec Crushing & Screening Limited	£1 redeemable cumulative preference shares	-	150,000
Fusion Antibodies Limited*	Ordinary shares	2,800	-
Global Email Company Limited	£0.00001 "B" ordinary shares	57,173,148	57,173,148
Gendel Limited	Redeemable cumulative preference shares	378,000	378,000
Gendel Limited	£0.0211 preferred ordinary shares	2,365,577	2,365,577
Glenaden Shirts Limited	£1 cumulative redeemable preference shares	250,000	250,000
Glenaden Shirts Limited	£1 8% non cumulative redeemable preference shares	100,000	100,000
Hartstone Group plc	£0.10 ordinary share	121,043	121,043
Heartsine Technologies Limited	Series D preferred stock	232,192	232,192
Heartsine Technologies Limited	Common stock	293,141	293,141
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	5,000,000
Iconi Software Limited	£1 10% cumulative redeemable preference shares	-	56,500
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000

continued

Company	Type of shares	No. of shares 2008	No. of shares 2007
Kelman Limited	150,000 cumulative redeemable preference shares	150,000	150,000
Killyhevlin Hotel	£1 redeemable cumulative preference shares	245,000	245,000
Lagan Technologies Limited	£1 redeemable non cumulative preference shares	250,000	250,000
Latens Systems Limited	Ordinary shares	25,806	25,806
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Linden Foods Limited	£1 redeemable cumulative preference shares	244,299	500,000
Manor House Country Hotel	£1 3% redeemable cumulative preference shares	220,000	220,000
McAvoy Group Limited	£1 cumulative redeemable preference shares	350,000	350,000
McCleery Technical Yarns Limited	£1 5% "A" cumulative redeemable preference shares	-	50,000
Medevol Limited	Ordinary shares	100,000	100,000
Meridio Holdings Limited	£0.025 "A" preferred ordinary shares	-	1,588,235
Mobile Cohesion Limited	£1 redeemable cumulative preference shares	400,000	400,000
MRB Creative Limited	10% cumulative redeemable preference shares	63,300	63,300
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	149,000	161,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000	50,000
Pressfold Limited	£1 redeemable non cumulative preference shares	-	80,000
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Quantum Hosiery Limited (Previously Adria Limited)	£1 "A" 11% cumulative redeemable preference shares	-	424,736
Quantum Hosiery Limited** (Previously Adria Limited)	£1 non cumulative redeemable preference shares	1,000,000	-
Randox Laboratories Limited	£1 5% cumulative redeemable preference shares	4,000,000	4,000,000
Reflex Mouldings Limited	£1 cumulative redeemable preference shares	200,000	200,000
Replify Limited*	Preferred ordinary shares	333,333	-
Sensor Technology & Devices Limited	Ordinary shares	100,000	100,000
Sensor Technology & Devices Limited*	Preferred ordinary shares	15,044	-
Serpico Software Limited	£1 10% cumulative redeemable preference shares	135,000	135,000

continued

Company	Type of shares	No. of shares 2008	No. of shares 2007
SMTEK International Inc. (USA)	$0.01 common stock	17,042	17,042
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000	330,000
Telestack Limited	£1 5.5% non cumulative preference shares	-	100,000
The Grant Group	"B" £1 redeemable preference shares	-	100,000
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000	25,000
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000	75,000
Tough Glass Limited	£1 redeemable non cumulative preference shares	180,000	180,000
Trace Assured Limited	£1 7% "A" cumulative redeemable preference shares	50,000	50,000
Trace Assured Limited	£1 7% "B" cumulative redeemable preference shares	540,000	540,000
Trace Assured Limited	£1 ordinary shares	7,000	7,000
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000	75,000
Tudor Journals Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Ulster Development Capital	£1 ordinary shares	15,000	15,000
Ulster Engineering Limited	£1 redeemable non cumulative preference Shares	100,000	100,000
Unibase Cabinet Systems Limited	£1 redeemable non cumulative preference shares	-	40,000
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
Western Connect Limited	5.5% cumulative redeemable preference shares	100,000	100,000
William Clark & Sons Limited	£1 redeemable ordinary shares	750,000	750,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000
Woodlock Joinery Limited	£1 redeemable cumulative preference shares	175,000	175,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000

* Share investment 2007-08, each £250,000 and below
** Share investment 2007-08, greater than £250,000

(ii) Invest NI holds shares in the following companies which are in receivership/liquidation/closure at 31 March:

Company	Type of shares	No. of shares 2008	No. of shares 2007
Answercall Direct Limited	£1 5% redeemable preference shares	200,000	200,000
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Arca Technologies Limited	£1 5.5% non cumulative redeemable preference shares	-	250,000
Authentica Limited	Redeemable preference shares	-	30,000
British Textiles Manufacturing Company Limited	£1 5% redeemable cumulative preference shares	-	307,026
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
Coulter Windows Limited	£1 5% redeemable cumulative preference shares	-	250,000
Duromould Limited	£1 5% redeemable cumulative preference shares	50,000	50,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Exus Energy Limited	£1 5.5% preference shares	120,000	120,000
Global Club Limited	£1 redeemable preference shares	-	100,000
Herdman Holdings Limited	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Limited	Ordinary shares	10,000	10,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,000	200,000
Irish Polymers Limited	£1 5% cumulative redeemable preference shares	100,000	100,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000	150,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000	149,000
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000	50,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000

continued

Company	Type of shares	No. of shares 2008	No. of shares 2007
Northern Ireland Export Company Limited	£1 redeemable non cumulative preference shares	102,000	102,000
Northern Ireland Export Company Limited	ordinary shares	98,000	98,000
Oberon Enterprises Limited	£1 redeemable non cumulative preference shares	90,000	90,000
PAM Electronic Limited	Ordinary shares	10,000	10,000
Pacific Tooling Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick (Manufacturing) Limited	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preference shares	45,000	45,000
Sarcon (No 19) Limited (GK)	"B" redeemable cumulative preference shares	70,000	70,000
Sarcon (no 150) Limited	£0.1 "A" ordinary shares	500,000	500,000
Sarcon (no 150) Limited (Donaghadee Carpets)	£1 8% cumulative redeemable preference shares	1,500,000	1,500,000
Sheelin Products Limited	£1 redeemable preference shares	40,000	40,000
Softcom Limited	£1 redeemable preference shares	50,000	50,000
Smartlight Devices Ireland Limited	£1 "A" redeemable preference shares	-	750,000
Smartlight Devices Ireland Limited	£1 10% "B" cumulative redeemable preference shares	-	470,000
SMTEK Europe Limited	£1 redeemable preference shares	200,000	200,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Ulster Weavers Apparel Limited	5% redeemable preference shares	519,500	692,500
United Fashion (Strelitz)	£1 "A" redeemable preference shares	250,000	250,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000

Notes

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